



# The State Bar of California

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## **OPEN SESSION**

### **AGENDA ITEM**

**54-141 NOVEMBER 2020**

**FINANCE COMMITTEE III.A**

**DATE:** November 9, 2020

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

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

**SUBJECT:** 3rd Quarter 2020 Financial Statement Report, Investment Report,  
Client Security Fund Report

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## **EXECUTIVE SUMMARY**

In adherence with the Board of Trustees Policy Manual Section 5.2.1, the Office of Finance has prepared the accompanying unaudited financial reports for the third quarter ending September 30, 2020. For the third quarter, the financial report consists of three separate reports: Financial Statements, Investment Report, and the 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 Committee is responsible for reviewing quarterly reports prepared by the Office of Finance.

## **DISCUSSION**

The Financial Report for the third quarter ended September 30, 2020 is composed of multiple attachments, including the Q3 Financial Statements, the Investment Report as of September 30, 2020, and the Q3 Client Security Fund Report. This agenda item is also on the consent agenda for the November 19, 2020 Board meeting.

## **FISCAL/PERSONNEL IMPACT**

None

## **AMENDMENTS TO RULES OF THE STATE BAR**

None

## **AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL**

None

## **STRATEGIC PLAN GOALS & OBJECTIVES**

Goal: None - compliance

## **RECOMMENDATIONS**

**Should the Finance Committee concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Finance Committee recommends that the Board of Trustees approves the 2020 Third Quarter Financial Report in the form presented this day before the Board, for the nine months ended September 30, 2020, as certified by the Chief Financial Officer and filed with the San Francisco office of the State Bar.

**Should the Board of Trustees concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that upon recommendation of the Finance Committee, the Board of Trustees approves the 2020 Third Quarter Financial Report in the form presented this day before the Board, for the nine months ended September 30, 2020, as certified by the Chief Financial Officer and filed with the San Francisco office of the State Bar.

## **ATTACHMENT(S) LIST**

- A.** Financial Statements for the Third Quarter Ended September 30, 2020
- B.** Investment Report for the Third Quarter Ended September 30, 2020
- C.** Client Security Fund Report for the Third Quarter Ended September 30, 2020



# The State Bar of California

## OFFICE OF FINANCE

Date: November 9, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: Kevin Harper, Interim Chief Financial Officer

Subject: Financial Statements for the Third Quarter Ended September 30, 2020

This memo outlines the State Bar's third quarter operating results and fiscal position as of September 30, 2020, with information and comparative analysis 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 September 30, 2020**

ASSETS AND LIABILITIES: YEAR OVER YEAR COMPARISON					
Financial Statement Category	Sep 30, 2020 (in \$M)	Sep 30, 2019 (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Total Assets</b>	<b>\$261.4</b>	<b>\$292.0</b>	<b>(\$30.6)</b>	<b>(10.5%)</b>	<b>4&amp;5</b>
Cash & Investments	141.5	150.7	(9.2)	(6.1%)	4&5
Accounts Receivable	4.8	17.3	(12.5)	(72.2%)	4&5
<b>Total Liabilities</b>	<b>121.2</b>	<b>109.5</b>	<b>\$11.7</b>	<b>10.7%</b>	<b>4&amp;5</b>
Accounts Payable & Accrued Liabilities	26.0	15.9	10.1	63.8	4&5
<b>Net Position</b>	<b>\$140.2</b>	<b>\$182.6</b>	<b>(\$42.4)</b>	<b>(23.2%)</b>	<b>4&amp;5</b>

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## ASSETS

The State Bar's total assets consist of cash, investments, accounts receivable, capital assets, OPEB plan assets and deferred outflows of resources. Total assets decreased by \$30.6 million, from \$292.0 million at September 30, 2019 to \$261.4 million at September 30, 2020. Net position (total assets minus total liabilities) at September 30, 2020 was \$140.2 million, a decrease of \$42.4 million compared to \$182.6 million in the prior year. The decrease includes a scheduled spend down of the Bank Settlement Funds (\$11.2 million). The change in accounts receivable is due to a large reduction in receivables from the Equal Access Fund (\$4.4 million) and the elimination of our stagecoach sweep from Wells Fargo (\$9 million).

## 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 September 30, 2020, the State Bar's total liabilities were \$121.2 million, up by \$11.7 million compared to \$109.5 million at the end of the third quarter in 2019. The increase is due to the timing of the Accounts Payable grant payments.

## 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 minus total liabilities) as of September 30, 2020 was \$140.2 million, a decrease of \$42.4 million or 23.2 percent compared to \$182.6 million last year.

Year-to-date through September 30, 2020, operating revenue was \$174.9 million, 4.6 percent lower than the budget of \$183.4 million. Total operating expenses were \$184.1 million, 2.5 percent higher than the \$179.5 million budget.

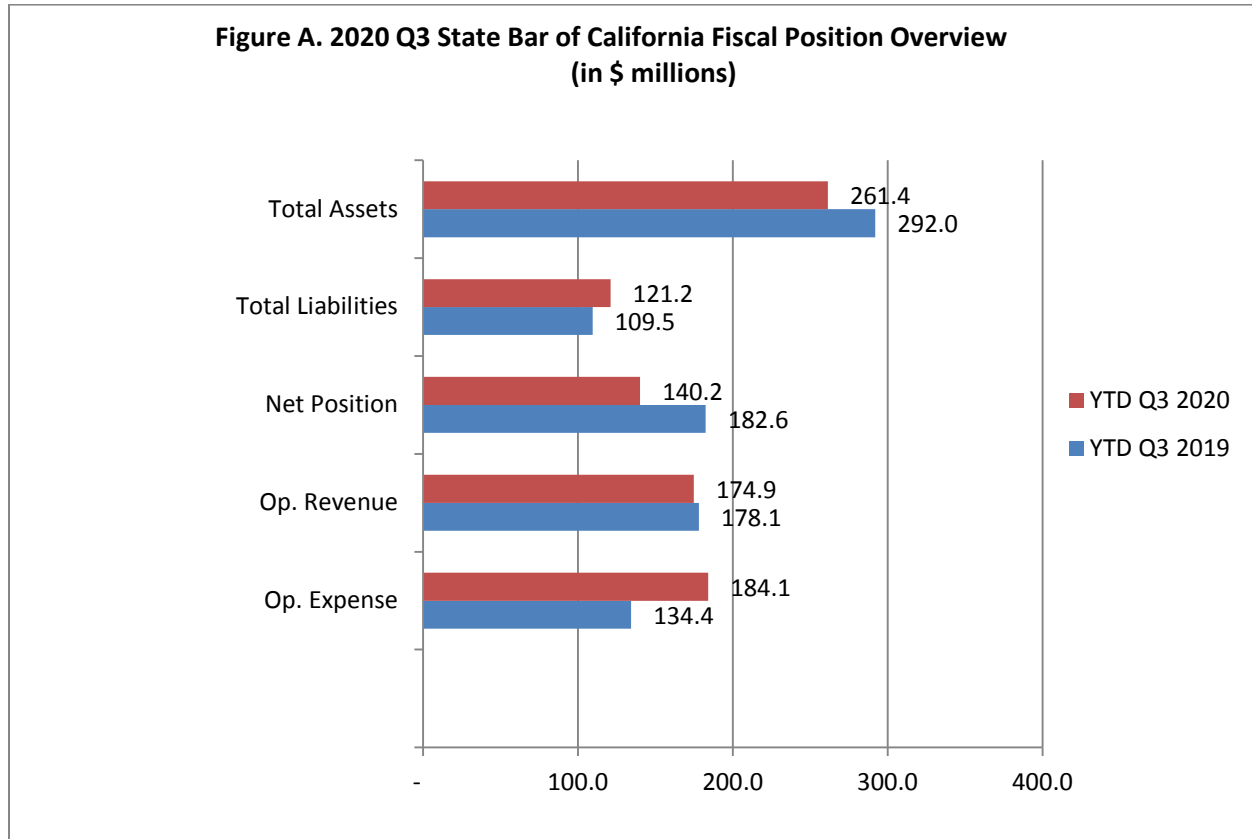
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Table 2 below provides budget to actual variance analysis for select revenues and business units:

**Table 2. Budget to Actual Variance Analysis**

<b>OPERATING REVENUE AND EXPENSES: BUDGET TO ACTUAL VARIANCE</b>					
<b>Financial Statement Category</b>	<b>2020 Q3 Actual (in \$M)</b>	<b>2020 Q3 Budget (in \$M)</b>	<b>Variance (in \$M)</b>	<b>Variance (in %)</b>	<b>Refer to Attachment</b>
<b>Operating Revenue</b>	<b>174.9</b>	<b>183.4</b>	<b>(8.5)</b>	<b>(4.6%)</b>	<b>1,2,3</b>
Trust Account Revenue	18.6	30.3	(11.7)	(38.5%)	1,2,3
Licensing Fees & Donations	108.8	106.4	2.4	2.3%	1,2,3
<b>Operating Expenses</b>	<b>184.1</b>	<b>179.5</b>	<b>(4.5)</b>	<b>(2.5%)</b>	<b>1,2,3</b>
General & Administrative	-4.3	0.6	(4.9)	(796.5)%	1,2,3
Chief Trial Counsel	45.1	46.3	1.2	2.6%	1,2,3
Client Security Fund	8.9	11.9	3.0	25.1%	1,2,3
Admissions	13.5	18.1	4.6	25.7%	1,2,3
Access & Inclusion	93.5	77.6	(15.9)	(20.5)%	1,2,3

Figure A below summarizes the State Bar's financial position at the end of the Q3 2020, compared to Q3 2019.



See attachments 1 and 2 for more detailed comparisons of the State Bar's financial position at September 30, 2020 versus September 30, 2019.

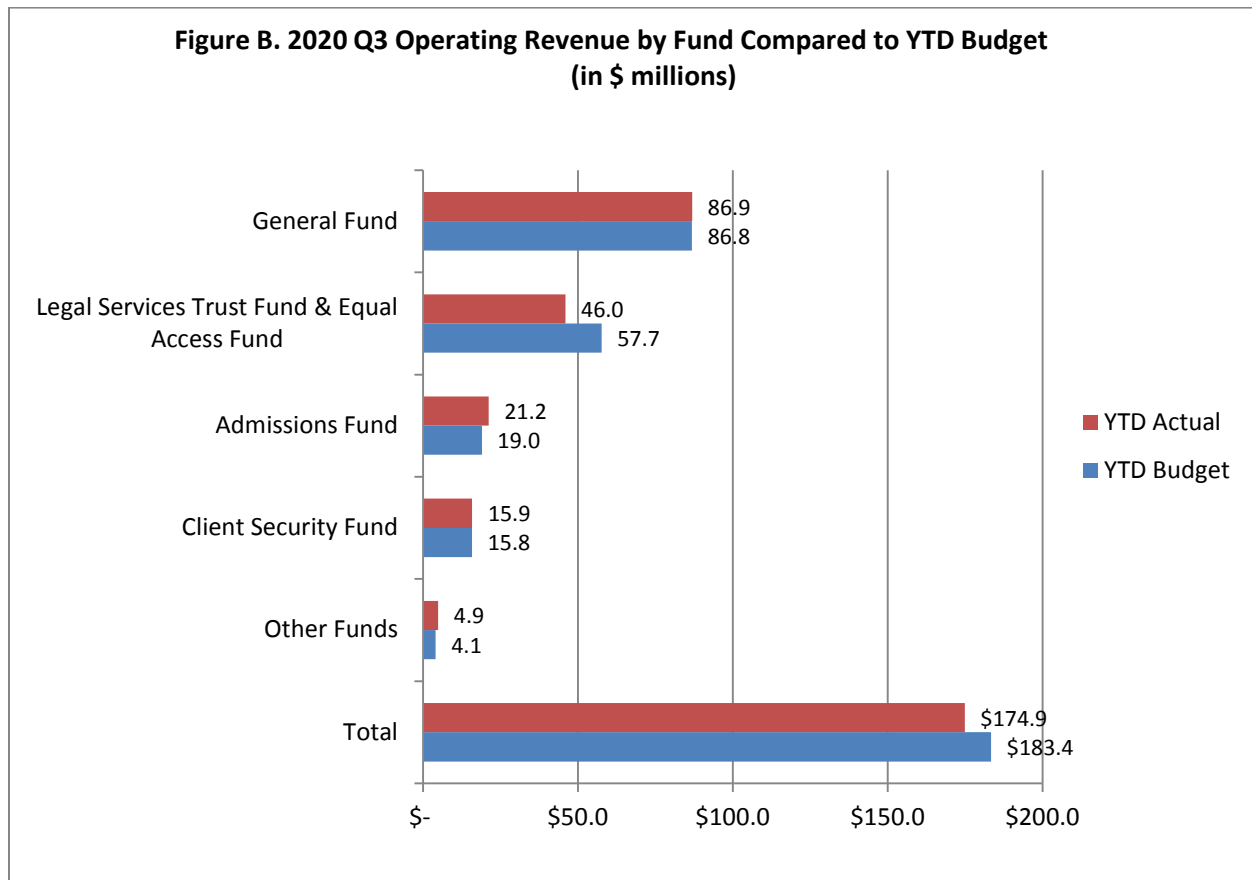
## REVENUE

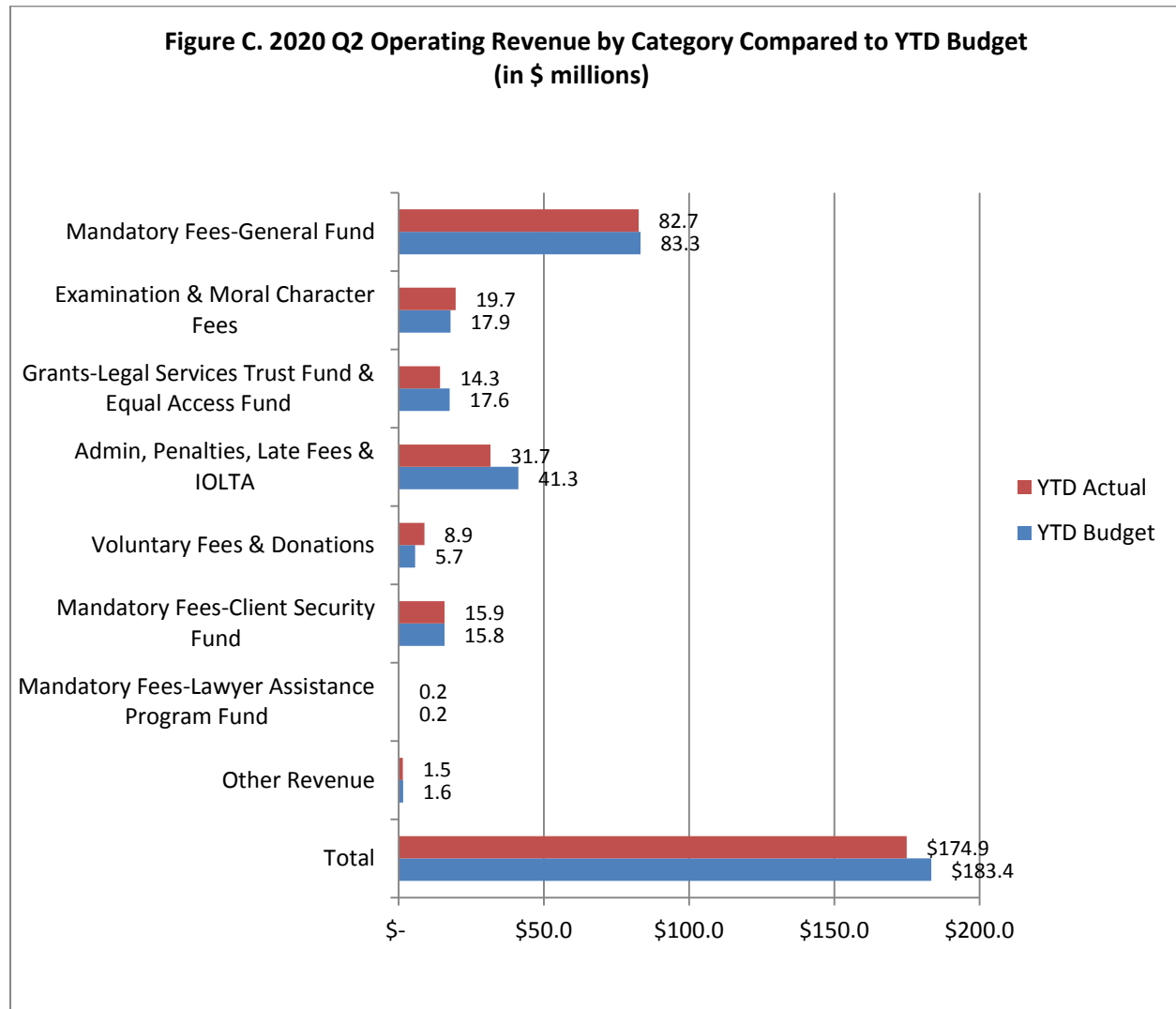
Figures B and C compare budget to actuals for operating revenue, with Figure B presenting at the fund level and Figure C by revenue category. Overall, operating revenue totaled \$174.9 million through the third quarter of 2020, \$8.5 million less than the budgeted operating revenue of \$183.4 million.

The primary contributors to this negative variance are IOLTA Income, which was \$11.7 million under budget due to falling interest rates, and voluntary donations, which combined with licensing fees, are \$2.4 million above budget. The primary driver of this variance is Legal Services donations. Legal Services donations are favorable by \$2.6 million due to conservative budgeting, along with the fee increase. The fee increase did not adversely affect donations.

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See Attachment 3 for a comparison of actuals for both operating revenue and operating expenses through Q3 2020 versus Q3 2019.





### NONOPERATING REVENUE

Nonoperating revenue consists of investment income, rental income, and interest expense on loans. Investment income through Q3 2020 is \$2.4 million, \$0.1 million below the \$2.5 million budget, but was \$1.4 million lower than 2019.

### EXPENSES

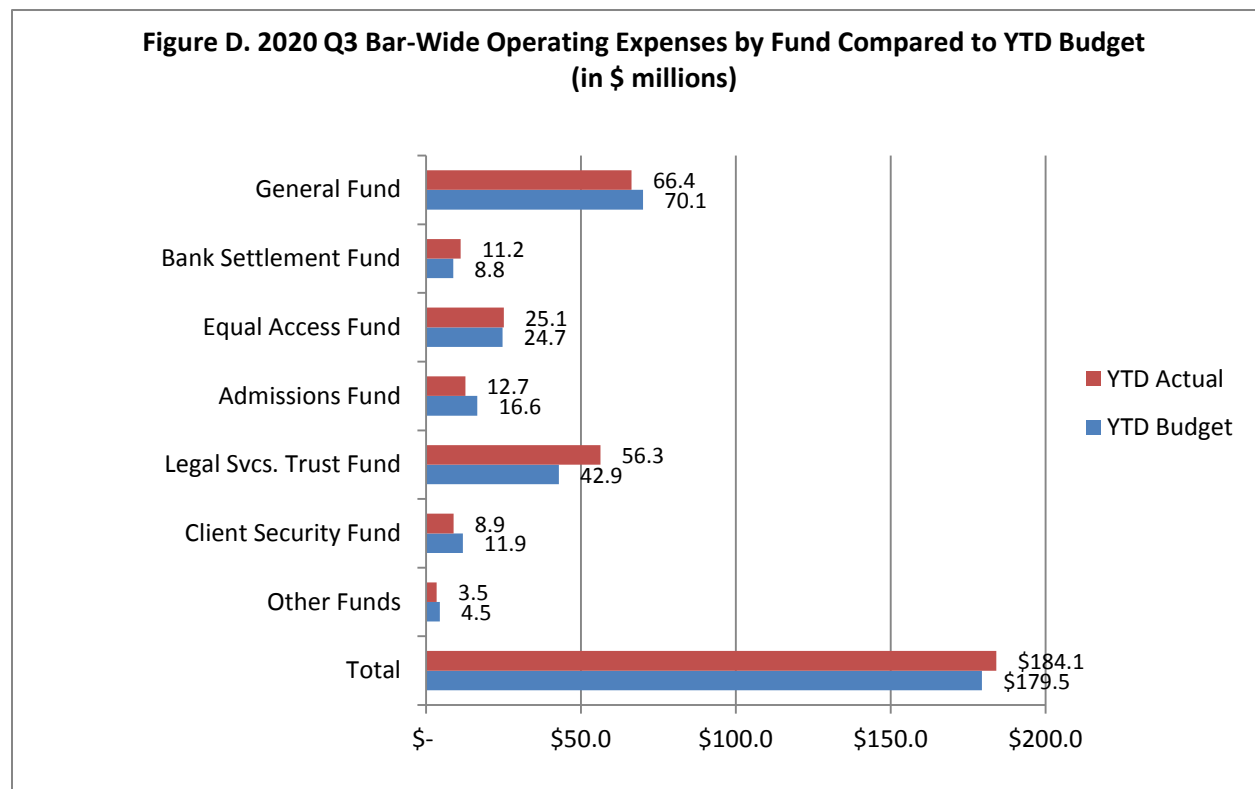
The State Bar's operating expenses through the third quarter 2020 were \$184.1 million, compared to a budget of \$179.5 million. Savings on personnel expenses were \$2.8 million across the entire State Bar due to staff vacancies. Client Security Fund payments are \$2.8 million under budget, and exam expenses are \$3.0 million under budget. Depreciation expenses, which are not budgeted, are \$3.8 million. Grant expenses are \$17.0 million over budget due to a timing difference.

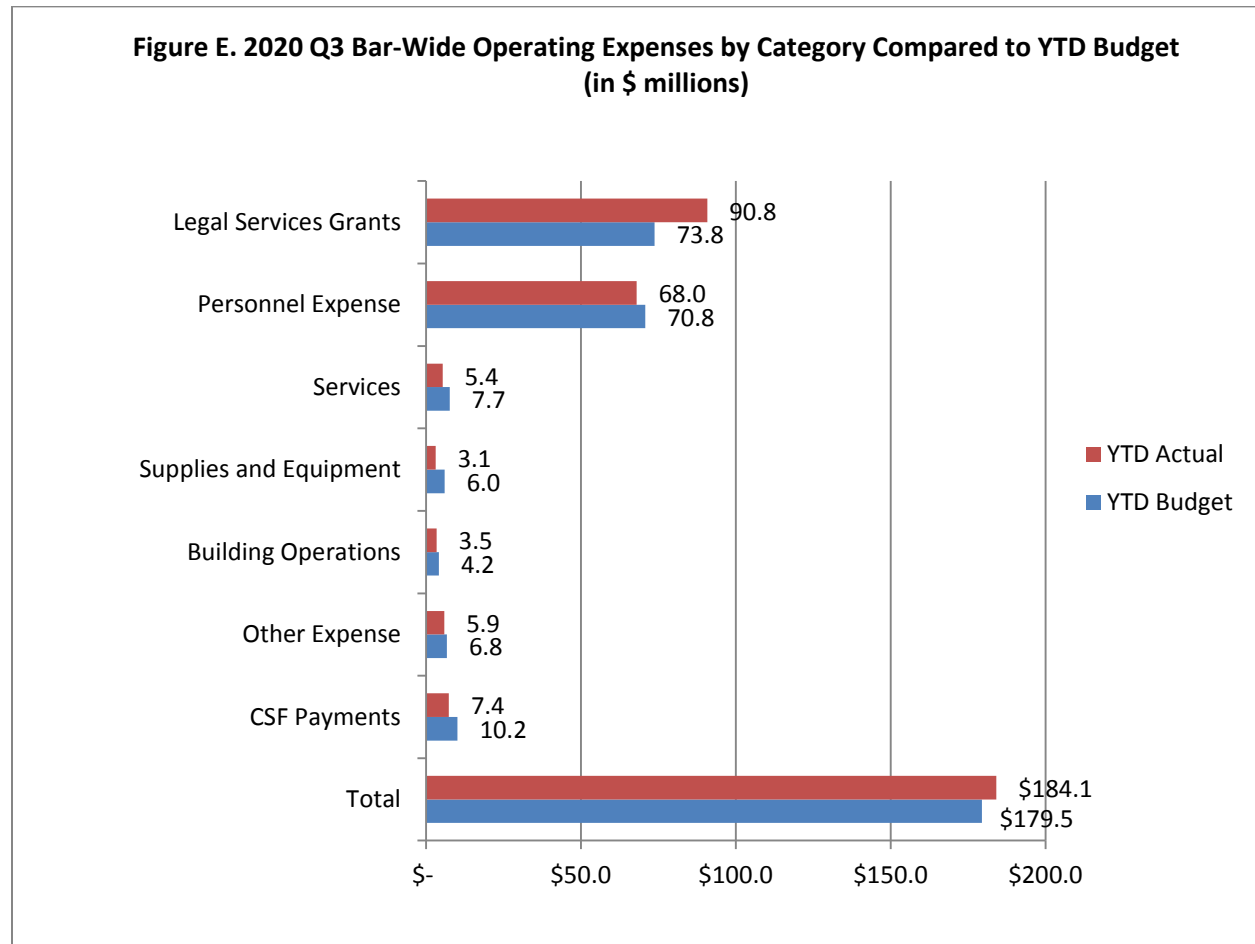


Figures D and E summarize the State Bar's 2020 year-to-date operating expenses compared to budget by fund and by category.

There is \$7 million of savings in the General Fund, due primarily to savings in personnel expenses and professional services. The savings in professional services is anticipated to be used in the second half of the fiscal year.

Figure E shows Legal Services Grant awards exceeding budget by almost \$22 million through the first six months, but Grant payments are projected to be on budget by year-end.





**Attachments:**

- Attachment 1 – Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-Wide)
- Attachment 2 – Operating Revenue, Operating Expenses, and Changes in Net Position (Nongeneral Funds)
- Attachment 3 – Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in Net Position (State Bar-Wide)
- Attachment 4 – Assets, Liabilities, and Net Position (State Bar-Wide)
- Attachment 5 – Assets, Liabilities, and Net Position (Nongeneral Funds)

**The State Bar of California**  
**Q3 Statement of Operating Revenue, Operating Expenses & Changes in Net Position -**  
**Bar Wide As of September 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	438,421	-	438,421	1,765,318	(1,326,896)	(190,440)	628,861
Continuing Legal Education Fees	578,271	7,988	586,259	802,734	(216,476)	703,898	(117,639)
EAF AB 145 Filing Fee Revenue	(2,004)	6,349,447	6,347,443	10,319,802	(3,972,359)	5,435,325	912,118
Exam App. & Moral Char. Fees	-	19,702,104	19,702,104	17,864,480	1,837,624	17,942,283	1,759,821
Grant Revenue	-	14,593,838	14,593,838	24,280,454	(9,686,616)	17,591,164	(2,997,326)
Law Corporation Registration Fees	1,524,197	-	1,524,197	1,054,388	469,809	1,117,836	406,361
Legal Specialization Fees	6,679	2,001,802	2,008,481	2,152,379	(143,898)	1,882,157	126,325
Licensing Fees and Donations	83,686,463	25,074,362	108,760,824	85,254,102	23,506,722	106,327,885	2,432,940
Multi-Jurisdictional Practice Fees	-	822,636	822,636	836,810	(14,174)	600,825	221,810
Other Revenue	686,349	807,425	1,493,773	2,280,579	(786,805)	1,641,612	(147,839)
Trust Account Revenue	-	18,634,165	18,634,165	31,523,577	(12,889,412)	30,310,157	(11,675,992)
<b>Total Operating Revenue</b>	<b>86,918,376</b>	<b>87,993,766</b>	<b>174,912,142</b>	<b>178,134,622</b>	<b>(3,222,480)</b>	<b>183,362,702</b>	<b>(8,450,560)</b>

**OPERATING EXPENSES**

Access & Inclusion	672,622	92,876,406	93,549,029	52,970,548	40,578,481	77,603,255	15,945,774
Admissions	30,584	13,454,501	13,485,085	17,083,216	(3,598,131)	18,148,419	(4,663,334)
Attorney Regulation and Consumer Resources	3,949,818	-	3,949,818	4,170,159	(220,340)	4,053,055	(103,236)
Chief Trial Counsel	45,063,546	-	45,063,546	37,007,533	8,056,013	46,279,575	(1,216,029)
Client Security Fund	266	8,914,891	8,915,157	7,079,550	1,835,607	11,898,996	(2,983,839)
General & Administrative	(4,300,337)	-	(4,300,337)	(3,004,859)	(1,295,478)	617,461	(4,917,798)

**The State Bar of California**  
**Q3 Statement of Operating Revenue, Operating Expenses & Changes in Net Position -**  
**Bar Wide As of September 2020**

ATTACHMENT A

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
Governance	3,593,022	716,987	4,310,009	4,658,744	(348,736)	5,094,566	(784,557)
Lawyers Assistance Program	3,669	1,701,780	1,705,450	1,582,342	123,108	1,815,286	(109,837)
No Department	3,507,056	181	3,507,237	-	3,507,237	0	3,507,237
Probation	1,507,215	-	1,507,215	1,212,960	294,255	1,543,152	(35,937)
Professional Competence	2,071,082	-	2,071,082	2,206,582	(135,501)	2,435,848	(364,767)
State Bar Court	10,296,348	-	10,296,348	9,427,864	868,485	10,015,718	280,630
<b>Total Operating Expenses</b>	<b>66,394,891</b>	<b>117,664,747</b>	<b>184,059,638</b>	<b>134,394,639</b>	<b>49,664,999</b>	<b>179,505,330</b>	<b>4,554,308</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>20,523,485</b>	<b>(29,670,981)</b>	<b>(9,147,496)</b>	<b>43,739,983</b>	<b>(52,887,479)</b>	<b>3,857,372</b>	<b>(13,004,868)</b>
<b>NON-OPERATING</b>							
Investment Income	806,803	1,544,833	2,351,636	3,759,336	(1,407,700)	2,465,111	(113,475)
Rental Income	3,205,405	-	3,205,405	2,079,606	1,125,800	3,147,093	58,312
Interest Expense on Loans	(475,775)	(226,771)	(702,546)	(786,655)	84,109	(776,325)	73,779
52908-Interest earned on fac. Fees	-	-	-	-	-	3,750	(3,750)
<b>Total Non-Operating</b>	<b>3,536,433</b>	<b>1,318,062</b>	<b>4,854,495</b>	<b>5,052,287</b>	<b>(197,792)</b>	<b>4,839,629</b>	<b>14,866</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>24,059,917</b>	<b>(28,352,918)</b>	<b>(4,293,001)</b>	<b>48,792,270</b>	<b>(53,085,271)</b>	<b>8,697,000</b>	<b>(12,990,001)</b>
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	75,000	75,000	-	75,000	112,500	(37,500)
49232-Trsf In From Justice Gap Fund	-	1,000,000	1,000,000	2,750,000	(1,750,000)	750,000	250,000

**The State Bar of California**  
**Q3 Statement of Operating Revenue, Operating Expenses & Changes in Net Position**  
**- Bar Wide As of September 2020**

ATTACHMENT A

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2019 Actual vs 2020 Actual	2020 Budget	Variance- 2020 Actual vs Budget
49314-Transfer In From Admissions Fund	725,000	100,000	825,000	-	825,000	618,750	206,250
49410-Interfund Transaction-Revenue	60,594	5,441	66,035	57,921	8,114	(0)	66,035
69110-Transfer Out To GF	(75,000)	-	(75,000)	-	(75,000)	(112,500)	37,500
69119-Trsf. Out To Tech Improv. Fund	-	(725,000)	(725,000)	-	(725,000)	(543,750)	(181,250)
69224-Trsf Out To Legal Spec. Fund	-	(100,000)	(100,000)	-	(100,000)	(75,000)	(25,000)
69228-Transfer Out To LSTF	-	(1,000,000)	(1,000,000)	(2,750,000)	1,750,000	(750,000)	(250,000)
69410-Interfund Transaction-Expenses	(62,059)	(3,976)	(66,035)	(57,921)	(8,114)	-	(66,035)
<b>TOTAL TRANSFERS</b>	648,535	(648,535)	(0)	(0)	(0)	(0)	1
<b>CHANGE IN NET POSITION</b>	24,708,452	(29,001,453)	(4,293,001)	48,792,270	(53,085,271)	8,697,000	(12,990,001)
Net Position at beginning of year	48,693,432	95,846,847	144,540,279	133,778,747	10,761,532	-	0
<b>NET POSITION AT September 30</b>	73,401,884	66,845,394	140,247,278	182,571,017	(42,323,739)	-	0

**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	-	-	-	-	-	-	-
Continuing Legal Education Fees	810	-	-	-	-	-	-
EAF AB 145 Filing Fee Revenue	-	-	6,349,422	-	-	-	-
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-
Grant Revenue	-	-	14,344,663	-	-	-	-
Law Corporation Registration Fees	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-
Licensing Fees and Donations	15,935,549	320,777	-	1,463,284	196,523	755,275	6,402,954
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-
Other Revenue	3,900	-	228,880	-	500	-	-
Trust Account Revenue	-	-	-	-	-	-	18,634,165
<b>Total Operating Revenue</b>	<b>15,940,259</b>	<b>320,777</b>	<b>20,922,966</b>	<b>1,463,284</b>	<b>197,023</b>	<b>755,275</b>	<b>25,037,119</b>

**OPERATING EXPENSES**

Access & Inclusion	-	214,223	25,095,313	3,170	-	-	56,338,819
Admissions	-	-	-	-	-	-	-
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-
Client Security Fund	8,914,891	-	-	-	-	-	-
General & Administrative	-	-	-	-	-	-	-

**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

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	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
Governance	-	-	-	-	-	670,191	-
Lawyers Assistance Program	-	-	-	-	1,701,780	-	-
No Department	-	-	-	-	23	-	18
Probation	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	8,914,891	214,223	25,095,313	3,170	1,701,803	670,191	56,338,837
<b>OPERATING INCOME/(LOSS)</b>	7,025,368	106,554	(4,172,347)	1,460,115	(1,504,781)	85,084	(31,301,718)
<b>NON-OPERATING</b>							
Investment Income	47,333	5,089	201,491	45,159	52,044	9,313	618,568
Rental Income	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	47,333	5,089	201,491	45,159	52,044	9,313	618,568
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	7,072,701	111,643	(3,970,856)	1,505,274	(1,452,737)	94,397	(30,683,150)

**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

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	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	EF Balances	Total Other Funds
<b>OPERATING REVENUE</b>								
Affinity Insurance Revenue	-	-	-	-	-	-	-	-
Continuing Legal Education Fees	7,178	-	-	-	-	-	-	7,988
EAF AB 145 Filing Fee Revenue	-	-	-	25	-	-	-	6,349,447
Exam App. & Moral Char. Fees	-	-	-	19,702,104	-	-	-	19,702,104
Grant Revenue	-	-	42,788	77,637	128,750	-	-	14,593,838
Law Corporation Registration Fees	-	-	-	-	-	-	-	-
Legal Specialization Fees	2,001,502	-	-	300	-	-	-	2,001,802
Licensing Fees and Donations	-	(0)	-	-	-	-	-	25,074,362
Multi-Jurisdictional Practice Fees	-	-	-	822,636	-	-	-	822,636
Other Revenue	19,314	-	-	554,830	-	-	-	807,425
Trust Account Revenue	-	-	-	-	-	-	-	18,634,165
<b>Total Operating Revenue</b>	2,027,994	(0)	42,788	21,157,531	128,750	-	-	87,993,766
<b>OPERATING EXPENSES</b>								
Access & Inclusion	-	-	11,224,235	646	-	-	-	92,876,406
Admissions	810,314	-	-	12,644,187	-	-	-	13,454,501
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-	-
Client Security Fund	-	-	-	-	-	-	-	8,914,891
General & Administrative	-	-	-	-	-	-	-	-
Governance	-	-	-	10,000	36,616	-	180	716,987



**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

ATTACHMENT A

	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	EF Balances	Total Other Funds
Lawyers Assistance Program	-	-	-	-	-	-	-	1,701,780
No Department	-	-	-	140	-	-	-	181
Probation	-	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	810,314	-	11,224,235	12,654,973	36,616	-	180	117,664,747
<b>OPERATING INCOME/(LOSS)</b>	1,217,680	0	(11,181,447)	8,502,558	92,134	-	(180)	(29,670,981)
<b>NON-OPERATING</b>								
Investment Income	68,245	2,945	286,087	194,146	-	14,414	-	1,544,833
Rental Income	-	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	226,771	-	(226,771)
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	68,245	2,945	286,087	194,146	-	212,357	-	1,318,062
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	1,285,925	2,945	(10,895,361)	8,696,704	92,134	(212,357)	(180)	(28,352,738)

**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

ATTACHMENT A

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	75,000	-	-	-	-	-
49232-Trsf In From Justice Gap Fund	-	-	-	-	-	-	1,000,000
49314-Transfer In From Admissions Fund	-	-	-	-	-	-	-
49410-Interfund Transaction-Revenue	5,310	-	-	-	131	-	-
69119-Trsf. Out To Tech Improv. Fund	-	-	-	-	-	-	-
69224-Trsf Out To Legal Spec. Fund	-	-	-	-	-	-	-
69228-Transfer Out To LSTF	-	-	-	(1,000,000)	-	-	-
69410-Interfund Transaction-Expenses	(2,485)	-	-	-	-	-	-
<b>Total Transfers</b>	<b>2,825</b>	<b>75,000</b>	<b>-</b>	<b>(1,000,000)</b>	<b>131</b>	<b>-</b>	<b>1,000,000</b>
<b>CHANGE IN NET POSITION</b>							
	7,075,526	186,643	(3,970,856)	505,274	(1,452,606)	94,397	(29,683,150)
Net Position at beginning of year	19,594	290,522	8,488,363	2,971,146	3,664,012	484,678	46,871,392
<b>NET POSITION AT September 30</b>	<b>7,095,120</b>	<b>477,165</b>	<b>4,517,507</b>	<b>3,476,420</b>	<b>2,211,406</b>	<b>579,075</b>	<b>17,188,242</b>

**The State Bar of California**  
**Q3 Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Nongeneral Funds) As of September 2020**

ATTACHMENT A

	Legal Special.	IT Special Assess.	Bank Settlement	Admission	Grants	SF Tenant Improve.	EF Balances	Total Other Funds
<b>TRANSFERS</b>								
49110-Transfer In From General Fund	-	-	-	-	-	-	-	75,000
49232-Trsf In From Justice Gap Fund	-	-	-	-	-	-	-	1,000,000
49314-Transfer In From Admissions Fund	100,000	-	-	-	-	-	-	100,000
49410-Interfund Transaction-Revenue	-	-	-	-	-	-	-	5,441
69119-Trsf. Out To Tech Improv. Fund	-	-	-	(725,000)	-	-	-	(725,000)
69224-Trsf Out To Legal Spec. Fund	-	-	-	(100,000)	-	-	-	(100,000)
69228-Transfer Out To LSTF	-	-	-	-	-	-	-	(1,000,000)
69410-Interfund Transaction-Expenses	-	-	-	(1,491)	-	-	-	(3,976)
<b>Total Transfers</b>	100,000	-	-	(826,491)	-	-	-	(648,535)
<b>CHANGE IN NET POSITION</b>	1,385,925	2,945	(10,895,361)	7,870,213	92,134	(212,357)	(180)	(29,001,273)
Net Position at beginning of year	4,365,619	6,224	20,468,102	8,417,789	155,777	(356,371)	-	95,846,847
<b>NET POSITION AT September 30</b>	5,751,544	9,169	9,572,741	16,288,002	247,911	(568,728)	(180)	66,845,574

**Attachment 3 - Q3 Statement of Variances Year-over-Year for Operating  
Revenue, Operating Expenses, and Changes in Net Position (State Bar-Wide) -  
As of September 2020**

	2020 Actual	2019 Actual	Variance	% Change
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	438,421	1,765,318	(1,326,896)	75.2
Continuing Legal Education Fees	586,259	802,734	(216,476)	27.0
EAF AB 145 Filing Fee Revenue	6,347,443	10,319,802	(3,972,359)	38.5
Exam App. & Moral Char. Fees	19,702,104	17,864,480	1,837,624	(10.3)
Grant Revenue	14,593,838	24,280,454	(9,686,616)	39.9
Law Corporation Registration Fees	1,524,197	1,054,388	469,809	(44.6)
Legal Specialization Fees	2,008,481	2,152,379	(143,898)	6.7
Licensing Fees and Donations	108,760,824	85,254,102	23,506,722	(27.6)
Multi-Jurisdictional Practice Fees	822,636	836,810	(14,174)	1.7
Other Revenue	1,493,773	2,280,579	(786,805)	34.5
Trust Account Revenue	18,634,165	31,523,577	(12,889,412)	40.9
<b>Total Operating Revenue</b>	<b>174,912,142</b>	<b>178,134,622</b>	<b>(3,222,480)</b>	<b>1.8</b>

**OPERATING EXPENSES**

Access & Inclusion	93,549,029	52,970,548	40,578,481	76.6
Admissions	13,485,085	17,083,216	(3,598,131)	(21.1)
Attorney Regulation and Consumer Resources	3,949,818	4,170,159	(220,340)	(5.3)
Chief Trial Counsel	45,063,546	37,007,533	8,056,013	21.8
Client Security Fund	8,915,157	7,079,550	1,835,607	25.9
General & Administrative	(4,300,337)	(3,004,859)	(1,295,478)	43.1
Governance	4,310,009	4,658,744	(348,736)	(7.5)

ATTACHMENT A

**Attachment 3 - Q3 Statement of Variances Year-over-Year for Operating Revenue,  
Operating Expenses, and Changes in Net Position (State Bar-Wide) - As of  
September 2020**

	2020 Actual	2019 Actual	Variance	% Change
Lawyers Assistance Program	1,705,450	1,582,342	123,108	7.8
No Department	3,507,237	-	3,507,237	-
Probation	1,507,215	1,212,960	294,255	24.3
Professional Competence	2,071,082	2,206,582	(135,501)	(6.1)
State Bar Court	10,296,348	9,427,864	868,485	9.2
<b>Total Operating Expenses</b>	<b>184,059,638</b>	<b>134,394,639</b>	<b>49,664,999</b>	<b>37.0</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(9,147,496)</b>	<b>43,739,983</b>	<b>(52,887,479)</b>	<b>(120.9)</b>
<b>NON-OPERATING</b>				
Investment Income	2,351,636	3,759,336	(1,407,700)	37.4
Rental Income	3,205,405	2,079,606	1,125,800	(54.1)
Interest Expense on Loans	(702,546)	(786,655)	84,109	10.7
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	<b>4,854,495</b>	<b>5,052,287</b>	<b>(197,792)</b>	<b>3.9</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>4,293,001</b>	<b>48,792,270</b>	<b>53,085,271</b>	<b>108.8</b>
<b>TRANSFERS</b>				
49110-Transfer In From General Fund	75,000	-	75,000	-
49232-Trsf In From Justice Gap Fund	1,000,000	2,750,000	(1,750,000)	63.6
49314-Transfer In From Admissions Fund	825,000	-	825,000	-
49410-Interfund Transaction-Revenue	66,035	57,921	8,114	(14.0)

ATTACHMENT A

**Attachment 3 - Q3 Statement of Variances Year-over-Year for Operating Revenue,  
Operating Expenses, and Changes in Net Position (State Bar-Wide) - As of  
September 2020**

	2020 Actual	2019 Actual	Variance	% Change
69110-Transfer Out To GF	(75,000)	-	(75,000)	-
69119-Trsf. Out To Tech Improv. Fund	(725,000)	-	(725,000)	-
69224-Trsf Out To Legal Spec. Fund	(100,000)	-	(100,000)	-
69228-Transfer Out To LSTF	(1,000,000)	(2,750,000)	1,750,000	63.6
69410-Interfund Transaction-Expenses	(66,035)	(57,921)	(8,114)	(14.0)
<b>TOTAL TRANSFERS</b>	(0)	(0)	(0)	-
<b>CHANGE IN NET POSITION</b>	(4,293,001)	48,792,270	(53,085,271)	(108.8)
Net Position at beginning of year	144,540,279	133,778,747	10,761,532	8.0
<b>NET POSITION AT September 30</b>	140,247,278	182,571,017	(42,323,739)	-23.2

**The State Bar of California**  
**Q3 Statement of Assets, Liabilities & Net Position Bar Wide As of**  
**September 2020**

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2020 v. 2019
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	78,055,557	2,495,000	80,550,557	79,183,912	1,366,645
Investments	50,743,598	-	50,743,598	63,279,701	(12,536,103)
Accounts Receivable (net of allowances)	1,558,136	3,261,660	4,819,796	17,317,446	(12,497,650)
Interfund Rec(Pay)	(67,929,492)	67,358,926	(570,566)	0	(570,566)
Other Assets	1,836,657	173,018	2,009,675	5,549,240	(3,539,565)
OPEB Investments	10,215,794	-	10,215,794	8,254,371	1,961,423
Capital Assets (net of depreciation)	104,132,221	0	104,132,221	103,864,038	268,184
Deferred Outflows	9,507,406	-	9,507,406	14,602,756	(5,095,350)
<b>Total Assets &amp; Deferred Outflows</b>	<b>188,119,878</b>	<b>73,288,604</b>	<b>261,408,482</b>	<b>292,051,463</b>	<b>(30,642,981)</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	25,442,943	547,008	25,989,952	15,871,278	10,118,674
Unearned Income	(0)	-	(0)	425,752	(425,752)
Loan Payable	14,193,280	6,147,476	20,340,756	22,942,064	(2,601,308)
Deferred Inflows	7,703,640	-	7,703,640	10,878,281	(3,174,641)
Pension Liability	67,154,845	-	67,154,845	59,363,071	7,791,774
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>114,494,708</b>	<b>6,694,484</b>	<b>121,189,192</b>	<b>109,480,446</b>	<b>11,708,747</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	48,693,432	95,846,847	144,540,279	133,778,747	10,761,532

**The State Bar of California**  
**Q3 Statement of Assets, Liabilities & Net Position Bar Wide As**  
**of September 2020**

ATTACHMENT A

	General Fund	Other Funds	2020 Actual	2019 Actual	Variance- 2020 v. 2019
Change in Net Position	24,931,737	(29,252,727)	(4,320,990)	48,792,270	(53,113,260)
<b>Total Net Position</b>	73,625,169	66,594,120	140,219,289	182,571,017	(42,351,728)
<b>Total Liabilities &amp; Net Position</b>	188,119,878	73,288,604	261,408,482	292,051,463	(30,642,981)



**The State Bar of California**  
**Q3 Statement of Assets, Liabilities, and Net Position (Nongeneral Funds) As of**  
**September 2020**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>							
Cash	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	2,963,278	-	0	-	294,493
Interfund Rec(Pay)	7,240,230	477,164	1,444,789	3,476,419	2,232,364	584,669	16,934,784
Other Assets	-	-	-	-	27,788	-	-
OPEB Investments	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>7,240,230</b>	<b>477,164</b>	<b>4,408,066</b>	<b>3,476,419</b>	<b>2,260,152</b>	<b>584,669</b>	<b>17,229,277</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>							
Accounts Payable and Accrued Liabilities	145,130	(0)	(100,168)	(0)	45,272	5,595	31,764
Unearned Income	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>145,130</b>	<b>(0)</b>	<b>(100,168)</b>	<b>(0)</b>	<b>45,272</b>	<b>5,595</b>	<b>31,764</b>
<b>NET POSITION</b>							
Net Position at Beginning of Year	19,594	290,522	8,488,363	2,971,146	3,664,012	484,678	46,871,392

**The State Bar of California**  
**Q3 Statement of Assets, Liabilities, and Net Position (Nongeneral Funds) As of**  
**September 2020**

ATTACHMENT A

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust
Change in Net Position	7,075,506	186,642	(3,980,129)	505,273	(1,449,132)	94,396	(29,673,879)
<b>Total Net Position</b>	7,095,100	477,164	4,508,234	3,476,419	2,214,880	579,074	17,197,513
<b>Total Liabilities &amp; Net Position</b>	7,240,230	477,164	4,408,066	3,476,419	2,260,152	584,669	17,229,277

**The State Bar of California**  
**Q3 Statement of Assets, Liabilities, and Net Position (Nongeneral Funds) As of**  
**September 2020**

ATTACHMENT A

	Legal Special.	IT Special Assess.	Bank Settle.	Admission	Grants	SF Tenant Improve.	EF Balances	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>								
Cash	-	-	-	-	-	2,495,000	-	2,495,000
Investments	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	3,070	-	-	-	3,260,841
Interfund Rec(Pay)	5,757,403	9,170	9,572,739	16,515,838	251,975	2,856,046	(180)	67,353,410
Other Assets	-	-	-	151,565	-	-	-	179,353
OPEB Investments	-	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	0	-	0
Deferred Outflows	-	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>5,757,403</b>	<b>9,170</b>	<b>9,572,739</b>	<b>16,670,473</b>	<b>251,975</b>	<b>5,351,046</b>	<b>(180)</b>	<b>73,288,604</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>								
Accounts Payable and Accrued Liabilities	5,858	(0)	-	382,472	4,680	26,406	-	547,008
Unearned Income	-	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	6,147,476	-	6,147,476
Deferred Inflows	-	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>5,858</b>	<b>(0)</b>	<b>-</b>	<b>382,472</b>	<b>4,680</b>	<b>6,173,882</b>	<b>-</b>	<b>6,694,484</b>
<b>NET POSITION</b>								
Net Position at Beginning of Year	4,365,619	6,224	20,468,102	8,417,789	155,777	(356,371)	-	95,846,847
Change in Net Position	1,385,926	2,946	(10,895,363)	7,870,213	91,519	(466,465)	(180)	(29,252,727)

**The State Bar of California**  
**Q3 Statement of Assets, Liabilities, and Net Position (Nongeneral Funds) As of**  
**September 2020**

ATTACHMENT A

	Legal Special.	IT Special Assess.	Bank Settle.	Admission	Grants	SF Tenant Improve.	EF Balances	Total Other Funds
<b>Total Net Position</b>	5,751,545	9,170	9,572,739	16,288,002	247,296	(822,836)	(180)	66,594,120
<b>Total Liabilities &amp; Net Position</b>	5,757,403	9,170	9,572,739	16,670,473	251,975	5,351,046	180	73,288,964



# The State Bar of California

## OFFICE OF FINANCE

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Date: November 9, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: Kevin Harper, Interim Chief Financial Officer

Subject: Investment Report for the 3rd Quarter Ended September 30, 2020

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Attached is the quarterly Investment Report for the State Bar of California as of September 30, 2020. 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 September 30, 2020, the market value of the investment portfolio was \$104.5 million, compared to \$134.5 million as of September 30, 2019.

The quarterly rate of return of the investment portfolio for this quarter is 1.65 percent. Interest rates are lower in comparison to the year prior; the quarterly interest rate on deposits in the LAIF decreased from 2.33 percent for the quarter ended September 30, 2019 to 0.8 percent for the quarter ended September 30, 2020. As of October 21, 2020, the daily rate at LAIF was 0.61 percent. For the fiscal year, actual investment earnings decreased from \$2.96 million in 2019 to \$1.57 million in 2020.

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 recorded in the State Bar's quarterly financials.

**The State Bar of California Investment Report  
Summary As of September 30, 2020**

<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:				
- Commercial Paper	\$ 8,898,800	\$ 8,998,320	8.6%	1.25%
- Government Bonds	21,872,806	22,446,435	21.5%	2.31%
- Corporate Bonds	18,612,426	19,182,553	18.4%	2.68%
- Common Stock-Metlife Inc.	-	116,289	0.1%	N/A
Subtotal-Securities, Bonds and Notes	49,384,032	50,743,597	48.6%	
Interest Receivable	-	243,859	0.2%	0.80%
Local Agency Investment Fund	53,500,285	53,500,285	51.2%	0.80%
<b>Total</b>	<b>\$ 102,884,317</b>	<b>\$ 104,487,741</b>	<b>100.0%</b>	1.65%

**Unrealized Gain/(Loss):**

Market Value of Portfolio -Securities, Bonds and Notes	\$ 50,743,597
Original Cost of Portfolio -Securities, Bonds and Notes	49,384,032
Unrealized Gain/(Loss)	<u>\$ 1,359,565</u>

# Investment Month End Report - Wells Fargo Custody Account

## Balance as of September 30, 2020

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
TOYOTA MOTOR CREDIT	89233GL53	A-1+	Commercial Paper Discount	3,000,000.00	2,976,813.33	2,999,610.00	-	22,796.67	0.010%	04/30/20	11/05/22
COCA-COLA COMPANY	19121AM73	A-1	Commercial Paper Discount	3,000,000.00	2,958,706.67	2,999,100.00	-	40,393.33	1.690%	02/06/20	12/07/20
PRUDENTIAL PLC CPDN	7443M2L53	A-1	Commercial Paper Discount	3,000,000.00	2,963,280.00	2,999,610.00	-	36,330.00	1.680%	02/06/20	11/05/20
<b>TOTAL COMMERCIAL PAPER :</b>				<b>9,000,000</b>	<b>8,898,800</b>	<b>8,998,320</b>	<b>-</b>	<b>99,520</b>	<b>1.125%</b>		
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	3,035,000.00	2,993,268.75	3,122,832.90	35,919.23	129,564.15	2.730%	02/28/18	04/01/22
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	1,250,000.00	1,250,000.00	1,297,912.50	4,127.08	47,912.50	1.980%	12/17/19	02/01/24
<b>TOTAL MUNICIPAL BONDS AND NOTES:</b>				<b>4,285,000</b>	<b>4,243,269</b>	<b>4,420,745</b>	<b>40,046</b>	<b>177,477</b>	<b>2.509%</b>		
FED HOME LN BK	3130ADXP2	AA+	Government Agency	3,000,000.00	3,005,430.00	3,001,530.00	35,116.67	(3,900.00)	2.390%	04/04/18	10/09/20
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	3,000,000.00	2,978,490.00	3,121,710.00	10,291.67	143,220.00	2.550%	04/04/18	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	6,500,000.00	6,650,910.50	6,868,420.00	12,413.19	217,509.50	2.570%	04/04/18	09/09/22
FED FARM CREDIT BK	3133ELEF7	AA+	Government Agency	2,000,000.00	1,999,360.00	2,028,600.00	1,008.33	29,240.00	1.670%	12/20/19	09/20/21
FED NATL MTG ASSN	3136G3NR2	AA+	Government Agency	3,000,000.00	2,995,347.00	3,005,430.00	13,860.00	10,083.00	1.520%	02/10/20	11/25/20
<b>TOTAL FEDERAL BONDS AND NOTES:</b>				<b>17,500,000</b>	<b>17,629,538</b>	<b>18,025,690</b>	<b>72,690</b>	<b>396,153</b>	<b>2.255%</b>		
MICROSOFT CORP	594918AH7	AAA	Corporate Bond	3,125,000.00	3,169,646.88	3,125,000.00	46,875.00	(44,646.88)	2.440%	02/28/18	10/01/20
APPLE INC	037833BS8	AA+	Corporate Bond	3,125,000.00	3,093,868.75	3,147,000.00	7,421.88	53,131.25	2.600%	02/28/18	02/23/21
CHEVRON CORP.	166764BG4	AA	Corporate Bond	3,125,000.00	3,071,040.63	3,156,812.50	24,609.38	85,771.87	2.670%	02/28/18	05/16/21
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	3,125,000.00	3,016,371.88	3,158,750.00	7,131.08	142,378.12	2.620%	02/28/18	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	3,215,000.00	3,201,014.75	3,338,809.65	33,275.25	137,794.90	2.810%	02/28/18	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	A+	Corporate Bond	1,500,000.00	1,452,690.00	1,551,540.00	2,060.42	98,850.00	2.900%	02/28/18	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	A+	Corporate Bond	1,625,000.00	1,607,792.88	1,704,641.25	9,750.00	96,848.37	2.940%	02/28/18	01/11/23
<b>TOTAL CORPORATE BONDS:</b>				<b>18,840,000</b>	<b>18,612,426</b>	<b>19,182,553</b>	<b>131,123</b>	<b>570,128</b>	<b>2.676%</b>		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	7,158.06	-	7,158			
METLIFE INC	59156R108	N/A	Common Stock	-	-	109,131.12	-	109,131			
<b>TOTAL COMMON STOCKS:</b>				<b>-</b>	<b>-</b>	<b>116,289</b>	<b>-</b>	<b>116,289</b>			
<b>TOTAL INVESTMENT HELD BY WELLS FARGO:</b>				<b>49,625,000</b>	<b>49,384,032</b>	<b>50,743,598</b>	<b>243,859</b>	<b>1,359,566</b>			



# The State Bar of California

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## OFFICE OF FINANCE

Date: November 9, 2020

To: Members, Finance Committee  
Members, Board of Trustees

From: Kevin Harper, Interim Chief Financial Officer

Subject: Client Security Fund Report for the Third Quarter Ended September 30, 2020

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Attached are a series of reports for the applications activities within the Client Security Fund (CSF) for the quarter ended September 30, 2020. These reports include:

- Status on Applications Activities for the quarter ended September 30, 2020
- Applications Aging Report
- Cumulative Applications Aging Report
- 24-Month Rolling Average of Applications Payout Ratio
- Analysis of New Applications Paid, Rejected or Withdrawn

As of September 30, a total of 387 new applications in the amount of \$10.0 million were filed. The number of new applications filed has decreased by 38.7 percent, compared to 631 new applications filed last year. The application amount decreased by \$3.5 million, or 25.9 percent compared to \$13.5 million filed in 2019.

For the quarter ended September 30, 2020, total applications processed are 867 for approximately \$16.1 million. Total payouts for 2020 are \$7.4 million, which increased by \$1.5 million in comparison to \$5.9 million the year prior. Total applications pending for processing as of September 30, 2020 are 1,901 in the amount of \$41.9 million, and for the same period in 2019, there were 2,475 pending applications in the amount of \$49.2 million.

For this report, the Office of Finance estimated the application payout amount based on a rolling average of 24-month historical applications payout ratio, currently 40.6 percent. As of September 30, 2020, total applications outstanding are 1,901 for \$41.9 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated



Members, Finance Committee  
 Members, Board of Trustees  
 November 9, 2020  
 Page 2

application payout as of September 30, 2020 is \$17.0 million, and there is a 10.5 percent decrease of \$2.0 million compared to \$19.0 million last year.

As of September 30, 2020, cash and investments available for applications reimbursement in the CSF are approximately \$7.1 million compared to \$1.5 million last year.

This increase is primarily due to the additional \$40 per attorney allocated to CSF by the 2020 Fee Bill.

Key indicators for the CSF application process as of September 30, 2020 and 2019 are shown below:

Key Indicator Descriptions	2020 Q3	2019 Q3	Attachment
New Applications Received #/\$ (in millions)	387/\$10.0	631/\$13.5	1
Total Applications Processed #/\$ (in millions)	867/\$16.1	1047/\$16.4	2
% of Paid Applications in # to total in process <sup>1</sup>	21.1%	17.1%	1
% of Paid Applications in \$ to total in process <sup>2</sup>	12.7%	8.9%	1
Total Payouts \$ (in millions)	\$7.4	\$5.9	2
Total Applications Pending for Processing #/\$ (in millions)	1,901/\$41.9	2,475/\$49.2	2
24-Month Rolling Average Payout Ratio	40.63%	38.56%	4
Estimated CSF Application Liabilities (in millions)	\$17.0	\$19.0	2
Net Assets as of September 30 (in millions)	\$7.1	\$1.5	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 SEPTEMBER 30, 2020  
YEAR TO DATE ACTIVITIES**

ATTACHMENT A  
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>	434	749,595	690	2,699,135	436	3,246,695	333	5,807,107	139	5,097,890	30	1,153,800	319	29,168,375	2,381	47,922,597		
<b>New Applications</b>	71	113,365	79	320,736	61	455,779	65	1,081,777	39	1,305,475	3	150,000	69	6,606,815	387	10,033,946		
<b>Paid Applications</b>	(129)	(223,799)	(162)	(593,542)	(121)	(839,933)	(93)	(1,314,533)	(29)	(806,189)	(3)	(100,000)	(48)	(3,487,134)	(585)	(7,365,131)	21.1%	12.7%
<b>Rejected Applications</b>	(4)	(16,926)	(6)	(81,839)	(3)	(125,372)	(5)	(394,481)	(5)	(392,940)	-	(50,000)	(9)	(1,649,891)	(32)	(2,711,450)	1.2%	4.7%
<b>Withdrawn Applications</b>	(57)	(91,754)	(57)	(214,912)	(40)	(296,807)	(33)	(577,918)	(10)	(368,458)	(8)	(400,000)	(45)	(4,076,082)	(250)	(6,025,930)	9.0%	10.4%
<b>Applications Outstanding</b>	<b>315</b>	<b>\$ 530,481</b>	<b>544</b>	<b>\$ 2,129,579</b>	<b>333</b>	<b>\$ 2,440,361</b>	<b>267</b>	<b>\$ 4,601,952</b>	<b>134</b>	<b>\$ 4,835,777</b>	<b>22</b>	<b>\$ 753,800</b>	<b>286</b>	<b>\$ 26,562,083</b>	<b>1,901</b>	<b>\$ 41,854,033</b>		
<b>New applications % to total</b>	18.35%	1.13%	20.41%	3.20%	15.76%	4.54%	16.80%	10.78%	10.08%	13.01%	0.78%	1.49%	17.83%	65.84%	100.00%	100.00%		
<b>Applications paid % to total</b>	22.05%	3.04%	27.69%	8.06%	20.68%	11.40%	15.90%	17.85%	4.96%	10.95%	0.51%	1.36%	8.21%	47.35%	100.00%	100.00%		
<b>Applications rejected or withdrawn % to total</b>	21.63%	1.24%	22.34%	3.40%	15.25%	4.83%	13.48%	11.13%	5.32%	8.71%	2.84%	5.15%	19.15%	65.53%	100.00%	100.00%		
<b>Applications outstanding % to total</b>	16.57%	1.27%	28.62%	5.09%	17.52%	5.83%	14.05%	11.00%	7.05%	11.55%	1.16%	1.80%	15.04%	63.46%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2020 Q3.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2020 Q3.

**THE STATE BAR OF CALIFORNIA CLIENT SECURITY FUND**  
**APPLICATIONS AGING REPORT AS OF SEPTEMBER 30, 2020**

<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	4	25,220					(3)	(16,000)	(3)	(16,000)	1	9,220
2012	11	135,816			0	-	(8)	(88,328)	(8)	(88,328)	3	47,489
2013	30	242,417			(3)	(12,144)	-	(1,356)	(3)	(13,500)	27	228,917
2014	246	1,352,459			(15)	(95,756)	-	(3,244)	(15)	(99,000)	231	1,253,459
2015	101	1,073,066			(3)	(90,082)	(1)	(49,918)	(4)	(140,000)	97	933,066
2016	184	5,274,676			(75)	(848,020)	(21)	(1,134,978)	(96)	(1,982,998)	88	3,291,678
2017	560	11,274,322			(278)	(3,223,149)	(30)	(1,637,909)	(308)	(4,861,059)	252	6,413,263
2018	621	15,717,036			(118)	(2,004,746)	(48)	(1,541,641)	(166)	(3,546,387)	455	12,170,649
2019	624	12,825,484			(80)	(947,313)	(150)	(3,785,609)	(230)	(4,732,922)	394	8,092,562
2020		2,101	387	10,033,946	(13)	(143,920)	(21)	(478,397)	(34)	(622,317)	353	9,413,731
<b>TOTAL</b>	<b>2,381</b>	<b>47,922,598</b>	<b>387</b>	<b>10,033,946</b>	<b>(585)</b>	<b>(7,365,131)</b>	<b>(282)</b>	<b>(8,737,380)</b>	<b>(867)</b>	<b>(16,102,510)</b>	<b>1,901</b>	<b>41,854,034</b>

Applications Outstanding	<b>41,854,034</b>
Estimated Application Payout Ratio	<b>40.63%</b>
Estimated Application Payouts	<b>\$17,005,294</b>

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**CUMULATIVE APPLICATIONS AGING REPORT AS OF SEPTEMBER 30, 2020**

<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</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	4	25,220			-	-	(3)	(16,000)	(3)	(16,000)	1	9,220
2010-2012	15	161,036			-	-	(11)	(104,328)	(11)	(104,328)	4	56,709
2010-2013	45	403,454			(3)	(12,144)	(11)	(105,684)	(14)	(117,828)	31	285,626
2010-2014	291	1,755,913			(18)	(107,900)	(11)	(108,928)	(29)	(216,828)	262	1,539,085
2010-2015	392	2,828,979			(21)	(197,982)	(12)	(158,845)	(33)	(356,828)	359	2,472,151
2010-2016	576	8,103,655			(96)	(1,046,002)	(33)	(1,293,823)	(129)	(2,339,825)	447	5,763,830
2010-2017	1,136	19,377,977			(374)	(4,269,152)	(63)	(2,931,733)	(437)	(7,200,884)	699	12,177,093
2010-2018	1,757	35,095,013			(492)	(6,273,898)	(111)	(4,473,374)	(603)	(10,747,272)	1,154	24,347,742
2010-2019	2,381	47,920,497			(572)	(7,221,211)	(261)	(8,258,983)	(833)	(15,480,194)	1,548	32,440,303
2010-2020		47,922,598	387	10,033,946.25	(585)	(7,365,130)	(282)	(8,737,380)	(867)	(16,102,510)	1,901	41,854,034
			<b>387</b>	<b>10,033,946</b>	<b>(585)</b>	<b>(7,365,130)</b>	<b>(282)</b>	<b>(8,737,380)</b>	<b>(867)</b>	<b>(16,102,510)</b>	<b>1,901</b>	<b>41,854,034</b>

Net Asset in Client Security Fund:

As of : 9/30/2020 \$ 7.1 (in Millions)

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**OCTOBER 2018 THROUGH SEPTEMBER 2020**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
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	1,709,504
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
July19	942,256	34.23%	1,810,774	2,753,029
Aug19	818,478	61.82%	505,507	1,323,985
Sep19	334,251	30.61%	757,824	1,092,075
Oct19	357,579	51.16%	341,385	698,964
Nov19	618,018	17.23%	2,969,348	3,587,366
Dec19	83,374	24.89%	251,643	335,017
Jan20	2,266,254	60.25%	1,495,016	3,761,270
Feb20	697,500	71.18%	282,350	979,850
Mar20	356,979	28.17%	910,028	1,267,007
Apr20	957,237	53.25%	840,553	1,797,790
May20	490,489	56.73%	374,073	864,561
Jun20	316,775	40.32%	468,841	785,617
Jul20	657,336	40.92%	948,966	1,606,302
Aug20	911,802	73.97%	320,838	1,232,641
Sep20	710,758	18.67%	3,096,714	3,807,473
Total:	<u>17,772,175</u>		Total: <u>25,973,073</u>	<u>43,745,248</u>

24 Month Rolling Average PaidOut Ratio:

40.63%

**THE STATE BAR OF CALIFORNIA  
CLIENT SECURITY FUND  
ANALYSIS OF NEW APPLICATIONS PAID, REJECTED OR WITHDRAWN, ESTIMATED  
APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY  
SEPTEMBER 30, 2020**

	<u>1ST QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>
Beginning Balance	2381	2,227	2,134
Add: Reinstated Applications and New Applications	152	123	112
Less: Paid / Rejected or Withdrawn	306	216	345
<b>TOTAL</b>	<b>2,227</b>	<b>2,134</b>	<b>1,901</b>
 APPLICATIONS OUTSTANDING AMT.	 45,754,583	 45,511,826	 41,854,034
# Of Active Attorneys	189,884	190,498	191,350
Cost Per Active Attorney	\$241	\$239	\$219
 ESTIMATED APPLICATIONS LIAB.	 	 	 
Applications Payout Ratio	39.10%	40.48%	40.63%
Estimated Application Amount *	\$17,889,796	\$18,424,740	\$17,003,840
# of Active Attorneys	189,629	189,629	191,564
Cost per Active Attorney	\$94	\$97	\$89
 APPLICATION ACTIVITIES IN %:	 	 	 
 NEW APPLICATIONS - YTD	 	 	 
1 - 2,500	1.14%	1.09%	1.13%
2,501 - 5,000	3.16%	3.37%	3.20%
5,001 - 10,000	4.53%	4.11%	4.54%
10,001 - 25,000	11.30%	12.44%	10.78%
25,001 - 49,999	8.20%	11.73%	13.01%
50,000	2.48%	1.40%	1.49%
50,001 - 100,000	69.19%	65.86%	65.84%
 APPLICATIONS PAID - YTD	 	 	 
1 - 2,500	2.14%	2.40%	3.04%
2,501 - 5,000	5.81%	8.47%	8.06%
5,001 - 10,000	7.56%	11.41%	11.40%
10,001 - 25,000	13.74%	18.25%	17.85%
25,001 - 49,999	6.92%	10.57%	10.95%
50,000	3.01%	1.97%	1.36%
50,001 - 100,000	60.82%	46.93%	47.35%
 REJ./WDRAWN - YTD	 	 	 
1 - 2,500	1.42%	1.32%	1.24%
2,501 - 5,000	4.83%	3.52%	3.40%
5,001 - 10,000	7.73%	5.59%	4.83%
10,001 - 25,000	11.84%	10.41%	11.13%
25,001 - 49,999	9.54%	8.34%	8.71%
50,000	9.30%	5.72%	5.15%
50,001 - 100,000	55.33%	65.10%	65.53%
 APPLICATIONS O/S-CUM. - YTD	 	 	 
1 - 2,500	1.49%	1.41%	1.27%
2,501 - 5,000	5.44%	5.17%	5.09%
5,001 - 10,000	6.48%	5.96%	5.83%
10,001 - 25,000	11.95%	11.66%	0.00%
25,001 - 49,999	10.67%	11.06%	11.55%
50,000	1.98%	1.99%	1.80%
50,001 - 100,000	62.00%	62.75%	63.46%
 NET ASSET, END OF PERIOD	 \$ 11,842,558	 \$ 9,406,996	 \$ 7,051,484
PROJECTED NET ASSETS	(\$6,047,238)	(\$9,017,744)	(\$9,952,357)

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