



The State Bar *of California*

OPEN SESSION

AGENDA ITEM

54-141 SEPTEMBER 2019

FINANCE AND PLANNING COMMITTEE III.A.

DATE: September 19, 2019

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

FROM: John Adams, Chief Financial Officer

SUBJECT: Q2 Financial Statement Report, Investment Report, and Client Security Fund Report

EXECUTIVE SUMMARY

In adherence with the Board Book, Section 5.2.1, the Office of Finance has prepared the accompanying financial reports (unaudited) for the 2nd quarter ended June 30, 2019 for the Board's review. For the 2nd quarter, the financial report consists of three separate reports: Financial Statements, Investment Report, and Client Security Fund Report.

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 2nd quarter ended June 30, 2019 is composed of multiple attachments, including: the 2nd Quarter Financial Statements, the Investment Report ending as of June 30, 2019, and the 2nd Quarter Client Security Fund Report. This agenda item is also on the consent agenda for the Board's September 20, 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 2nd Quarter Financial Report in the form this day before the Board, for the three months ended June 30, 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 June 30, 2019
- B.** Investment Report for the First Quarter Ended June 30, 2019
- C.** Client Security Fund Report for the Quarter Ended June 30, 2019



The State Bar of California

OFFICE OF FINANCE

Date: September 19, 2019

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

From: John Adams, Chief Financial Officer

Subject: 2nd Quarter 2019 Financial Statements

This memo outlines the State Bar's second quarter operating results and fiscal position as of June 30, 2019, with information and comparative analyses regarding revenue, expenses, net surplus, assets, liabilities, and net position.

FINANCIAL HIGHLIGHTS

The table below summarizes highlights of the financial statements:

Table 1. Financial Highlights for Year-to-Date Through June 30, 2019

| ASSETS AND LIABILITIES: YEAR OVER YEAR COMPARISON | | | | | |
|---|------------------------|------------------------|------------------|----------------|---------------------|
| Financial Statement Category | June 30, 2019 (in \$M) | June 30, 2018 (in \$M) | Changes (in \$M) | Changes (in %) | Refer to Attachment |
| Total Assets | \$293.8 | \$292.9 | \$0.9 | 0.3% | 4&5 |
| Cash & Investments | 163.2 | 157.8 | 5.4 | 3.4% | 4&5 |
| Deferred Outflows of Resources | 14.6 | 24.6 | -10 | -40.7% | 4&5 |
| Total Liabilities | 106.8 | 107.3 | -0.5 | -0.5% | 4&5 |
| Deferred Inflows of Resources | 10.9 | 2.3 | 8.6 | 373.9% | 4&5 |
| Net Pension Liabilities | 59.4 | 73.5 | -14.1 | -19.3% | 4&5 |
| Loans Payable | 23.6 | 26.0 | -2.4 | -9.5% | 4&5 |
| Net Position | 187.1 | 185.6 | 1.5 | 0.8% | 4&5 |

ASSETS

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan asset and deferred outflows of resources. Total assets increased by \$0.9 million, from \$292.9 million at June 30, 2018 to \$293.8 million at June 30, 2019. Net position (total assets minus total liabilities) at June 30, 2019 was \$187.1 million, an increase of \$1.5 million compared to \$185.6 million in the prior year.

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 June 30, 2019, the State Bar's total liabilities were \$106.8 million, down by \$0.5 million compared to \$107.3 million at the second quarter of 2018. This decrease is due primarily to a decrease in pension liabilities and loans payable. Pension liabilities and deferred inflows of resources changed due to updated estimates of pension assets and liabilities from our actuaries.

NET POSITION

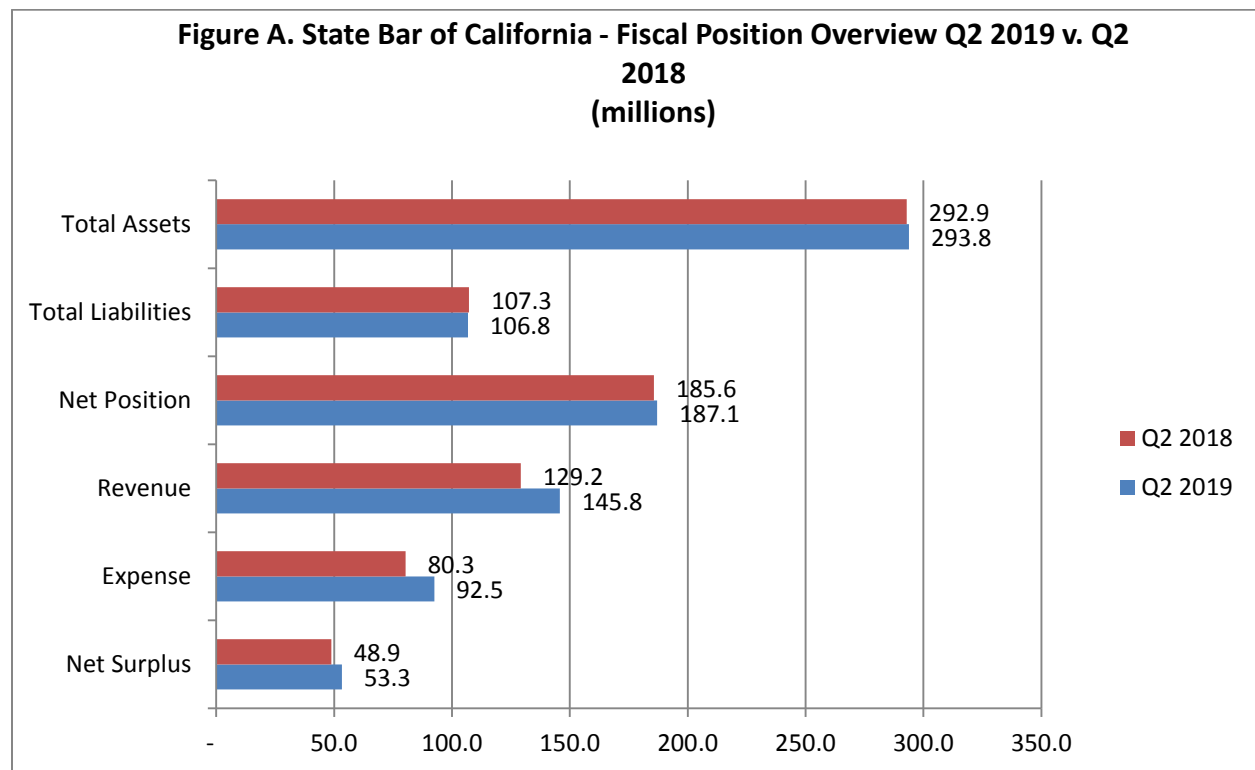
Net position consists of restricted and unrestricted net position and investment in capital assets. The State Bar's total net position (total assets – total liabilities) as of June 30, 2019 was \$187.1 million, up by \$1.5 million or 0.8 percent compared to \$185.6 million last year.

Year-to-date through June 30, 2019, total operating revenues were \$141.8 million, 6.5 percent better than the budget of \$133.1 million. Total operating expenses were \$92.0 million, at 93.8 percent of the \$98.1 million budget.

The table below provides budget to actual comparisons for select revenues and business units:

| OPERATING REVENUE AND EXPENSES: ACTUAL TO BUDGET COMPARISON | | | | | |
|---|-------------------------|-------------------------|-------------------|-----------------|---------------------|
| Financial Statement Category | 2019 Q2 Actual (in \$M) | 2019 Q2 Budget (in \$M) | Variance (in \$M) | Variance (in %) | Refer to Attachment |
| Operating Revenue | 141.8 | 133.1 | 8.7 | 6.5% | 1,2,3 |
| Licensing Fees & Donations | 83.6 | 85.3 | -1.7 | -2.1% | 1,2,3 |
| Operating Expenses | 92.0 | 98.1 | -6.1 | -6.2% | 1,2,3 |
| General & Administrative | 0.7 | 2.5 | -1.8 | -71.8% | 1,2,3 |
| Chief Trial Counsel | 24.5 | 26.3 | -1.8 | -6.8% | 1,2,3 |
| Client Security Fund | 4.6 | 4.6 | 0.0 | 0.0% | 1,2,3 |
| Admissions | 9.6 | 10.9 | -1.3 | -11.3% | 1,2,3 |
| Grant Expenses | 37.2 | 37.2 | 0.0 | 0.0% | 1,2,3 |

Figure A. below summarizes the State Bar's financial position at the end of the second quarter of 2019, compared to the second quarter of 2018.



See attachments 1 and 2 for more detailed comparisons of the State Bar's financial position at June 30, 2018 versus June 30, 2019.¹

REVENUE

Figures B and C compare budget to actuals for operating revenue, with Figure B presenting at the fund level and Figure C by revenue category. Overall, operating revenue totaled \$141.8 million for the second quarter of 2019, \$8.7 million more than the budgeted \$133.1 million.

The primary reason for this variance is that the Legal Services Trust Fund is earning higher than anticipated interest rates on Trust Fund monies.

See attachment 3 for a comparison of actuals for both revenue and expenses in the 2019 second quarter versus 2018 second quarter.

¹ note that totals for Figures and Attachments may vary depending on revenue/expense items and level of detail displayed, in compliance with generally accepted accounting standards.

Figure B. Q2 2019 Operating Revenue by Fund compared to YTD Budget (\$ millions)

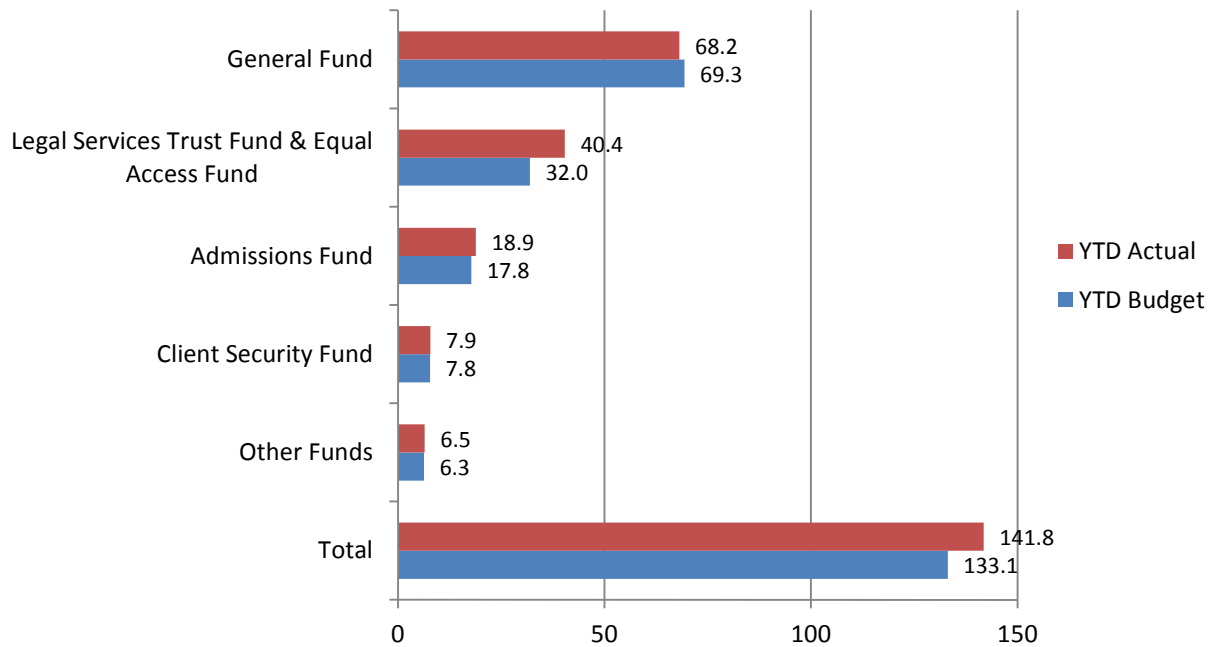
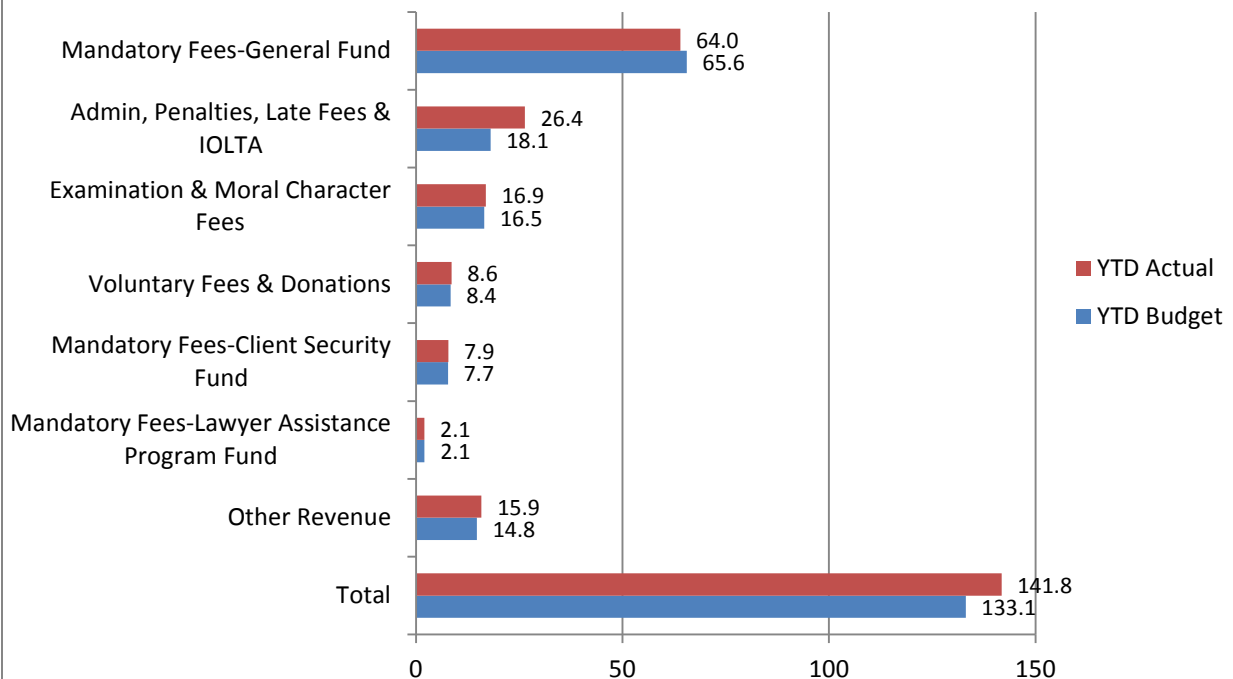


Figure C. Q2 2019 Operating Revenue by Category compared to YTD Budget (\$ millions)



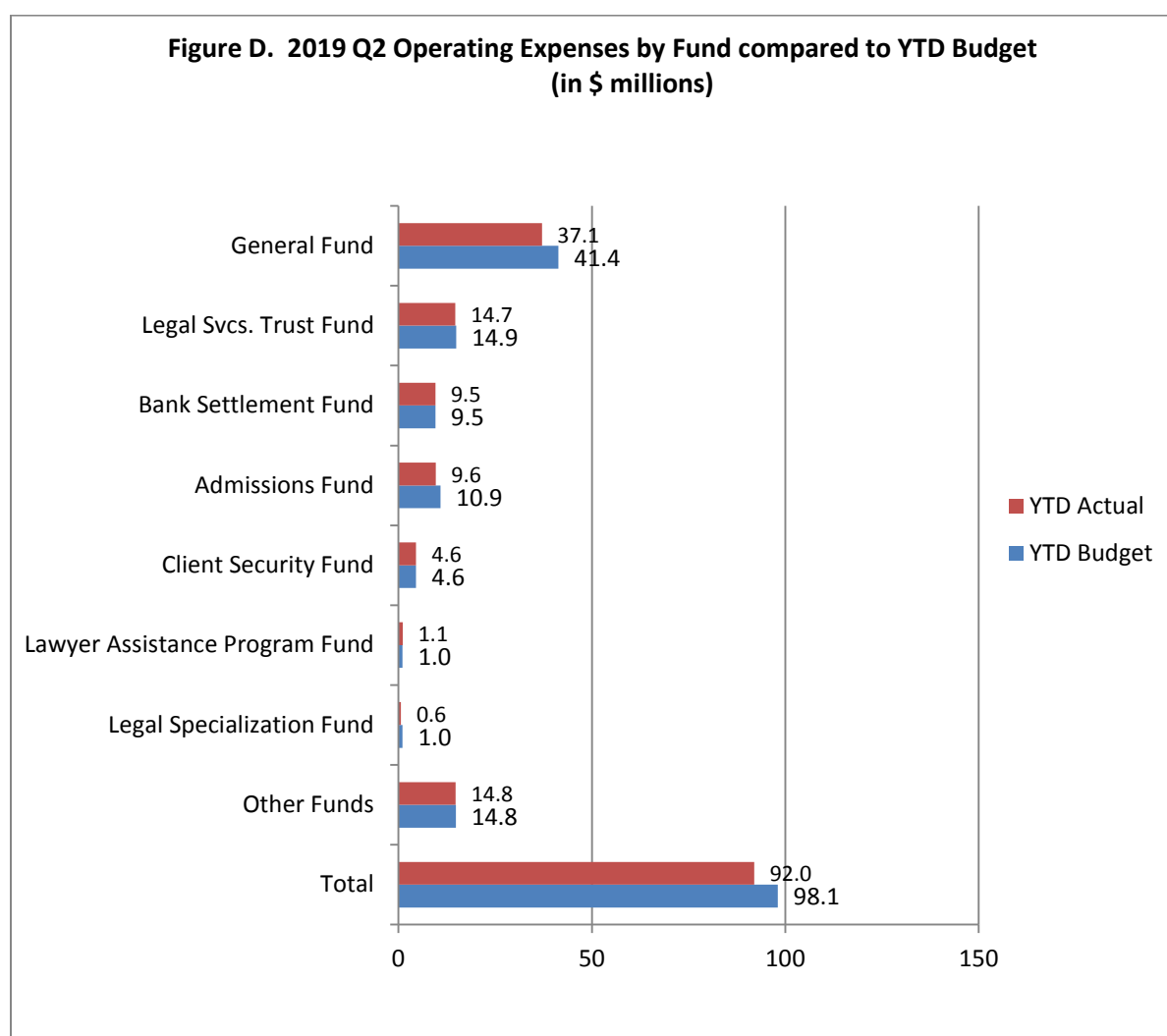
NONOPERATING REVENUE

Nonoperating revenue consists of investment income and rental income. Investment income for Q2 2019 is \$2.7 million, \$2.0 million over budget.

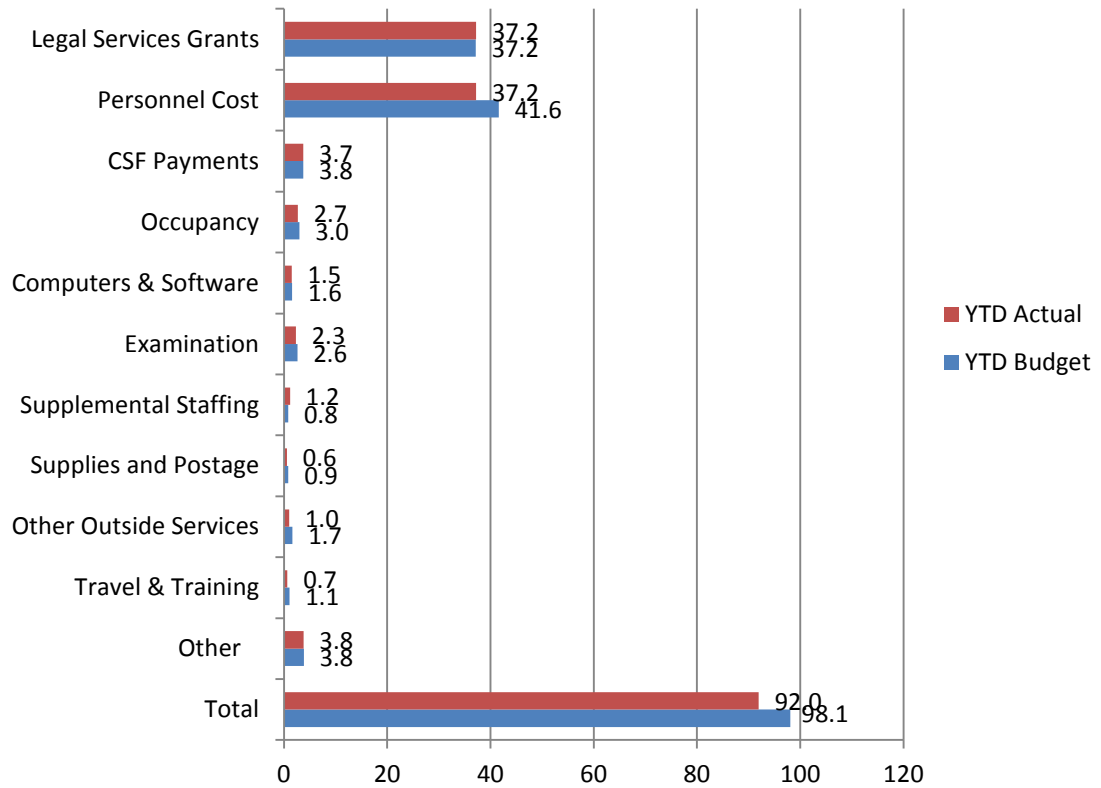
EXPENSES

The State Bar's second quarter 2019 operating expenses were \$92.0 million, compared to the budget of \$98.1 million. This variance includes \$1.8 million for Chief Trial Counsel, primarily due to vacancies. The 2019 budget for Chief Trial Counsel includes 256 positions, but the monthly average filled has been just 240 through the first six months.

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 Q2 Operating Expenses by Category compared to YTD Budget
(in \$ millions)**



Attachments:

- Attachment 1 – Revenue, Expenses and Changes in Net Position (State Bar Wide)
- Attachment 2 – Revenue, Expenses and Changes in Net Position (Non General Funds)
- Attachment 3 – Variances Year-over-Year for Revenue, 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 Revenue, Expenses and Changes in Net Position - Bar Wide
For the Six Months Ending June 30, 2019

| | General Fund | Other Funds | 2019 Actual | 2018 Actual | Variance- 2018 Actual vs 2019 Actual | 2019 Budget | Variance-2019 Actual vs Budget |
|--|----------------------|----------------------|-----------------------|-----------------------|--|-----------------------|-----------------------------------|
| OPERATING REVENUES | | | | | | | |
| Licensing Fees and Donations | \$ 64,993,576 | \$ 18,579,531 | \$ 83,573,106 | \$85,308,207 | \$ (1,735,101) | \$ 85,370,100 | \$ (1,796,994) |
| Multi-Jurisdictional Practice Fees | - | 756,279 | 756,279 | 712,957 | 43,322 | 619,500 | 136,779 |
| Exam Application & Moral Character Fees | - | 17,306,639 | 17,306,639 | 17,708,003 | (401,364) | 16,857,775 | 448,864 |
| Trust Account Revenue | - | 20,100,371 | 20,100,371 | 4,559,443 | 15,540,928 | 11,939,500 | 8,160,871 |
| Seminar/Workshop Revenue | 37,551 | - | 37,551 | 36,021 | 1,530 | 31,200 | 6,351 |
| Interfund Transaction - Revenue | 6,179 | - | 6,179 | - | 6,179 | - | 6,179 |
| Legal Specialization Fees | - | 1,819,719 | 1,819,719 | 1,970,473 | (150,754) | 1,802,100 | 17,619 |
| Law Corporation Registration Fees | 714,472 | - | 714,472 | 706,528 | 7,944 | 804,500 | (90,028) |
| Continuing Legal Education Fees | 627,801 | 11,316 | 639,117 | 572,580 | 66,537 | 562,900 | 76,217 |
| Grant Revenue | - | 9,366,864 | 9,366,864 | 9,172,900 | 193,964 | 9,320,050 | 46,814 |
| EAF AB 145 Filing Fee Revenue | - | 4,559,824 | 4,559,824 | 3,304,748 | 1,255,076 | 4,562,200 | (2,376) |
| Affinity Insurance Revenue | 1,206,467 | - | 1,206,467 | 914,849 | 291,618 | 564,500 | 641,967 |
| Other Revenue | 583,638 | 1,132,455 | 1,716,092 | 1,562,588 | 153,504 | 670,600 | 1,045,492 |
| Total Operating Revenues | \$ 68,169,684 | \$ 73,632,997 | \$ 141,802,680 | \$ 126,529,297 | \$ 15,273,383 | \$ 133,104,925 | \$ 8,697,755 |
| OPERATING EXPENSES | | | | | | | |
| Chief Trial Counsel | \$ 24,504,801 | \$ - | \$ 24,504,801 | \$ 22,146,911 | \$ 2,357,890 | \$ 26,283,600 | \$ (1,778,799) |
| State Bar Court | 6,232,661 | - | 6,232,661 | 6,111,862 | 120,799 | 6,389,200 | (156,539) |
| Attorney Regulation and Consumer Resources | 2,754,785 | - | 2,754,785 | 2,461,568 | 293,217 | 3,057,700 | (302,915) |
| Professional Competence | 1,438,420 | - | 1,438,420 | 1,276,969 | 161,451 | 1,746,300 | (307,880) |
| Probation | 809,579 | - | 809,579 | 714,047 | 95,532 | 829,600 | (20,021) |
| Mandatory Fee Arbitration | 16,634 | - | 16,634 | 120,567 | (103,933) | 55,100 | (38,466) |
| Judicial Evaluation | 150,604 | - | 150,604 | - | 150,604 | 259,500 | (108,896) |
| Commission on Access to Justice | 2,066 | - | 2,066 | 6,939 | (4,873) | 9,600 | (7,534) |
| Access & Inclusion | 755,040 | - | 755,040 | 643,132 | 111,908 | 932,400 | (177,360) |
| Communications | 367,525 | - | 367,525 | 391,629 | (24,104) | 455,400 | (87,875) |
| Governance | 1,715,764 | - | 1,715,764 | 1,896,592 | (180,828) | 1,925,100 | (209,336) |
| Lawyer Assistance Program | - | 1,074,275 | 1,074,275 | 901,163 | 173,112 | 1,007,900 | 66,375 |
| Client Security Fund | - | 4,559,745 | 4,559,745 | 4,840,270 | (280,525) | 4,553,400 | 6,345 |
| Admissions | - | 9,644,808 | 9,644,808 | 8,800,733 | 844,075 | 10,875,900 | (1,231,092) |
| Grant Expenses | - | 37,220,882 | 37,220,882 | 25,622,682 | 11,598,200 | 37,160,200 | 60,682 |
| General and Administrative | (1,653,407) | 2,364,942 | 711,536 | 3,965,555 | (3,254,019) | 2,526,300 | (1,814,764) |
| Total Operating Expenses | \$ 37,094,472 | \$ 54,864,652 | \$ 91,959,124 | \$ 79,900,619 | \$ 12,058,505 | \$ 98,067,200 | \$ (6,108,076) |

The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Bar Wide
For the Six Months Ending June 30, 2019

| | General Fund | Other Funds | 2019 Actual | 2018 Actual | Variance- 2018 Actual vs 2019 Actual | 2019 Budget | Variance-2019 Actual vs Budget |
|---------------------------------------|----------------------|----------------------|-----------------------|-----------------------|--|-----------------------|-----------------------------------|
| OPERATING INCOME/(LOSS) | \$ 31,075,212 | \$ 18,768,344 | \$ 49,843,556 | \$ 46,628,678 | \$ 3,214,878 | \$ 35,037,725 | \$ 14,805,831 |
| NON-OPERATING | | | | | | | |
| Investment Income | \$ 1,543,641 | \$ 1,197,159 | \$ 2,740,800 | \$ 1,634,234 | \$ 1,106,566 | \$ 785,975 | \$ 1,954,825 |
| Rental Income | 1,222,685 | - | 1,222,685 | - | 1,222,685 | 397,800 | 824,885 |
| Interest Expense on Loan | (356,144) | (175,161) | (531,305) | (582,484) | 51,179 | (1,456,560) | 925,255 |
| Total Non-Operating | \$ 2,410,182 | \$ 1,021,997 | \$ 3,432,179 | \$ 1,051,750 | \$ 2,380,429 | \$ (272,785) | \$ 3,704,964 |
| INCOME/(LOSS) BEFORE TRANSFERS | \$ 33,485,394 | \$ 19,790,342 | \$ 53,275,736 | \$ 47,680,428 | \$ 5,595,308 | \$ 34,764,940 | \$ 18,510,796 |
| Transfer in From LAP Fund | - | - | - | 250,000 | (250,000) | - | - |
| Transfer In From Sections Fund | - | - | - | - | - | - | - |
| Trsf In From Justice Gap Fund | - | (2,750,000) | (2,750,000) | - | (2,750,000) | - | (2,750,000) |
| Transfer Out to LTsf | - | 2,750,000 | 2,750,000 | - | 2,750,000 | - | 2,750,000 |
| Transfer Out To Tech Improvement Fund | - | - | - | - | - | - | - |
| Transfer Out to Client Security Fund | - | - | - | (250,000) | 250,000 | - | - |
| Interfund Transaction - Revenue | 6,179 | - | 6,179 | 47,565 | (41,386) | - | 6,179 |
| Interfund Transaction - Expenses | (6,179) | - | (6,179) | (47,565) | 41,386 | - | (6,179) |
| CHANGE IN NET POSITION | \$ 33,485,394 | \$ 19,790,342 | \$ 53,275,736 | \$ 47,680,428 | \$ 5,595,308 | \$ 34,764,940 | \$ 18,510,796 |
| Net Position at beginning of year | 60,851,487 | 72,927,260 | 133,778,747 | 137,089,685 | (3,310,938) | 133,778,747 | |
| NET POSITION AT JUNE 30 | \$ 94,336,881 | \$ 92,717,602 | \$ 187,054,483 | \$ 184,770,113 | \$ 2,284,370 | \$ 168,543,687 | |

The State Bar of California Statement of Revenue, Expenses and Changes in Net Position - Non General Funds
For the Six Months Ending June 30, 2019

| | 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 |
|---|---------------------|------------------------|---------------------|--------------------------------|---------------------|----------------------------------|---------------------------|-------------------------|-------------------------|----------------------|----------------------|-------------------|--------------------------|----------------------|
| REVENUES | | | | | | | | | | | | | | |
| Continuing Legal Education Revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,716 | \$ - | \$ 600 | \$ - | \$ - | \$ 11,316 |
| EAF AB145 Filing Fee Revenue | - | - | 4,559,824 | - | - | - | - | - | - | - | - | - | - | 4,559,824 |
| Exam Application & Moral Character Fees | - | - | - | - | - | - | - | - | - | - | 17,306,639 | - | - | 17,306,639 |
| Grant Revenue | - | - | 9,238,114 | - | - | - | - | - | - | - | - | 128,750 | - | 9,366,864 |
| Legal Specialization Fees | - | - | - | - | - | - | - | - | 1,819,719 | - | - | - | - | 1,819,719 |
| Licensing Fees and Donations | 7,872,507 | 310,040 | - | - | 1,406,699 | 2,066,325 | 723,685 | 6,200,275 | - | - | - | - | - | 18,579,531 |
| Multi-Jurisdictional Practice | - | - | - | - | - | - | - | - | - | - | 756,279 | - | - | 756,279 |
| Other Revenue | 1,575 | 2,554 | 186,420 | - | - | - | - | 133,943 | 11,560 | - | 796,403 | - | - | 1,132,455 |
| Trust Account Revenue | - | - | - | - | - | - | - | 20,100,371 | - | - | - | - | - | 20,100,371 |
| Total Operating Revenues | 7,874,082 | 312,594 | 13,984,358 | - | 1,406,699 | 2,066,325 | 723,685 | 26,434,589 | 1,841,994 | - | 18,859,920 | 128,750 | - | 73,632,997 |
| EXPENSES | | | | | | | | | | | | | | |
| Admissions | - | - | - | - | - | - | - | - | - | - | 9,644,808 | - | - | 9,644,808 |
| Client Security Fund | 4,559,745 | - | - | - | - | - | - | - | - | - | - | - | - | 4,559,745 |
| General and Administrative | - | 58,299 | 144,862 | - | 3,400 | - | 308,666 | 952,967 | 618,183 | 78,052 | - | 200,513 | - | 2,364,942 |
| Grant Expenses | - | - | 14,036,550 | - | - | - | - | 13,731,543 | - | 9,452,789 | - | - | - | 37,220,882 |
| Lawyer Assistance Program | - | - | - | - | - | 1,074,275 | - | - | - | - | - | - | - | 1,074,275 |
| Total Operating Expenses | 4,559,745 | 58,299 | 14,181,412 | - | 3,400 | 1,074,275 | 308,666 | 14,684,511 | 618,183 | 9,530,841 | 9,644,808 | 200,513 | - | 54,864,652 |
| NON-OPERATING REVENUE | | | | | | | | | | | | | | |
| Investment Income | 82,624 | 5,124 | 18,687 | 6,580 | 66,428 | 66,047 | 12,042 | 312,823 | 71,078 | 329,047 | 211,025 | 15,653 | - | 1,197,159 |
| Debt Service | - | - | - | - | - | - | - | - | - | - | - | - | (175,161) | (175,161) |
| Total Non-Operating Revenue | 82,624 | 5,124 | 18,687 | 6,580 | 66,428 | 66,047 | 12,042 | 312,823 | 71,078 | 329,047 | 211,025 | 15,653 | (175,161) | 1,021,997 |
| INCOME/(LOSS) BEFORE TRANSFERS | 3,396,961 | 259,420 | (178,367) | 6,580 | 1,469,726 | 1,058,097 | 427,060 | 12,062,901 | 1,294,890 | (9,201,794) | 9,426,138 | (56,110) | (175,161) | 19,790,342 |
| CHANGE IN NET POSITION | 3,688,061 | 259,420 | (178,367) | 6,580 | 1,469,726 | 1,058,097 | 427,060 | 12,062,901 | 1,294,890 | (9,201,794) | 9,426,138 | (56,110) | (175,161) | 19,790,342 |
| 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 |
| NET POSITION AT JUNE 30, 2019 | \$ 4,175,182 | \$ 391,276 | \$ 2,583,852 | \$ 6,580 | \$ 5,571,136 | \$ 4,626,808 | \$ 814,021 | \$ 32,044,077 | \$ 4,705,238 | \$ 20,564,973 | \$ 17,576,401 | \$ 413,343 | \$ (464,826) | \$ 92,716,962 |

The State Bar of California Revenue, Expenses and Changes in Net Position - Bar Wide For the Six Months Ending June 30, 2019

| | 2019 Actual | 2018 Actual | Variance (2019 v. 2018) | Percent Change | Note |
|--|-----------------------|-----------------------|----------------------------|-------------------|------|
| OPERATING REVENUES | | | | | |
| Licensing Fees and Donations | \$ 83,573,106 | \$ 85,308,207 | \$ (1,735,101) | -2% | |
| Trust Account Revenue | 20,100,371 | 4,559,443 | 15,540,928 | 341% (C) | |
| EAF AB 145 Filing Fee Revenue | 4,559,824 | 3,304,748 | 1,255,076 | 38% (B) | |
| Grant Revenue | 9,366,864 | 9,172,900 | 193,964 | 2% (A) | |
| Seminar/Workshop Revenue | 37,551 | 36,021 | 1,530 | 4% | |
| Legal Specialization Fees | 1,819,719 | 1,970,473 | (150,754) | -8% | |
| Multi-Jurisdictional Practice Fees | 756,279 | 712,957 | 43,322 | 6% | |
| Exam Application & Moral Character Fees | 17,306,639 | 17,708,003 | (401,364) | -2% | |
| Interfund Transaction - Revenue | 6,179 | - | 6,179 | 0% | |
| Law Corporation Registration Fees | 714,472 | 706,528 | 7,944 | 1% | |
| Continuing Legal Education Fees | 639,117 | 572,580 | 66,537 | 12% | |
| Settlement Grants | - | - | - | 0% | |
| Affinity Insurance Revenue | 1,206,467 | 914,849 | 291,618 | 32% | |
| Other Revenue | 1,716,092 | 1,562,588 | 153,504 | 10% | |
| Total Operating Revenues | <u>\$ 141,802,680</u> | <u>\$ 126,529,297</u> | <u>\$ 15,273,383</u> | <u>12%</u> | |
| OPERATING EXPENSES | | | | | |
| General and Administrative | \$ 711,536 | \$ 3,965,555 | \$ (3,254,019) | -82% (F) | |
| Grant Expenses | 37,220,882 | 25,622,682 | 11,598,200 | 45% (E) | |
| Chief Trial Counsel | 24,504,801 | 22,146,911 | 2,357,890 | 11% | |
| Client Security Fund | 4,559,745 | 4,840,270 | (280,525) | -6% | |
| Admissions | 9,644,808 | 8,800,733 | 844,075 | 10% | |
| Communications | 367,525 | 391,629 | (24,104) | -6% | |
| Lawyer Assistance Program | 1,074,275 | 901,163 | 173,112 | 19% | |
| Attorney Regulation and Consumer Resources | 2,754,785 | 2,461,568 | 293,217 | 12% | |
| Mandatory Fee Arbitration | 16,634 | 120,567 | (103,933) | -86% | |
| State Bar Court | 6,232,661 | 6,111,862 | 120,799 | 2% | |
| Professional Competence | 1,438,420 | 1,276,969 | 161,451 | 13% | |
| Probation | 809,579 | 714,047 | 95,532 | 13% | |
| Judicial Evaluation | 150,604 | - | 150,604 | 0% | |
| Commission on Access to Justice | 2,066 | 6,939 | (4,873) | -70% | |
| Access & Inclusion | 755,040 | 643,132 | 111,908 | 17% | |
| Governance | 1,715,764 | 1,896,592 | (180,828) | -10% | |
| Total Operating Expenses | <u>\$ 91,959,124</u> | <u>\$ 79,900,619</u> | <u>\$ 12,058,505</u> | <u>15%</u> | |
| OPERATING INCOME/(LOSS) | \$ 49,843,556 | \$ 46,628,678 | \$ 3,214,878 | 7% | |
| NON-OPERATING REVENUE | | | | | |
| Investment Income | 2,740,800 | 1,634,234 | 1,106,566 | 68% | |
| Rental Income | 1,222,685 | | 1,222,685 | 0% | |
| Interest Expense on Loan | (531,305) | (582,484) | 51,179 | -9% | |
| Total Non-Operating Revenue | <u>\$ 3,432,179</u> | <u>\$ 1,051,750</u> | <u>\$ 2,380,429</u> | <u>226%</u> | |
| CHANGE IN NET POSITION | \$ 53,275,736 | 47,680,428 | \$ 5,595,307 | | |
| Net Position at start of year | 133,778,747 | 137,089,685 | (3,310,938) | | |
| NET POSITION AT JUNE 30 | <u>\$ 187,054,483</u> | <u>\$ 184,770,113</u> | <u>\$ 2,284,369</u> | <u>1%</u> | |

The State Bar of California
Statement of Assets, Liabilities and Net Position - Bar Wide
As of June 30th, 2019

| | General Fund | Total Other Funds | June 2019 Balance | June 2018 Balance | Variance |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS | | | | | |
| Cash | \$ 79,543,162 | \$ 2,488,665 | \$ 82,031,827 | \$ 66,598,923 | \$ 15,432,903 |
| Investments | 81,207,406 | - | 81,207,406 | 91,154,388 | (9,946,982) |
| Accounts Receivable (net of allowances) | (297,361) | 4,230,694 | 3,933,332 | 3,764,084 | 169,249 |
| Interfund Rec(Pay) | (95,223,774) | 95,223,774 | - | - | 0 |
| Capital Assets (net of depreciation) | 97,926,136 | 4,815,551 | 102,741,686 | 93,503,620 | 9,238,067 |
| OPEB Investments | 8,406,303 | - | 8,406,303 | 12,432,305 | (4,026,002) |
| Other Assets | 755,611 | 146,280 | 901,891 | 877,069 | 24,822 |
| Deferred Outflows | 14,602,756 | | 14,602,756 | 24,566,049 | (9,963,293) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 186,920,239 | \$ 106,904,963 | \$ 293,825,202 | \$ 292,896,438 | \$ 928,764 |
| LIABILITIES AND DEFERRED INFLOWS | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 5,657,317 | \$ 6,871,525 | \$ 12,528,842 | \$ 5,395,769 | \$ 7,133,073 |
| Unearned Income | 425,752 | - | 425,752 | - | 425,752 |
| Loan Payable | 16,255,462 | 7,319,310 | 23,574,772 | 26,035,226 | (2,460,454) |
| Pension Liability | 59,363,071 | - | 59,363,071 | 73,531,695 | (14,168,624) |
| Deferred Inflows | 10,878,281 | - | 10,878,281 | 2,305,896 | 8,572,385 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | \$ 92,579,883 | \$ 14,190,836 | \$ 106,770,719 | \$ 107,268,586 | \$ (497,867) |
| NET POSITION | | | | | |
| Net Position at Beginning of Year | \$ 60,851,487 | \$ 72,927,260 | \$ 133,778,747 | \$ 137,089,685 | \$ (3,310,938) |
| Change in Net Position | 33,488,869 | 19,786,867 | 53,275,736 | 48,538,167 | 4,737,568 |
| TOTAL NET POSITION | \$ 94,340,356 | \$ 92,714,127 | \$ 187,054,483 | \$ 185,627,852 | \$ 1,426,631 |
| TOTAL LIABILITIES & NET POSITION Total | \$ 186,920,239 | \$ 106,904,963 | \$ 293,825,202 | \$ 292,896,438 | \$ 928,764 |

The State Bar of California
Statement of Assets, Liabilities and Net Position - Non-General Funds
as of June 30th, 2019

| | Client Security | Elimination of Bias | Equal Access | Info Tech Special Access | Justice Gap Fund | Lawyer Assist Program | Legislative Activities | Legal Services Trust | Legal Specialization | Bank Settlement | Admissions | Grants | SF Tenant Improvement | TOTAL |
|---|--------------------|------------------------|--------------------|--------------------------------|---------------------|-----------------------------|---------------------------|----------------------------|-------------------------|---------------------|---------------------|------------------|--------------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | | | | | | | | | | | | | |
| Cash | - | - | - | - | - | - | - | - | - | - | - | - | \$2,495,000 | \$2,495,000 |
| Accounts Receivable (net of allowances) | - | - | 2,707,044 | - | - | - | - | 1,523,649 | - | - | - | - | - | 4,230,694 |
| Interfund Rec(Pay) | 4,135,343 | 391,276 | 5,866,220 | 6,580 | 2,821,136 | 4,686,223 | 822,650 | 33,058,180 | 4,710,302 | 20,564,976 | 18,160,662 | 405,211 | (410,501) | 95,218,258 |
| Capital Assets (net of depreciation) | - | - | - | - | - | - | - | - | - | - | - | - | 4,815,551 | 4,815,551 |
| Other Assets | - | - | - | - | - | 14,967 | - | - | - | - | 130,494 | - | - | 145,461 |
| TOTAL ASSETS Total | \$4,135,343 | \$391,276 | \$8,573,264 | \$6,580 | \$2,821,136 | \$4,701,190 | \$822,650 | \$34,581,829 | \$4,710,302 | \$20,564,976 | \$18,291,156 | \$405,211 | \$6,900,050 | \$106,904,963 |
| LIABILITIES & DEFERRED INFLOWS | | | | | | | | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$251,241 | - | \$5,730,775 | - | - | \$74,382 | \$8,629 | \$46,386 | \$5,064 | - | \$714,755 | \$6,905 | \$29,912 | \$6,868,051 |
| Loan Payable | - | - | - | - | - | - | - | - | - | - | - | - | 7,319,310 | 7,319,310 |
| TOTAL LIABILITIES & DEFERRED INFLOWS | \$251,241 | \$0 | \$5,730,775 | \$0 | \$0 | \$74,382 | \$8,629 | \$46,386 | \$5,064 | \$0 | \$714,755 | \$6,905 | \$7,349,223 | \$14,187,361 |
| NET POSITION | | | | | | | | | | | | | | |
| 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) | \$72,927,260 |
| Change in Net Position | 3,396,961 | 259,420 | (178,367) | 6,580 | (1,280,274) | 1,058,097 | 427,060 | 14,812,901 | 1,294,890 | (9,201,794) | 9,426,138 | (71,763) | (159,508) | 19,790,342 |
| TOTAL NET POSITION | \$3,884,102 | \$391,276 | \$2,842,489 | \$6,580 | \$2,821,136 | \$4,626,808 | \$814,021 | \$34,535,443 | \$4,705,238 | \$20,564,976 | \$17,576,401 | \$398,305 | (\$449,173) | \$92,717,602 |
| TOTAL LIABILITIES & NET POSITION | \$4,135,343 | \$391,276 | \$8,573,264 | \$6,580 | \$2,821,136 | \$4,701,190 | \$822,650 | \$34,581,829 | \$4,710,302 | \$20,564,976 | \$18,291,156 | \$405,211 | \$6,900,050 | \$106,904,963 |



The State Bar *of California*

OFFICE OF FINANCE

Date: September 19, 2019

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

From: John Adams, Chief Financial Officer

Subject: Investment Report for the 2nd Quarter Ended June 30, 2019

Attached is the quarterly Investment Report for the State Bar of California as of June 30, 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 June 30, 2019, the market value of the investment portfolio was \$142.6 million compared to \$134.5 million as of June 30, 2018. This increase is due to the Q2 2019 replenishment of the LAIF account with funds collected during the most recent billing season, the purchase of additional investments and investments in the Fidelity Money Market Account. In addition, \$2.99 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 1.76 percent for the quarter ended June 30, 2018 to 2.44 percent for the quarter ended June 30, 2019.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 2.31 percent compared to 2.16 percent in the comparable quarter of 2018. Actual investment earnings increased from \$1.08 million in 2018 to \$2.76 million 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
June 30, 2019**

| <u>Asset Group</u> | <u>Original Cost</u> | <u>Market Value</u> | <u>Portfolio Percentage</u> | <u>Weighted Average Yield</u> |
|--------------------------------------|---------------------------------|--------------------------------|--|--|
| Wells Fargo Custody Account: | | | | |
| - Government Bonds | \$ 55,819,429 | \$ 56,322,376 | 39.5% | 2.47% |
| - Corporate Bonds | \$ 23,568,292 | \$ 23,941,511 | 16.8% | 2.52% |
| - Common Stock-Metlife Inc. | - | 155,591 | 0.1% | n/a |
| Subtotal-Securities, Bonds and Notes | 79,387,721 | 80,419,478 | 56.4% | |
| Interest Receivable | - | 460,759 | 0.3% | n/a |
| Wells Fargo Treasury, Agency, & SSA | 2,993,525 | 2,994,327 | 2.1% | n/a |
| Local Agency Investment Fund | 52,706,781 | 52,706,781 | 37.0% | 2.44% |
| Fidelity Money Market | 5,974,986 | 5,974,986 | 4.2% | n/a |
| Total | \$ 141,063,013 | \$ 142,556,330 | 100.0% | 2.31% |

Unrealized Gain/(Loss):

| | |
|---|----------------------------|
| Market Value of Portfolio -Securities, Bonds and Notes | \$ 80,419,478 |
| Original Cost of Portfolio -Securities, Bonds and Notes | 79,387,721 |
| Unrealized Gain/(Loss) | <u><u>\$ 1,031,756</u></u> |

| Investment Report - Wells Fargo Custody Account | | | | | | | | | | | |
|---|-----------|------------|-------------------|--------------|------------|------------|---------------------|------------------------|--------------|---------------|---------------|
| Balance as of June 30, 2019 | | | | | | | | | | | |
| Issuer | CUSIP # | S&P Rating | Type | Par Value | Cost | Mkt Value | Interest Receivable | Unrealized Gain/(Loss) | Market Yield | Purchase Date | Maturity Date |
| FREDDIE MAC (FHLMC) | 3134G3A91 | AA+ | Government Agency | \$ 3,125,000 | 3,094,563 | 3,121,188 | 15,677 | 26,625 | 2.42% | 02/28/18 | 08/22/19 |
| FANNIE MAE (FNMA) | 3135G0R39 | AA+ | Government Agency | \$ 3,125,000 | 3,068,959 | 3,113,469 | 5,816 | 44,509 | 2.45% | 02/28/18 | 10/24/19 |
| FED FARM CREDIT BANK | 3133EJCN7 | AA+ | Government Agency | \$ 3,125,000 | 3,117,269 | 3,126,125 | 24,617 | 8,856 | 2.54% | 02/28/18 | 02/14/20 |
| FED HOME LN BANK | 313383HU8 | AA+ | Government Agency | \$ 3,125,000 | 3,091,484 | 3,117,125 | 2,886 | 25,641 | 2.44% | 02/28/18 | 06/12/20 |
| FED HOME LN BANK | 313370US5 | AA+ | Government Agency | \$ 3,125,000 | 3,171,513 | 3,159,500 | 27,452 | (12,013) | 2.44% | 02/28/18 | 09/11/20 |
| FREDDIE MAC (FHLMC) | 3134GSCP8 | AA+ | Government Agency | \$ 3,125,000 | 3,120,313 | 3,127,875 | 8,247 | 7,563 | 2.60% | 02/28/18 | 11/23/21 |
| STATE OF CALIFORNIA | 13063DAD0 | AA- | Municipal Bond | \$ 3,035,000 | 2,993,269 | 3,070,085 | 17,960 | 76,816 | 2.39% | 02/28/18 | 04/01/22 |
| FREDDIE MAC (FHLMC) | 3134GBC83 | AA+ | Government Agency | \$ 3,125,000 | 3,064,844 | 3,126,500 | 3,055 | 61,656 | 2.49% | 02/28/18 | 06/14/22 |
| FED HOME LN BK | 313383VN8 | AA+ | Government Agency | \$ 3,000,000 | 2,994,696 | 2,998,350 | 18,000 | 3,654 | 2.48% | 04/04/18 | 09/13/19 |
| FED HOME LN BK | 3130ADUY6 | AA+ | Government Agency | \$ 3,000,000 | 3,007,116 | 3,017,460 | 20,417 | 10,344 | 2.52% | 04/04/18 | 09/21/20 |
| FED HOME LN BK | 3130ADXP2 | AA+ | Government Agency | \$ 3,000,000 | 3,005,430 | 3,018,630 | 16,742 | 13,200 | 2.53% | 04/04/18 | 10/09/20 |
| FED HOME LN MTG CORP | 3134GBA69 | AA+ | Government Agency | \$ 3,000,000 | 2,978,490 | 3,056,520 | 28,104 | 78,030 | 2.41% | 04/04/18 | 08/09/22 |
| FED HOME LN BK | 313383WD9 | AA+ | Government Agency | \$ 3,000,000 | 3,070,491 | 3,120,090 | 29,167 | 49,599 | 2.37% | 04/04/18 | 09/09/22 |
| FED HOME LN BK | 313383WD9 | AA+ | Government Agency | \$ 3,500,000 | 3,580,420 | 3,640,105 | 34,028 | 59,686 | 2.37% | 04/04/18 | 09/09/22 |
| FED HOME LN BK | 3130ADW32 | AA+ | Government Agency | \$ 3,500,000 | 3,506,636 | 3,520,965 | 22,152 | 14,329 | 2.51% | 04/13/18 | 09/28/20 |
| FED HOME LN BK | 3130AFUV7 | AA+ | Government Agency | \$ 3,000,000 | 3,000,444 | 3,000,060 | 29,060 | (384) | 2.43% | 02/14/19 | 07/05/19 |
| FED HOME LN BK | 3130AFVC8 | AA+ | Government Agency | \$ 3,000,000 | 3,000,594 | 3,007,110 | 29,167 | 6,516 | 2.57% | 02/14/19 | 02/11/20 |
| FED NATL MTG ASSN | 313586RC5 | AA | Government Agency | \$ 3,000,000 | 2,952,900 | 2,981,220 | - | 28,320 | 2.46% | 02/22/19 | 10/09/19 |
| TOTAL GOVERNMENT BONDS AND NOTES: | | | | 55,910,000 | 55,819,429 | 56,322,376 | 332,546 | 502,947 | 2.47% | | |
| MICROSOFT CORP | 594918AH7 | AAA | Corporate Bond | \$ 3,125,000 | 3,169,647 | 3,163,688 | 23,438 | (5,959) | 2.46% | 02/28/18 | 10/01/20 |
| APPLE INC | 037833BS8 | AA+ | Corporate Bond | \$ 3,125,000 | 3,093,869 | 3,136,156 | 25,000 | 42,288 | 2.51% | 02/28/18 | 02/23/21 |
| CHEVRON CORP. | 166764BG4 | AA- | Corporate Bond | \$ 3,125,000 | 3,071,041 | 3,127,750 | 8,203 | 56,709 | 2.53% | 02/28/18 | 05/16/21 |
| MICROSOFT CORP | 594918BP8 | AAA | Corporate Bond | \$ 3,125,000 | 3,016,372 | 3,098,406 | 19,240 | 82,034 | 2.60% | 02/28/18 | 08/08/21 |
| APPLE INC | 037833BF6 | AA+ | Corporate Bond | \$ 3,215,000 | 3,201,015 | 3,270,459 | 11,574 | 69,444 | 2.58% | 02/28/18 | 05/13/22 |
| TOYOTA MOTOR CREDIT CORP | 89236TEC5 | AA- | Corporate Bond | \$ 1,500,000 | 1,452,690 | 1,501,725 | 10,123 | 49,035 | 2.57% | 02/28/18 | 09/08/22 |
| TOYOTA MOTOR CREDIT CORP | 89236TEL5 | AA- | Corporate Bond | \$ 1,625,000 | 1,607,793 | 1,651,098 | 20,719 | 43,305 | 2.69% | 02/28/18 | 01/11/23 |
| TOYOTA MOTOR CREDIT CORP | 89233HUH5 | P-1 | Commercial Paper | \$ 1,000,000 | 989,613 | 998,950 | - | 9,337 | 2.24% | 02/14/19 | 07/17/19 |
| MUFG Bank LTD NY BRAN CPDN | 62479MUH4 | P-1 | Commercial Paper | \$ 1,000,000 | 989,233 | 998,950 | - | 9,717 | 2.30% | 02/17/19 | 07/17/19 |
| INTL BK RECON & DEVE | 459058FK4 | AAA | Corporate Bond | \$ 3,000,000 | 2,977,020 | 2,994,330 | 9,917 | 17,310 | 2.51% | 02/22/19 | 08/15/19 |
| TOTAL CORPORATE BONDS: | | | | 23,840,000 | 23,568,292 | 23,941,511 | 128,213 | 373,219 | 2.52% | | |
| BRIGHTHOUSE FINANCIAL INC | 10922N103 | N/A | Common Stock | - | - | 9,760 | - | 9,760 | | | |
| METLIFE INC | 59156R108 | N/A | Common Stock | - | - | 145,831 | - | 145,831 | | | |
| TOTAL COMMON STOCKS: | | | | - | - | 155,591 | - | 155,591 | | | |
| TOTAL INVESTMENT HELD BY WELLS FARGO: | | | | 79,750,000 | 79,387,721 | 80,419,478 | 460,759 | 1,031,756 | | | |
| | | | | | | | - | | | | |



The State Bar *of California*

OFFICE OF FINANCE

Date: September 9, 2019

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

From: John Adams, Chief Financial Officer

Subject: Client Security Fund Report for the 2nd Quarter Ended June 30, 2019

Attached for your review are a series of reports for the applications activity within the Client Security Fund (CSF) for the quarter ended June 30, 2019. These reports include:

- Status on Applications Activity for the quarter ended June 30, 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 June 30, a total of 404 new applications in the amount of \$8.2 million were filed. The number of applications filed decreased by 30.7 percent compared to 583 applications filed last year. The application amount decreased by \$5.9 million, or 41.8 percent compared to \$14.1 million filed in 2018.

For the quarter ended June 30, 2019, total applications processed are 763 for approximately \$11.3 million. Total payouts for 2019 are \$3.8 million, decreased by \$0.1 million compared to \$3.9 million last year. Total applications pending for processing as of June 30, 2019 are 2,532 in the amount of \$48.8 million, and for the same period in 2018, there were 3,264 pending applications in the amount of \$54.4 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 38.96 percent. Total applications outstanding as of June 30, 2019 are 2,532 for \$48.8 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout as of June 30, 2019 is \$19.0 million and there is a decrease of \$2.4 million or 11.2 percent compared to \$21.4 million last year. As of June 30, 2019, cash and investments available for applications reimbursement in the CSF are approximately \$3.9 million compared to \$6.3 million last year.

Key indicators for the CSF application process as of June 30, 2019 and 2018 are shown below:

| Key Indicator Descriptions | 2019 Q2 | 2018 Q2 | Attachment |
|---|--------------|--------------|------------|
| New Applications Received #/\$ (in million) | 404/\$8.2 | 583/\$14.1 | 1 |
| Total Applications Processed #/\$ (in million) | 763/\$11.3 | 750/\$12.4 | 2 |
| % of Paid Applications in # to total in process ¹ | 14.0% | 10.0% | 1 |
| % of Paid Applications in \$ to total in process ² | 6.3% | 5.9% | 1 |
| Total Payouts \$ (in million) | \$3.8 | \$3.9 | 2 |
| Total Applications Pending for Processing #/\$ (in million) | 2,532/\$48.8 | 3,264/\$54.4 | 2 |
| 24-month Rolling Average Payout Ratio | 38.96% | 39.40% | 4 |
| Estimated CSF Application Liabilities (in million) | \$19.0 | \$21.4 | 2 |
| Net Assets as of June 30 (in million) | \$3.9 | \$6.3 | 3 |

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

² \$ 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
JUNE 30, 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 | | |
| Prior Years' Applications | 482 | 838,122 | 947 | 3,590,219 | 549 | 4,054,779 | 406 | 6,881,789 | 145 | 5,121,010 | 38 | 1,641,175 | 324 | 29,756,684 | 2,891 | 51,883,778 | | |
| New Applications | 102 | 163,073 | 85 | 333,167 | 75 | 566,031 | 58 | 1,002,657 | 25 | 872,889 | 5 | 250,000 | 54 | 4,965,652 | 404 | 8,153,469 | | |
| Paid Applications | (82) | (132,932) | (202) | (600,275) | (87) | (520,188) | (54) | (775,347) | (18) | (444,954) | (5) | (261,216) | (14) | (1,030,915) | (462) | (3,765,827) | 14.0% | 6.3% |
| Rejected Applications | (7) | (16,235) | (11) | (161,888) | (12) | (194,415) | (13) | (350,825) | (8) | (438,124) | (4) | (276,159) | (24) | (2,474,298) | (79) | (3,911,944) | 2.4% | 6.5% |
| Withdrawn Applications | (46) | (76,802) | (82) | (310,329) | (35) | (263,130) | (29) | (490,960) | (4) | (127,022) | - | - | (26) | (2,309,457) | (222) | (3,577,700) | 6.7% | 6.0% |
| Applications Outstanding | 449 | \$ 775,226 | 737 | \$ 2,850,894 | 490 | \$ 3,643,077 | 368 | \$ 6,267,314 | 140 | \$ 4,983,799 | 34 | \$ 1,353,800 | 314 | \$ 28,907,666 | 2,532 | \$ 48,781,776 | | |
| New applications % to total | 25.25% | 2.00% | 21.04% | 4.09% | 18.56% | 6.94% | 14.36% | 12.30% | 6.19% | 10.71% | 1.24% | 3.07% | 13.37% | 60.90% | 100.00% | 100.00% | | |
| Applications paid % to total | 17.75% | 3.53% | 43.72% | 15.94% | 18.83% | 13.81% | 11.69% | 20.59% | 3.90% | 11.82% | 1.08% | 6.94% | 3.03% | 27.38% | 100.00% | 100.00% | | |
| Applications rejected or withdrawn % to total | 17.61% | 1.24% | 30.90% | 6.30% | 15.61% | 6.11% | 13.95% | 11.24% | 3.99% | 7.55% | 1.33% | 3.69% | 16.61% | 63.87% | 100.00% | 100.00% | | |
| Applications outstanding % to total | 17.73% | 1.59% | 29.11% | 5.84% | 19.35% | 7.47% | 14.53% | 12.85% | 5.53% | 10.22% | 1.34% | 2.78% | 12.40% | 59.26% | 100.00% | 100.00% | | |

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2019 Q2.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2019 Q2.

THE STATE BAR OF CALIFORNIA

Attachment 2

CLIENT SECURITY FUND

APPLICATIONS AGING REPORT

AS OF JUNE 30, 2019

| <u>Year</u> | <u>Application</u> | | <u>Gross Applications Prior Year</u> | | <u>Current Year</u> | | <u>Applications Paid</u> | | <u>Applications Rejected or Withdrawn</u> | | <u>Total Applications Processed</u> | | <u>Applications Outstanding</u> | |
|--------------|--------------------|-------------------|--------------------------------------|------------------|---------------------|--------------------|--------------------------|--------------------|---|---------------------|-------------------------------------|-------------------|---------------------------------|---------------|
| <u>Filed</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> | <u>#</u> | <u>Amount</u> |
| 2011 | 10 | 243,319 | | | | | (1) | (100,000) | (6) | (111,369) | (7) | (211,369) | 3 | 31,950 |
| 2012 | 32 | 466,106 | | | | | - | - | (10) | (176,990) | (10) | (176,990) | 22 | 289,116 |
| 2013 | 89 | 1,371,647 | | | | | (6) | (312,629) | (25) | (249,845) | (31) | (562,474) | 58 | 809,173 |
| 2014 | 290 | 2,864,478 | | | | | (10) | (78,532) | (19) | (578,462) | (29) | (656,994) | 261 | 2,207,484 |
| 2015 | 232 | 3,983,375 | | | | | (53) | (644,915) | (61) | (2,001,479) | (114) | (2,646,394) | 118 | 1,336,981 |
| 2016 | 809 | 12,199,273 | | | | | (379) | (2,550,341) | (63) | (1,927,337) | (442) | (4,477,678) | 367 | 7,721,595 |
| 2017 | 657 | 12,244,848 | | | | | (4) | (12,006) | (8) | (166,766) | (12) | (178,772) | 645 | 12,066,076 |
| 2018 | 772 | 18,510,732 | | | | | (8) | (65,904) | (72) | (1,418,806) | (80) | (1,484,710) | 692 | 17,026,022 |
| 2019 | | | 404 | 8,153,469 | | | (1) | (1,500) | (37) | (858,590) | (38) | (860,090) | 366 | 7,293,379 |
| TOTAL | 2,891 | 51,883,778 | 404 | 8,153,469 | (462) | (3,765,827) | (301) | (7,489,644) | (763) | (11,255,471) | 2,532 | 48,781,776 | | |

| | |
|------------------------------------|---------------------|
| Applications Outstanding | 48,781,776 |
| Estimated Application Payout Ratio | 38.96% |
| Estimated Application Payouts | \$19,007,675 |

THE STATE BAR OF CALIFORNIA

Attachment 3

CLIENT SECURITY FUND

CUMULATIVE APPLICATIONS AGING REPORT

AS OF JUNE 30, 2019

| <u>Year Application</u> <u>Filed</u> | <u>Gross Applications</u> | | <u>Current Year</u> | | <u>Applications Paid</u> | | <u>Applications Rejected</u> <u>and 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> |
| 2010-2011 | 10 | 243,319 | | | (1) | (100,000) | (6) | (111,369) | (7) | (211,369) | 3 | 31,950 |
| 2010-2012 | 42 | 709,425 | | | (1) | (100,000) | (16) | (288,359) | (17) | (388,359) | 25 | 321,066 |
| 2010-2013 | 131 | 2,081,072 | | | (7) | (412,629) | (41) | (538,204) | (48) | (950,833) | 83 | 1,130,239 |
| 2010-2014 | 421 | 4,945,550 | | | (17) | (491,161) | (60) | (1,116,666) | (77) | (1,607,827) | 344 | 3,337,723 |
| 2010-2015 | 653 | 8,928,925 | | | (70) | (1,136,076) | (121) | (3,118,145) | (191) | (4,254,221) | 462 | 4,674,704 |
| 2010-2016 | 1,462 | 21,128,198 | | | (449) | (3,686,417) | (184) | (5,045,482) | (633) | (8,731,899) | 829 | 12,396,299 |
| 2010-2017 | 2,119 | 33,373,046 | | | (453) | (3,698,423) | (192) | (5,212,248) | (645) | (8,910,671) | 1,474 | 24,462,375 |
| 2010-2018 | 2,891 | 51,883,778 | | | (461) | (3,764,327) | (264) | (6,631,054) | (725) | (10,395,381) | 2,166 | 41,488,397 |
| 2010-2019 | | | 404 | 8,153,469 | (462) | (3,765,827) | (301) | (7,489,644) | (763) | (11,255,471) | 2,532 | 48,781,776 |
| | 2,891 | 51,883,778 | 404 | 8,153,469 | (462) | (3,765,827) | (301) | (7,489,644) | (763) | (11,255,471) | 2,532 | 48,781,776 |

Net Asset in Client Security Fund:

As of 6/30/2019 \$ 3,884,102

THE STATE BAR OF CALIFORNIA
CLIENT SECURITY FUND
24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO
JULY 2017 THROUGH JUNE 2019

Attachment 4

| Month Covered | <u>PAID APPLICATIONS</u> | | <u>REJECTED/ WITHDRAWN APPLICATIONS</u> | <u>PROCESSED</u> |
|---------------|--------------------------|------------------------------|---|-------------------|
| | Amount | Monthly Average Payout Ratio | Amount | Amount |
| 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 |
| Apr19 | 813,969 | 36.35% | 1,425,378 | 2,239,347 |
| May19 | 619,336 | 22.52% | 2,130,501 | 2,749,837 |
| June19 | 580,329 | 55.54% | 464,556 | 1,044,885 |
| Total: | <u>17,354,176</u> | | Total: <u>27,184,019</u> | <u>44,538,195</u> |

24 Month Rolling Average PaidOut Ratio:

38.96%

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

Attachment 5

JUNE 30, 2019

| | <u>1ST QTR</u> | <u>2ND QTR</u> |
|---|-------------------------|-------------------------|
| Beginning Balance | 2,891 | 2,779 |
| Add: Reinstated Applications and New Applications | 200 | 204 |
| Less: Paid / Rejected or Withdrawn | 312 | 451 |
| TOTAL | 2,779 | 2,532 |
| APPLICATIONS OUTSTANDING AMT. | 50,764,910 | 48,781,776 |
| # Of Active Attorneys | 189,644 | 190,187 |
| Cost Per Active Attorney | \$268 | \$256 |
| ESTIMATED APPLICATIONS LIAB. | | |
| Applications Payout Ratio | 38.24% | 38.96% |
| Estimated Application Amount * | \$19,412,502 | \$19,005,380 |
| # of Active Attorneys | 189,644 | 190,187 |
| Cost per Active Attorney | \$102 | \$100 |
| APPLICATION ACTIVITIES IN %: | | |
| NEW APPLICATIONS - YTD | | |
| 1 - 2,500 | 1.60% | 2.00% |
| 2,501 - 5,000 | 3.99% | 4.09% |
| 5,001 - 10,000 | 6.93% | 6.94% |
| 10,001 - 25,000 | 11.54% | 12.30% |
| 25,001 - 49,999 | 10.84% | 10.71% |
| 50,000 | 1.18% | 3.07% |
| 50,001 - 100,000 | 63.91% | 60.90% |
| APPLICATIONS PAID - YTD | | |
| 1 - 2,500 | 3.81% | 3.53% |
| 2,501 - 5,000 | 11.63% | 15.94% |
| 5,001 - 10,000 | 10.93% | 13.81% |
| 10,001 - 25,000 | 18.18% | 20.59% |
| 25,001 - 49,999 | 16.24% | 11.82% |
| 50,000 | 10.15% | 6.94% |
| 50,001 - 100,000 | 29.07% | 27.38% |
| REJ./WDRAWN - YTD | | |
| 1 - 2,500 | 1.24% | 1.24% |
| 2,501 - 5,000 | 4.79% | 6.30% |
| 5,001 - 10,000 | 6.72% | 6.11% |
| 10,001 - 25,000 | 10.09% | 11.24% |
| 25,001 - 49,999 | 9.76% | 7.55% |
| 50,000 | 6.04% | 3.69% |
| 50,001 - 100,000 | 61.37% | 63.87% |
| APPLICATIONS O/S-CUM. - YTD | | |
| 1 - 2,500 | 1.57% | 1.59% |
| 2,501 - 5,000 | 6.68% | 5.84% |
| 5,001 - 10,000 | 7.72% | 7.47% |
| 10,001 - 25,000 | 13.17% | 12.85% |
| 25,001 - 49,999 | 9.76% | 10.22% |
| 50,000 | 2.57% | 2.78% |
| 50,001 - 100,000 | 58.54% | 59.26% |
| NET ASSET, END OF PERIOD | \$ 6,117,221 | \$ 3,884,102 |
| PROJECTED NET ASSETS | \$ (13,295,281) | \$ (15,121,278) |

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