



# The State Bar of California

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## **OPEN SESSION**

### **AGENDA ITEM**

**54-141 NOVEMBER 2021**

### **FINANCE COMMITTEE III.A**

**DATE:** November 18, 2021

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

**FROM:** Wallace Tang, Chief Financial Officer

**SUBJECT:** Approval of Financial Statements Report, Investment Report, and Client Security Fund Report for Six Months Ended June 30, 2021

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## **EXECUTIVE SUMMARY**

This agenda item presents unaudited financial reports for six months ended June 30, 2021. These reports include the Financial Statements Report, the Investment Report, and the Client Security Fund (CSF) Report.

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## **BACKGROUND**

The charter of the Finance Committee directs the committee to thoroughly examine the State Bar's finances on a quarterly basis to ensure a "functional and detailed understanding of the State Bar's revenue streams, expenditures, and overall fiscal conditions and issues." This agenda item provides the Finance Committee with the reports it needs to fulfill these responsibilities.

## **DISCUSSION**

The Financial Report is composed of multiple attachments, including the Financial Statements, the Investment Report, and the CSF Report for six months ended June 30, 2021. This agenda item and the accompanying reports will also be on the consent agenda for the Board of Trustees meeting on November 18, 2021.

## **FISCAL/PERSONNEL IMPACT**

None

## **AMENDMENTS TO RULES**

None

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

None

## **STRATEGIC PLAN GOALS & OBJECTIVES**

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 approve the Financial Reports in the form presented this day before the Board, for the six months ended June 30, 2021, 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 approve the Financial Reports in the form presented this day before the Board, for the six months ended June 30, 2021, as certified by the chief financial officer and filed with the San Francisco office of the State Bar.

## **ATTACHMENTS LIST**

- A.** Financial Statements for Six Months Ended June 30, 2021
- B.** Investment Report for Six Months Ended June 30, 2021
- C.** Client Security Fund Report for Six Months Ended June 30, 2021



# The State Bar of California

Date: October 21, 2021

To: Members, Finance Committee  
Members, Board of Trustees

From: Wallace Tang, Chief Financial Officer

Subject: Financial Statements for Six-Month Ended June 30, 2021

This memo outlines the State Bar's six-month operating results and fiscal position as of June 30, 2021, with information and comparative analysis regarding revenue, expenses, assets, liabilities, and net position.

## FINANCIAL HIGHLIGHTS

The table below summarizes highlights of the statement of assets, liabilities, and net position:

**Table 1. Financial Highlights for Year-to-Date through June 30, 2021<sup>1</sup>**

ASSETS AND LIABILITIES: YEAR-OVER-YEAR COMPARISON					
Financial Statement Category	Jun 30, 2021 (in \$M)	Jun 30, 2020 (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Total Assets</b>	<b>\$289.5</b>	<b>\$295.2</b>	<b>(\$5.7)</b>	<b>(1.9%)</b>	<b>4&amp;5</b>
Cash & Investments	175.1	163.2	11.9	7.3	4&5
Accounts Receivable	8.3	6.5	1.8	27.7%	4&5
<b>Total Liabilities</b>	<b>138.4</b>	<b>118.5</b>	<b>\$19.9</b>	<b>16.8%</b>	<b>4&amp;5</b>
Accounts Payable & Accrued Liabilities	39.0	22.6	16.4	72.6%	4&5
<b>Net Position</b>	<b>\$151.1</b>	<b>\$176.7</b>	<b>(\$25.6)</b>	<b>(14.5%)</b>	<b>4&amp;5</b>

<sup>1</sup> Table displays total assets and liabilities, followed by the largest asset and liability categories. For a complete list, please refer to Attachments 4 and 5.

## ASSETS

The State Bar's total assets consist of cash, investments, accounts receivable (A/R), capital assets, other postemployment benefits (OPEB), other assets, and deferred outflows of resources. Total assets decreased by \$5.7 million, from \$295.2 million on June 30, 2020, to \$289.5 million on June 30, 2021. The decrease was due to a one-time change of OPEB from asset to a liability, offset by an increase of cash receipt of Equal Access Fund (EAF) and Homeless Prevention (HP) II grant funds and an increase of A/R due to grant revenues earned but not yet received as of June 30, 2021.

## LIABILITIES

The State Bar's total liabilities consist of accounts payable (A/P), unearned fees collected in advance, grants payable, net pension liabilities, deferred inflows of resources related to pension, loans payable, and various accruals. As of June 30, 2021, the State Bar's total liabilities were \$138.4 million, up by \$19.9 million compared to \$118.5 million on June 30, 2020. The largest change in liabilities is a \$16.3 million increase in A/P. The remaining variance is a result of the net of an increase of \$10.5 million in net pension, a decrease in deferred inflows of resources of \$5.0 million and a decrease in a loan payable of \$2.0 million. The change in A/P is due to an increase in unearned fees collected in advance for the Homeless Prevention II grant, where funds were fully received upfront in April 2021 for the grant program that goes through December 2024. The net pension liability increase of \$10.5 million and the deferred inflows of resources decrease of \$5.0 million are based on an annual actuarially determined valuation that uses several assumptions where the main drivers of the increase were higher service cost and interest. The loan payable decrease was due to scheduled paydowns of outstanding loans.

## NET POSITION

The State Bar's total net position as of June 30, 2021, was \$151.1 million, a decrease of \$25.6 million or 14.5 percent compared to \$176.7 million as of June 30, 2020. The main driver of this decrease was a one-time change in OPEB from asset to liability of \$21.8 million. The remaining difference is the net effect of changes in various revenues and expenses.

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

Table 2 below provides budget-to-actual-variance highlights for select revenues and expenses.

<b>OPERATING REVENUE AND EXPENSES: BUDGET TO ACTUAL VARIANCE <sup>2</sup></b>					
<b>Financial Statement Category</b>	<b>Six-months ended June 30, 2021 Actual (in \$M)</b>	<b>Six-months ended June 30, 2021 Budget (in \$M)</b>	<b>Variance (in \$M)</b>	<b>Variance (in %)</b>	<b>Refer to Attachment</b>
<b>Operating Revenue</b>	<b>\$169.9</b>	<b>\$176.6</b>	<b>(\$6.7)</b>	<b>(3.8%)</b>	<b>1, 2, 3</b>
Licensing Fees & Donations	102.8	99.5	3.3	3.3%	1, 2, 3
Trust Account Revenue	10.9	9.4	1.5	16.0%	1, 2, 3
Exam App. & Moral Char. Fees	16.5	15.4	1.1	7.1%	1, 2, 3
<b>Operating Expenses</b>	<b>112.6</b>	<b>93.7</b>	<b>18.9</b>	<b>20.2%</b>	<b>1, 2, 3</b>
Access & Inclusion	57.7	34.4	23.3	67.8%	1, 2, 3
Admissions	10.2	12.4	(2.2)	(17.8%)	1, 2, 3
Chief Trial Counsel	26.5	28.8	(2.3)	(8.0%)	1, 2, 3
Client Security Fund	2.1	4.1	(2.0)	(48.8%)	1, 2, 3
General & Administrative <sup>3</sup>	(1.8)	(2.0)	(0.2)	(10.0%)	1, 2, 3

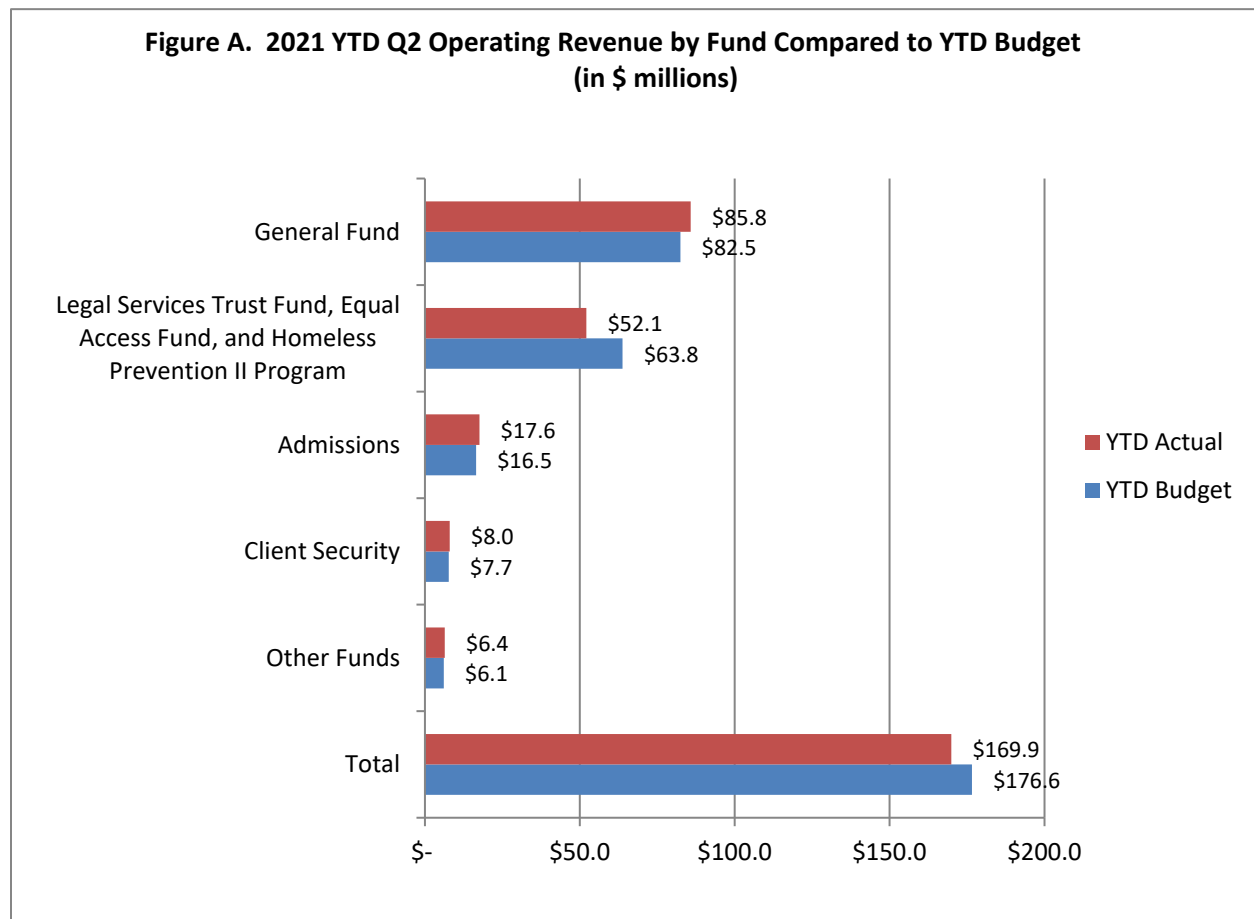
See Attachments 1–5 for more detailed comparisons of the State Bar’s financial results for the six months ended June 30, 2021.

<sup>2</sup> Table displays total operating revenue and expense, followed by the largest revenue and expense categories. For a complete list, please refer to Attachments 1–3.

<sup>3</sup> General & Administrative includes Indirect Cost charge-outs, hence the negative amounts.

## REVENUE

Figures A and B compare budget to actuals for operating revenue, with figure A presenting at the fund level and figure B by revenue category.



Overall, operating revenue totaled \$169.9 million for the six months ended June 30, 2021, \$6.7 million less than the budgeted operating revenue of \$176.6 million.

Operating revenue for the General Fund totaled \$85.8 million, \$3.3 million more than the budgeted revenue of \$82.5 million. The primary driver is a \$2.6 million increase in Mandatory fees due to underbudgeting by three percentage points through the six months ended June 30, 2021.

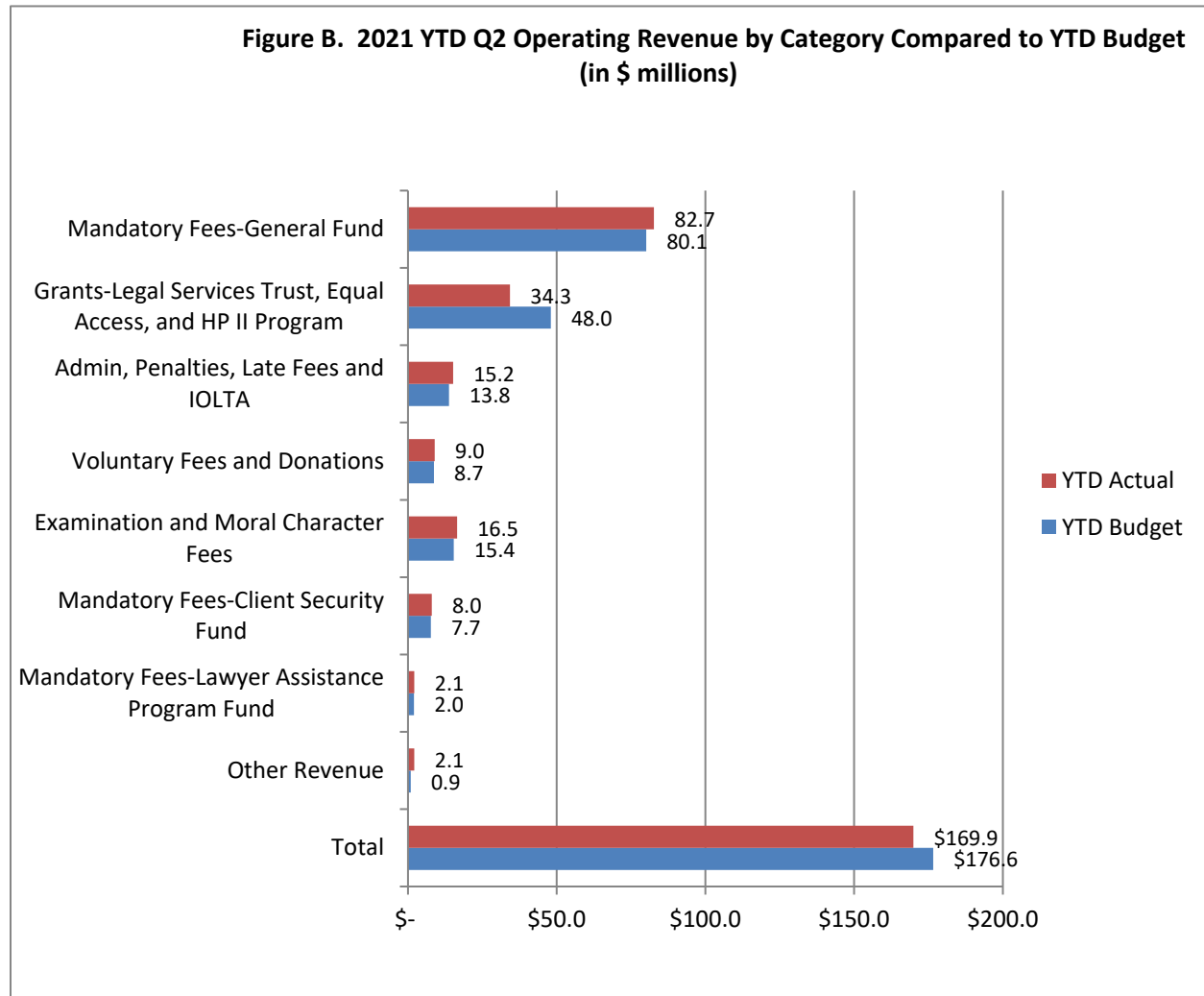
Operating Revenue for the Legal Services Trust Fund, Equal Access Fund, and Grants Fund totaled \$52.1 million, \$11.7 million less than the budgeted operating revenue of \$63.8 million. The \$11.7 million unfavorable variance is due to a \$22.2 million decrease in Grants Fund (made up of the HP II grant) revenue offset by an increase of \$8.5 million in Equal Access Fund and

increase of \$2.0 million in Legal Services Trust Fund compared to budget. The variances in the Equal Access Fund and the Grants Fund reflect the allocation of phases for the multiyear grant and will self-correct by the end of the year. The Legal Services Trust Fund (consists of IOLTA income and Voluntary Fees) variance was affected by rates provided by participating financial institutions, the number of lawyers' trust accounts, and the average balance on those accounts.

The Admissions Fund is \$1.1 million better than budget due to Exam Fees and Moral Character Fees. Attorney applicants, who pay a higher exam fee, exceeded the targets, while new attorney applicants, who pay a lower fee, were below target. The net effect was \$0.6 million in applicant exam fees above budget as a result of a broader pool of applicants due to online exam availability. In addition, Moral Character Fees were \$0.5 million above budget due to the reduced cut (passing) score, the ability to sit for the exam from any location, and the addition of the Provisionally Licensed Lawyers (PLL) program.

Client Security revenue is in line with budgeted amount at \$0.3 million, or 4 percent higher than budget.

Other Funds revenue is in line with budgeted amount at \$0.3 million, or 5 percent higher than budget.



Mandatory fees in the General Fund were \$82.7 million, or \$2.6 million more than the \$80.1 million budgeted, due to underbudgeting by three percentage points for the six months ended June 2021.

Grant Revenue (excluding IOLTA and Voluntary Legal Services Donations) was \$34.3 million, or \$13.7 million less than the \$48.0 million budgeted. The \$13.7 million unfavorable variance is due to a \$22.2 million decrease in Grants Fund (mostly made up of the Homeless Prevention II grant) revenue offset by an increase of \$8.5 million in Equal Access Fund. The variances in the Equal Access Fund and the Grants Fund reflect the impact of recording revenues when earned rather than when received and will self-correct by the end of the year.



Admin, Penalties, Late Fees and IOLTA were \$15.2 million, or 1.4 million more than \$13.8 million budgeted primarily due to IOLTA. The IOLTA variance was affected by rates provided by participating financial institutions, the number of lawyers' trust accounts, and the average balance on those accounts.

Voluntary Fees and Donations revenue is in line with the budgeted amount at \$0.3 million, or 3 percent higher than budget.

Exam and Moral Character Fees are \$16.5 million, or \$1.1 million more than the \$15.4 million budgeted. The Exam Fees increased by \$0.6 million as a result of a broader pool of applicants due to online exam availability. In addition, Moral Character Fees were \$0.5 million above budget due to the reduced cut (passing) score, the ability to sit for the exam from any location, and the addition of the Provisionally Licensed Lawyers (PLL) program.

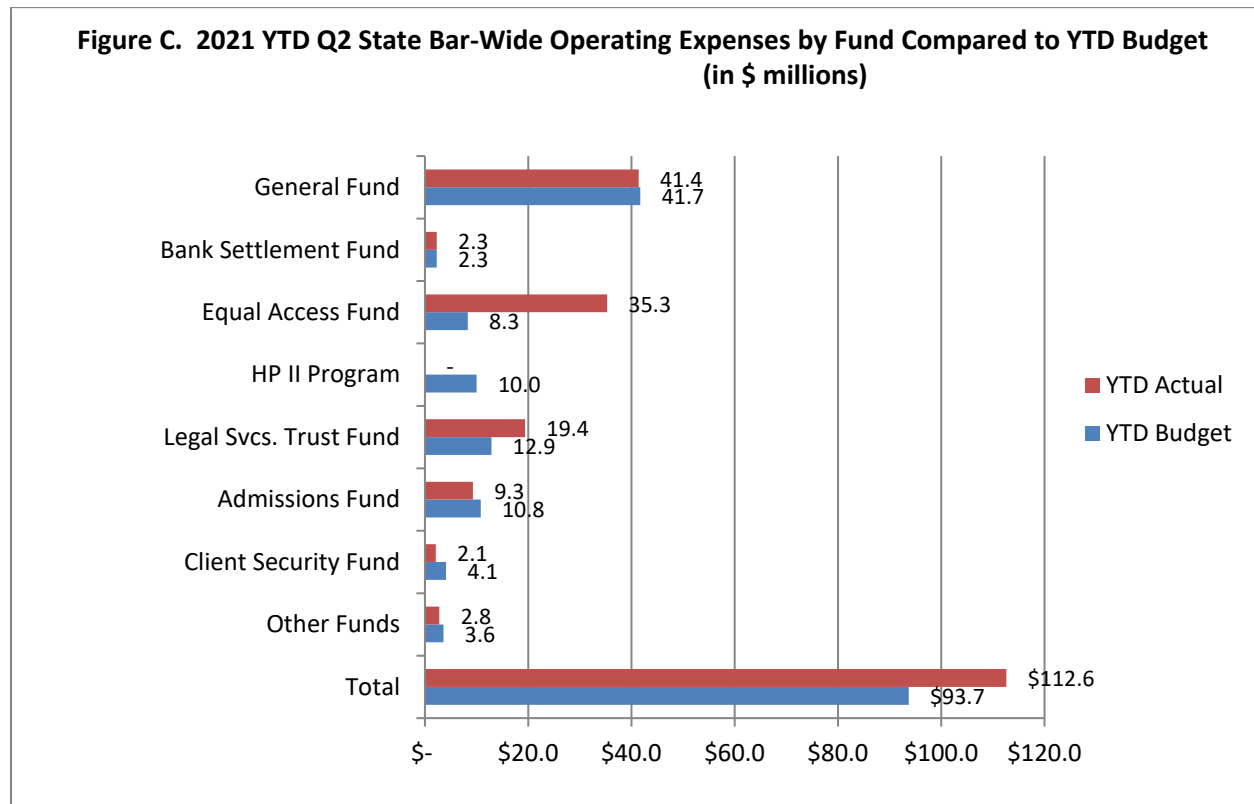
Mandatory Fees revenue for both the Client Security Fund and the Lawyers Assistance Program Fund are in line with budgeted amounts at \$0.3 million (4 percent) and \$0.1 million (5 percent) higher than budget, respectively.

#### **NONOPERATING REVENUE/EXPENSE**

This category consists of investment income, rental income, and interest expense on loans. Nonoperating revenue of \$1.3 million is under budget by \$0.8 million through Q2 2021, a majority of which is related to investment income, which is under budget by \$0.6 million due to declining interest rates.

## EXPENSES

Figures C and D compare budget to actuals for operating expenses with figure C presenting at the fund level and figure D by expense category.



The State Bar's operating expenses for the six-months ended June 2021 were \$112.6 million, compared to a budget of \$93.7 million. The variance is mostly due to the schedule of grant expenses.

General Fund expenses are in line with budget, with a slightly favorable variance compared to budget.

Bank Settlement Fund expenses were in line with budget.

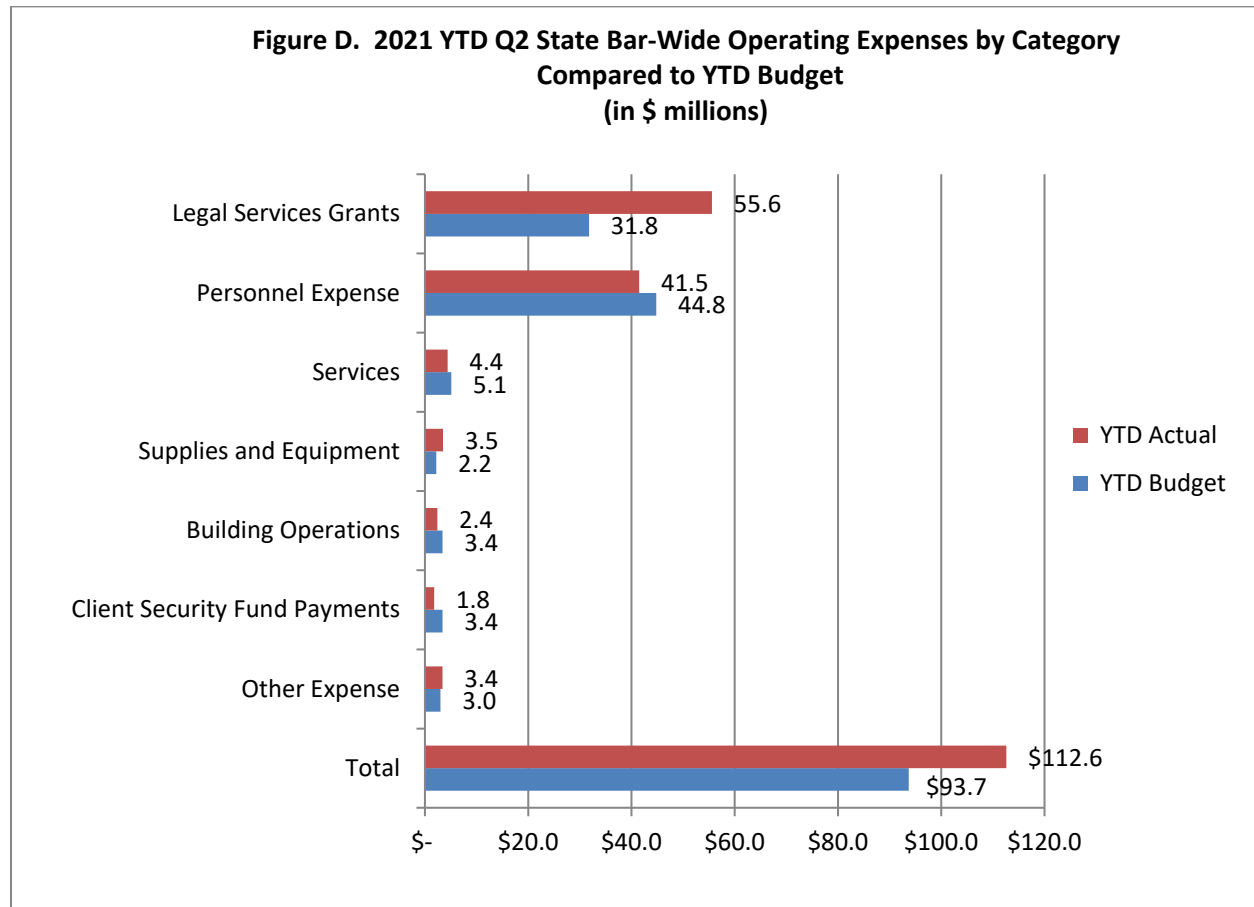
Equal Access Fund expenses were \$35.3 million, \$27.0 million above the \$8.3 million budget. \$27.1 million of the variance is in Grant expenses, with an offsetting \$0.1 million savings in personnel and services, due to the following:

1. Grants Fund expenses were budgeted at \$10.0 million, however, no expenditures were recorded in this Fund as the \$9.9 million in Homeless Prevention II grant expenditures were recorded under the Equal Access Fund. This was corrected subsequent to this reporting period;
2. \$6.0 million of 2020 expenses were paid in 2021 due to delayed funding from Judicial Council;
3. \$10.5 million of 2021 expenses were paid ahead of scheduled payout;
4. \$0.6 million of 2020 Homeless Prevention I grant which were returned as unused funds by grantees then redistributed in 2021.

Legal Services Trust Fund expenses were \$19.4 million, \$6.5 million more than the \$12.9 million budget. \$6.6 million of the variance is in grant expenses, combined with \$0.1 million in savings across other expense categories. Additional Grant expense variance explanations are provided with Figure E below.

Admissions Fund expenses were \$9.3 million compared to a budget of \$10.8 million. The \$1.5 million decrease is primarily from exam expenses (\$0.9 million) due to the net effect of aggressive budgeting for new applicants, conservative budgeting for attorney applicants and cost savings due to remote exam format, and personnel costs (\$0.5 million).

Client Security Fund expenses were \$2.1 million, or \$2.0 million less than budget. Most of the variance is due to Client Security Fund payments of \$1.6 million under budget as a result of fewer applications processed than anticipated. The CSF Report and the general ledger typically do not tie because the general ledger records the expense when incurred rather than the CSF report records the expense when it is paid.



Overall legal services grant expenses were \$55.6 million compared to the budget of \$31.8 million, a \$23.8 million unfavorable variance, which are comprised of net variances across the Equal Access, Grants, and Legal Services Trust Fund explained below.

The Equal Access Fund unfavorable \$27.1 million variance is primarily due to four factors: (1) a placeholder entry of \$9.9 million for Homeless Prevention II (Grants Fund) expenses recorded to Equal Access Fund; (2) \$6.0 million of 2020 expenses paid in 2021 due to delayed funding from Judicial Council; (3) \$10.5 million of 2021 expenses paid ahead of scheduled payout; (4) \$0.6 million of 2020 Homeless Prevention I grant which were returned as unused funds by grantees then redistributed in 2021.

The Grants Fund had no expenditures compared to its \$9.9 million budget due to the recording of the Homeless Prevention II grant expenditures under the Equal Access Fund, as mentioned above.

The Legal Services Trust Fund unfavorable \$6.6 million variance was due to delays in receiving Judicial Council funding. An additional quarter (\$6.0 million) was paid ahead of schedule to

assist grantees during the waiting period. In addition, \$0.6 million was paid for the Provisionally Licensed Lawyers (PLL) Grants, a new program not budgeted in 2021.

State Bar-wide personnel expenses were \$3.3 million below budget due to a combination of staff vacancies and a CalPERS expense over estimation.

Supplies and Equipment were over budget by \$1.3 million because of building improvements (\$0.7 million) and software and hardware purchases (\$0.6 million) paid ahead of planned budget timing.

Services were \$0.7 million below budget primarily due to an error in budgeting the Legal Specialization Exam Development, where the budget amount was based on a two-year exam development schedule instead of one year.

Client Security Fund payments were \$1.6 million under budget due to fewer applications processed than anticipated.

**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**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Six Months Ended June 30, 2021**

	General Fund	Other Funds	2021 Actual	2020 Actual	Variance- 2020 Actual vs 2021 Actual	2021 Budget	Variance- 2021 Actual vs Budget
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	307,127	-	307,127	1,094,053	(786,926)	-	307,127
Continuing Legal Education Fees	452,677	5,085	457,762	341,531	116,231	376,858	80,904
EAF AB 145 Filing Fee Revenue	-	7,795,300	7,795,300	6,349,422	1,445,878	4,506,100	3,289,200
Exam App. & Moral Char. Fees	-	16,477,015	16,477,015	17,544,643	(1,067,628)	15,382,578	1,094,437
Grant Revenue	-	25,195,120	25,195,120	9,815,016	15,380,104	43,214,600	(18,019,480)
Law Corporation Registration Fees	1,027,767	-	1,027,767	904,172	123,595	735,366	292,401
Legal Specialization Fees	-	1,971,883	1,971,883	1,924,191	47,692	1,878,756	93,127
Licensing Fees and Donations	83,620,240	19,187,786	102,808,026	106,274,034	(3,466,008)	99,487,200	3,320,826
Multi-Jurisdictional Practice Fees	-	757,229	757,229	759,235	(2,006)	695,000	62,229
Other Revenue	421,499	1,726,978	2,148,477	1,062,734	1,085,743	906,088	1,242,389
Trust Account Revenue	-	10,952,280	10,952,280	13,359,865	(2,407,585)	9,425,606	1,526,674
<b>Total Operating Revenue</b>	<b>85,829,310</b>	<b>84,068,675</b>	<b>169,897,985</b>	<b>159,428,895</b>	<b>10,469,090</b>	<b>176,608,152</b>	<b>(6,710,167)</b>

**OPERATING EXPENSES**

Access & Inclusion	500,699	57,175,614	57,676,313	72,767,450	(15,091,137)	34,385,034	23,291,279
Admissions	-	10,221,752	10,221,752	9,371,495	850,257	12,454,031	(2,232,279)
Attorney Regulation and Consumer Resources	2,737,187	-	2,737,187	2,534,648	202,539	2,923,380	(186,193)
Chief Trial Counsel	26,527,810	-	26,527,810	28,099,789	(1,571,979)	28,818,366	(2,290,556)
Client Security Fund	-	2,163,148	2,163,148	6,241,398	(4,078,250)	4,129,260	(1,966,112)
General & Administrative	(1,853,605)	-	(1,853,605)	(3,356,715)	1,503,111	(2,042,254)	188,649

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Six Months Ended June 30, 2021**

	General Fund	Other Funds	2021 Actual	2020 Actual	Variance- 2020 Actual vs 2021 Actual	2021 Budget	Variance- 2021 Actual vs Budget
Governance	2,196,163	383,529	2,579,692	2,743,854	(164,162)	2,328,894	250,798
Lawyers Assistance Program	-	1,231,013	1,231,013	1,127,953	103,060	1,256,862	(25,849)
Depreciation	2,548,036	-	2,548,036	2,793,369	(245,333)	-	2,548,036
Probation	793,295	-	793,295	943,460	(150,164)	903,414	(110,119)
Professional Competence	1,456,475	-	1,456,475	1,288,184	168,291	1,888,722	(432,247)
State Bar Court	6,481,763	-	6,481,763	6,479,325	2,438	6,635,772	(154,009)
<b>Total Operating Expenses</b>	<b>41,387,824</b>	<b>71,175,055</b>	<b>112,562,879</b>	<b>131,034,210</b>	<b>(18,471,331)</b>	<b>93,681,481</b>	<b>18,881,398</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>44,441,486</b>	<b>12,893,620</b>	<b>57,335,106</b>	<b>28,394,686</b>	<b>28,940,421</b>	<b>82,926,671</b>	<b>(25,591,565)</b>
<b>NON-OPERATING</b>							
Investment Income	100,244	143,816	244,060	2,129,004	(1,884,944)	791,238	(547,178)
Rental Income	1,453,352	-	1,453,352	2,110,799	(657,446)	1,627,634	(174,282)
Interest Expense on Loans	(254,549)	(152,506)	(407,056)	(475,541)	68,485	(341,891)	(65,165)
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	<b>1,299,047</b>	<b>(8,691)</b>	<b>1,290,356</b>	<b>3,764,261</b>	<b>(2,473,905)</b>	<b>2,076,981</b>	<b>(786,625)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>45,740,533</b>	<b>12,884,929</b>	<b>58,625,463</b>	<b>32,158,947</b>	<b>26,466,516</b>	<b>85,003,652</b>	<b>(26,378,189)</b>
<b>TRANSFERS</b>							
49110-Transfer In From General Fund	-	-	-	75,000	(75,000)	-	-
49232-Trsf In From Justice Gap Fund	-	-	-	1,000,000	(1,000,000)	-	-

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Six Months Ended June 30, 2021**

	General Fund	Other Funds	2021 Actual	2020 Actual	Variance- 2020 Actual vs 2021 Actual	2021 Budget	Variance- 2021 Actual vs Budget
49314-Transfer In From Admissions Fund	-	100,000	100,000	825,000	(725,000)	100,000	-
49410-Interfund Transaction-Revenue	57,091	6,920	64,011	-	64,011	-	64,011
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)	(100,000)	-	(100,000)	-
69228-Transfer Out To LSTF	-	-	-	(1,000,000)	1,000,000	-	-
69410-Interfund Transaction-Expenses	(60,307)	(3,704)	(64,011)	-	(64,011)	-	(64,011)
<b>TOTAL TRANSFERS</b>	<b>(3,216)</b>	<b>3,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>45,737,317</b>	<b>12,888,145</b>	<b>58,625,463</b>	<b>32,158,947</b>	<b>26,466,516</b>	<b>85,003,652</b>	<b>(26,378,189)</b>
Net Position at beginning of year	31,542,530	60,934,223	92,476,753	144,540,279	(52,063,526)	-	-
<b>NET POSITION AT June 30</b>	<b>77,279,847</b>	<b>73,822,368</b>	<b>151,102,216</b>	<b>176,699,226</b>	<b>(25,597,010)</b>	<b>-</b>	<b>-</b>



**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	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	-	-	-	-	-	-	-
EAF AB 145 Filing Fee Revenue	-	-	7,795,300	-	-	-	-
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-
Grant Revenue	-	-	18,650,676	-	-	-	-
Law Corporation Registration Fees	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-
Licensing Fees and Donations	8,043,584	313,546	-	1,115,305	2,101,442	723,490	6,890,420
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-
Other Revenue	2,100	-	569,467	-	-	-	-
Trust Account Revenue	-	-	-	-	-	-	10,952,280
<b>Total Operating Revenue</b>	<b>8,045,684</b>	<b>313,546</b>	<b>27,015,443</b>	<b>1,115,305</b>	<b>2,101,442</b>	<b>723,490</b>	<b>17,842,700</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	-	148,183	35,282,939	6,858	-	-	19,362,406
Admissions	-	-	-	-	-	-	-
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-
Client Security Fund	2,163,148	-	-	-	-	-	-
General & Administrative	-	-	-	-	-	-	-

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
Governance	-	-	-	-	-	383,499	-
Lawyers Assistance Program	100	-	-	-	1,230,913	-	-
Depreciation	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	2,163,248	148,183	35,282,939	6,858	1,230,913	383,499	19,362,406
<b>OPERATING INCOME/(LOSS)</b>	5,882,436	165,363	(8,267,496)	1,108,447	870,529	339,991	(1,519,707)
<b>NON-OPERATING</b>							
Investment Income	4,450	473	18,795	4,156	4,845	866	57,818
Rental Income	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	4,450	473	18,795	4,156	4,845	866	57,818
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	5,886,886	165,836	(8,248,701)	1,112,603	875,374	340,857	(1,461,888)

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	-	-	-	-	-	-	-
Continuing Legal Education Fees	5,085	-	-	-	-	-	5,085
EAF AB 145 Filing Fee Revenue	-	-	-	-	-	-	7,795,300
Exam App. & Moral Char. Fees	-	-	-	16,477,015	-	-	16,477,015
Grant Revenue	-	-	-	-	6,544,444	-	25,195,120
Law Corporation Registration Fees	-	-	-	-	-	-	-
Legal Specialization Fees	1,971,883	-	-	-	-	-	1,971,883
Licensing Fees and Donations	-	-	-	-	-	-	19,187,786
Multi-Jurisdictional Practice Fees	-	-	-	757,229	-	-	757,229
Other Revenue	70,140	-	-	403,271	682,000	-	1,726,978
Trust Account Revenue	-	-	-	-	-	-	10,952,280
<b>Total Operating Revenue</b>	<b>2,047,108</b>	<b>-</b>	<b>-</b>	<b>17,637,514</b>	<b>7,226,444</b>	<b>-</b>	<b>84,068,675</b>

**OPERATING EXPENSES**

Access & Inclusion	-	-	2,353,520	250	21,458	-	57,175,614
Admissions	875,325	-	-	9,346,426	-	-	10,221,752
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-
Client Security Fund	-	-	-	-	-	-	2,163,148
General & Administrative	-	-	-	-	-	-	-
Governance	-	-	-	30	-	-	383,529

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
Lawyers Assistance Program	-	-	-	-	-	-	1,231,013
Depreciation	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	875,325	-	2,353,520	9,346,706	21,458	-	71,175,055
<b>OPERATING INCOME/(LOSS)</b>	1,171,782	-	(2,353,520)	8,290,808	7,204,986	-	12,893,620
<b>NON-OPERATING</b>							
Investment Income	6,365	-	26,659	18,043	-	1,345	143,816
Rental Income	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	(152,506)	(152,506)
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	6,365	-	26,659	18,043	-	(151,161)	(8,691)
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	1,178,147	-	(2,326,860)	8,308,851	7,204,986	(151,161)	12,884,929

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust
<b>TRANSFERS</b>							
49314-Transfer In From Admissions Fund	-	-	-	-	-	-	-
49410-Interfund Transaction-Revenue	5,520	-	-	-	1,400	-	-
69224-Trsf Out To Legal Spec. Fund	-	-	-	-	-	-	-
69410-Interfund Transaction-Expenses	(2,315)	-	-	-	-	-	-
<b>Total Transfers</b>	3,205	-	-	-	1,400	-	-
<b>CHANGE IN NET POSITION</b>							
	5,890,091	165,836	(8,248,701)	1,112,603	876,774	340,857	(1,461,888)
Net Position at beginning of year	2,231,292	333,774	2,476,593	3,838,361	1,721,835	350,493	24,558,675
<b>NET POSITION AT June 30</b>	8,121,383	499,610	(5,772,108)	4,950,964	2,598,609	691,350	23,096,787

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Six Months Ended June 30, 2021**

	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>TRANSFERS</b>							
49314-Transfer In From Admissions Fund	100,000	-	-	-	-	-	100,000
49410-Interfund Transaction-Revenue	-	-	-	-	-	-	6,920
69224-Trsf Out To Legal Spec. Fund	-	-	-	(100,000)	-	-	(100,000)
69410-Interfund Transaction-Expenses	-	-	-	(1,389)	-	-	(3,704)
<b>Total Transfers</b>	100,000	-	-	(101,389)	-	-	3,216
<b>CHANGE IN NET POSITION</b>							
	1,278,147	-	(2,326,860)	8,207,462	7,204,986	(151,161)	12,888,145
Net Position at beginning of year	5,641,993	6,224	9,571,539	10,565,599	248,435	(610,590)	60,934,223
<b>NET POSITION AT June 30</b>	6,920,140	6,224	7,244,679	18,773,061	7,453,421	(761,751)	73,822,368

**The State Bar of California**  
**Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in**  
**Net Position (State Bar Wide) Year to Date for Six Months Ended June 30, 2021**

	2021 Actual	2020 Actual	Variance	% Change
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	307,127	1,094,053	(786,926)	(71.9)
Continuing Legal Education Fees	457,762	341,531	116,231	34.0
EAF AB 145 Filing Fee Revenue	7,795,300	6,349,422	1,445,878	22.8
Exam App. & Moral Char. Fees	16,477,015	17,544,643	(1,067,628)	(6.1)
Grant Revenue	25,195,120	9,815,016	15,380,104	156.7
Law Corporation Registration Fees	1,027,767	904,172	123,595	13.7
Legal Specialization Fees	1,971,883	1,924,191	47,692	2.5
Licensing Fees and Donations	102,808,026	106,274,034	(3,466,008)	(3.3)
Multi-Jurisdictional Practice Fees	757,229	759,235	(2,006)	(0.3)
Other Revenue	2,148,477	1,062,734	1,085,743	102.2
Trust Account Revenue	10,952,280	13,359,865	(2,407,585)	(18.0)
<b>Total Operating Revenue</b>	<b>169,897,985</b>	<b>159,428,895</b>	<b>10,469,090</b>	<b>6.6</b>

**OPERATING EXPENSES**

Access & Inclusion	57,676,313	72,767,450	(15,091,137)	(20.7)
Admissions	10,221,752	9,371,495	850,257	9.1
Attorney Regulation and Consumer Resources	2,737,187	2,534,648	202,539	8.0
Chief Trial Counsel	26,527,810	28,099,789	(1,571,979)	(5.6)
Client Security Fund	2,163,148	6,241,398	(4,078,250)	(65.3)
General & Administrative	(1,853,605)	(3,356,715)	1,503,111	(44.8)
Governance	2,579,692	2,743,854	(164,162)	(6.0)

**The State Bar of California**  
**Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in**  
**Net Position (State Bar Wide) Year to Date for Six Months Ended June 30, 2021**

	2021 Actual	2020 Actual	Variance	% Change
Lawyers Assistance Program	1,231,013	1,127,953	103,060	9.1
Depreciation	2,548,036	2,793,369	(245,333)	(8.8)
Probation	793,295	943,460	(150,164)	(15.9)
Professional Competence	1,456,475	1,288,184	168,291	13.1
State Bar Court	6,481,763	6,479,325	2,438	-
<b>Total Operating Expenses</b>	<b>112,562,879</b>	<b>131,034,210</b>	<b>(18,471,331)</b>	<b>(14.1)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>57,335,106</b>	<b>28,394,686</b>	<b>28,940,421</b>	<b>101.9</b>
<b>NON-OPERATING</b>				
Investment Income	244,060	2,129,004	(1,884,944)	(88.5)
Rental Income	1,453,352	2,110,799	(657,446)	(31.1)
Interest Expense on Loans	(407,056)	(475,541)	68,485	(14.4)
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	<b>1,290,356</b>	<b>3,764,261</b>	<b>(2,473,905)</b>	<b>(65.7)</b>
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	<b>58,625,463</b>	<b>32,158,947</b>	<b>26,466,516</b>	<b>82.3</b>
<b>TRANSFERS</b>				
49110-Transfer In From General Fund	-	75,000	(75,000)	100.0
49232-Trsf In From Justice Gap Fund	-	1,000,000	(1,000,000)	100.0
49314-Transfer In From Admissions Fund	100,000	825,000	(725,000)	87.9
49410-Interfund Transaction-Revenue	64,011	-	64,011	-



**The State Bar of California**  
**Statement of Variances Year-over-Year for Operating Revenue, Operating Expenses, and Changes in**  
**Net Position (State Bar Wide) Year to Date for Six Months Ended June 30, 2021**

	2021 Actual	2020 Actual	Variance	% Change
69110-Transfer Out To GF	-	(75,000)	75,000	100.0
69119-Trsf. Out To Tech Improv. Fund	-	(725,000)	725,000	100.0
69224-Trsf Out To Legal Spec. Fund	(100,000)	(100,000)	-	-
69228-Transfer Out To LSTF	-	(1,000,000)	1,000,000	100.0
69410-Interfund Transaction-Expenses	(64,011)	-	(64,011)	-
<b>TOTAL TRANSFERS</b>	-	-	-	-
<b>CHANGE IN NET POSITION</b>	58,625,463	32,158,947	26,466,516	82.3
Net Position at beginning of year	92,476,753	144,540,279	(52,063,526)	(36.0)
<b>NET POSITION AT June 30</b>	151,102,216	176,699,226	(25,597,010)	(14.5)

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position Bar Wide**  
**as of June 30, 2021**

ATTACHMENT 4

	General Fund	Other Funds	2021 Actual	2020 Actual	Variance- 2021 v. 2020
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	106,618,862	2,495,000	109,113,862	96,581,023	12,532,839
Investments	65,997,806	-	65,997,806	66,572,081	(574,275)
Accounts Receivable (net of allowances)	1,710,207	6,592,831	8,303,038	6,476,946	1,826,092
Interfund Rec(Pay)	(94,150,409)	94,174,233	23,824	(570,566)	594,390
Other Assets	(664,133)	10,632	(653,501)	1,307,580	(1,961,081)
OPEB Investments	(11,616,834)	-	(11,616,834)	10,215,794	(21,832,628)
Capital Assets (net of depreciation)	103,621,994	-	103,621,994	105,059,789	(1,437,795)
Deferred Outflows	14,705,033	-	14,705,033	9,507,406	5,197,627
<b>Total Assets &amp; Deferred Outflows</b>	<b>186,222,526</b>	<b>103,272,696</b>	<b>289,495,222</b>	<b>295,150,053</b>	<b>(5,654,831)</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	14,908,313	24,122,452	39,030,765	22,605,365	16,425,400
Unearned Income	-	-	-	-	-
Loan Payable	13,660,490	5,327,876	18,988,366	21,001,809	(2,013,443)
Deferred Inflows	2,676,079	-	2,676,079	7,703,640	(5,027,561)
Pension Liability	77,697,797	-	77,697,797	67,154,845	10,542,952
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>108,942,679</b>	<b>29,450,328</b>	<b>138,393,007</b>	<b>118,465,659</b>	<b>19,927,348</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	31,542,530	60,934,223	92,476,753	144,540,279	(52,063,526)

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position Bar Wide**  
**as of June 30, 2021**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2021 Actual</b>	<b>2020 Actual</b>	<b>Variance- 2021 v. 2020</b>
Change in Net Position	45,737,317	12,888,145	58,625,462	32,144,115	26,481,347
<b>Total Net Position</b>	<b>77,279,847</b>	<b>73,822,368</b>	<b>151,102,215</b>	<b>176,684,394</b>	<b>(25,582,179)</b>
<b>Total Liabilities &amp; Net Position</b>	<b>186,222,526</b>	<b>103,272,696</b>	<b>289,495,222</b>	<b>295,150,053</b>	<b>(5,654,831)</b>

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**as of June 30, 2021**

ATTACHMENT 5

	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)	-	-	3,418,463	-	-	-	2,491,365
Interfund Rec(Pay)	8,332,114	499,609	(8,999,509)	4,950,964	2,652,415	699,452	20,663,885
Other Assets	-	-	-	-	8,632	-	-
OPEB Investments	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>8,332,114</b>	<b>499,609</b>	<b>(5,581,046)</b>	<b>4,950,964</b>	<b>2,661,047</b>	<b>699,452</b>	<b>23,155,250</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>							
Accounts Payable and Accrued Liabilities	210,751	-	200,335	-	67,800	8,103	48,373
Unearned Income	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>210,751</b>	<b>-</b>	<b>200,335</b>	<b>-</b>	<b>67,800</b>	<b>8,103</b>	<b>48,373</b>
<b>NET POSITION</b>							
Net Position at Beginning of Year	2,231,292	333,774	2,476,593	3,838,361	1,721,835	350,493	24,558,675

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**as of June 30, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust
Change in Net Position	5,890,071	165,835	(8,257,974)	1,112,603	871,412	340,856	(1,451,798)
<b>Total Net Position</b>	8,121,363	499,609	(5,781,381)	4,950,964	2,593,247	691,349	23,106,877
<b>Total Liabilities &amp; Net Position</b>	8,332,114	499,609	(5,581,046)	4,950,964	2,661,047	699,452	23,155,250

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**as of June 30, 2021**

	Legal Special.	IT Special Assess.	Bank Settle.	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>							
Cash	-	-	-	-	-	2,495,000	2,495,000
Investments	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	1,002	682,000	-	6,592,830
Interfund Rec(Pay)	6,929,225	6,225	7,244,677	19,327,589	29,946,353	1,921,235	94,174,234
Other Assets	-	-	-	2,000	-	-	10,632
OPEB Investments	-	-	-	-	-	-	-
Capital Assets (net of depreciation)	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>6,929,225</b>	<b>6,225</b>	<b>7,244,677</b>	<b>19,330,591</b>	<b>30,628,353</b>	<b>4,416,235</b>	<b>103,272,696</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>							
Accounts Payable and Accrued Liabilities	9,085	-	-	561,379	22,912,408	104,218	24,122,452
Unearned Income	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	5,327,876	5,327,876
Deferred Inflows	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>9,085</b>	<b>-</b>	<b>-</b>	<b>561,379</b>	<b>22,912,408</b>	<b>5,432,094</b>	<b>29,450,328</b>
<b>NET POSITION</b>							
Net Position at Beginning of Year	5,641,993	6,224	9,571,539	10,565,599	248,435	(610,590)	60,934,223
Change in Net Position	1,278,147	1	(2,326,862)	8,203,613	7,467,510	(405,269)	12,888,145

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**as of June 30, 2021**

	Legal Special.	IT Special Assess.	Bank Settle.	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>Total Net Position</b>	6,920,140	6,225	7,244,677	18,769,212	7,715,945	(1,015,859)	73,822,368
<b>Total Liabilities &amp; Net Position</b>	6,929,225	6,225	7,244,677	19,330,591	30,628,353	4,416,235	103,272,696



## The State Bar of California

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Date: October 21, 2021

To: Members, Finance Committee  
Members, Board of Trustees

From: Wallace Tang, Chief Financial Officer

Subject: Investment Report for Six Months Ended June 30, 2021

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Attached is the quarterly Investment Report for the State Bar of California as of June 30, 2021. 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, 2021, the market value of the investment portfolio was \$141.4 million, compared to \$145.0 million as of June 30, 2020.

The quarterly rate of return of the investment portfolio for this quarter is 1.35 percent. Interest rates are lower in comparison to the year prior; the quarterly interest rate on deposits in the LAIF decreased from 1.41 percent for the quarter ended June 30, 2020, to 0.31 percent for the quarter ended June 30, 2021. As of June 30, 2021, the daily rate at LAIF was 0.22 percent. For the year to date, actual investment earnings decreased from \$2.13 million in 2020 to \$0.2 million in 2021.

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 June 30, 2021**

<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 Discount	\$ 39,970,111	\$ 39,989,100	28.3%	0.13%
- Government Bonds	15,872,029	16,193,305	11.5%	2.57%
- Corporate Bonds	9,277,870	9,627,568	6.8%	2.24%
- Common Stock-Metlife Inc.	-	187,833	0.1%	N/A
Subtotal-Securities, Bonds and Notes	65,120,010	65,997,806	46.7%	
Interest Receivable	-	190,490	0.1%	0.31%
Local Agency Investment Fund	75,226,933	75,226,933	53.2%	0.31%
<b>Total</b>	<b>\$ 140,346,943</b>	<b>\$ 141,415,229</b>	<b>100.0%</b>	1.35%

**Unrealized Gain/(Loss):**

Market Value of Portfolio -Securities, Bonds and Notes	\$ 65,997,806
Original Cost of Portfolio -Securities, Bonds and Notes	65,120,010
Unrealized Gain/(Loss)	<u>\$ 877,796</u>

**Investment Month End Report - Wells Fargo Custody Account**  
**Balance as of June 30, 2021**

<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>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
KOREA DEV BK N Y BRH DISC COMLPAPER	5006E0U20	A-1+	Commercial Paper	5,000,000	4,998,151	5,000,000	-	1,849	0.11%	12/02/20	07/02/21
KOREA DEV BK N Y BRH DISC COMLPAPER	5006E0W10	A-1+	Commercial Paper	5,000,000	4,996,714	4,999,050	-	2,336	0.13%	03/03/21	09/01/21
LLOYDS BK CORPORATE MKTS PLC DISC COMPLPA	53948AW23	A-1	Commercial Paper	5,000,000	4,996,696	4,999,050	-	2,354	0.13%	03/03/21	09/02/21
LLOYDS BK CORPORATE MKTS PLC DISC COMPLPA	53948AYQ8	A-1	Commercial Paper	10,000,000	9,988,178	9,994,700	-	6,522	0.16%	03/03/21	11/24/21
MUFG BK LTD NY BRH DISC COMLPAPER	62479LV36	A-1	Commercial Paper	5,000,000	4,998,100	4,999,500	-	1,400	0.09%	03/04/21	08/03/21
NATIXIS NY BRH DISC COMLPAPER	63873JX47	A-1	Commercial Paper	10,000,000	9,992,272	9,996,800	-	4,528	0.13%	03/04/21	10/04/21
<b>TOTAL COMMERCIAL PAPER :</b>				<b>40,000,000</b>	<b>39,970,111</b>	<b>39,989,100</b>	<b>-</b>	<b>18,989</b>	<b>0.130%</b>		
STATE OF CALIFORNIA	13063DAD0	AA-	Municipal Bond	3,035,000	2,993,269	3,085,047	17,960	91,778	2.37%	04/27/17	04/01/22
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	1,250,000	1,250,000	1,295,913	10,318	45,913	1.98%	12/17/19	02/01/24
<b>TOTAL MUNICIPAL BONDS AND NOTES:</b>				<b>4,285,000</b>	<b>4,243,269</b>	<b>4,380,960</b>	<b>28,277</b>	<b>137,691</b>	<b>2.25%</b>		
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	3,000,000	2,978,490	3,074,010	28,104	95,520	2.38%	08/09/17	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	6,500,000	6,650,911	6,731,335	63,194	80,425	3.13%	08/15/13	09/09/22
FED FARM CREDIT BK	3133ELEF7	AA+	Government Agency	2,000,000	1,999,360	2,007,000	9,258	7,640	1.65%	12/20/19	09/20/21
<b>TOTAL FEDERAL BONDS AND NOTES:</b>				<b>11,500,000</b>	<b>11,628,761</b>	<b>11,812,345</b>	<b>100,557</b>	<b>183,585</b>	<b>2.68%</b>		
<b>TOTAL GOVERNMENT BONDS</b>				<b>15,785,000</b>	<b>15,872,029</b>	<b>16,193,305</b>	<b>128,834</b>	<b>321,275</b>	<b>2.57%</b>		
MICROSOFT CORP	594918BP8	AAA	Corporate Bond	3,125,000	3,016,372	3,125,750	19,240	109,378	1.55%	08/08/16	08/08/21
APPLE INC	037833BF6	AA+	Corporate Bond	3,215,000	3,201,015	3,283,994	11,574	82,979	2.70%	05/13/15	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	A+	Corporate Bond	1,500,000	1,452,690	1,534,080	10,123	81,390	2.15%	09/08/17	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	A+	Corporate Bond	1,625,000	1,607,793	1,683,744	20,719	75,951	2.70%	01/11/18	01/11/23
<b>TOTAL CORPORATE BONDS :</b>				<b>9,465,000</b>	<b>9,277,870</b>	<b>9,627,568</b>	<b>61,656</b>	<b>349,698</b>	<b>2.24%</b>		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	12,114	-	12,114			
METLIFE INC	59156R108	N/A	Common Stock	-	-	175,720	-	175,720			
<b>TOTAL COMMON STOCKS:</b>				<b>-</b>	<b>-</b>	<b>187,833</b>	<b>-</b>	<b>187,833</b>			
<b>TOTAL INVESTMENT HELD BY WELLS FARGO:</b>				<b>65,250,000</b>	<b>65,120,010</b>	<b>65,997,806</b>	<b>190,490</b>	<b>877,796</b>			



# The State Bar of California

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Date: October 21, 2021

To: Members, Finance Committee  
Members, Board of Trustees

From: Wallace Tang, Chief Financial Officer

Subject: Client Security Fund Report for Six Months Ended June 30, 2021

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Attached are a series of reports for the applications activities within the Client Security Fund (CSF) for the quarter ended June 30, 2021. These reports include:

- Status on Applications Activities for six months ended June 30, 2021
- 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 June 30, a total of 318 new applications in the amount of \$13.3 million were filed. The number of applications filed increased by 15.6 percent compared to 275 new applications filed last year. The application amount increased by \$6.2 million, or 87.3 percent compared to \$7.1 million filed in 2020. The number of applications in 2021 increased partly due to the return to normalcy compared to the first half of 2020, which had a decrease in activity likely due to the pandemic. The increase in the amount requested during the first half of 2021 as compared to the same period in the prior year is due primarily to one attorney for which CSF has received a large number of applications requesting sizeable reimbursements.

For the six months ended June 30, 2021, 459 applications were processed totaling \$10.9 million. Total payouts for the period January–June 2021 were \$1.4 million<sup>1</sup>, a decrease of \$3.7 million compared to \$5.1 million paid out during the same time period last year. Total applications pending for processing as of June 30, 2021 are 1,469 in the amount of \$38.2

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<sup>1</sup> This amount is different from the \$1.8 million reflected in the General Ledger. The CSF system records payments the date payment is issued, whereas the General Ledger records payment the date the obligation is incurred.

million; for the same period in 2020, 2,134 applications were pending for a total amount of \$45.5 million.

### **CHANGES FROM 2020 TO 2021**

In 2020, the CSF licensing fee was temporarily raised from \$40 to \$80 for active attorneys, and from \$10 to \$20 for inactive attorneys. This gave CSF double the amount of funds that it usually has for one year. With the accelerated funding, the focus was on investigating and processing as many cases that appeared to qualify for reimbursement as possible. This resulted in a record payment amount of \$11.75 million in 2020.

For the first six months of 2020, the Fund resolved a total of 520 applications of which 394 were paid and 126 were denied.

Given the complicated circumstances of 2020 caused by the pandemic, CSF afforded more time to applicants to respond to investigative requests. Those files on which there was sufficient evidence to move forward were resolved. Those that needed further investigation remained open and are being resolved this year as sufficient evidence becomes available. The emphasis on reimbursing as many victims as possible with the additional funding in 2020 has resulted in a higher proportion of cases that do not qualify for reimbursement being resolved in 2021.

For the first six months of 2021, the Fund resolved a total of 459 applications of which 128 were paid and 331 were denied. Given the remaining open inventory, CSF anticipates a higher proportion of cases likely to qualify for reimbursement in the latter half of 2021 as compared to the first half of 2021.

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 35.93 percent. As of June 30, 2021, total applications outstanding are 1,469 in the amount of \$38.2 million. Applying the rolling average applications payout ratio to the outstanding application amounts, the estimated application payout, as of June 30, 2021, is \$13.7 million, which is a 25.5 percent decrease compared to the \$18.4 million estimated application payout at the same time last year.

As of June 30, 2021, cash and investments available for applications reimbursement in the CSF are approximately \$8.1 million compared to \$9.4 million last year. As discussed previously, there was an increase in the funding to CSF in 2020 resulting in the additional amount for that year, which did not reoccur in 2021.

Key indicators for the CSF application process as of June 30, 2021, and 2020 are shown below:

<b>Key Indicator Descriptions</b>	<b>2021 June Year to Date</b>	<b>2020 June Year to Date</b>	<b>Attachment</b>
New Applications Received #/\$ (in millions)	318/\$13.3	275/\$7.1	1
Total Applications Processed #/\$ (in millions)	459/\$10.9	522/\$9.5	2
% of Paid Applications in # to total in process <sup>2</sup>	6.6%	14.8%	1
% of Paid Applications in \$ to total in process <sup>3</sup>	2.9%	9.3%	1
Total Payouts \$ (in millions)	\$ 1.4	\$5.1	2
Total Applications Pending for Processing #/\$ (in millions)	1,469/\$38.2	2,134/\$45.5	2
24-month Rolling Average Payout Ratio	35.93%	40.48%	4
Estimated CSF Application Liabilities (in millions)	\$13.7	\$18.4	2
Net Assets as of June 30 (in millions)	\$8.1	\$9.4	3

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<sup>2</sup> # of total in process represents pending application from prior year plus additional applications filed in current fiscal year.

<sup>3</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 JUNE 30, 2021  
YEAR TO DATE ACTIVITIES

	<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>	261	454,069	469	1,819,614	277	2,050,200	224	3,807,042	112	4,002,453	23	1,150,000	244	22,482,159	1,610	35,765,536		
<b>New Applications</b>	68	107,385	61	249,114	67	524,900	42	701,740	22	784,478	4	200,000	54	10,714,393	318	13,282,010		
<b>Paid Applications</b>	(27)	(44,065)	(52)	(181,348)	(20)	(134,880)	(17)	(248,981)	(2)	(70,892)	(1)	(50,000)	(9)	(684,044)	(128)	(1,414,209)	6.6%	2.9%
<b>Rejected Applications</b>	(8)	(17,788)	(15)	(86,555)	(21)	(183,436)	(27)	(534,286)	(14)	(548,049)	(7)	(350,000)	(43)	(3,778,513)	(135)	(5,498,626)	7.0%	11.2%
<b>Withdrawn Applications</b>	(49)	(76,293)	(42)	(165,501)	(32)	(245,382)	(34)	(539,647)	(13)	(425,594)	-	-	(26)	(2,513,629)	(196)	(3,966,046)	10.2%	8.1%
<b>Applications Outstanding</b>	<b>245</b>	<b>\$ 423,308</b>	<b>421</b>	<b>\$ 1,635,325</b>	<b>271</b>	<b>\$ 2,011,401</b>	<b>188</b>	<b>\$ 3,185,868</b>	<b>105</b>	<b>\$ 3,742,397</b>	<b>19</b>	<b>\$ 950,000</b>	<b>220</b>	<b>\$ 26,220,365</b>	<b>1,469</b>	<b>\$ 38,168,664</b>		
<b>New applications % to total</b>	21.38%	0.81%	19.18%	1.88%	21.07%	3.95%	13.21%	5.28%	6.92%	5.91%	1.26%	1.51%	16.98%	80.67%	100.00%	100.00%		
<b>Applications paid % to total</b>	21.09%	3.12%	40.63%	12.82%	15.63%	9.54%	13.28%	17.61%	1.56%	5.01%	0.78%	3.54%	7.03%	48.37%	100.00%	100.00%		
<b>Applications rejected or withdrawn % to total</b>	17.22%	0.99%	17.22%	2.66%	16.01%	4.53%	18.43%	11.35%	8.16%	10.29%	2.11%	3.70%	20.85%	66.48%	100.00%	100.00%		
<b>Applications outstanding % to total</b>	16.68%	1.11%	28.66%	4.28%	18.45%	5.27%	12.80%	8.35%	7.15%	9.80%	1.29%	2.49%	14.98%	68.70%	100.00%	100.00%		

(A) % of # of paid applications, rejected applications and withdrawn applications to # of total applications in process in 2021 Q2.

(B) % of paid applications, rejected applications and withdrawn applications in \$ to the total applications \$ in process in 2021 Q2.

**THE STATE BAR OF CALIFORNIA CLIENT SECURITY FUND**  
**APPLICATIONS AGING REPORT AS OF JUNE 30, 2021**

<u>Year</u> <u>Application</u> <u>Filed</u>	<u>Gross Applications Prior</u>		<u>Current Year</u>		<u>Applications Paid</u>		<u>Applications Rejected or</u> <u>Withdrawn</u>		<u>Total Applications</u> <u>Processed</u>		<u>Applications Outstanding</u>	
	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>	<u>#</u>	<u>Amount</u>
2012	6	66,516			(1)	(3,500)	-	-	(1)	(3,500)	5	63,016
2013	31	210,377			(6)	(22,707)	-	(576)	(6)	(23,282)	25	187,095
2014	235	1,219,889			(19)	(75,323)	(1)	(42,218)	(20)	(117,541)	215	1,102,348
2015	82	786,020			(1)	(2,321)	(1)	(7,144)	(2)	(9,465)	80	776,555
2016	83	2,809,575			(9)	(116,754)	(15)	(442,372)	(24)	(559,126)	59	2,250,449
2017	180	4,562,337			(19)	(193,238)	(36)	(861,644)	(55)	(1,054,882)	125	3,507,455
2018	345	10,077,926			(20)	(327,918)	(132)	(5,180,469)	(152)	(5,508,387)	193	4,569,539
2019	294	6,936,628			(21)	(352,696)	(60)	(1,202,241)	(81)	(1,554,936)	213	5,381,692
2020	354	9,096,266			(25)	(231,957)	(75)	(1,570,050)	(100)	(1,802,007)	254	7,294,259
2021		95	318	13,281,915	(7)	(87,795)	(11)	(157,960)	(18)	(245,755)	300	13,036,255
<b>TOTAL</b>	<b>1,610</b>	<b>35,765,631</b>	<b>318</b>	<b>13,281,915</b>	<b>(128)</b>	<b>(1,414,209)</b>	<b>(331)</b>	<b>(9,464,672)</b>	<b>(459)</b>	<b>(10,878,881)</b>	<b>1,469</b>	<b>38,168,664</b>

Applications Outstanding **38,168,664**

Estimated Application Payout Ratio **35.93%**

Estimated Application Payouts **\$13,713,409**

THE STATE BAR OF CALIFORNIA  
 CLIENT SECURITY FUND  
 CUMULATIVE APPLICATIONS AGING REPORT AS OF JUNE 30, 2021

<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>
2011-2012	6	66,516			(1)	(3,500)	-	-	(1)	(3,500)	5	63,016
2011-2013	37	276,894			(7)	(26,207)	-	(576)	(7)	(26,782)	30	250,111
2011-2014	272	1,496,783			(26)	(101,530)	(1)	(42,794)	(27)	(144,323)	245	1,352,460
2011-2015	354	2,282,803			(27)	(103,850)	(2)	(49,938)	(29)	(153,788)	325	2,129,015
2011-2016	437	5,092,378			(36)	(220,604)	(17)	(492,310)	(53)	(712,914)	384	4,379,464
2011-2017	617	9,654,715			(55)	(413,843)	(53)	(1,353,953)	(108)	(1,767,796)	509	7,886,919
2011-2018	962	19,732,641			(75)	(741,761)	(185)	(6,534,422)	(260)	(7,276,183)	702	12,456,458
2011-2019	1,256	26,669,270			(96)	(1,094,457)	(245)	(7,736,663)	(341)	(8,831,119)	915	17,838,150
2011-2020	1,610	35,765,536			(121)	(1,326,414)	(320)	(9,306,713)	(441)	(10,633,127)	1,169	25,132,409
2011-2021	1,610	35,765,631	318	13,281,915	(128)	(1,414,209)	(331)	(9,464,672)	(459)	(10,878,881)	1,469	38,168,664
	<b>1,610</b>	<b>35,765,631</b>	<b>318</b>	<b>13,281,915</b>	<b>(128)</b>	<b>(1,414,209)</b>	<b>(331)</b>	<b>(9,464,672)</b>	<b>(459)</b>	<b>(10,878,881)</b>	<b>1,469</b>	<b>38,168,664</b>

Net Asset in Client Security Fund:

As of 6/30/2021      **\$ 8,121,363**



**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**24 MONTH ROLLING AVERAGE APPLICATIONS PAIDOUT RATIO**  
**JULY 2019 THROUGH JUNE 2021**

Month Covered	<u>PAID APPLICATIONS</u>		<u>REJECTED/ WITHDRAWN APPLICATIONS</u>	<u>PROCESSED</u>
	Amount	Monthly Average Payout Ratio	Amount	Amount
Jul19	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
Oct20	825,260	37.50%	1,375,409	2,200,669
Nov20	1,289,091	48.47%	1,370,629	2,659,720
Dec20	2,247,241	60.39%	1,474,259	3,721,499
Jan21	26,722	5.46%	462,494	489,216
Feb21	400,170	60.57%	260,545	660,715
Mar21	247,611	13.86%	1,538,894	1,786,505
Apr21	147,680	11.98%	1,085,440	1,233,120
May21	293,636	24.52%	904,112	1,197,748
Jun21	298,389	5.41%	5,213,187	5,511,576
Total:	<u>16,294,887</u>		Total: <u>29,058,829</u>	<u>45,353,717</u>

**24 Month Rolling Average PaidOut Ratio:**

**35.93%**

**THE STATE BAR OF CALIFORNIA**  
**CLIENT SECURITY FUND**  
**ANALYSIS OF NEW APPLICATIONS PAID, REJECTED OR WITHDRAWN, ESTIMATED**  
**APPLICATIONS PAYOUTS PER ACTIVE ATTORNEY JUNE 30, 2021**

	<u>1ST QTR</u>	<u>2ND QTR</u>
Beginning Balance	1,610	1,610
Add: Reinstated Applications and New Applications	144	318
Less: Paid / Rejected or Withdrawn	170	459
TOTAL	1,584	1,469
 APPLICATIONS OUTSTANDING AMT.	 36,342,823	 38,168,664
# Of Active Attorneys	191,789	193,209
Cost Per Active Attorney	\$189	\$198
 ESTIMATED APPLICATIONS LIAB.	 	 
Applications Payout Ratio	40.44%	35.93%
Estimated Application Amount *	\$14,696,636	\$13,713,409
# of Active Attorneys	191,789	193,209
Cost per Active Attorney	\$77	\$71
 APPLICATION ACTIVITIES IN %:	 	 
 NEW APPLICATIONS - YTD	 	 
1 - 2,500	1.25%	0.81%
2,501 - 5,000	2.93%	1.88%
5,001 - 10,000	8.44%	3.95%
10,001 - 25,000	5.29%	5.28%
25,001 - 49,999	12.01%	5.91%
50,000	4.27%	1.51%
50,001 - 100,000	65.82%	80.67%
 APPLICATIONS PAID - YTD	 	 
1 - 2,500	2.15%	3.12%
2,501 - 5,000	5.59%	12.82%
5,001 - 10,000	8.71%	9.54%
10,001 - 25,000	17.43%	17.61%
25,001 - 49,999	0.00%	5.01%
50,000	0.00%	3.54%
50,001 - 100,000	66.12%	48.37%
 REJ./WDRAWN - YTD	 	 
1 - 2,500	2.38%	0.99%
2,501 - 5,000	5.33%	2.66%
5,001 - 10,000	8.07%	4.53%
10,001 - 25,000	15.53%	11.35%
25,001 - 49,999	10.44%	10.29%
50,000	0.00%	3.70%
50,001 - 100,000	58.25%	66.48%
 APPLICATIONS O/S-CUM. - YTD	 	 
1 - 2,500	1.18%	1.11%
2,501 - 5,000	4.85%	4.28%
5,001 - 10,000	5.79%	5.27%
10,001 - 25,000	9.70%	8.35%
25,001 - 49,999	11.52%	9.80%
50,000	3.58%	2.49%
50,001 - 100,000	63.37%	68.70%
 NET ASSET, END OF PERIOD	 \$ 9,249,992	 \$ 8,121,363
PROJECTED NET ASSETS	(\$5,446,643)	(\$5,592,047)

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