

## **OPEN SESSION AGENDA ITEM**

**54-142 MAY 2018**

### **FINANCE AND PLANNING COMMITTEE ITEM III.A.**

**DATE:** May 17, 2018

**TO:** Members, Finance and Planning Committee

**FROM:** Kevin Harper, Interim Chief Financial Officer

**SUBJECT:** 2018 Q1 Financial Statement Report, Investment Report and Client Security Fund Report

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#### **EXECUTIVE SUMMARY**

In adherence with the State Bar's Fiscal Policies and Procedures, the Office of Finance has prepared the financial report for the 1<sup>st</sup> quarter of 2018 for the Board's review. This financial report consists of three separate reports: Financial Statement Report, Investment Report, and Client Security Fund Report.

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#### **BACKGROUND**

None

#### **DISCUSSION**

The following matters are on the consent agenda for the Board's May 18, 2018 meeting:

2018 Q1 Financial Statement Report, Investment Report, and Client Security Fund Report.

#### **FISCAL/PERSONNEL IMPACT**

None

#### **RULE AMENDMENTS**

None

#### **BOARD BOOK AMENDMENTS**

None

## **STRATEGIC PLAN GOALS & OBJECTIVES 2017-2022**

Goal 3: Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence.

Objective d: Reallocate funds to support the discipline system based on expenditure review, revenue enhancement measures, implementation of the Bar's reserve policy, and other reengineering efforts.

## **RECOMMENDATION**

The staff recommends that the Board of Trustees approve the following resolution:

**RESOLVED**, that the Board of Trustees approve the 2018 First Quarter Financial Statement Report, Investment Report, and Client Security Fund Report for the three months ended March 31, 2018, in the form this day before the Board, as presented by the Chief Financial Officer, and on file in the San Francisco office of the State Bar.

## **ATTACHMENT(S) LIST**

- A.** Q1 Financial Statement Report
- B.** Q1 Investment Report
- C.** Q1 Client Security Fund Report

# The State Bar of California

## Financial Report for the First Quarter Ended March 31, 2018

This report outlines the State Bar's first quarter operating results and fiscal position as of March 31, 2018, with information and comparative analyses regarding revenues, expenses, net surplus, assets, liabilities and net position. This report includes the following statements/attachments.

- Attachment 1 – Revenues, Expenses and Changes in Net Position (Bar Wide)
- Attachment 2 – Revenues, Expenses and Changes in Net Position (Non General Funds)
- Attachment 3 – Variance Analysis: Revenues, Expenses and Changes in Net Position (Bar Wide)
- Attachment 4 – Assets, Liabilities & Net Position (Bar Wide)
- Attachment 5 – Assets, Liabilities & Net Position (Non General Funds)

### Financial Highlights

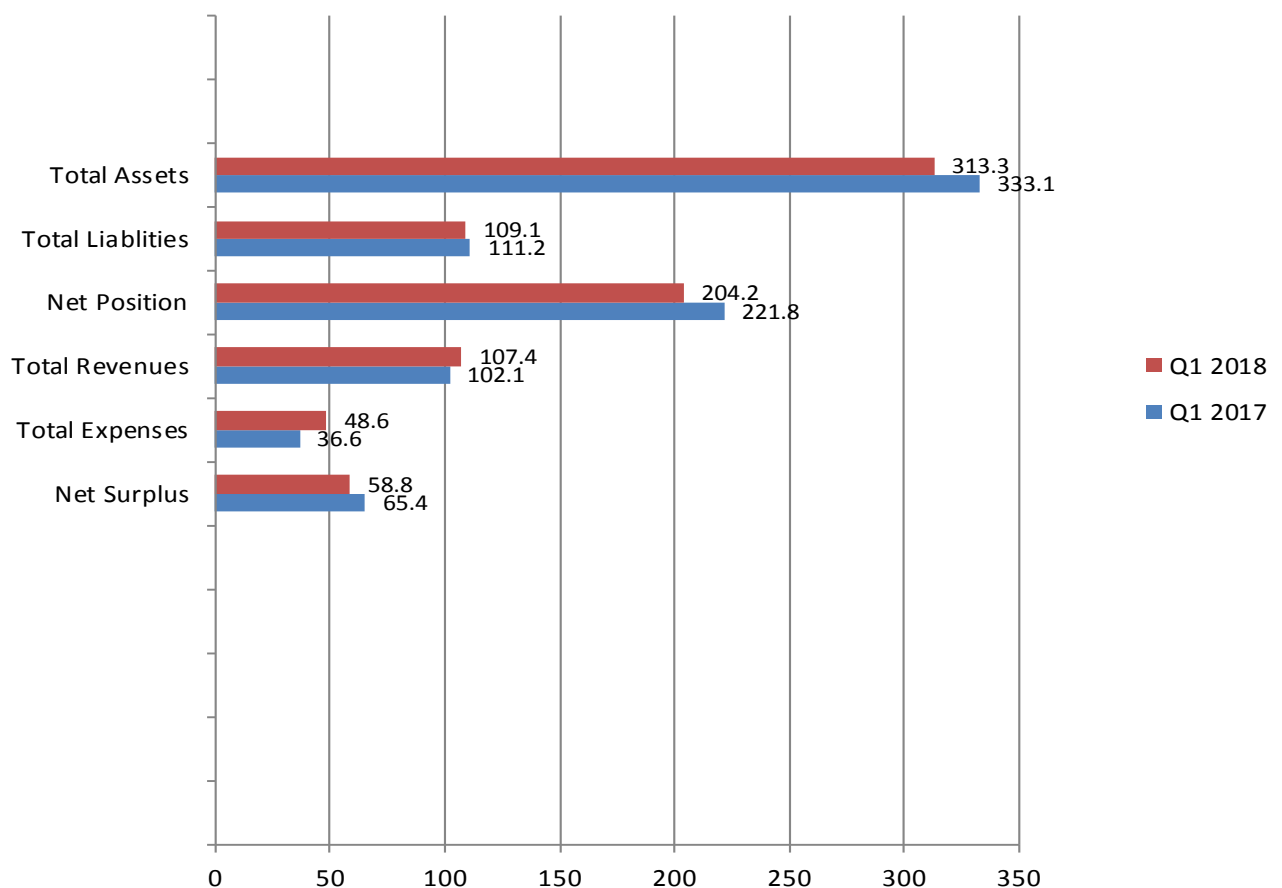
Total assets as of March 31, 2018 were \$313.3 million, liabilities were \$109.1 million, and net position was \$204.2 million. For the reporting quarter, total revenues were \$107.4 million, at 98.9% of \$108.5 million adopted 2018 budget. Total expenses were \$48.6 million at 85.7% of \$56.6 million adopted budget. Below is a summary of key financial highlights of the financial statements:

**Table 1. Financial Highlights for Quarter Ended March 31, 2018**

<b>Financial Statement Category</b>	<b>2018 Q1 (in \$ M)</b>	<b>2017 Q1 (in \$ M)</b>	<b>Changes (in \$ M)</b>	<b>Changes in %</b>	<b>Reference to Attachment</b>
<b>Total Assets</b>	<b>\$ 313.3</b>	<b>\$ 333.1</b>	<b>\$ (19.8)</b>	<b>(5.9%)</b>	4 & 5
Cash & Investments	177.8	185.9	(8.1)	(4.4%)	4 & 5
OPEB Plan Asset	12.1	11.0	1.1	10.0%	4 & 5
Deferred Outflows of Resources	24.6	33.2	(8.6)	(25.9%)	4 & 5
<b>Total Liabilities</b>	<b>\$ 109.1</b>	<b>\$ 111.2</b>	<b>\$ (2.1)</b>	<b>(1.9%)</b>	4 & 5
Deferred Inflows of Resources	2.3	11.9	(9.6)	(80.7%)	4 & 5
Net Pension Liabilities	73.5	59.9	13.6	22.7%	4 & 5
Loan Payable	26.6	28.7	(2.1)	(7.3%)	4 & 5
<b>Operating Revenues</b>	<b>\$ 106.6</b>	<b>\$ 101.4</b>	<b>\$ 5.2</b>	<b>5.1%</b>	1,2,3
Membership Fees:					
General Fund	63.8	59.6	4.2	7.0%	1,2,3
Other Funds	18.6	16.4	2.2	13.4%	1,2,3
<b>Operating Expenses</b>	<b>\$ 48.6</b>	<b>\$ 36.6</b>	<b>\$ 12.0</b>	<b>32.8%</b>	1,2,3
Personnel Costs	17.1	17.4	(0.3)	(1.7%)	NA
Travel & Training	0.3	0.8	(0.5)	(62.5%)	NA
Catering	-	0.3	(0.3)	(100.0%)	NA
Temporary Help	-	0.1	(0.1)	(100.0%)	NA
Professional Services	0.6	0.4	0.2	50.0%	NA
Client Security Fund Disbursements	2.1	0.9	1.2	133.3%	NA

The State Bar's total assets decreased by \$19.8 million, from \$333.1 million at March 31, 2017 to \$313.3 million at March 31, 2018. Total liabilities decreased by \$2.1 million, from \$111.2 million in 2017 to \$109.1 million in 2018. Net position (total assets – total liabilities) at March 31, 2018 was \$204.2 million, a decrease of 7.9% compared to \$221.8 million last year. Attachments 4 and 5 present the State Bar's fiscal position. Figure A below is a chart summarizing the State Bar's fiscal position at the end of the first quarter compared to last year.

**State Bar of California - Fiscal Position Overview Q1 2018 vs. Q1 2017**  
(in \$ million)



## Assets

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan asset and deferred outflows of resources. As of March 2018, the Bar's total assets were \$313.3 million, down \$19.8 million compared to \$333.1 million last year. Cash and investments declined by \$8.1 million from \$185.9 million at March 31, 2017 to \$177.8 million at March 31, 2018. This is due primarily to

expenses exceeding revenue year over year March 2017 to March 2018. Deferred outflows totaled \$24.6 million at March 31, 2018, a decline of \$8.7 million compared to last year. This decline is due to updated estimates of pension assets and liabilities from our actuary.

## Liabilities

The State Bar's total liabilities consist of accounts payable to vendors, unearned fees collected in advance, grants payable, net pension liabilities, the deferred inflows of resources due to implementation of GASB 68, loans payable, and employee vacation and sick leave accruals.

As of March 31, 2018, State Bar's total liabilities were \$109.1 million, down by \$2.1 million or 1.9% compared to \$111.2 million last year. This decrease is due primarily to a net increase in pension liabilities and deferred inflows of resources of \$3.9 offset by a decrease in accounts payable of \$3.9 million and a decrease of \$2.1 million in loans payable as a result of repayments made during the past twelve months.

## Net Position

Net position consists of restricted and unrestricted net position and investment in capital assets. The State Bar's total net position (total assets – total liabilities) as of March 31, 2018 was \$204.2 million, down by \$17.6 million or 7.9% compared to \$221.8 million last year. This decline resulted from expenses exceeding revenues in the past year.

## Revenues, Expenses & Changes in Net Position

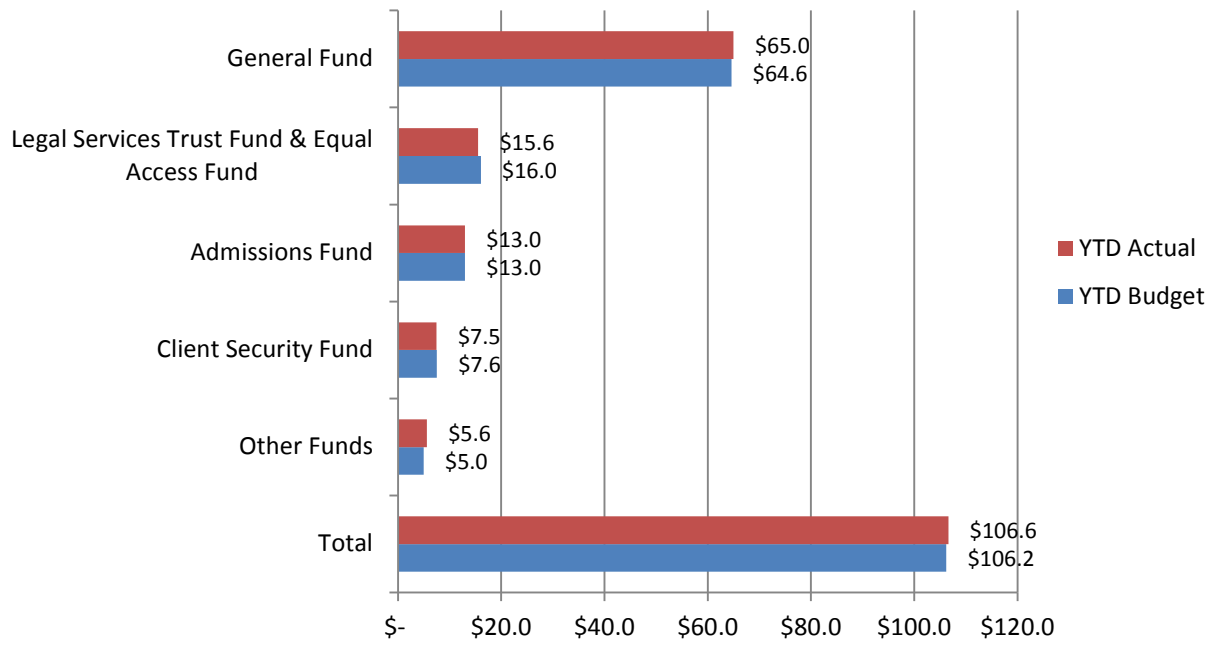
Attachments 1 and 2 present the State Bar's operating results for the quarter ended March 31, 2018.

## Revenues

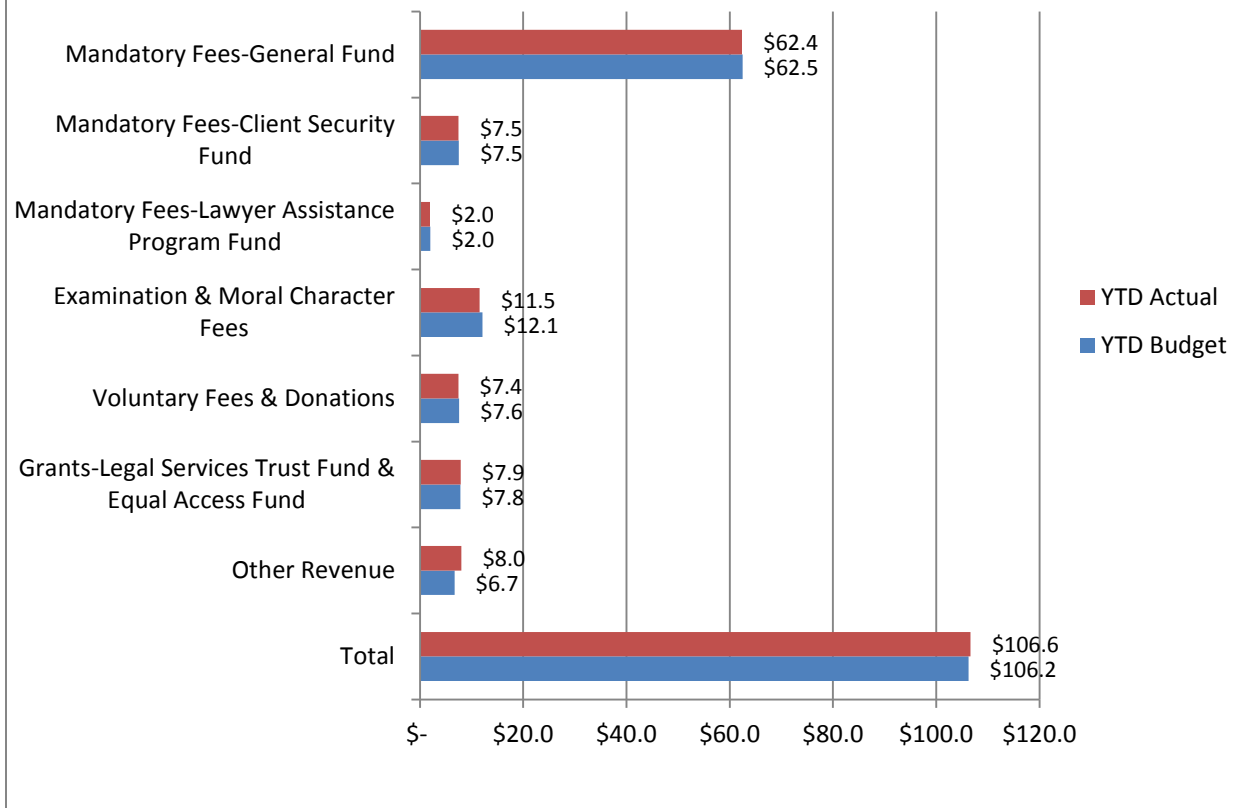
2018 operating revenues of \$106.6 million compare favorably with the budget of \$106.2 million. The variance is less than 1%.

Figures (B) and (C) below summarize the State Bar's year-to-date operating revenues by fund and by category compared to the budget.

**Figure B. 2018 Q1 Bar-Wide Revenues by Fund compared to YTD Budget  
(in \$ millions)**



**Figure C. 2018 Q1 Bar-Wide Revenues by Category compared to YTD Budget  
(in \$ millions)**



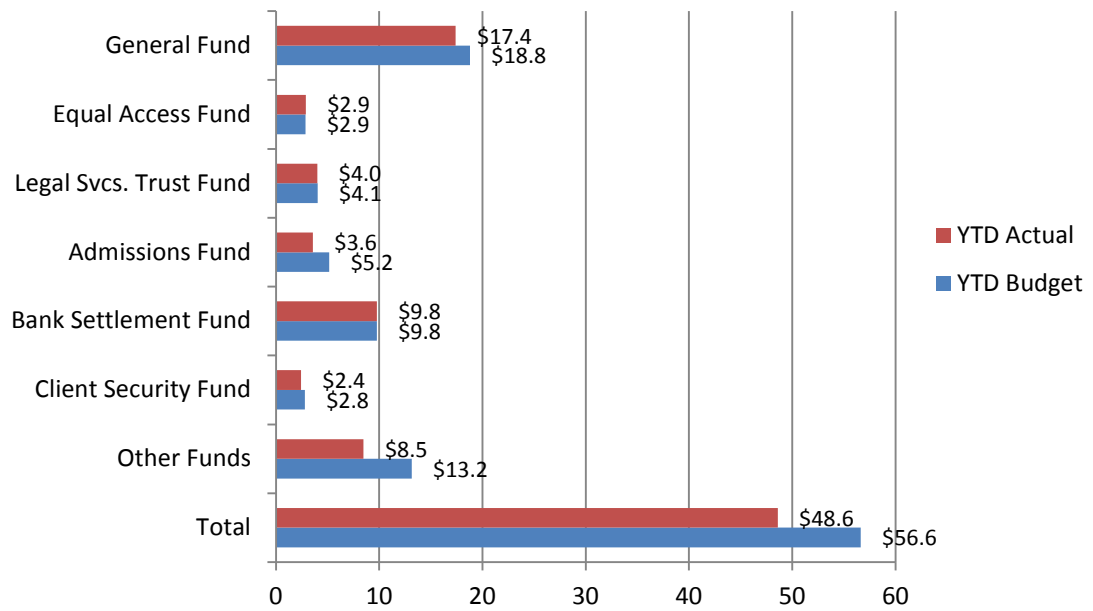
## Expenses

The State Bar's total 2018 operating expenses were \$48.6 million, reflecting an \$8.0 million favorable variance compared to the budgeted \$56.6 million. The \$8.0 million budget variance includes the following significant components: delayed hiring of Chief Trial Counsel Staff (\$1.1 million) and favorable variances in Admissions (\$1.6 million) which included items such as personnel costs, multistate bar exams and professional services.

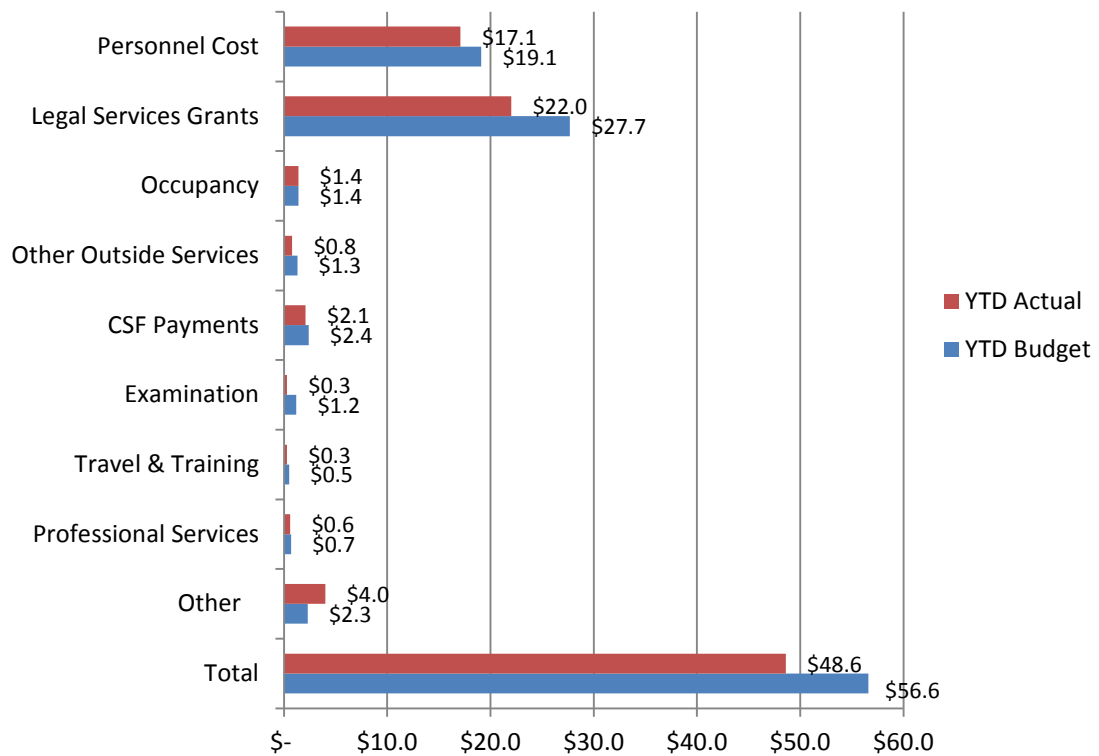
Figures (D) and (E) below summarize the State Bar's 2018 operating expenses by fund and by category compared to the budget.



**Figure D. 2018 Q1 Bar-Wide Expenses by Fund compared to YTD Budget  
(in \$ millions)**



**Figure E. 2018 Q1 Bar-Wide Expenses by Category compared to YTD Budget  
(in \$ millions)**



### Net Changes in Position

At March 31, 2018 net position variance for the State Bar was \$17.6 million. The activities of the Sections were transferred to the California Lawyers Association (CLA) effective December 31, 2017. The State Bar transferred \$7.3 million of the Sections fund balance to CLA during the quarter. On March 31, 2018, Sections had a fund balance of \$1.0 million.

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2018**

**Attachment 1**

	General Fund	Other Funds	2018 Actual	2017 Actual	Variance- 2017 Actual vs 2018 Actual	2018 Budget	Variance-2018 Actual vs Budget
<b>OPERATING REVENUES</b>							
Licensing Fees and Donations	\$ 63,828,447	\$ 18,626,645	\$ 82,455,092	\$ 76,013,676	\$ 6,441,416	\$ 82,255,364	\$ 199,728
MJP Fees	-	677,082	677,082	499,223	177,859	163,076	514,006
Exam Application & Moral Character Fees	-	12,130,557	12,130,557	12,055,866	74,691	12,688,795	(558,238)
Trust Account Revenue	-	2,044,889	2,044,889	1,635,108	409,781	2,057,004	(12,115)
Law Practices Sections Fees	-	-	-	5,007,986	(5,007,986)	-	-
Seminar/Workshop Revenue	21,120	-	21,120	241,478	(220,358)	6,610	14,510
Advertising Revenue	-	-	-	10,970	(10,970)	-	-
Convention Income	-	-	-	63,567	(63,567)	-	-
Legal Specialization Fees	-	-	-	126,885	(126,885)	-	-
Law Corporation Registration Fees	356,515	-	356,515	476,120	(119,605)	463,749	(107,234)
Continuing Legal Education Fees	199,397	555	199,952	225,043	(25,091)	236,084	(36,132)
Grant Revenue	-	6,721,170	6,721,170	3,463,200	3,257,970	6,639,200	81,970
EAF AB 145 Filing Fee Revenue	-	1,171,778	1,171,778	855,000	316,778	1,188,631	(16,853)
Settlement Grants	-	-	-	-	-	-	-
Affinity Insurance Revenue	430,064	-	430,064	61,989	368,075	6,190	423,874
Other Revenue	172,773	185,315	358,088	652,369	(294,281)	529,649	(171,561)
<b>Total Operating Revenues</b>	<b>65,008,316</b>	<b>41,557,991</b>	<b>106,566,307</b>	<b>101,388,480</b>	<b>5,177,827</b>	<b>106,234,352</b>	<b>331,955</b>
<b>OPERATING EXPENSES</b>							
Chief Trial Counsel	10,392,954	-	10,392,954	9,626,346	766,608	11,554,785	(1,161,831)
State Bar Court	3,002,766	-	3,002,766	2,984,674	18,092	3,153,682	(150,916)
Attorney Regulation and Consumer Resources	1,130,804	-	1,130,804	1,022,949	107,855	1,193,496	(62,692)
Professional Competence	611,026	-	611,026	567,341	43,685	634,805	(23,779)
Probation	343,926	-	343,926	312,192	31,734	340,514	3,412
Mandatory Fee Arbitration	109,594	-	109,594	180,828	(71,234)	33,652	75,942
Judicial Evaluation	166,770	-	166,770	177,291	(10,521)	179,120	(12,350)
Commission on Access to Justice	3,478	-	3,478	2,548	930	7,561	(4,083)
Center on Access to Justice	342,883	-	342,883	402,010	(59,127)	393,559	(50,676)
California Young Lawyers Association	318	-	318	12,307	(11,989)	416	(98)
Communications	232,489	-	232,489	263,323	(30,834)	193,012	39,477
Governance	894,193	-	894,193	891,155	3,038	845,238	48,955
Lawyer Assistance Program	-	450,939	450,939	378,371	72,568	-	450,939
Client Security Fund	-	2,439,405	2,439,405	1,241,793	1,197,612	2,808,250	(368,845)
Admissions	-	3,584,730	3,584,730	4,156,534	(571,804)	5,166,835	(1,582,105)
Grant Expenses	-	16,119,207	16,119,207	12,302,331	3,816,876	27,703,794	(11,584,587)

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2018**

**Attachment 1**

Sections	-	-	-	1,527,205	(1,527,205)	-	-
Payment to Calif Lawyers Association	-	7,326,157	7,326,157	-	7,326,157	-	7,326,157
Interest Expense on Loan	-	-	-	321,000	(321,000)	197,181	(197,181)
General and Administrative	172,319	1,272,199	1,444,518	291,365	1,153,153	2,254,342	(809,824)
<b>Total Operating Expenses</b>	<b>17,403,520</b>	<b>31,192,637</b>	<b>48,596,157</b>	<b>36,661,563</b>	<b>11,934,594</b>	<b>56,660,242</b>	<b>(8,064,085)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>47,604,796</b>	<b>10,365,354</b>	<b>57,970,150</b>	<b>64,726,917</b>	<b>(6,756,767)</b>	<b>49,574,110</b>	<b>8,396,040</b>
<b>NON-OPERATING REVENUE</b>							
Investment Income	230,135	60,698	290,833	221,180	69,653	534,900	(244,067)
Rental Income	578,738	-	578,738	451,599	127,139	453,669	125,069
<b>Total Non-Operating Revenue</b>	<b>808,873</b>	<b>60,698</b>	<b>869,571</b>	<b>672,779</b>	<b>196,792</b>	<b>988,569</b>	<b>(118,998)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>48,413,669</b>	<b>10,426,052</b>	<b>58,839,721</b>	<b>65,399,696</b>	<b>(6,559,975)</b>	<b>50,562,679</b>	<b>8,277,042</b>
			-				
Interfund Transaction - Revenue	561	-	561	-	-	400,000	-
Interfund Transaction - Expense	(396)	(165)	(561)	-	-	(400,000)	-
			-				
<b>CHANGE IN NET POSITION</b>	<b>48,413,834</b>	<b>10,425,887</b>	<b>58,839,721</b>	<b>65,399,696</b>	<b>(6,559,975)</b>	<b>50,562,679</b>	<b>\$ 8,277,042</b>
Net Position at beginning of year	65,643,083	79,746,631	145,389,714	156,381,622	(10,991,908)	145,389,714	
<b>NET POSITION AT MARCH 31, 2018</b>	<b>\$ 114,056,917</b>	<b>\$ 90,172,518</b>	<b>\$ 204,229,435</b>	<b>\$ 221,781,318</b>	<b>\$ (17,551,883)</b>	<b>\$ 195,952,393</b>	

The State Bar of California  
Statement of Revenues, Expenses and Changes in Net Position - Bar Wide  
For the Three Months Ending March 31, 2018

Attachment 2

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Admissions	Annual Meeting	Grants	Sections	SF Tenant Improvement	Total Other Funds
<b>REVENUES</b>																
Licensing Fees and Donations	\$ 7,466,387	\$ 283,282	\$ -	\$ -	\$ 891,826	\$ 1,952,537	\$ 661,185	\$ 5,613,665	\$ 1,757,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$18,626,645
MJP Fees	-	-	-	-	-	-	-	-	-	-	677,082	-	-	-	-	677,082
Exam Application & Moral Character Fees	-	-	-	-	-	-	-	-	-	-	12,130,557	-	-	-	-	12,130,557
Trust Account Revenue	-	-	-	-	-	-	-	2,044,889	-	-	-	-	-	-	-	2,044,889
Continuing Legal Education Revenue	-	-	-	-	-	-	-	-	555	-	-	-	-	-	-	555
Grant Revenue	-	-	6,721,170	-	-	-	-	-	-	-	-	-	-	-	-	6,721,170
EAF AB145 Filing Fee Revenue	-	-	1,171,778	-	-	-	-	-	-	-	-	-	-	-	-	1,171,778
Settlement Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	3,600	-	-	-	-	-	-	-	406	-	184,795	14	(3,500)	-	-	185,315
<b>Total Operating Revenues</b>	<b>7,469,987</b>	<b>283,282</b>	<b>7,892,948</b>	<b>-</b>	<b>891,826</b>	<b>1,952,537</b>	<b>661,185</b>	<b>7,658,554</b>	<b>1,758,724</b>	<b>-</b>	<b>12,992,434</b>	<b>14</b>	<b>(3,500)</b>	<b>-</b>	<b>-</b>	<b>41,557,991</b>
<b>EXPENSES</b>																
Lawyer Assistance Program	-	-	-	-	-	450,939	-	-	-	-	-	-	-	-	-	450,939
Client Security Fund	2,439,405	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,439,405
Admissions	-	-	-	-	-	-	-	-	-	-	3,584,730	-	-	-	-	3,584,730
Grant Expenses	-	-	2,857,480	-	-	-	-	3,502,059	-	9,759,668	-	-	-	-	-	16,119,207
Payment to Calif Lawyers Association	-	-	-	-	-	-	-	-	-	-	-	-	-	7,326,157	-	7,326,157
General and Administrative	-	81,952	34,308	-	1,803	-	126,446	507,431	401,257	20,040	-	-	-	-	98,962	1,272,199
<b>Total Operating Expenses</b>	<b>2,439,405</b>	<b>81,952</b>	<b>2,891,788</b>	<b>-</b>	<b>1,803</b>	<b>450,939</b>	<b>126,446</b>	<b>4,009,490</b>	<b>401,257</b>	<b>9,779,708</b>	<b>3,584,730</b>	<b>-</b>	<b>-</b>	<b>7,326,157</b>	<b>98,962</b>	<b>31,192,637</b>
<b>NON-OPERATING REVENUE</b>																
Investment Income	2,597	58	1,589	968	2,299	2,971	298	5,041	3,993	30,789	7,946	-	-	-	2,149	60,698
<b>Total Non-Operating Revenue</b>	<b>2,597</b>	<b>58</b>	<b>1,589</b>	<b>968</b>	<b>2,299</b>	<b>2,971</b>	<b>298</b>	<b>5,041</b>	<b>3,993</b>	<b>30,789</b>	<b>7,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,149</b>	<b>60,698</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>5,033,179</b>	<b>201,388</b>	<b>5,002,749</b>	<b>968</b>	<b>892,322</b>	<b>1,504,569</b>	<b>535,037</b>	<b>3,654,105</b>	<b>1,361,460</b>	<b>(9,748,919)</b>	<b>9,415,650</b>	<b>14</b>	<b>(3,500)</b>	<b>(7,326,157)</b>	<b>(96,813)</b>	<b>10,426,052</b>
Interfund Transaction - Expense	-	-	-	-	-	-	-	-	-	-	(165)	-	-	-	-	(165)
<b>CHANGE IN NET POSITION</b>	<b>5,033,179</b>	<b>201,388</b>	<b>5,002,749</b>	<b>968</b>	<b>892,322</b>	<b>1,504,569</b>	<b>535,037</b>	<b>3,654,105</b>	<b>1,361,460</b>	<b>(9,748,919)</b>	<b>9,415,485</b>	<b>14</b>	<b>(3,500)</b>	<b>(7,326,157)</b>	<b>(96,813)</b>	<b>10,425,887</b>
Net Position at beginning of year	3,073,328	1,791	3,048,887	1,225,475	3,076,604	3,591,884	293,253	8,094,736	4,637,350	39,142,586	4,769,344	(17,710)	422,426	8,337,741	48,936	79,746,631
<b>NET POSITION AT MARCH 31, 2018</b>	<b>\$ 8,106,507</b>	<b>\$ 203,179</b>	<b>\$ 8,051,636</b>	<b>\$ 1,226,443</b>	<b>\$ 3,968,926</b>	<b>\$ 5,096,453</b>	<b>\$ 828,290</b>	<b>\$ 11,748,841</b>	<b>\$ 5,998,810</b>	<b>\$ 29,393,667</b>	<b>\$ 14,184,829</b>	<b>\$ (17,696)</b>	<b>\$ 418,926</b>	<b>\$ 1,011,584</b>	<b>\$ (47,877)</b>	<b>\$ 90,172,518</b>

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2018**

**Attachment 3**  
**Page 1 of 2**

	2018 Actual	2017 Actual	Variance- 2018 Actual vs 2017 Actual	Percent Change	Note
<b>OPERATING REVENUES</b>					
Licensing Fees and Donations	\$ 82,455,092	\$ 76,013,676	\$ 6,441,416	8.5%	(A)
MJP Fees	677,082	499,223	177,859	35.6%	
Examination Application Fees	12,130,557	12,055,866	74,691	0.6%	
Trust Account Revenue	2,044,889	1,635,108	409,781	25.1%	(D)
Law Practices Sections Fees	-	5,007,986	(5,007,986)	(100.0%)	(B)
Seminar/Workshop Revenue	21,120	241,478	(220,358)	(91.3%)	
Advertising Revenue	-	10,970	(10,970)	(100.0%)	
Convention Income	-	63,567	(63,567)	(100.0%)	
Legal Specialization Fees	-	126,885	(126,885)	(100.0%)	
Law Corporation Registration Fees	356,515	476,120	(119,605)	(25.1%)	
Continuing Legal Education Fees	199,952	225,043	(25,091)	(11.1%)	
Grant Revenue	6,721,170	3,463,200	3,257,970	94.1%	('C)
EAF AB 145 Filing Fee Revenue	1,171,778	855,000	316,778	37.1%	
Settlement Grants	-	-	-	0.0%	
Affinity Insurance Revenue	430,064	61,989	368,075	593.8%	('E)
Other Revenue	358,088	652,369	(294,281)	(45.1%)	
<b>Total Operating Revenues</b>	<b>106,566,307</b>	<b>101,388,480</b>	<b>5,177,827</b>	<b>5.1%</b>	
<b>OPERATING EXPENSES</b>					
Chief Trial Counsel	10,392,954	9,626,346	766,608	8.0%	(F)
State Bar Court	3,002,766	2,984,674	18,092	0.6%	
Attorney Regulation and Consumer Resources	1,130,804	1,022,949	107,855	10.5%	
Professional Competence	611,026	567,341	43,685	7.7%	
Probation	343,926	312,192	31,734	10.2%	
Mandatory Fee Arbitration	109,594	180,828	(71,234)	(39.4%)	
Judicial Evaluation	166,770	177,291	(10,521)	(5.9%)	
Commission on Access to Justice	3,478	2,548	930	36.5%	
Center on Access to Justice	342,883	402,010	(59,127)	(14.7%)	
California Young Lawyers Association	318	12,307	(11,989)	(97.4%)	
Communications	232,489	263,323	(30,834)	(11.7%)	
Governance	894,193	891,155	3,038	0.3%	
Lawyer Assistance Program	450,939	378,371	72,568	19.2%	

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2018**

**Attachment 3**  
**Page 1 of 2**

Client Security Fund	2,439,405	1,241,793	1,197,612	96.4%	(G)
Admissions	3,584,730	4,156,534	(571,804)	(13.8%)	(J)
Grant Expenses	16,119,207	12,302,331	3,816,876	31.0%	(H)
Sections	-	1,527,205	(1,527,205)	(100.0%)	(K)
Payment to Calif Lawyers Association	7,326,157	-	7,326,157	100.0%	(K)
Interest Expense on Loan	-	321,000	(321,000)	(100.0%)	
General and Administrative	1,444,518	291,365	1,153,153	395.8%	(I)
<b>Total Operating Expenses</b>	<u>48,596,157</u>	<u>36,661,563</u>	<u>11,934,594</u>	<u>32.6%</u>	
<b>OPERATING INCOME/(LOSS)</b>	<u>57,970,150</u>	<u>64,726,917</u>	<u>(6,756,767)</u>	<u>(10.4%)</u>	
<b>NON-OPERATING REVENUE</b>	-				
Investment Income	290,833	221,180	69,653	31.5%	
Rental Income	578,738	451,599	127,139	28.2%	
<b>Total Non-Operating Revenue</b>	<u>869,571</u>	<u>672,779</u>	<u>196,792</u>	<u>29.3%</u>	
<b>CHANGE IN NET POSITION</b>	<u>58,839,721</u>	<u>65,399,696</u>	<u>(6,559,975)</u>	<u>(10.0%)</u>	
Net Position at beginning of year	145,389,714	156,381,622	(10,991,908)	(7.0%)	
<b>NET POSITION AT MARCH 2018</b>	<u>\$ 204,229,435</u>	<u>\$ 221,781,318</u>	<u>\$ (17,551,883)</u>	<u>(7.9%)</u>	

Note: See Attachment 3 page 2 for the Variances

The State Bar of California  
Statement of Revenues, Expenses and Changes in Net Position - Bar Wide  
For the Three Months Ending March 31, 2018

Attachment 3  
Page 2 of 2

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**Note REVENUES: 2018 Actual vs 2017 Actual**

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(A) **Licensing Fees and Donations - \$6.4MM increase**

The \$6.4 million increase is due primarily to:

- (A) General Fund (\$4.2 million increase) - Reinstatement of the licensing fee from \$297 to \$315 increase revenues by \$3.1 million and late fees increased by \$1.1 million.
- (B) Legal Specializat on Fund (\$1.6 million increase) - The annual fee legal specialists pay for certification, waived in 2017 as part of the fund's spend down plan, was reinstated for 2018.
- (C) Legislative Activities Fund (\$0.5 million increase) - The Legislative Activities fee was an opt-in fee of \$10 for active attorneys and an opt-out for inactive attorneys in 2017. For 2018, the fee was a \$5 opt-out for all attorneys.

(B) **Law Practices Sections Fees - \$5.0MM decrease**

The \$5.0 million decrease is due to the Sections separation effective December 31, 2017.

(C) **Grant Revenue – \$3.3MM increase**

The \$3.3MM increase is driven by increases in Partner Grant Revenue (\$2.1 million) and other grant revenue (\$1.1 million) in the Equal Access Fund.

(D) **Trust Account Revenue – \$0.4MM increase**

The \$0.4 million increase is driven by rising interest rates. This is interest income on IOLTA accounts.

(E) **Affinity Insurance Revenue - \$0.4MM increase**

The \$0.4MM increase is due to commissions received from Professional Liability Insurance (\$0.3M) and Life Insurance Income (\$0.1M).

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**EXPENSES: 2018 Actual vs 2017 Actual**

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(F) **Chief Trial Counsel – \$0.8MM increase**

The \$800 thousand increase is primarily due to an increase in the number of OCTC employees (218 as of 3/31/17 vs 228 as of 3/31/18).

(G) **Client Security Fund – \$1.2MM increase**

The \$1.2 million increase reflects an increase in Client Security Fund payouts of \$1.2 million (from \$900 thousand in 2017 to \$2.1 million in 2018).

(H) **Grants Expenses - \$3.8MM increase**

The \$3.8 million increase primarily represents increased use of Bank of America Settlement Funds.

(I) **General and Administrative – \$1.2MM increase**

The \$1.2 million increase is primarily composed of \$400 thousand increase from Hardware Purchases/Software Maintenance, \$200 thousand increase is occupancy (security guard/electric), \$200 thousand increase in personnel, and \$400 thousand for SF building improvements.

(J) **Admissions - \$0.6MM decrease**

This decrease is primarily composed of decrease in personnel costs (\$0.3 million) and decrease in laptop licenses (\$0.3 million).

(K) **Sections - \$1.5MM decrease**

Sections expenses declined from \$1.5 million last year to zero in 2018 because Sections was spun off to California Lawyers Association effective December 31, 2017. \$7.3 million was transferred to CLA in January 2018 representing most of the fund balance of the Sections funds; the remainder of \$0.9 million was paid in May 2018.



**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2018**

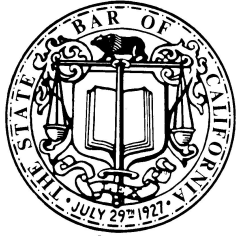
**Attachment 4**

	General Fund	Total Other Funds	March 2018 Balance	March 2017 Balance	Variance
<b>ASSETS AND DEFERRED OUTFLOWS</b>					
Cash & Restricted Cash	\$ 4,458,969	\$ 92,046,028	\$ 96,504,997	\$ 117,531,496	\$ (21,026,499)
Investments	81,309,831	-	81,309,831	68,448,780	12,861,051
Accounts Receivable (net of allowances)	972,162	3,188,093	4,160,255	6,043,998	(1,883,743)
Capital Assets (net of depreciation)	90,554,184	3,609,926	94,164,110	95,425,720	(1,261,610)
OPEB Investment	12,148,222	-	12,148,222	11,042,271	1,105,951
Other Assets	211,682	220,590	432,272	1,326,012	(893,740)
Deferred Outflows of Resources	24,566,049	-	24,566,049	33,237,651	(8,671,602)
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 214,221,099</b>	<b>\$ 99,064,637</b>	<b>\$ 313,285,736</b>	<b>\$ 333,055,928</b>	<b>\$ (19,770,192)</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	\$ 6,115,700	\$ 467,014	\$ 6,582,714	\$ 10,518,369	\$ (3,935,655)
Unearned Income	-	(406)	(406)	80,703	(81,109)
Grants Payable	-	-	-	16,753	(16,753)
Loans Payable	18,210,891	8,425,511	26,636,402	28,771,020	(2,134,618)
Pension Liabilities	73,531,695	-	73,531,695	59,917,510	13,614,185
Deferred Inflows of Resources	2,305,896	-	2,305,896	11,970,255	(9,664,359)
<b>TOTAL LIAB. &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>100,164,182</b>	<b>8,892,119</b>	<b>109,056,301</b>	<b>111,274,610</b>	<b>(2,218,309)</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	65,643,083	79,746,631	145,389,714	156,381,622	(10,991,908)
Change in Net Position	48,413,834	10,425,887	58,839,721	65,399,696	(6,559,975)
<b>TOTAL NET POSITION</b>	<b>114,056,917</b>	<b>90,172,518</b>	<b>204,229,435</b>	<b>221,781,318</b>	<b>(17,551,883)</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 214,221,099</b>	<b>\$ 99,064,637</b>	<b>\$ 313,285,736</b>	<b>\$ 333,055,928</b>	<b>\$ (19,770,192)</b>

The State Bar of California  
Statement of Revenues, Expenses and Changes in Net Position - Bar Wide  
For the Three Months Ending March 31, 2018

Attachment 5

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Assess	Justice Gap	Lawyers Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Admissions	Annual Meeting	Grants	Sections	SF Tenant Improvement	Total Other Funds
<b>ASSETS</b>																
Cash	\$ 8,199,986	\$ 205,392	\$ 5,708,080	\$ 1,226,443	\$ 3,968,926	\$ 5,065,782	\$ 781,992	\$ 11,016,889	\$ 6,028,735	\$ 29,393,667	\$ 14,230,837	\$ (17,696)	\$ 418,926	\$ 1,017,100	\$ 4,800,969	\$ 92,046,028
Accounts Receivable (net of allowances)	-	-	2,437,325	-	-	-	-	750,768	-	-	-	-	-	-	-	3,188,093
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,609,926	3,609,926
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	14,967	-	-	-	-	211,139	-	-	(5,516)	-	220,590
<b>TOTAL ASSETS</b>	<b>\$ 8,199,986</b>	<b>\$ 205,392</b>	<b>\$ 8,145,405</b>	<b>\$ 1,226,443</b>	<b>\$ 3,968,926</b>	<b>\$ 5,080,749</b>	<b>\$ 781,992</b>	<b>\$ 11,767,657</b>	<b>\$ 6,028,735</b>	<b>\$ 29,393,667</b>	<b>\$ 14,441,976</b>	<b>\$ (17,696)</b>	<b>\$ 418,926</b>	<b>\$ 1,011,584</b>	<b>\$ 8,410,895</b>	<b>\$ 99,064,637</b>
<b>LIABILITIES</b>																
Accounts Payable and Accrued Liabilities	93,479	2,213	93,769	-	-	(15,704)	(46,298)	18,816	29,925	-	257,553	-	-	-	33,261	467,014
Unearned Income	-	-	-	-	-	-	-	-	-	-	(406)	-	-	-	-	(406)
Grants Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,425,511	8,425,511
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>93,479</b>	<b>2,213</b>	<b>93,769</b>	<b>-</b>	<b>-</b>	<b>(15,704)</b>	<b>(46,298)</b>	<b>18,816</b>	<b>29,925</b>	<b>-</b>	<b>257,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,458,772</b>	<b>8,892,119</b>
<b>NET POSITION</b>																
Net Position at Beginning of Year	3,073,328	1,791	3,048,887	1,225,475	3,076,604	3,591,884	293,253	8,094,736	4,637,350	39,142,586	4,769,344	(17,710)	422,426	8,337,741	48,936	79,746,631
Change in Net Position	5,033,179	201,388	5,002,749	968	892,322	1,504,569	535,037	3,654,105	1,361,460	(9,748,919)	9,415,485	14	(3,500)	(7,326,157)	(96,813)	10,425,887
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>8,106,507</b>	<b>203,179</b>	<b>8,051,636</b>	<b>1,226,443</b>	<b>3,968,926</b>	<b>5,096,453</b>	<b>828,290</b>	<b>11,748,841</b>	<b>5,998,810</b>	<b>29,393,667</b>	<b>14,184,829</b>	<b>(17,696)</b>	<b>418,926</b>	<b>1,011,584</b>	<b>(47,877)</b>	<b>90,172,518</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 8,199,986</b>	<b>\$ 205,392</b>	<b>\$ 8,145,405</b>	<b>\$ 1,226,443</b>	<b>\$ 3,968,926</b>	<b>\$ 5,080,749</b>	<b>\$ 781,992</b>	<b>\$ 11,767,657</b>	<b>\$ 6,028,735</b>	<b>\$ 29,393,667</b>	<b>\$ 14,441,976</b>	<b>\$ (17,696)</b>	<b>\$ 418,926</b>	<b>\$ 1,011,584</b>	<b>\$ 8,410,895</b>	<b>\$ 99,064,637</b>



# **THE STATE BAR OF CALIFORNIA**

## **OFFICE OF FINANCE**

180 Howard Street, San Francisco, California 94105-1639

TEL (415) 538-2200

### **M E M O R A N D U M**

**DATE:** May 17, 2018

**TO:** Members, Finance and Planning Committee  
Members, Board of Trustees

**FROM:** Kevin Harper, Interim Chief Finance Officer

**SUBJECT:** Annual Investment Report as of March 31, 2018

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Attached is the quarterly investment report for the State Bar of California as of March 31, 2018. The report is presented in a format that conforms to the investment policy adopted by the Board of Trustees. The State Bar's investment portfolio consists of fixed income securities and deposit in the Local Agency Investment Fund (LAIF) with the State Treasurer's Office. As of March 31, 2018, the market value of the investment portfolio was \$145.9 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 1.44% compared to 0.79% in 2017. Actual investment earnings increased approximately 51.2% from \$221,180 for the first quarter of last year to \$334,434 in 2018. The increase in investment earnings is due primarily to the increase in the yield rate.

The unrealized loss for the reporting quarter is \$137,767. This loss will be amortized over the life of the bonds and will eventually offset the effect on investment income when the bonds mature. An unrealized loss is a decrease in market value since the purchase date; unrealized losses become realized when the investment is sold or matures. A bond is traded at a premium when it offers a coupon rate that is higher than prevailing interest rates, a reflection of declining interest rates in the existing bond market. This unrealized loss is considered to be a "paper loss" because all investments are held to maturity.

**The State Bar of California  
Investment Report Summary  
March 31, 2018**

<b><u>Asset Group</u></b>	<b><u>Original Cost</u></b>	<b><u>Market Value</u></b>	<b><u>Portfolio Percentage</u></b>	<b><u>Weighted Average Yield</u></b>
Wells Fargo Custody Account:				
- Government Bonds	\$ 59,360,570	\$ 59,192,141	40.57%	1.53%
- Corporate Bonds	21,712,016	21,594,274	14.80%	2.65%
- Common Stock-Metlife Inc.	-	148,405	0.10%	N.A
- Interest Receivable	-	375,011	0.26%	N.A
<b>Subtotal-Securities, Bonds and Notes</b>	<b>81,072,586</b>	<b>81,309,831</b>	<b>55.74%</b>	
Local Agency Investment Fund	64,398,308	64,574,080	44.26%	0.94%
<b>Subtotal-Other Investments</b>	<b>64,398,308</b>	<b>64,574,080</b>	<b>44.26%</b>	
<b>Grand Total</b>	<b>\$ 145,470,894</b>	<b>\$ 145,883,911</b>	<b>100%</b>	1.44%

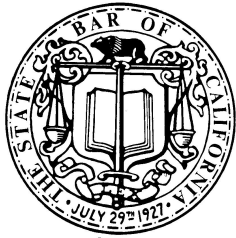
**Unrealized Gain/(Loss)-Securities, Bonds and Notes:**

Market Value of Portfolio	\$ 80,934,820
Original Cost of Portfolio	81,072,586
Unrealized Gain/(Loss):	<u><u>\$ (137,767)</u></u>

State Bar of California  
Investment Report - Wells Fargo Custody Account  
Balance as of March 31, 2018

										Trade/	
Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	*Yield	Purchase Date	Maturity Date
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300.00	4,999,050.00	17,916.66	3,750.00	0.800%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050.00	4,994,500.00	14,062.50	(550.00)	0.800%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000.00	3,489,815.00	6,222.22	(10,185.00)	1.000%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000.00	4,986,050.00	21,388.89	(13,950.00)	1.000%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170.00	2,986,260.00	1,239.58	(23,910.00)	0.720%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550.00	4,976,050.00	23,466.67	(34,500.00)	0.870%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150.00	2,985,630.00	14,080.00	(32,520.00)	0.690%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000.00	1,987,040.00	6,944.44	(12,960.00)	1.000%	05/17/16	11/26/18
FANNIE MAE (FNMA)	3135G0H63	AA+	Government Agency	3,125,000	3,109,137.50	3,107,187.50	7,519.53	(1,950.00)	1.943%	02/28/18	01/28/19
WELLS FARGO BANK, NA	94988J5D5	A+	Corporate Bond	3,125,000	3,099,590.63	3,089,562.50	19,292.53	(10,028.13)	2.425%	02/28/18	05/24/19
FREDDIE MAC (FHLMC)	3134G3A91	AA+	Government Agency	3,125,000	3,094,562.50	3,089,875.00	4,739.58	(4,687.50)	2.075%	02/28/18	08/22/19
FANNIE MAE (FNMA)	3135G0R39	AA+	Government Agency	3,125,000	3,068,959.38	3,063,343.75	13,628.47	(5,615.63)	2.115%	02/28/18	10/24/19
FED FARM CREDIT BANK	3133EJCN7	AA+	Government Agency	3,125,000	3,117,268.75	3,109,750.00	8,445.31	(7,518.75)	2.200%	02/28/18	02/14/20
FED HOME LN BANK	313383HU8	AA+	Government Agency	3,125,000	3,091,484.38	3,080,062.50	16,558.16	(11,421.88)	2.235%	02/28/18	06/12/20
FED HOME LN BANK	313370US5	AA+	Government Agency	3,125,000	3,171,512.50	3,154,875.00	4,991.32	(16,637.50)	2.265%	02/28/18	09/11/20
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	3,125,000	3,169,646.88	3,154,812.50	46,875.00	(14,834.38)	2.425%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	3,125,000	3,093,868.75	3,078,000.00	7,421.88	(15,868.75)	2.600%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA-	Corporate Bond	3,125,000	3,071,040.63	3,054,625.00	24,609.38	(16,415.63)	2.665%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	3,125,000	3,016,371.88	3,000,750.00	7,131.08	(15,621.88)	2.615%	02/28/18	08/08/21
FREDDIE MAC (FHLMC)	3134GSCP8	AA+	Government Agency	3,125,000	3,120,312.50	3,118,281.25	8,246.53	(2,031.25)	2.543%	02/28/18	11/23/21
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	3,035,000	2,993,268.75	3,002,464.80	35,919.23	9,196.05	2.725%	02/28/18	04/01/22
APPLE INC	037833BF6	AA+	Corporate Bond	3,215,000	3,201,014.75	3,178,509.75	33,275.25	(22,505.00)	2.810%	02/28/18	05/13/22
FREDDIE MAC (FHLMC)	3134GBC83	AA+	Government Agency	3,125,000	3,064,843.75	3,061,906.25	19,226.56	(2,937.50)	2.547%	02/28/18	06/14/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	AA-	Corporate Bond	1,500,000	1,452,690.00	1,443,645.00	2,060.42	(9,045.00)	2.900%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	AA-	Corporate Bond	1,625,000	1,607,792.88	1,594,368.75	9,750.00	(13,424.13)	2.935%	02/28/18	01/11/23
TOTAL GOVERNMENT BONDS AND NOTES:				81,500,000	81,072,586.41	80,786,414.55	375,011.19	(286,171.86)	1.83%		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	13,672.40	-	13,672.40		08/07/17	N/A
METLIFE INC	59156R108	N/A	Common Stock	-	-	134,733.04	-	134,733.04			N/A
TOTAL COMMON STOCKS:				-	-	148,405.44	-	148,405.44			
Cash				-	-	-	-				
TOTAL INVESTMENT HELD BY WELLS FARGO:				81,500,000	81,072,586.41	80,934,819.99	375,011.19	(137,766.42)			
Wells Fargo Custody Total Assets [Cost Value(incl MetLife) + Interest Receivable]:				81,447,597.60							
Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:				81,309,831.18							
Unrealized Gain / ( loss)				(137,766.42)							

0.031654



# **THE STATE BAR OF CALIFORNIA**

## **OFFICE OF FINANCE**

180 Howard Street, San Francisco, California 94105-1639

TEL (415) 538-2200

### **M E M O R A N D U M**

**DATE:** May 17, 2018

**TO:** Members, Finance and Planning Committee  
Members, Board of Trustees

**FROM:** Kevin Harper, Interim Chief Operating Officer

**SUBJECT:** Executive Retirement Health Benefit (OPEB) Annual Investment  
Report as of March 31, 2018

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Attached is the 2018 annual investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset. The State Bar's OPEB asset is managed by the California Employer's Retiree Benefit Trust (CERBT) managed by CalPERS, and on an ongoing basis, the State Bar makes quarterly transfers to the CERBT to pay the annual required contribution, as determined by the State Bar's actuary.

As of March 31, 2018, the market value of the OPEB assets totaled \$24.9 million. The rate of return of the portfolio since its inception in December 2008 is 19.34%, with an unrealized gain of \$4.0 million.

The Governmental Accounting Standards Board requires employers to prepare an actuarial valuation report and to measure the net OPEB liability on a biennial basis. The last valuation report was completed in June 2017, with a measurement date of June 30, 2017. In this valuation report, the actuary determined that the annual required contribution for 2018 is approximately \$1.0 million. The year to date actual contribution for 2018 was therefore \$250,000.

**The State Bar of California  
OPEB Investment Report Summary  
March 31, 2018**

<b><u>Asset Group</u></b>	<b><u>Original Cost</u></b>	<b><u>Market Value</u></b>	<b><u>Yield from Date of inception</u></b>
- CalPERS CERBT Fund Stratgy 3 Investment	\$ 20,900,401	\$ 24,942,015	19.34%
<b>Grand Total</b>	<b><u>\$ 20,900,401</u></b>	<b><u>\$ 24,942,015</u></b>	
<b>Unrealized Gain:</b>			
Market Value of Portfolio		\$ 24,942,015	
Original Cost of Portfolio		20,900,401	
Unrealized Gain:		<b><u>\$ 4,041,614</u></b>	



# THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 Howard Street, San Francisco, California 94105-1639

TEL (415) 538-2200

## MEMORANDUM

**DATE:** May 17, 2018

**TO:** Members, Finance and Planning Committee  
Members, Board of Trustees

**FROM:** Kevin Harper, Interim Chief Financial Officer

**SUBJECT:** Client Security Fund Report for the Quarter ended March 31, 2018

Attached for your review are a series of reports for the applications activity within the Client Security Fund for the quarter ended March 31, 2018. These reports include:

- Status on Applications Activity for the quarter ended March 31, 2018
- Applications Aging Report
- Cumulative Applications Aging Report
- 24 Month Rolling Average of Applications Paid out Ratio
- Analysis of New Applications Paid, Rejected or Withdrawn

As of March 31, a total of 287 new applications in the amount of \$6.9 million were filed. The number of applications filed is up by 21.1% compared to 237 applications filed last year. The application amount increased by \$2.5 million, or 56.9% compared to \$4.4 million filed in 2017.

For the year ended March 31, 2018, total applications processed are 360 for approximately \$6.5 million. Total payouts for 2018 are \$2.1 million, up by \$1.2 million compared to \$0.9 million last year. Total applications pending for processing as of March 31, 2018, are 3,358 in the amount of \$52.9 million, and for the same period in 2017, there were 3,982 pending applications in the amount of \$52.2 million.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24 month historical applications payout ratio, currently 40.88%. Total applications outstanding as of March 31, 2018 are 3,358 for \$52.9 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of March 31, 2018 is \$21.6 million and there is a decrease of \$2.5 million or 10.4% compared to \$24.1 million last year. As of March 31, 2018, cash and investments available for



applications reimbursement in the CSF are approximately \$8.1 million compared to \$9.1 million last year.

Below are some key indicators for the CSF application process as of March 31, 2018 compared to 2017:

<b>Key Indicator Descriptions</b>	<b>2018 Q1</b>	<b>2017 Q1</b>	<b>Attachment</b>
New Applications Received # / \$ (in million)	287/\$6.9	237/\$4.4	1
Total Applications Processed # / \$ (in million)	360/\$6.5	508/\$3.1	2
% of Paid Applications in # to total in process <sup>1</sup>	4.7%	4.5%	1
% of Paid Applications in \$ to total in process <sup>2</sup>	3.6%	1.7%	1
Total Payouts \$ (in million)	\$ 2.1	\$ 0.9	2
Total Applications Pending for Processing # / \$ (in million)	3,358/\$52.9	3,982/\$52.2	2
24-month Rolling Average Payout Ratio	40.88%	46.21%	4
Estimated CSF Application Liabilities (in million)	\$21.6	\$24.1	2
Net Assets as of December 31 (in million)	\$8.1	\$9.1	3

<sup>1</sup> # of total in process represents pending application from prior year plus additional application filed in current fiscal year.

<sup>2</sup> \$ of total in process represents total application amount pending for processing from prior year plus additional applications filed in current fiscal year.

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
STATUS ON APPLICATIONS ACTIVITIES  
March 31, 2018  
YEAR TO DATE ACTIVITIES**

Attachment 1

	<u>\$1 - 2,500</u>		<u>\$2,501 - 5,000</u>		<u>\$5,001 - 10,000</u>		<u>\$10,001 - 25,000</u>		<u>\$25,001 - 49,999</u>		<u>\$50,000</u>		<u>\$50,001 - 100,000</u>		<u>TOTAL</u>			
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	(A)	(B)
<b>Prior Years' Applications</b>	619	1,067,692	1,180	4,503,099	697	5,053,446	450	7,437,082	156	5,543,861	44	2,250,000	285	26,704,810	3,431	52,559,990		
<b>New Applications</b>	47	73,398	50	194,396	59	435,333	50	856,234	23	744,581	14	700,000	44	3,865,052	287	6,868,994		
<b>Paid Applications</b>	(36)	(61,425)	(51)	(187,745)	(40)	(238,932)	(29)	(394,835)	(9)	(294,921)	(2)	(145,000)	(8)	(796,500)	(175)	(2,119,358)	4.7%	3.6%
<b>Rejected Applications</b>	(2)	(6,407)	(2)	(28,008)	(2)	(55,913)	(4)	(146,696)	(2)	(102,815)	-	(5,000)	(10)	(1,027,920)	(22)	(1,372,759)	0.6%	2.3%
<b>Withdrawn Applications</b>	(56)	(92,478)	(32)	(125,489)	(22)	(188,033)	(23)	(331,858)	(5)	(197,813)	(6)	(300,000)	(19)	(1,785,017)	(163)	(3,020,688)	4.4%	5.1%
<b>Applications Outstanding</b>	<b>572</b>	<b>\$ 980,780</b>	<b>1,145</b>	<b>\$ 4,356,253</b>	<b>692</b>	<b>\$ 5,005,901</b>	<b>444</b>	<b>\$ 7,419,927</b>	<b>163</b>	<b>\$ 5,692,893</b>	<b>50</b>	<b>\$ 2,500,000</b>	<b>292</b>	<b>\$ 26,960,425</b>	<b>3,358</b>	<b>\$ 52,916,179</b>		
<b>New applications % to total</b>	16.38%	1.07%	17.42%	2.83%	20.56%	6.34%	17.42%	12.47%	8.01%	10.84%	4.88%	10.19%	15.33%	56.27%	100.00%	100.00%		
<b>Applications paid % to total</b>	20.57%	2.90%	29.14%	8.86%	22.86%	11.27%	16.57%	18.63%	5.14%	13.92%	1.14%	6.84%	4.57%	37.58%	100.00%	100.00%		
<b>Applications rejected or withdrawn % to total</b>	31.35%	2.25%	18.38%	3.49%	12.97%	5.55%	14.59%	10.89%	3.78%	6.84%	3.24%	6.94%	15.68%	64.03%	100.00%	100.00%		
<b>Applications outstanding % to total</b>	17.03%	1.85%	34.10%	8.23%	20.61%	9.46%	13.22%	14.02%	4.85%	10.76%	1.49%	4.72%	8.70%	50.95%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2018 Q1.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2018 Q1.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF MARCH 31, 2018

<u>Year</u> <u>Application</u> <u>Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
2010	6	89,553			(4)	(17,970)	(1)	(15,635)	(5)	(33,605)	1	55,948
2011	35	542,818			(6)	(16,825)	(10)	(38,159)	(16)	(54,984)	19	487,834
2012	110	1,049,406			(24)	(94,594)	(17)	(102,595)	(41)	(197,189)	69	852,217
2013	151	2,033,058			(12)	(232,633)	(6)	(172,475)	(18)	(405,108)	133	1,627,950
2014	610	9,271,095			(75)	(950,249)	(37)	(1,416,508)	(112)	(2,366,757)	498	6,904,338
2015	809	11,409,483			(50)	(698,743)	(15)	(376,881)	(65)	(1,075,624)	744	10,333,859
2016	895	12,957,913			(3)	(105,470)	(8)	(94,016)	(11)	(199,486)	884	12,758,427
2017	815	15,206,664			(1)	(2,875)	(79)	(1,735,307)	(80)	(1,738,182)	735	13,468,482
2018			287	6,868,994			(12)	(441,870)	(12)	(441,870)	275	6,427,124
<b>TOTAL</b>	<b>3,431</b>	<b>52,559,990</b>	<b>287</b>	<b>6,868,994</b>	<b>(175)</b>	<b>(2,119,359)</b>	<b>(185)</b>	<b>(4,393,446)</b>	<b>(360)</b>	<b>(6,512,805)</b>	<b>3,358</b>	<b>52,916,179</b>

Applications Outstanding	<b>\$52,916,179</b>
Estimated Application Payout Ratio	<b>40.88%</b>
Estimated Application Payouts	<b>\$21,633,350</b>

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF MARCH 31, 2018

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</u>  <u>#</u>	<u>Amount</u>	<u>Applications Paid</u>		<u>Applications</u> <u>Rejected and</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications</u> <u>Outstanding</u>	
	<u>Prior Years</u>				<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
	<u>#</u>	<u>Amount</u>										
2010-2010	6	89,553			(4)	(17,970)	(1)	(15,635)	(5)	(33,605)	1	55,948
2010-2011	41	632,371			(10)	(34,795)	(11)	(53,794)	(21)	(88,589)	20	543,782
2010-2012	151	1,681,777			(34)	(129,389)	(28)	(156,389)	(62)	(285,778)	89	1,395,999
2010-2013	302	3,714,835			(46)	(362,022)	(34)	(328,864)	(80)	(690,886)	222	3,023,949
2010-2014	912	12,985,930			(121)	(1,312,271)	(71)	(1,745,372)	(192)	(3,057,643)	720	9,928,287
2010-2015	1,721	24,395,413			(171)	(2,011,014)	(86)	(2,122,253)	(257)	(4,133,267)	1,464	20,262,146
2010-2016	2,616	37,353,326			(174)	(2,116,484)	(94)	(2,216,269)	(268)	(4,332,753)	2,348	33,020,573
2010-2017	3,431	52,559,990			(175)	(2,119,359)	(173)	(3,951,576)	(348)	(6,070,935)	3,083	46,489,055
2010-2018			287	6,868,994	-	-	(185)	(4,393,446)	(360)	(6,512,805)	3,358	52,916,179
	<b>3,431</b>	<b>52,559,990</b>	<b>287</b>	<b>6,868,994</b>	<b>(175)</b>	<b>(2,119,359)</b>	<b>(185)</b>	<b>(4,393,446)</b>	<b>(360)</b>	<b>(6,512,805)</b>	<b>3,358</b>	<b>52,916,179</b>

Net Asset in Client Security Fund:

As of 3/31/2018 **\$8,106,505**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**MARCH 2016 THROUGH MARCH 18**

Attachment 4

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Montly Average Payout Ratio	Amount	Amount
Apr16	710,863	28.12%	1,816,690	2,527,553
May16	529,062	60.57%	344,346	873,408
Jun16	608,802	49.98%	609,260	1,218,061
Jul16	290,255	47.71%	318,127	608,382
Aug16	659,281	57.19%	493,532	1,152,812
Sept16	512,805	45.75%	608,055	1,120,860
Oct16	710,552	53.13%	626,746	1,337,297
Nov16	278,690	26.44%	775,523	1,054,213
Dec16	1,438,997	67.20%	702,246	2,141,244
Jan17	405,553	45.15%	492,720	898,272
Feb17	126,013	21.18%	469,086	595,099
Mar17	384,925	23.99%	1,219,448	1,604,373
Apr17	161,862	19.45%	670,175	832,036
May17	495,727	51.74%	462,373	958,100
Jun17	400,335	15.43%	2,193,931	2,594,266
Jul17	177,823	39.77%	269,311	447,133
Aug17	1,186,834	58.35%	856,114	2,042,948
Sept17	432,036	30.12%	1,002,515	1,434,552
Oct17	964,259	40.61%	1,410,095	2,374,354
Nov17	1,663,556	74.56%	567,737	2,231,293
Dec17	3,000	0.93%	319,999	322,999
Jan18	779,798	55.03%	637,128	1,416,926
Feb18	1,030,370	33.45%	2,050,278	3,080,648
Mar18	309,191	15.34%	1,706,040	2,015,231
Total:	<u>14,260,588</u>		Total: <u>20,621,473</u>	<u>34,882,060</u>
24 Month Rolling Average PaidOut Ratio:			40.88%	

## Attachment 5

1ST QTR

\*Based upon 24 month rolling weighted average of applications payout ratio (See page 4)