



# The State Bar *of California*

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## **OPEN SESSION**

### **AGENDA ITEM**

**54-141 MAY 2019**

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

**DATE:** May 16, 2019

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

**FROM:** John Adams, Chief Financial Officer

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

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## **EXECUTIVE SUMMARY**

In adherence with the Board Book, Section 4, Tab 4.1, Article 1, Section 4, the Office of Finance has prepared the accompanying financial reports (unaudited) for the 1<sup>st</sup> quarter ended March 31, 2019 for the Board's review. For the 1<sup>st</sup> quarter, the financial report consists of three separate reports: Financial Statements, Investment Report and Client Security Fund Report.

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## **BACKGROUND**

To increase transparency and to ensure public confidence in the operations of the State Bar at all levels, the Office of Finance prepares timely quarterly statements that show the financial condition of the State Bar, investments held by the State Bar, and the activity occurring in the Client Security Fund. The Finance and Planning Committee is responsible for reviewing quarterly reports prepared by the Office of Finance.

## **DISCUSSION**

The Financial Report for the 1<sup>st</sup> quarter ended March 31, 2019 is composed of multiple attachments, including: the 1<sup>st</sup> Quarter Financial Statements, the Investment Report ending as of March 31, 2019, and the 1<sup>st</sup> Quarter Client Security Fund Report. This agenda item is also on the consent agenda for the Board's May 17, 2019 meeting.

## **FISCAL/PERSONNEL IMPACT**

None

## **RULE AMENDMENTS**

None

## **BOARD BOOK AMENDMENTS**

None

## **STRATEGIC PLAN GOALS & OBJECTIVES**

None - compliance

## **RECOMMENDATIONS**

**It is recommended that the Finance and Planning Committee and Board of Trustees approve the following resolution:**

**RESOLVED**, that the Board of Trustees approve the 2019 1<sup>st</sup> Quarter Financial Report in the form this day before the Board, for the three months ended March 31, 2019, as certified by the Chief Financial Officer, and on file with the San Francisco office of the State Bar.

## **ATTACHMENT(S) LIST**

- A.** Financial Statements as of March 31, 2019
- B.** Investment Report for the First Quarter Ended March 31, 2019
- C.** Client Security Fund Report for the Quarter Ended March 31, 2019



# The State Bar of California

## OFFICE OF FINANCE

Date: May 16, 2019

To: Members, Finance and Planning Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Financial Statements as of March 31, 2019

This memo outlines the State Bar's 1<sup>st</sup> quarter operating results and fiscal position as of March 31, 2019, with information and comparative analyses regarding revenues, expenses, net surplus, assets, liabilities and net position.

### Financial Highlights

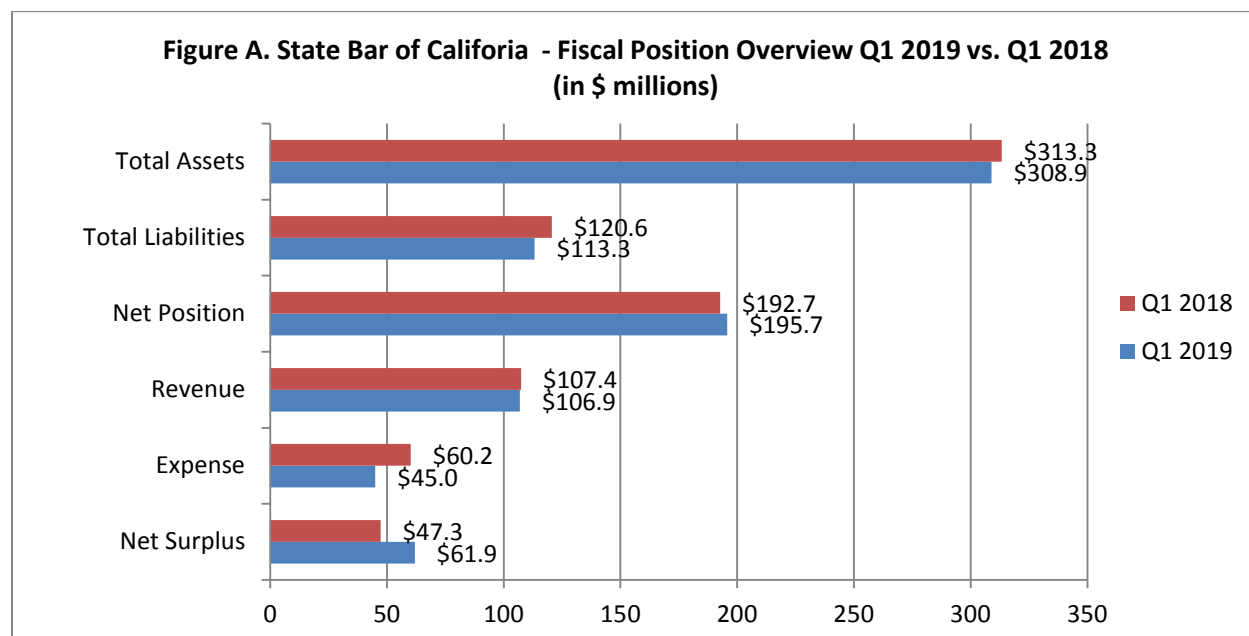
Total assets as of March 31, 2019 were \$308.9 million, liabilities were \$113.2 million, and net position was \$195.7 million. For the year-to-date through March 31, 2019, total operating revenues were \$104.7 million, 1.5 percent better than the budget of \$103.2 million. Total operating expenses were \$44.8 million at 88.0 percent of the \$50.9 million adopted budget. Below is a summary of key financial highlights of the financial statements:

**Table 1. Financial Highlights for Year-to-Date Through March 31, 2019**

ASSETS AND LIABILITIES YEAR OVER YEAR COMPARISON					
Financial Statement Category	March 31, 2019 (in \$M)	March 31, 2018 (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Total Assets</b>	\$308.9	\$313.3	-\$4.3	-1.4%	4&5
Cash & Investments	167.7	176.7	-9	-5.1%	4&5
Deferred Outflows of Resources	14.6	24.6	-10	-40.6%	4&5
<b>Total Liabilities</b>	<b>113.3</b>	<b>120.6</b>	<b>-7.4</b>	<b>-6.1%</b>	4&5
Deferred Inflows of Resources	10.9	2.3	8.6	371.8%	4&5
Net Pension Liabilities	59.4	73.4	-14	-19.1%	4&5
Loans Payable	24.3	26.7	-2.4	-9.1%	4&5
<b>Net Position</b>	<b>195.7</b>	<b>192.7</b>	<b>3</b>	<b>1.6%</b>	4&5

OPERATING REVENUES AND EXPENSES ACTUAL TO BUDGET COMPARISON					
Financial Statement Category	2019 Q1 Actual (in \$M)	2019 Q1 Budget (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Operating Revenues</b>	<b>104.7</b>	<b>103.2</b>	<b>1.5</b>	<b>1.5%</b>	1,2,3
Licensee Fees & Donations	81.2	80.8	0.4	0.5%	1,2,3
<b>Operating Expenses</b>	<b>44.8</b>	<b>50.9</b>	<b>-6.1</b>	<b>-12.0%</b>	1,2,3
General & Administrative	(2.1)	0.6	-2.7	-462.1%	1,2,3
Chief Trial Counsel	11.0	12.2	-1.2	-10.2%	1,2,3
Client Security Fund	2.1	2.1	0.0	0.0%	1,2,3
Admissions	3.8	4.9	-1.1	-22.7%	1,2,3
Grant Expenses	23.2	23.2	0.0	0.0%	1,2,3

The State Bar's total assets decreased by \$4.3 million, from \$313.3 million at March 31, 2018 to \$308.9 million at March 31, 2019. Total liabilities decreased by \$7.4 million, from \$120.6 million in 2018 to \$113.2 million in 2019. Net position (total assets – total liabilities) at March 31, 2019 was \$195.7 million, a decrease of 1.6 percent compared to \$192.7 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 third quarter compared to last year.



## Assets

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan asset and deferred outflows of resources. The State Bar's total assets decreased by \$4.3 million, from \$313.3 million at March 31, 2018 to \$308.9 million at March 31, 2019. Total liabilities decreased by \$7.4 million, from \$120.6 million in 2018 to \$113.2 million in 2019. Net

position (total assets – total liabilities) at March 31, 2019 was \$195.7 million, a decrease of 1.6 percent compared to \$192.7 million last year. This decline is a result of 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 related to pension, loans payable, and employee vacation and sick leave accruals. As of March 31, 2019, State Bar's total liabilities were \$113.3 million, down by \$7.4 million or -6.1 percent compared to \$120.6 million last year. This decrease is due primarily to a decrease in pension liabilities and loans payable of \$16.5 million offset by an increase in deferred inflows of resources, accounts payable and accrued liabilities, grants payable, and unearned income totaling \$9.1 million. Pension liabilities and deferred inflows of resources changed due to updated estimates of pension assets and liabilities from our actuaries.

## **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, 2019 was \$195.7 million, up by \$3 million or 1.6 percent compared to \$192.7 million last year. This increase resulted from revenues exceeding expenses in the past 12 months.

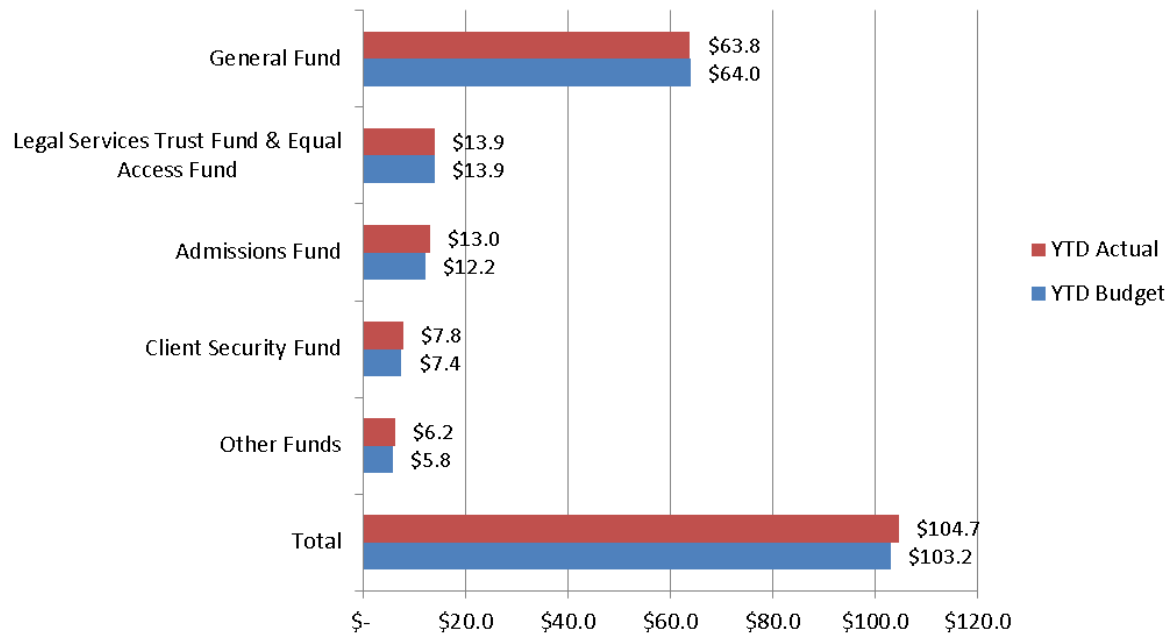
## **Revenues and Expenses**

Attachments 1 and 2 present the State Bar's year to date operating results through March 31, 2019.

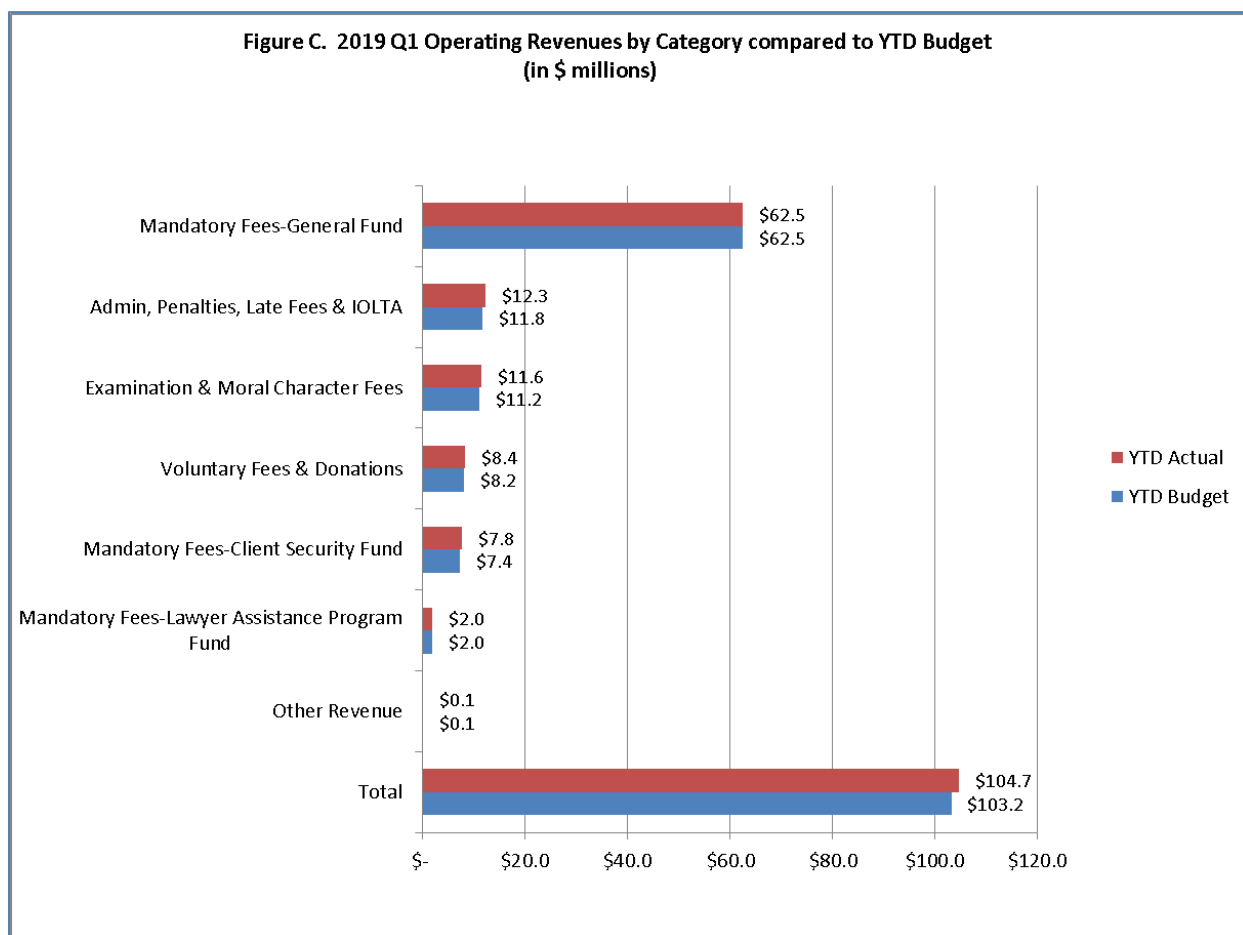
## **Revenues**

Operating revenues of \$104.7 million compare favorably with the 2019 budget of \$103.2 million. This represents a \$1.5 million or 1.5 percent favorable variance in the first quarter. Figures (B) and (C) summarize the State Bar's year-to-date operating revenues by fund and by category compared to the budget.

**Figure B. 2019 Q1 Operating Revenues by Fund compared to YTD Budget  
(in \$ millions)**



Overall revenue is \$1.5 million favorable to the 2019 budget. The key drivers of this variance are Licensing Fees and Donations (\$0.4 million), Examination & Moral Character Fees (\$0.4 million), and Legal Specialization Fees (\$0.2 million).



## Non-Operating Revenue

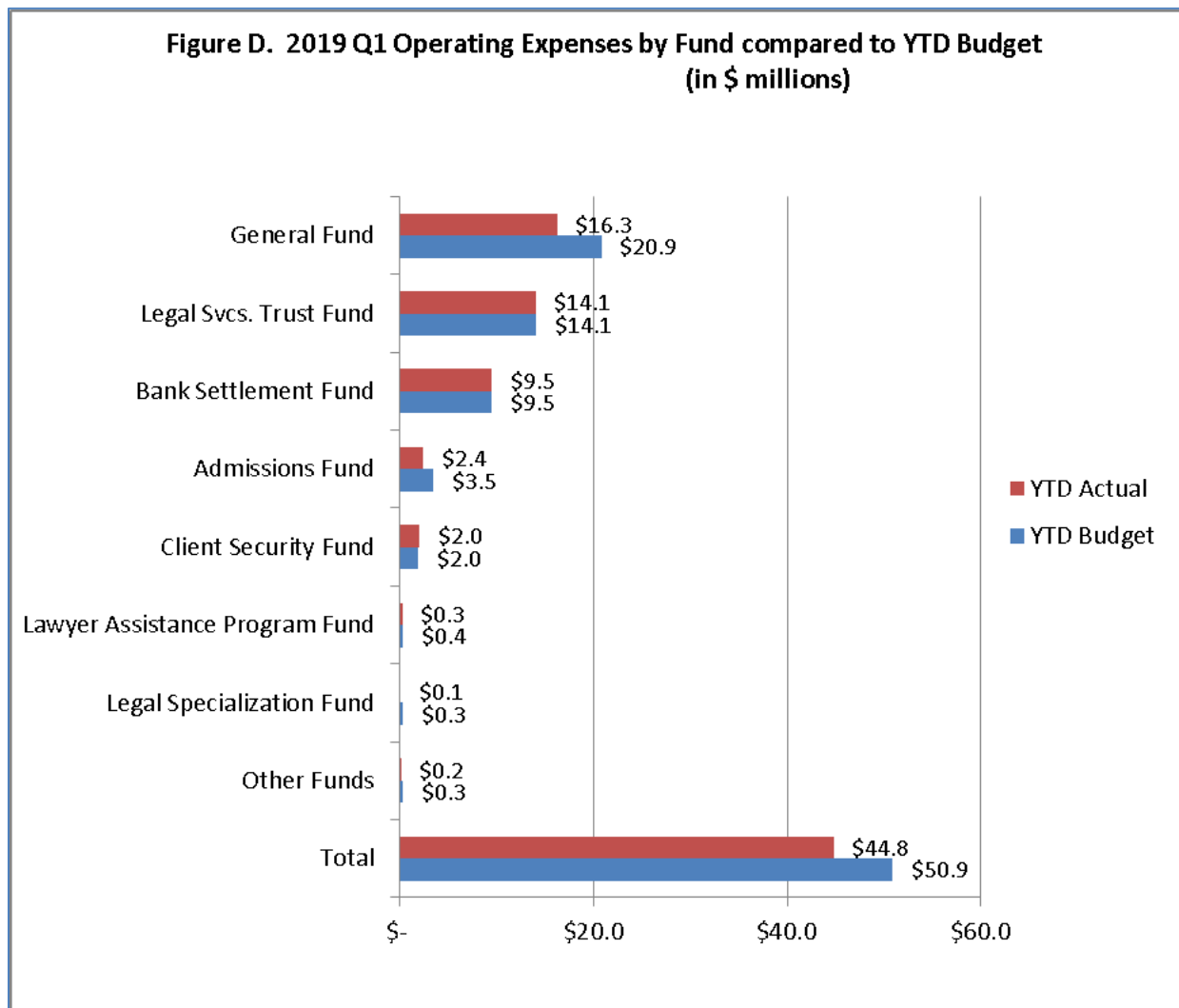
Non-operating revenue consists of investment income and rental income. Investment income for 2019 of \$1.7 million which is \$1.4 million over budget due to increased investments and higher interest rates. The higher rate of return is due to higher interest rates on the deposit in the LAIF (Local Agency Investment Fund) increased from 1.07 percent for the quarter ended March 31, 2018 to 2.16 percent for the quarter ended March 31, 2019. Rental income is on budget at \$0.5 million.

## Expenses

The State Bar's total 2019 operating expenses were \$44.8 million compared to the budget of \$50.9 million. This variance includes \$1.2 million for Chief Trial Counsel due to unfilled positions. The 2019 budget includes 255 positions compared to 237 which were filled on March 31.

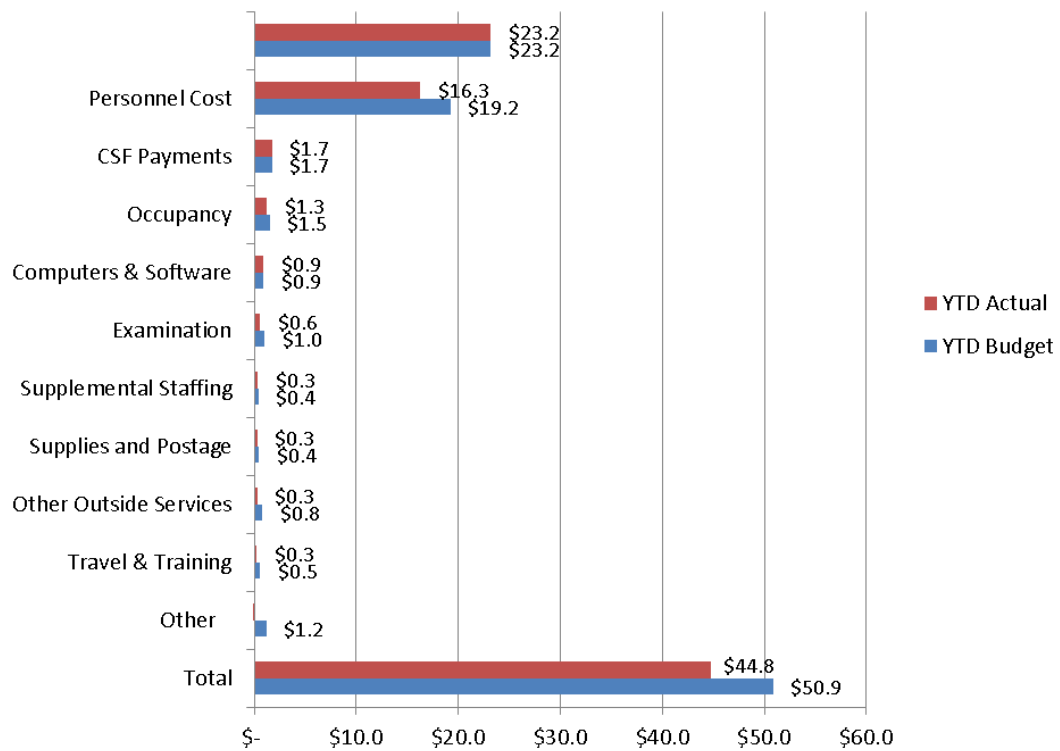
Admissions expenses were \$1.1 million below budget. This decrease in Admissions expenses is primarily composed of decreases in and personnel costs and Multi-State Bar exam costs.

Figures (D) and (E) summarize the State Bar's 2019 year-to-date operating expenses by fund and by category compared to the budget.





**Figure E. 2019 Q1 Operating Expenses by Category compared to YTD Budget  
(in \$ millions)**



**Attachments:**

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

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2019**

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

	General Fund	Other Funds	2019 Actual	2018 Actual	Variance- 2018 Actual vs 2019 Actual	2019 Budget	Variance-2019 Actual vs Budget
<b>OPERATING REVENUES</b>							
Licensing Fees and Donations	\$ 63,045,829	\$ 18,160,804	\$ 81,206,633	\$80,688,381	\$ 518,252	\$ 80,784,500	\$ 422,133
Multi-Jurisdictional Practice Fees	-	656,182	656,182	677,082	(20,900)	\$ 575,900	80,282
Exam Application & Moral Character Fees	-	11,816,860	11,816,860	12,130,557	(313,697)	\$ 11,427,925	388,935
Trust Account Revenue	-	7,879,511	7,879,511	2,044,889	5,834,622	\$ 7,885,500	(5,989)
Seminar/Workshop Revenue	1,850	-	1,850	21,120	(19,270)	\$ 15,100	(13,250)
Legal Specialization Fees	-	1,816,916	1,816,916	1,747,013	69,903	\$ 1,594,400	222,516
Law Corporation Registration Fees	384,587	-	384,587	356,515	28,072	\$ 360,000	24,587
Continuing Legal Education Fees	310,173	3,493	313,665	197,377	116,288	\$ 266,400	47,265
Grant Revenue	-	-	-	6,721,170	(6,721,170)	\$ -	-
EAF AB 145 Filing Fee Revenue	-	-	-	1,171,778	(1,171,778)	\$ -	-
Affinity Insurance Revenue	(72,056)	-	(72,056)	391,020	(463,076)	\$ (29,800)	(42,256)
Other Revenue	156,774	558,133	714,906	420,090	294,816	\$ 301,100	413,806
<b>Total Operating Revenues</b>	<b>63,827,155</b>	<b>40,891,898</b>	<b>104,719,054</b>	<b>106,566,992</b>	<b>(1,847,938)</b>	<b>103,181,025</b>	<b>1,538,029</b>
<b>OPERATING EXPENSES</b>							
Chief Trial Counsel	10,986,840	-	10,986,840	10,392,954	593,886	12,228,500	(1,241,660)
State Bar Court	2,758,725	-	2,758,725	3,002,766	(244,041)	3,063,300	(304,575)
Attorney Regulation and Consumer Resources	1,283,326	-	1,283,326	1,130,804	152,522	1,465,200	(181,874)
Professional Competence	641,298	-	641,298	611,026	30,272	784,200	(142,902)
Probation	372,892	-	372,892	343,926	28,966	395,800	(22,908)
Mandatory Fee Arbitration	7,088	-	7,088	109,594	(102,506)	27,900	(20,812)
Judicial Evaluation	64,566	-	64,566	166,770	(102,204)	126,100	(61,534)
Commission on Access to Justice	1,255	-	1,255	3,478	(2,223)	5,700	(4,445)
Access & Inclusion	297,439	-	297,439	343,203	(45,764)	446,600	(149,161)
Communications	145,744	-	145,744	232,489	(86,745)	197,900	(52,156)
Governance	837,843	-	837,843	894,193	(56,350)	910,000	(72,157)
Lawyer Assistance Program	-	411,129	411,129	450,939	(39,810)	479,900	(68,771)
Client Security Fund	-	2,145,161	2,145,161	2,439,405	(294,244)	2,099,100	46,061
Admissions	-	3,770,739	3,770,739	3,584,730	186,009	4,879,300	(1,108,561)
Grant Expenses	-	23,184,332	23,184,332	27,694,798	(4,510,466)	23,171,600	12,732
Payment to Calif Lawyers Association	-	-	-	7,326,157	(7,326,157)	-	-
General and Administrative	(3,197,560)	1,060,013	(2,137,547)	1,148,914	(3,286,461)	590,300	(2,727,847)
<b>Total Operating Expenses</b>	<b>14,199,455</b>	<b>30,571,375</b>	<b>44,770,830</b>	<b>59,876,146</b>	<b>(15,105,316)</b>	<b>50,871,400</b>	<b>(6,100,570)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>49,627,700</b>	<b>10,320,524</b>	<b>59,948,224</b>	<b>46,690,846</b>	<b>13,257,378</b>	<b>52,309,625</b>	<b>7,638,599</b>

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2019**

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

	General Fund	Other Funds	2019 Actual	2018 Actual	Variance- 2018 Actual vs 2019 Actual	2019 Budget	Variance-2019 Actual vs Budget
<b>NON-OPERATING</b>							
Investment Income	1,645,560	57,956	1,703,517	290,847	1,412,670	314,864	1,388,653
Rental Income	516,545	-	516,545	578,038	(61,493)	500,300	16,245
Interest Expense on Loan	(180,184)	(88,878)	(269,062)	(295,600)	26,538	(259,300)	(9,762)
<b>Total Non-Operating</b>	<b>1,981,921</b>	<b>(30,921)</b>	<b>1,950,999</b>	<b>573,285</b>	<b>1,377,714</b>	<b>555,864</b>	<b>1,395,135</b>
 <b>INCOME/(LOSS) BEFORE TRANSFERS</b>	 51,609,621	 10,289,602	 61,899,223	 47,264,131	 14,635,092	 52,865,489	 9,033,734
Transfer Out To Legal Specialization Fund	-	-	-	-	-	(25,300)	25,300
Interfund Transaction - Revenue	644	-	644	561	83	-	644
Interfund Transaction - Expenses	(644)	(0)	(644)	(561)	(83)	-	(644)
 <b>CHANGE IN NET POSITION</b>	 51,609,621	 10,289,602	 61,899,223	 47,264,131	 14,635,092	 52,840,189	 <u>\$ 9,059,034</u>
 Net Position at beginning of year	 60,824,757	 72,926,620	 133,751,377	 145,389,714	 (11,638,337)	 133,751,377	
<b>NET POSITION AT MARCH 31, 2019</b>	<b><u>\$ 112,434,378</u></b>	<b><u>\$ 83,216,222</u></b>	<b><u>\$ 195,650,600</u></b>	<b><u>\$ 192,653,845</u></b>	<b><u>\$ 2,996,755</u></b>	<b><u>\$ 186,591,566</u></b>	

**The State Bar of California**  
**Statement of Revenues, Expenses and Changes in Net Position - Non-General Funds**  
**For the Three Months Ending March 31, 2019**

**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	Grants	SF Tenant Improvement	Total Other Funds
<b>REVENUES</b>														
Licensing Fees and Donations	7,762,654	301,470	-	(0)	1,331,899	2,035,605	703,780	6,025,398	-	-	-	-	(0)	\$ 18,160,804
Multi-Jurisdictional Practice	-	-	-	-	-	-	-	-	-	-	656,182	-	-	656,182
Exam Application & Moral Character Fees	-	-	-	-	-	-	-	-	-	-	11,816,860	-	-	11,816,860
Trust Account Revenue	-	-	-	-	-	-	-	7,879,511	-	-	-	-	-	7,879,511
Law Practices Sections Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seminar/Workshop Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convention Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-	-	1,816,916	-	-	-	-	1,816,916
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Revenue	-	-	-	-	-	-	-	-	3,493	-	-	-	-	3,493
Grant Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EAF AB145 Filing Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	1,325	99	-	-	-	-	-	39,009	8,950	-	508,750	-	-	558,133
<b>Total Operating Revenues</b>	<b>7,763,979</b>	<b>301,569</b>	<b>-</b>	<b>(0)</b>	<b>1,331,899</b>	<b>2,035,605</b>	<b>703,780</b>	<b>13,943,917</b>	<b>1,829,359</b>	<b>-</b>	<b>12,981,791</b>	<b>-</b>	<b>(0)</b>	<b>40,891,898</b>
<b>EXPENSES</b>														
Chief Trial Counsel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mandatory Fee Arbitration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Judicial Evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission on Access to Justice	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Access & Inclusion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
California Young Lawyers Association	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Governance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lawyer Assistance Program	-	-	-	-	-	411,129	-	-	-	-	-	-	-	411,129
Client Security Fund	2,145,161	-	-	-	-	-	-	-	-	-	-	-	-	2,145,161
Admissions	-	-	-	-	-	-	-	-	-	-	3,770,739	-	-	3,770,739
Grant Expenses	-	-	-	-	-	-	-	13,731,543	-	9,452,789	-	-	-	23,184,332
General and Administrative	-	16,233	26,089	0	1,600	-	127,682	542,348	296,383	7,500	-	42,179	0	1,060,013
<b>Total Operating Expenses</b>	<b>2,145,161</b>	<b>16,233</b>	<b>26,089</b>	<b>0</b>	<b>1,600</b>	<b>411,129</b>	<b>127,682</b>	<b>14,273,891</b>	<b>296,383</b>	<b>9,460,289</b>	<b>3,770,739</b>	<b>42,179</b>	<b>0</b>	<b>30,571,375</b>
<b>NON-OPERATING REVENUE</b>														
Investment Income	11,263	(614)	223	6,491	(6,626)	(525)	(727)	-	6,029	48,696	(19,013)	(0)	12,761	57,956
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	(88,878)	(88,878)
<b>Total Non-Operating Revenue</b>	<b>11,263</b>	<b>(614)</b>	<b>223</b>	<b>6,491</b>	<b>(6,626)</b>	<b>(525)</b>	<b>(727)</b>	<b>-</b>	<b>6,029</b>	<b>48,696</b>	<b>(19,013)</b>	<b>(0)</b>	<b>(76,117)</b>	<b>(30,921)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>5,630,080</b>	<b>284,722</b>	<b>(25,867)</b>	<b>6,491</b>	<b>1,323,672</b>	<b>1,623,951</b>	<b>575,371</b>	<b>(329,974)</b>	<b>1,539,006</b>	<b>(9,411,593)</b>	<b>9,192,039</b>	<b>(42,179)</b>	<b>(76,117)</b>	<b>10,289,602</b>
<b>CHANGE IN NET POSITION</b>	<b>5,630,080</b>	<b>284,722</b>	<b>(25,867)</b>	<b>6,491</b>	<b>1,323,672</b>	<b>1,623,951</b>	<b>575,371</b>	<b>(329,974)</b>	<b>1,539,006</b>	<b>(9,411,593)</b>	<b>9,192,039</b>	<b>(42,179)</b>	<b>(76,117)</b>	<b>10,289,602</b>
Net Position at beginning of year	487,121	131,856	2,762,219	-	4,101,410	3,568,711	386,961	19,981,176	3,410,348	29,766,767	8,150,263	469,453	(289,665)	72,926,620
<b>NET POSITION AT MARCH 31, 2019</b>	<b>\$ 6,117,201</b>	<b>\$ 416,578</b>	<b>\$ 2,736,352</b>	<b>\$ 6,491</b>	<b>\$ 5,425,082</b>	<b>\$ 5,192,662</b>	<b>\$ 962,332</b>	<b>\$ 19,651,202</b>	<b>\$ 4,949,354</b>	<b>\$ 20,355,174</b>	<b>\$ 17,342,302</b>	<b>\$ 427,274</b>	<b>\$ (365,782)</b>	<b>\$ 83,216,222</b>

**The State Bar of California**  
**Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2019**

**Attachment 3**  
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	2019 Actual	2018 Actual	Variance- 2019 Actual vs 2018 Actual	Percent Change	Note
<b>OPERATING REVENUES</b>					
Licensing Fees and Donations	\$ 81,206,633	\$ 80,688,381	\$ 518,252	0.6%	
Trust Account Revenue	\$ 7,879,511	\$ 2,044,889	5,834,622	285.3%	(C)
EAF AB 145 Filing Fee Revenue	\$ -	\$ 1,171,778	(1,171,778)	(100.0%)	(B)
Grant Revenue	\$ -	\$ 6,721,170	(6,721,170)	(100.0%)	(A)
Seminar/Workshop Revenue	\$ 1,850	\$ 21,120	(19,270)	(91.2%)	
Legal Specialization Fees	\$ 1,816,916	\$ 1,747,013	69,903	4.0%	
Multi-Jurisdictional Practice Fees	\$ 656,182	\$ 677,082	(20,900)	(3.1%)	
Exam Application & Moral Character Fees	\$ 11,816,860	\$ 12,130,557	(313,697)	(2.6%)	
Advertising Revenue	\$ -	\$ -	-	0.0%	
Convention Income	\$ -	\$ -	-	0.0%	
Law Corporation Registration Fees	\$ 384,587	\$ 356,515	28,072	7.9%	
Continuing Legal Education Fees	\$ 313,665	\$ 197,377	116,288	58.9%	
Settlement Grants	\$ -	\$ -	-	0.0%	
Affinity Insurance Revenue	\$ (72,056)	\$ 391,020	(463,076)	(118.4%)	
Other Revenue	\$ 714,906	\$ 420,090	294,816	70.2%	
<b>Total Operating Revenues</b>	<b>104,719,053</b>	<b>106,566,992</b>	<b>(1,847,938)</b>	<b>(1.7%)</b>	
<b>OPERATING EXPENSES</b>					
General and Administrative	(2,137,547)	1,148,914	(3,286,461)	-286.0%	(F)
Grant Expenses	23,184,332	27,694,798	(4,510,466)	-16.3%	(E)
Chief Trial Counsel	10,986,840	10,392,954	593,886	5.7%	
Client Security Fund	2,145,161	2,439,405	(294,244)	-12.1%	
Admissions	3,770,739	3,584,730	186,009	5.2%	
Communications	145,744	232,489	(86,745)	(37.3%)	
Lawyer Assistance Program	411,129	450,939	(39,810)	-8.8%	
Attorney Regulation and Consumer Resource	1,283,326	1,130,804	152,522	13.5%	
Mandatory Fee Arbitration	7,088	109,594	(102,506)	(93.5%)	
State Bar Court	2,758,725	3,002,766	(244,041)	-8.1%	
Professional Competence	641,298	611,026	30,272	5.0%	
Probation	372,892	343,926	28,966	8.4%	
Judicial Evaluation	64,566	166,770	(102,204)	(61.3%)	

**The State Bar of California**  
**Revenues, Expenses and Changes in Net Position - Bar Wide**  
**For the Three Months Ending March 31, 2019**

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

	2019 Actual	2018 Actual	Variance- 2019 Actual vs 2018 Actual	Percent Change	Note
<b>OPERATING EXPENSES</b>					
Commission on Access to Justice	1,255	3,478	(2,223)	(63.9%)	
Access & Inclusion	297,439	343,203	(45,764)	(13.3%)	
Governance	837,843	894,193	(56,350)	-6.3%	
Payment to Calif Lawyers Association	-	7,326,157	(7,326,157)	100.0%	(D)
<b>Total Operating Expenses</b>	<b>44,770,830</b>	<b>59,876,146</b>	<b>(7,308,390)</b>	<b>-12.2%</b>	
<b>OPERATING INCOME/(LOSS)</b>	<b>59,948,223</b>	<b>46,690,846</b>	<b>5,460,451</b>	<b>11.7%</b>	
<b>NON-OPERATING REVENUE</b>					
Investment Income	1,703,517	290,847	1,412,670	485.7%	
Rental Income	516,545	578,038	(61,493)	-10.6%	
Interest Expense on Loan	(269,062)	(295,600)	26,538	-9.0%	
<b>Total Non-Operating Revenue</b>	<b>1,950,999</b>	<b>573,285</b>	<b>1,377,714</b>	<b>240.3%</b>	
<b>CHANGE IN NET POSITION</b>	<b>61,899,222</b>	<b>47,264,131</b>	<b>6,838,165</b>	<b>14.5%</b>	
Net Position at beginning of year	133,751,377	145,389,714	(11,638,337)	(8.0%)	
<b>NET POSITION AT MARCH 31, 2019</b>	<b>\$ 195,650,599</b>	<b>\$ 192,653,845</b>	<b>\$ (4,800,172)</b>	<b>(2.5%)</b>	

Note: See Attachment 3 page 2 for the Variances

**Note REVENUES: 2019 Actual vs 2018 Actual**

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- (A) **Grant Revenue - 2019 Actual \$0.0 million, 2018 Actual \$6.7 million. \$6.7 million decrease.**  
The first quarter decrease of \$6.7 million is due to the delayed release of Judicial Counsel funds which support the grants.  
The State Bar contract with Judicial Counsel was delayed due to Judicial Counsel's transition to a new financial system.
- (B) **EAF AB 145 Filing Fee Revenue – 2019 Actual \$0.0 million, 2018 \$1.2 million. \$1.2 million decrease.**  
The first quarter decrease of \$1.2 million is due to the delayed release of Judicial Counsel funds which support the grants.  
The State Bar contract with Judicial Counsel was delayed due to Judicial Counsel's transition to a new financial system.
- (C) **Trust Account Revenue – 2019 Actual \$7.9 million, 2018 \$2.0 million. \$5.9 million increase.**  
The \$5.8 million increase is driven by rising interest rates. This is interest income on IOLTA accounts.

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**EXPENSES: 2019 Actual vs 2018 Actual**

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- (D) **Sections - 2019 Actual \$0.0 million, 2018 Actual \$7.3 million. \$7.3 million decrease.**  
Sections expenses decreased \$7.3 million which 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.
- (E) **Grant Expenses - 2019 Actual \$23.2 million, 2018 Actual \$27.7 million. \$4.5 million decrease driven by:**  
1. \$14.4 million less in Equal Access Fund Grant spending, due to factors detailed in Note (A).  
2. \$10.2 million more in Legal Services Trust Fund spending, due to factors detailed in Note (C).  
3. \$0.3 million less in Bank Settlement Fund spending.
- (F) **General and Administrative - 2019 Actual (\$2.1 million), 2018 Actual \$1.2 million**  
1. 2019 G&A consists of \$8.6 million in indirect costs charged out, compared to \$7.8 million in 2018.  
2. 2018 contained larger expenses which offset the costs charged out including \$0.8 million in Depreciation, which is now recorded only at the end of the year.  
3. 2019 shows a \$0.7 million credit in Affinity Professional Services for actuarial reimbursements.

**The State Bar of California**  
**Statement of Assets, Liabilities and Net Assets - Special Revenue Funds**  
**As of March 31, 2019**

**Attachment 4**

	General Fund	Total Other Funds	March 2019 Balance	March 2018 Balance	Variance
<b>ASSETS AND DEFERRED OUTFLOWS</b>					
Cash	\$ 74,322,317	\$ 2,495,000	\$ 76,817,317	\$ 95,716,067	\$ (18,898,750)
Investments	90,887,842	1,000	90,888,842	80,969,835	9,919,007
Accounts Receivable (net of allowances)	3,410,804	13,187,006	16,597,810	5,717,489	10,880,321
Interfund Rec(Pay)	(75,502,106)	75,506,221	4,114	(0)	4,114
Capital Assets (net of depreciation)	96,968,485	4,815,551	101,784,035	94,164,112	7,619,923
OPEB Investments	8,254,371	-	8,254,371	12,148,222	(3,893,851)
Deferred Outflows	14,602,756	-	14,602,756	24,566,049	(9,963,293)
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 212,944,469</b>	<b>\$ 96,004,777</b>	<b>\$ 308,949,246</b>	<b>\$ 313,281,775</b>	<b>\$ (4,332,529)</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	\$ 13,066,437	\$ 5,214,550	\$ 18,280,987	\$ 18,149,909	\$ 131,078
Unearned Income	425,752	(697)	425,056	(406)	425,462
Loan Payable	16,715,435	7,575,593	24,291,028	26,735,655	(2,444,628)
Pension Liability	59,395,925	-	59,395,925	73,436,884	(14,040,959)
Deferred Inflows	10,878,281	-	10,878,281	2,305,896	8,572,385
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$ 100,481,830</b>	<b>\$ 12,789,446</b>	<b>\$ 113,271,276</b>	<b>\$ 120,627,938</b>	<b>\$ (7,356,662)</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	\$ 60,851,469	\$ 72,927,278	\$ 133,778,747	\$ 138,063,557	\$ (4,284,810)
Change in Net Position	51,611,171	10,288,052	61,899,223	54,590,280	7,308,943
<b>TOTAL NET POSITION</b>	<b>\$ 112,462,640</b>	<b>\$ 83,215,331</b>	<b>\$ 195,677,970</b>	<b>\$ 192,653,837</b>	<b>\$ 3,024,133</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 212,944,469</b>	<b>\$ 96,004,777</b>	<b>\$ 308,949,246</b>	<b>\$ 313,281,775</b>	<b>\$ (4,332,529)</b>



The State Bar of California  
Assets, Liabilities and Net Position - Non General Funds  
March 31, 2019

Attachment 5

	Client Security	Elimination of Bias	Equal Access	Info Tech Special Access	Justice Gap	Lawyer Assistance Program	Legislative Activities	Legal Services Trust	Legal Specialization	Bank Settlement	Admissions	Annual Meeting	Grants	Sections	SF Tenant Improvement	All Others	Total Other Funds
<b>ASSETS AND DEFERRED OUTFLOWS</b>																	
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,495,000	\$ -	\$ 2,495,000
Investments	-	-	-	-	-	-	-	-	-	-	1,000	-	-	-	-	-	1,000
Accounts Receivable (net of allowances)	-	-	11,539,093	-	-	14,967	-	1,494,387	-	-	144,075	-	-	(5,516)	-	-	13,187,006
Interfund Rec(Pay)	6,014,198	416,578	(2,813,329)	6,491	5,425,082	5,140,655	975,114	17,892,405	4,940,722	20,355,177	16,822,287	(1,229)	427,275	5,516	(100,739)	18	75,506,221
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,815,551	-	4,815,551
OPEB Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 6,014,198</b>	<b>\$ 416,578</b>	<b>\$ 8,725,764</b>	<b>\$ 6,491</b>	<b>\$ 5,425,082</b>	<b>\$ 5,155,622</b>	<b>\$ 975,114</b>	<b>\$ 19,386,792</b>	<b>\$ 4,940,722</b>	<b>\$ 20,355,177</b>	<b>\$ 16,967,362</b>	<b>\$ (1,229)</b>	<b>\$ 427,275</b>	<b>\$ 0</b>	<b>\$ 7,209,811</b>	<b>\$ 18</b>	<b>\$ 96,004,777</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>																	
Accounts Payable and Accrued Liabilities	\$ (103,023)	\$ -	\$ 5,730,775	\$ -	\$ -	\$ (37,040)	\$ 12,782	\$ (5,775)	\$ (8,632)	\$ -	\$ (374,244)	\$ (1,229)	\$ (614)	\$ 0	\$ -	\$ 1,550	\$ 5,214,550
Unearned Income	-	-	-	-	-	-	-	-	-	-	(697)	-	-	-	-	-	(697)
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,575,593	-	7,575,593
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$ (103,023)</b>	<b>\$ -</b>	<b>\$ 5,730,775</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (37,040)</b>	<b>\$ 12,782</b>	<b>\$ (5,775)</b>	<b>\$ (8,632)</b>	<b>\$ -</b>	<b>\$ (374,940)</b>	<b>\$ (1,229)</b>	<b>\$ (614)</b>	<b>\$ 0</b>	<b>\$ 7,575,593</b>	<b>\$ 1,550</b>	<b>\$ 12,789,446</b>
<b>NET POSITION</b>																	
Net Position at Beginning of Year	\$ 487,141	\$ 131,856	\$ 3,020,856	\$ -	\$ 4,101,410	\$ 3,568,711	\$ 386,961	\$ 19,722,542	\$ 3,410,348	\$ 29,766,769	\$ 8,150,263	\$ -	\$ 470,069	\$ -	\$ (289,665)	\$ 18	\$ 72,927,278
Change in Net Position	5,630,080	284,722	(25,867)	6,491	1,323,672	1,623,951	575,371	(329,974)	1,539,006	(9,411,593)	9,192,039	-	\$ (42,179)	\$ -	\$ (76,117)	\$ (1,550)	\$ 10,288,052
<b>TOTAL NET POSITION</b>	<b>\$ 6,117,221</b>	<b>\$ 416,578</b>	<b>\$ 2,994,989</b>	<b>\$ 6,491</b>	<b>\$ 5,425,082</b>	<b>\$ 5,192,662</b>	<b>\$ 962,332</b>	<b>\$ 19,392,567</b>	<b>\$ 4,949,354</b>	<b>\$ 20,355,177</b>	<b>\$ 17,342,302</b>	<b>\$ -</b>	<b>\$ 427,890</b>	<b>\$ -</b>	<b>\$ (365,782)</b>	<b>\$ (1,532)</b>	<b>\$ 83,215,331</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,014,198</b>	<b>\$ 416,578</b>	<b>\$ 8,725,764</b>	<b>\$ 6,491</b>	<b>\$ 5,425,082</b>	<b>\$ 5,155,622</b>	<b>\$ 975,114</b>	<b>\$ 19,386,792</b>	<b>\$ 4,940,722</b>	<b>\$ 20,355,177</b>	<b>\$ 16,967,362</b>	<b>\$ (1,229)</b>	<b>\$ 427,275</b>	<b>\$ 0</b>	<b>\$ 7,209,811</b>	<b>\$ 18</b>	<b>\$ 96,004,777</b>



## The State Bar *of California*

### OFFICE OF FINANCE

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Date: May 16, 2019

To: Members, Finance and Planning Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Investment Report for the 1<sup>st</sup> Quarter Ended March 31, 2019

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Attached is the quarterly Investment Report for the State Bar of California as of March 31, 2019. 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 deposits with Wells Fargo Bank and with the State Treasurer's Local Agency Investment Fund (LAIF). As of March 31, 2019, the market value of the investment portfolio was \$158.7 million compared to \$145.9 million as of March 31, 2018. This increase is due to the Q1 2019 replenishment of the LAIF account with funds collected during the most recent billing season and the purchase of additional investments. In addition \$3 million in cash on deposit at Wells Fargo is also included. We also note the increase in interest rates during this period of time. For example, the quarterly interest rate on deposits in the Local Agency Investment Fund increased from 1.51 percent for the quarter ended March 31, 2018 to 2.55 percent for the quarter ended March 31, 2019.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 2.44 percent compared to 1.44 percent in the comparable quarter of 2018. Actual investment earnings increased from \$334,434 in 2018 to \$439,574 in 2019.

The State Bar's investment strategy is to purchase bonds and hold them until maturity to realize the full value of the investment. Unrealized gains or losses in the portfolio would only be recognized if a security was sold before maturity. Temporary price changes or market value fluctuations in the portfolio of held-to-maturity securities are not recorded in the State Bar's quarterly financials.

**The State Bar of California  
Investment Report Summary  
March 31, 2019**

<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	\$ 61,806,289	\$ 61,978,838	39.1%	2.46%
- Corporate Bonds	24,689,036	24,861,056	15.7%	2.55%
- Commercial Paper	3,962,418	3,974,260	2.5%	2.20%
- Common Stock-Metlife Inc.	-	134,639	0.1%	n/a
Subtotal-Securities, Bonds and Notes	90,457,743	90,948,793	57.3%	
Interest Receivable	-	399,417	0.3%	n/a
Wells Fargo Treasury, Agency, & SSA	2,981,442	2,981,442	1.9%	n/a
Local Agency Investment Fund	64,344,074	64,344,074	40.6%	2.40%
<b>Total</b>	<b>\$ 157,783,259</b>	<b>\$ 158,673,726</b>	<b>100.0%</b>	2.44%

**Unrealized Gain/(Loss):**

Market Value of Portfolio -Securities, Bonds and Notes	\$ 90,948,793
Original Cost of Portfolio -Securities, Bonds and Notes	90,457,743
Unrealized Gain/(Loss)	<u><u>\$ 491,049</u></u>

**State Bar of California**  
**Investment Report - Wells Fargo Custody Account**  
**Balance as of March 31, 2019**

Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	Market Yield	Trade/ Purchase Date	Maturity Date
FED HOME LN MTG CORP	3134G9AW7	AA+	Government Agency	\$ 3,000,000	\$ 2,993,850	\$ 2,997,300	\$ 14,854	\$ 3,450	2.36%	02/22/19	04/26/19
FED HOME LN BK	313379EE5	AA+	Government Agency	\$ 3,000,000	\$ 2,993,010	\$ 2,995,260	\$ 14,490	\$ 2,250	2.38%	02/22/19	06/14/19
FED HOME LN BK	3130AFUV7	AA+	Government Agency	\$ 3,000,000	\$ 3,000,444	\$ 3,000,060	\$ 11,023	\$ (384)	2.43%	02/14/19	07/05/19
FREDDIE MAC (FHLMC)	3134G3A91	AA+	Government Agency	\$ 3,125,000	\$ 3,094,563	\$ 3,112,500	\$ 4,740	\$ 17,938	2.42%	02/28/18	08/22/19
FED HOME LN BK	313383VN8	AA+	Government Agency	\$ 3,000,000	\$ 2,994,696	\$ 2,993,550	\$ 3,000	\$ (1,146)	2.48%	04/04/18	09/13/19
FED NATL MTG ASSN	313586RC5	AA	Government Agency	\$ 3,000,000	\$ 2,952,900	\$ 2,961,510	\$ -	\$ 8,610	2.46%	02/22/19	10/09/19
FANNIE MAE (FNMA)	3135G0R39	AA+	Government Agency	\$ 3,125,000	\$ 3,068,959	\$ 3,099,469	\$ 13,628	\$ 30,509	2.45%	02/28/18	10/24/19
FED HOME LN BK	3130AFVC8	AA+	Government Agency	\$ 3,000,000	\$ 3,000,594	\$ 3,001,680	\$ 10,417	\$ 1,086	2.57%	02/14/19	02/11/20
FED FARM CREDIT BANK	3133EJCN7	AA+	Government Agency	\$ 3,125,000	\$ 3,117,269	\$ 3,116,406	\$ 8,445	\$ (863)	2.54%	02/28/18	02/14/20
FED HOME LN BANK	313383HU8	AA+	Government Agency	\$ 3,125,000	\$ 3,091,484	\$ 3,099,656	\$ 16,558	\$ 8,172	2.44%	02/28/18	06/12/20
FED HOME LN BANK	313370US5	AA+	Government Agency	\$ 3,125,000	\$ 3,171,513	\$ 3,145,688	\$ 4,991	\$ (25,825)	2.44%	02/28/18	09/11/20
FED HOME LN BK	3130ADUY6	AA+	Government Agency	\$ 3,000,000	\$ 3,007,116	\$ 3,002,760	\$ 2,042	\$ (4,356)	2.52%	04/04/18	09/21/20
FED HOME LN BK	3130ADW32	AA+	Government Agency	\$ 3,500,000	\$ 3,506,636	\$ 3,501,925	\$ 715	\$ (4,711)	2.51%	04/13/18	09/28/20
FED HOME LN BK	3130ADXP2	AA+	Government Agency	\$ 3,000,000	\$ 3,005,430	\$ 3,001,830	\$ 35,117	\$ (3,600)	2.53%	04/04/18	10/09/20
FREDDIE MAC (FHLMC)	3134GSCP8	AA+	Government Agency	\$ 3,125,000	\$ 3,120,313	\$ 3,125,625	\$ 27,778	\$ 5,313	2.60%	02/28/18	11/23/21
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	\$ 3,035,000	\$ 2,993,269	\$ 3,035,759	\$ 35,919	\$ 42,490	2.39%	02/28/18	04/01/22
FREDDIE MAC (FHLMC)	3134GBC83	AA+	Government Agency	\$ 3,125,000	\$ 3,064,844	\$ 3,099,750	\$ 19,227	\$ 34,906	2.49%	02/28/18	06/14/22
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	\$ 3,000,000	\$ 2,978,490	\$ 3,009,750	\$ 10,292	\$ 31,260	2.41%	04/04/18	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	\$ 3,000,000	\$ 3,070,491	\$ 3,082,320	\$ 5,729	\$ 11,829	2.37%	04/04/18	09/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	\$ 3,500,000	\$ 3,580,420	\$ 3,596,040	\$ 6,684	\$ 15,621	2.37%	04/04/18	09/09/22
<b>TOTAL GOVERNMENT BONDS AND NOTES:</b>				<b>\$ 61,910,000</b>	<b>\$ 61,806,289</b>	<b>\$ 61,978,838</b>	<b>\$ 245,648</b>	<b>\$ 172,548</b>	<b>2.46%</b>		
TOYOTA MOTOR CREDIT CORP	89233HTE4	P-1	Commercial Paper	\$ 1,000,000	\$ 991,934	\$ 994,740	\$ -	\$ 2,806	2.11%	02/14/19	06/14/19
MUFG Bank LTD NY BRAN CPDN	62479MTE3	P-1	Commercial Paper	\$ 1,000,000	\$ 991,637	\$ 994,740	\$ -	\$ 3,103	2.16%	02/14/19	06/14/19
TOYOTA MOTOR CREDIT CORP	89233HUH5	P-1	Commercial Paper	\$ 1,000,000	\$ 989,613	\$ 992,390	\$ -	\$ 2,777	2.24%	02/14/19	07/17/19
MUFG Bank LTD NY BRAN CPDN	62479MUH4	P-1	Commercial Paper	\$ 1,000,000	\$ 989,233	\$ 992,390	\$ -	\$ 3,157	2.30%	07/17/19	07/17/19
WELLS FARGO BANK, NA	94988J5D5	AA+	Corporate Bond	\$ 3,125,000	\$ 3,099,591	\$ 3,121,188	\$ 19,293	\$ 21,597	2.55%	02/28/18	05/24/19
INTL BK RECON & DEVE	459058FK4	AAA	Corporate Bond	\$ 3,000,000	\$ 2,977,020	\$ 2,981,670	\$ 3,354	\$ 4,650	2.51%	02/22/19	08/15/19
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	\$ 3,125,000	\$ 3,169,647	\$ 3,151,563	\$ 46,875	\$ (18,084)	2.46%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	\$ 3,125,000	\$ 3,093,869	\$ 3,113,750	\$ 7,422	\$ 19,881	2.51%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA-	Corporate Bond	\$ 3,125,000	\$ 3,071,041	\$ 3,102,594	\$ 24,609	\$ 31,553	2.53%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	\$ 3,125,000	\$ 3,016,372	\$ 3,050,344	\$ 7,131	\$ 33,972	2.60%	02/28/18	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	\$ 3,215,000	\$ 3,201,015	\$ 3,232,779	\$ 33,275	\$ 31,764	2.58%	02/28/18	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	AA-	Corporate Bond	\$ 1,500,000	\$ 1,452,690	\$ 1,479,180	\$ 2,060	\$ 26,490	2.57%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	AA-	Corporate Bond	\$ 1,625,000	\$ 1,607,793	\$ 1,627,990	\$ 9,750	\$ 20,197	2.69%	02/28/18	01/11/23
<b>TOTAL CORPORATE BONDS &amp; COMMERCIAL PAPERS :</b>				<b>\$ 28,965,000</b>	<b>\$ 28,651,454</b>	<b>\$ 28,835,316</b>	<b>\$ 153,770</b>	<b>\$ 183,862</b>	<b>2.50%</b>		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	\$ -	\$ -	\$ 9,653	\$ -	\$ 9,653		08/07/17	N/A
METLIFE INC	59156R108	N/A	Common Stock	\$ -	\$ -	\$ 124,986	\$ -	\$ 124,986			N/A
<b>TOTAL COMMON STOCKS:</b>				<b>\$ -</b>	<b>\$ -</b>	<b>\$ 134,639</b>	<b>\$ -</b>	<b>\$ 134,639</b>			
<b>TOTAL INVESTMENT HELD BY WELLS FARGO:</b>				<b>\$ 90,875,000</b>	<b>\$ 90,457,743</b>	<b>\$ 90,948,793</b>	<b>\$ 399,417</b>	<b>\$ 491,049</b>			



# The State Bar of California

## OFFICE OF FINANCE

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Date: May 16, 2019

To: Members, Finance and Planning Committee  
Members, Board of Trustees

From: John Adams, Chief Financial Officer

Subject: Client Security Fund Report for the Quarter Ended March 31, 2019

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Attached for your review are a series of reports for the applications activity within the Client Security Fund (CSF) for the quarter ended March 31, 2019. These reports include:

- Status on Applications Activity for the quarter ended March 31, 2019
- 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 200 new applications in the amount of \$4.2 million were filed. The number of applications filed decreased by 30.3 percent compared to 287 applications filed last year. The application amount decreased by \$2.7 million, or 39.1 percent compared to \$6.9 million filed in 2018. In 2018 CSF had \$9.15 million budgeted for reimbursements so CSF was able to pay most of the applications that were completed and ready for payment in 2018 and fewer applications rolled over into 2019 for payment in the first quarter.

For the year ended March 31, 2019, total applications processed are 312 for approximately \$5.2 million. Total payouts for 2019 are \$1.8 million, decreased by \$0.3 million compared to \$2.1 million last year. Total applications pending for processing as of March 31, 2019 are 2,779 in the amount of \$50.8 million, and for the same period in 2018, there were 3,358 pending applications in the amount of \$52.9 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 38.24 percent. Total applications outstanding as of March 31, 2019 are 2,779 for \$50.8 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of March 31, 2019 is \$19.4 million and there is a decrease of \$2.2 million or 10.2 percent compared to \$21.6 million last year. As of March 31, 2019,

cash and investments available for applications reimbursement in the CSF are approximately \$6.1 million compared to \$8.1 million last year.

Key indicators for the CSF application process as of March 31, 2019 and 2018 are shown below:

Key Indicator Descriptions	2019 Q1	2018 Q1	Attachment
New Applications Received # / \$ (in million)	200/\$4.2	287/\$6.9	1
Total Applications Processed # / \$ (in million)	312/\$5.2	360/\$6.5	2
% of Paid Applications in # to total in process <sup>1</sup>	5.4%	4.7%	1
% of Paid Applications in \$ to total in process <sup>2</sup>	3.1%	3.6%	1
Total Payouts \$ (in million)	\$1.8	\$2.1	2
Total Applications Pending for Processing # / \$ (in million)	2,779/\$50.8	3,358/\$52.9	2
24-month Rolling Average Payout Ratio	38.24%	40.88%	4
Estimated CSF Application Liabilities (in million)	\$19.4	\$21.6	2
Net Assets as of March 31 (in million)	\$6.1	\$8.1	3

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<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, 2019  
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>		(A)	(B)
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount		
<b>Prior Years' Applications</b>	482	836,990	947	3,590,219	549	4,052,979	406	6,867,519	145	5,121,010	38	1,641,175	324	29,656,684	2,891	51,766,576		
<b>New Applications</b>	43	67,473	43	168,478	41	292,574	29	486,934	14	457,277	1	50,000	29	2,697,002	200	4,219,738		
<b>Paid Applications</b>	(40)	(66,702)	(54)	(203,711)	(31)	(191,529)	(21)	(318,519)	(10)	(284,548)	(3)	(177,883)	(7)	(509,302)	(166)	(1,752,194)	5.4%	3.1%
<b>Rejected Applications</b>	(5)	(9,572)	(6)	(25,270)	(9)	(95,506)	(6)	(151,571)	(5)	(211,499)	(3)	(209,493)	(9)	(825,551)	(43)	(1,528,462)	1.4%	2.7%
<b>Withdrawn Applications</b>	(18)	(33,599)	(35)	(140,839)	(19)	(137,454)	(12)	(198,377)	(4)	(127,021)	-	-	(15)	(1,303,457)	(103)	(1,940,747)	3.3%	3.5%
<b>Applications Outstanding</b>	<b>462</b>	<b>\$ 794,590</b>	<b>895</b>	<b>\$ 3,388,877</b>	<b>531</b>	<b>\$ 3,921,064</b>	<b>396</b>	<b>\$ 6,685,986</b>	<b>140</b>	<b>\$ 4,955,219</b>	<b>33</b>	<b>\$ 1,303,799</b>	<b>322</b>	<b>\$ 29,715,376</b>	<b>2,779</b>	<b>\$ 50,764,911</b>		
<b>New applications % to total</b>	21.50%	1.60%	21.50%	3.99%	20.50%	6.93%	14.50%	11.54%	7.00%	10.84%	0.50%	1.18%	14.50%	63.91%	100.00%	100.00%		
<b>Applications paid % to total</b>	24.10%	3.81%	32.53%	11.63%	18.67%	10.93%	12.65%	18.18%	6.02%	16.24%	1.81%	10.15%	4.22%	29.07%	100.00%	100.00%		
<b>Applications rejected or withdrawn % to total</b>	15.75%	1.24%	28.08%	4.79%	19.18%	6.72%	12.33%	10.09%	6.16%	9.76%	2.05%	6.04%	16.44%	61.37%	100.00%	100.00%		
<b>Applications outstanding % to total</b>	16.62%	1.57%	32.21%	6.68%	19.11%	7.72%	14.25%	13.17%	5.04%	9.76%	1.19%	2.57%	11.59%	58.54%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2019 Q1.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2019 Q1.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF MARCH 31, 2019

<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>Year</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>
2011	10	243,319			(1)	(100,000)	(2)	(11,217)	(3)	(111,217)	7	132,102
2012	32	466,106			-	-	(4)	(64,290)	(4)	(64,290)	28	401,816
2013	89	1,371,647			(3)	(278,210)	(3)	(62,495)	(6)	(340,705)	83	1,030,942
2014	290	2,864,478			(6)	(34,495)	(16)	(525,009)	(22)	(559,504)	268	2,304,974
2015	232	3,874,865			(21)	(192,183)	(28)	(739,804)	(49)	(931,987)	183	2,942,878
2016	809	12,190,581			(132)	(1,106,102)	(31)	(746,004)	(163)	(1,852,106)	646	10,338,475
2017	657	12,244,848			-	-	(5)	(131,941)	(5)	(131,941)	652	12,112,907
2018	772	18,510,732			(3)	(41,204)	(50)	(1,053,461)	(53)	(1,094,665)	719	17,416,067
2019			200	4,219,738	-	-	(7)	(134,989)	(7)	(134,989)	193	4,084,749
<b>TOTAL</b>	<b>2,891</b>	<b>51,766,576</b>	<b>200</b>	<b>4,219,738</b>	<b>(166)</b>	<b>(1,752,194)</b>	<b>(146)</b>	<b>(3,469,210)</b>	<b>(312)</b>	<b>(5,221,404)</b>	<b>2,779</b>	<b>50,764,910</b>

Applications Outstanding **50,764,910**

Estimated Application Payout Ratio **38.24%**  
 Estimated Application Payouts **\$19,412,502**



THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF MARCH 31, 2019

<u>Year Application</u> <u>Filed</u>	<u>Gross Applications</u>		<u>Current Year</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>#</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>
2010-2011	10	243,319			(1)	(100,000)	(2)	(11,217)	(3)	(111,217)	7	132,102
2010-2012	42	709,425			(1)	(100,000)	(6)	(75,507)	(7)	(175,507)	35	533,918
2010-2013	131	2,081,072			(4)	(378,210)	(9)	(138,002)	(13)	(516,212)	118	1,564,860
2010-2014	421	4,945,550			(10)	(412,705)	(25)	(663,011)	(35)	(1,075,716)	386	3,869,834
2010-2015	653	8,820,415			(31)	(604,888)	(53)	(1,402,815)	(84)	(2,007,703)	569	6,812,712
2010-2016	1,462	21,010,996			(163)	(1,710,990)	(84)	(2,148,819)	(247)	(3,859,809)	1,215	17,151,187
2010-2017	2,119	33,255,844			(163)	(1,710,990)	(89)	(2,280,760)	(252)	(3,991,750)	1,867	29,264,094
2010-2018	2,891	51,766,576			(166)	(1,752,194)	(139)	(3,334,221)	(305)	(5,086,415)	2,586	46,680,161
2010-2019			200	4,219,738	(166)	(1,752,194)	(146)	(3,469,210)	(312)	(5,221,404)	2,779	50,764,910
	<b>2,891</b>	<b>51,766,576</b>	<b>200</b>	<b>4,219,738</b>	<b>(166)</b>	<b>(1,752,194)</b>	<b>(146)</b>	<b>(3,469,210)</b>	<b>(312)</b>	<b>(5,221,404)</b>	<b>2,779</b>	<b>50,764,910</b>

Net Asset in Client Security Fund:

As of 3/31/2019 **\$6,117,221**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**APRIL 2017 THROUGH MARCH 2019**

Attachment 4

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
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	730,370	33.45%	2,350,278	3,080,648
Mar18	307,896	15.34%	1,707,335	2,015,231
Apr18	486,908	30.10%	1,135,316	1,622,223
May18	555,611	21.38%	2,043,237	2,598,848
June18	1,084,605	65.34%	575,374	1,659,979
July18	233,352	15.31%	1,290,696	1,524,048
Aug18	843,046	35.92%	1,503,880	2,346,926
Sep18	651,994	41.59%	915,793	1,567,787
Oct18	1,822,797	58.99%	1,266,955	3,089,752
Nov18	989,509	40.05%	1,481,305	2,470,815
Dec18	674,954	65.13%	361,308	1,036,263
Jan19	502,309	25.50%	1,467,298	1,969,607
Feb19	502,898	32.61%	1,039,394	1,542,292
Mar19	746,987	43.70%	962,516	1,709,503
Total:	<u>16,398,467</u>		Total: <u>26,490,063</u>	<u>42,888,529</u>

24 Month Rolling Average PaidOut Ratio: 38.24%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED  
OR WITHDRAWN, ESTIMATED  
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY**

Attachment 5

**MARCH 31, 2019**

	<u><b>1ST QTR</b></u>
Beginning Balance	2,891
Add: Reinstated Applications and New Applications	200
Less: Paid / Rejected or Withdrawn	312
TOTAL	2,779
 APPLICATIONS OUTSTANDING AMT.	 50,764,910
# Of Active Attorneys	189,644
Cost Per Active Attorney	\$268
 ESTIMATED APPLICATIONS LIAB.	
Applications Payout Ratio	38.24%
Estimated Application Amount *	\$19,412,502
# of Active Attorneys	189,644
Cost per Active Attorney	\$102
 APPLICATION ACTIVITIES IN %:	
 NEW APPLICATIONS - YTD	
1 - 2,500	1.60%
2,501 - 5,000	3.99%
5,001 - 10,000	6.93%
10,001 - 25,000	11.54%
25,001 - 49,999	10.84%
50,000	1.18%
50,001 - 100,000	63.91%
 APPLICATIONS PAID - YTD	
1 - 2,500	3.81%
2,501 - 5,000	11.63%
5,001 - 10,000	10.93%
10,001 - 25,000	18.18%
25,001 - 49,999	16.24%
50,000	10.15%
50,001 - 100,000	29.07%
 REJ./WDRAWN - YTD	
1 - 2,500	1.24%
2,501 - 5,000	4.79%
5,001 - 10,000	6.72%
10,001 - 25,000	10.09%
25,001 - 49,999	9.76%
50,000	6.04%
50,001 - 100,000	61.37%
 APPLICATIONS O/S-CUM. - YTD	
1 - 2,500	1.57%
2,501 - 5,000	6.68%
5,001 - 10,000	7.72%
10,001 - 25,000	13.17%
25,001 - 49,999	9.76%
50,000	2.57%
50,001 - 100,000	58.54%
 NET ASSET, END OF PERIOD	 \$ 6,117,221
PROJECTED NET ASSETS	\$ (13,295,281)

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