



# The State Bar *of California*

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## **OPEN SESSION**

### **AGENDA ITEM**

**54-141 MAY 2022**

### **FINANCE COMMITTEE III.C**

**DATE:** May 19, 2022

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

**FROM:** Aracely Montoya-Chico, Chief Financial Officer

**SUBJECT:** Discussion of 2021 Quarter Four Financial Statements and Quarter One  
Financial Statements and Investment Report

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### **EXECUTIVE SUMMARY**

This agenda item presents unaudited financial reports for the twelve months ended December 2021 and the three months ended March 31, 2022. These reports include the 2021 Quarter Four Financial Statements Report and 2022 Quarter One Financial Statement Report and the Quarter One Investment 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 Statement Report for twelve months ended December 31, 2021, and the Financial Statement Report and the Investment Report for the three months ended March 31, 2022. This agenda item and the accompanying reports will also be on the consent agenda for the Board of Trustees meeting on May 19, 2022.

## **FISCAL/PERSONNEL IMPACT**

None

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

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 Fourth Quarter Financial Reports in the form presented this day before the Board, for the twelve months ended December 31, 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 the Board of Trustees approves the Financial Reports in the form presented this day before the Board, for the twelve months ended December 31, 2021, as certified by the chief financial officer and filed with the San Francisco office of the State Bar.

**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 First Quarter Financial Reports in the form presented this day before the Board, for the three months ended March 31, 2022, 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 the Board of Trustees approves the Financial Reports in the form presented this day before the Board, for the twelve months ended March 31, 2022, as certified by the chief financial officer and filed with the San Francisco office of the State Bar.

#### **ATTACHMENTS LIST**

- A.** Quarter Four Financial Statements for the Twelve months Ended December 31, 2021
- B.** Quarter One Financial Statements for the Three Months Ended March 31, 2022
- C.** Quarter One Investment Report for the Three Months Ended March 31, 2022



# The State Bar of California

Date: May 19, 2022

To: Members, Finance Committee  
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Financial Statements for Twelve Months as of December 31, 2021

This memo outlines the State Bar's twelve-months operating results as of December 31, 2021, with information and comparative analysis regarding revenue and expenses.

## FINANCIAL HIGHLIGHTS – REVENUES AND EXPENSES

Table 1 below provides year-to-date budget-to-actual-variance highlights for select revenue and expense categories.

**Table 1. YTD Budget-to-Actual-Variance Analysis <sup>1</sup>**

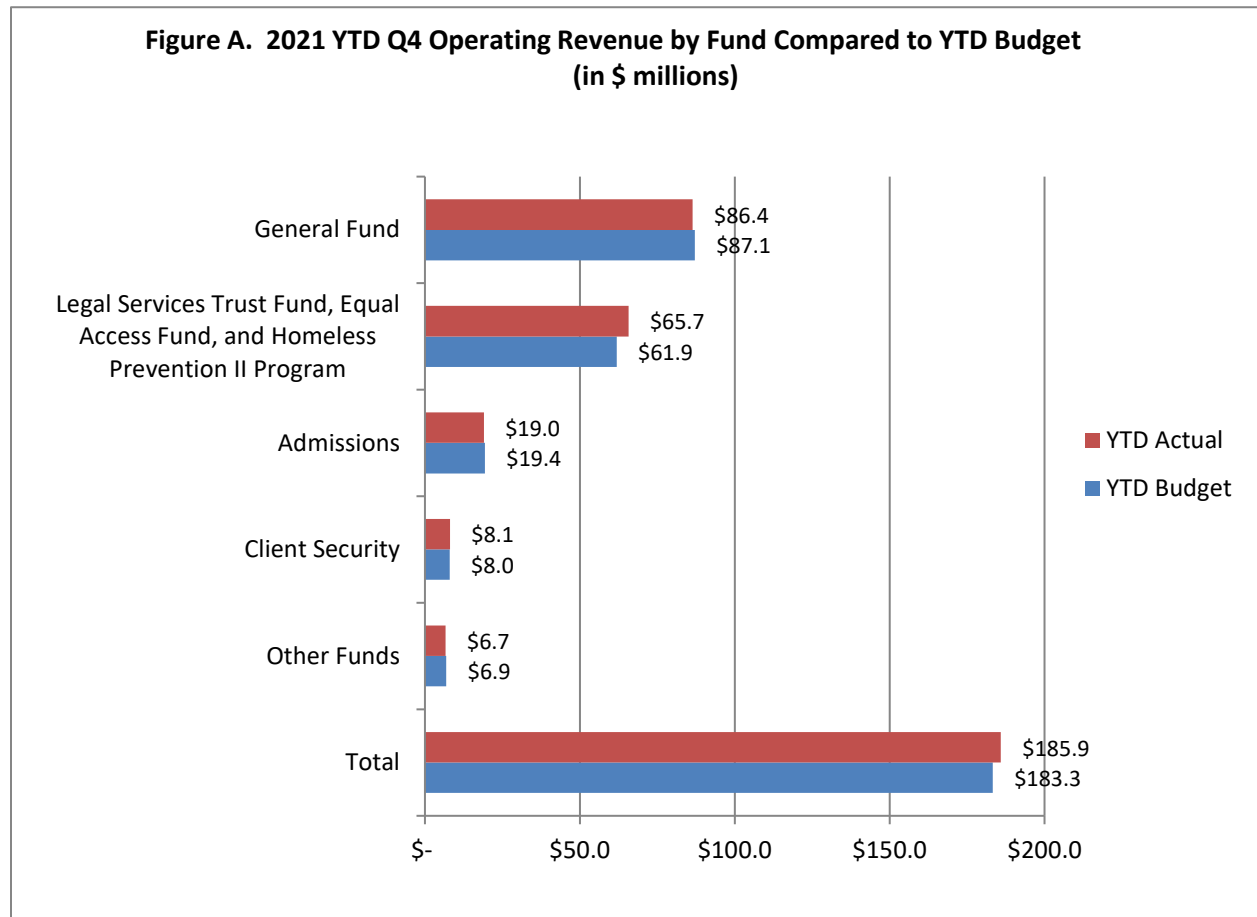
Financial Statement Category	Dec 31, 2021 Actual (in \$M)	Dec 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Operating Revenue</b>	<b>\$185.9</b>	<b>\$183.3</b>	<b>\$2.6</b>	<b>1.4%</b>	<b>1, 2, 3</b>
Licensing Fees & Donations	103.2	103.2	-	-	1, 2, 3
Trust Account Revenue	22.5	18.0	4.5	25.0%	1, 2, 3
Exam App & Moral Character Fees	17.3	17.8	(0.5)	(2.8%)	1, 2, 3
Grant Revenue	28.7	29.9	(1.2)	(4.0%)	1, 2, 3
<b>Operating Expenses</b>	<b>\$174.7</b>	<b>\$200.4</b>	<b>(\$25.7)</b>	<b>(12.8%)</b>	<b>1, 2, 3</b>
Access & Inclusion	65.4	71.6	(6.2)	(8.7%)	1, 2, 3
Admissions	20.5	26.8	(6.3)	(23.5%)	1, 2, 3
Chief Trial Counsel	59.1	60.7	(1.6)	(2.6%)	1, 2, 3
Client Security Fund	6.4	8.4	(2.0)	(23.8%)	1, 2, 3

<sup>1</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.

See Attachments 1–5 for more detailed comparisons of the State Bar’s financial results for the nine months ended December 31, 2021.

## REVENUE

Figure A. comparison of budget versus actuals for operating revenue at the fund level.



Overall, operating revenue totaled \$185.9 million for the twelve months ended December 31, 2021, \$2.6 million more than the budgeted operating revenue of \$183.3 million.

Operating revenue for the General Fund totaled \$86.4 million, \$0.7 million less than the budgeted revenue of \$87.1 million. The primary driver of the decrease is Affinity and Insurance Payouts totaling \$0.6 million. The State Bar receives revenue from insurance and other external partner programs. Those proceeds are submitted to CalBar Affinity and California Lawyers Association. The payouts for these programs included five quarters (Q4 2020 and Q1–Q4 2021) instead of four due to the change in accounting method (from cash basis to accrual method) in 2021.

Operating Revenue for the Legal Services Trust Fund (LSTF), Equal Access Fund, and Grants Fund totaled \$65.7 million, \$3.8 million more than the budgeted operating revenue of \$61.9 million. The \$3.8 million variance is due to \$5.0 million higher revenues in LSTF offset by a \$0.9 million unfavorable variance in the Grants Fund and a \$0.3 million unfavorable variance in the Equal Access Fund. The LSTF variance (includes IOLTA income and Voluntary fees) is affected by the number of lawyers' trust accounts and the average balance on those accounts, which were higher than budgeted. In the Grants Fund, revenues were lower than budgeted \$0.9 million due to administrative cost reimbursements for the Homeless Prevention II grant. The State Bar is reimbursed for staff time and costs of services that support grant management. The reimbursement revenue was incorrectly budgeted for one year versus the 54-month grant term.

The Admissions Fund revenue is \$0.4 million lower than budget primarily due to Exam Fees that will be refunded as a result of the exam software failure during the July bar exam.

Client Security Fund revenue, which is funded by mandatory licensing fees, is in line with budgeted amount at a \$0.1 million variance, or 1 percent higher than budget.

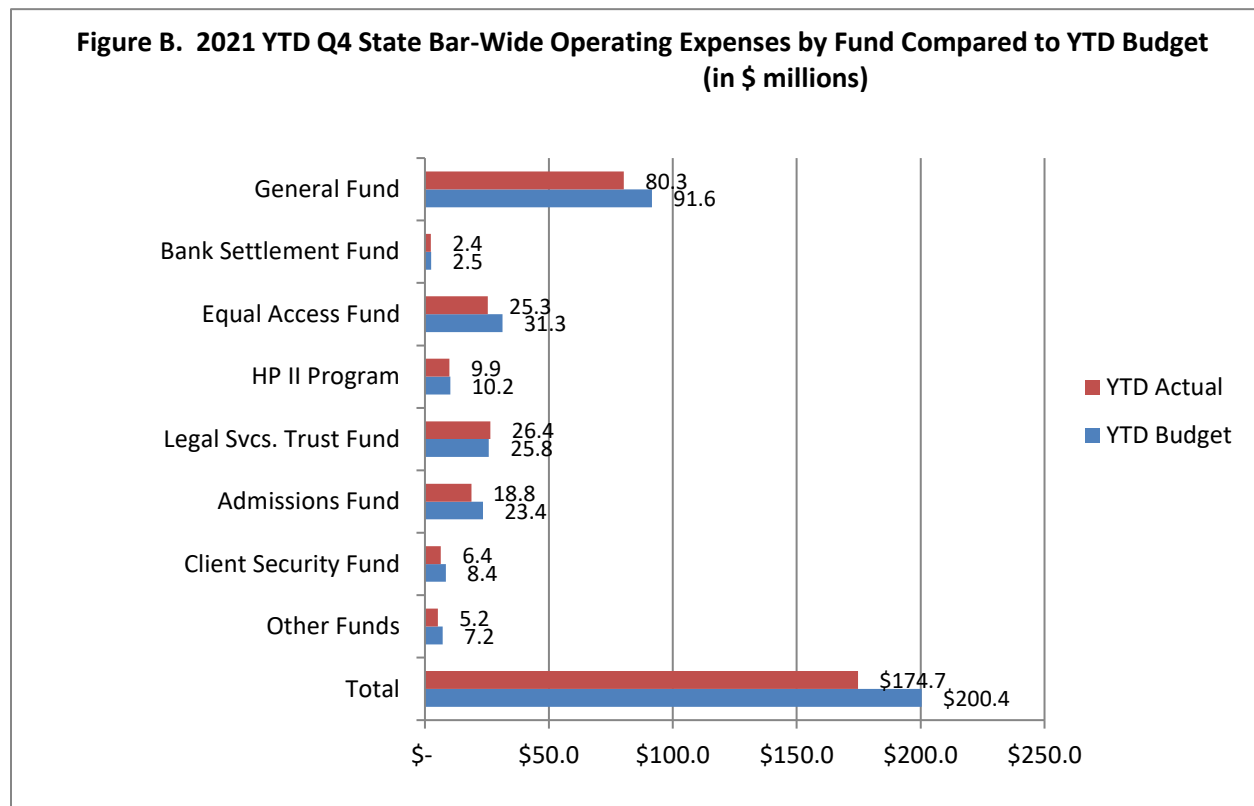
Other Funds revenue is in line with budgeted amount with no significant variance.

#### **NONOPERATING REVENUES/EXPENSES**

Nonoperating revenues/expenses consists of investment income, rental income, and interest expense on loans. Nonoperating revenue of \$2.4 million is lower than budget by \$1.4 million, mostly due to lower investment income as a result of continued declining interest rates and unrealized losses.

## EXPENSES

Figure B. comparison of budget versus actuals for operating expenses at the fund level.



The State Bar's operating expenses for the twelve months ended December 2021 were \$174.7 million, compared to a budget of \$200.4 million. The variance is mostly due to the schedule of grant expenses, savings in personnel due to high vacancy rates, and savings in exam costs due to the online administration of the exam.

General Fund expenses totaled \$80.3 million, \$11.3 million less than budgeted expenses of \$91.6 million. Personnel expenses were \$14.8 million below budget due to pension expenses from the annual actuarial valuation results. The pension plan performed better than expected with significant net investment income earned in the pension plan resulting in gain for in 2021, which helped offset/reduce the expenses in the general fund. The savings in personnel were offset by immaterial changes in various other expenses categories.

Bank Settlement Fund expenses were in line with budget.

Equal Access Fund expenses were \$25.3 million, \$6.0 million below the \$31.3 million budget. The fourth quarter 2021 grant disbursements were budgeted to occur in that same period, however, the fourth quarter disbursements occurred in January 2022.

Legal Services Trust Fund expenses were \$26.4 million, \$0.6 million more than the \$25.8 million budget. The entire \$0.6 million grant expense variance is from Provisionally Licensed Lawyers (PLL) grant disbursements which were not budgeted.

Admissions Fund expenses were \$18.8 million compared to a budget of \$23.4 million. The \$4.6 million decrease is primarily from exam expenses (\$2.8 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, in addition to personnel costs savings (\$1.2 million).

Client Security Fund expenses were \$6.4 million, or \$2.0 million less than budget. Most of the variance is due to less payments made as 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 Twelve Months Ended December 31, 2021**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2021 Actual</b>	<b>2020 Actual</b>	<b>Variance- 2020 Actual vs 2021 Actual</b>	<b>2021 Budget</b>	<b>Variance- 2021 Actual vs Budget</b>
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	(628,854)		(628,854)	757,731	(1,386,585)	-	(628,854)
Continuing Legal Education Fees	658,994	16,360	675,354	730,783	(55,429)	629,714	45,640
EAF AB 145 Filing Fee Revenue		7,521,200	7,521,200	5,177,645	2,343,555	7,521,200	-
Exam App. & Moral Char. Fees		17,262,838	17,262,838	20,135,282	(2,872,444)	17,794,930	(532,092)
Grant Revenue		28,762,504	28,762,504	14,825,772	13,936,732	29,976,448	(1,213,944)
Law Corporation Registration Fees	1,808,170		1,808,170	1,843,213	(35,043)	1,858,300	(50,130)
Legal Specialization Fees	-	2,252,054	2,252,054	2,153,660	98,394	2,204,699	47,355
Licensing Fees and Donations	83,882,829	19,307,954	103,190,783	109,482,549	(6,291,766)	103,154,400	36,383
Multi-Jurisdictional Practice Fees		867,362	867,362	876,719	(9,357)	800,000	67,362
Other Revenue	702,735	970,337	1,673,072	1,738,675	(65,603)	1,326,388	346,684
Trust Account Revenue		22,526,029	22,526,029	26,276,804	(3,750,775)	18,000,000	4,526,029
<b>Total Operating Revenue</b>	<b>86,423,874</b>	<b>99,486,638</b>	<b>185,910,512</b>	<b>183,998,833</b>	<b>1,911,679</b>	<b>183,266,079</b>	<b>2,644,433</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	1,061,865	64,352,295	65,414,160	95,105,310	(29,691,150)	71,614,735	(6,200,575)
Admissions	3,853	20,529,054	20,532,907	20,261,292	271,615	26,817,841	(6,284,934)
Attorney Regulation and Consumer Resources	5,968,266	-	5,968,266	5,432,212	536,054	6,119,238	(150,972)

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Twelve Months Ended December 31, 2021**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2021 Actual</b>	<b>2020 Actual</b>	<b>Variance- 2020 Actual vs 2021 Actual</b>	<b>2021 Budget</b>	<b>Variance- 2021 Actual vs Budget</b>
Chief Trial Counsel	59,128,344	-	59,128,344	61,032,187	(1,903,843)	60,721,384	(1,593,040)
Client Security Fund	-	6,407,713	6,407,713	13,827,903	(7,420,190)	8,371,439	(1,963,726)
General & Administrative	(16,085,517)	143,312	(15,942,205)	17,063,297	(33,005,502)	(460,684)	(15,481,521)
Governance	4,664,786	779,877	5,444,664	5,953,713	(509,049)	4,913,363	531,301
Lawyers Assistance Program	-	2,286,572	2,286,572	2,199,397	87,175	2,617,948	(331,376)
Depreciation	6,681,596	-	6,681,596	2,766,076	3,915,520	-	6,681,596
Probation	1,763,181	-	1,763,181	1,968,949	(205,768)	1,901,032	(137,851)
Professional Competence	3,337,290	-	3,337,290	2,727,133	610,157	3,938,486	(601,196)
State Bar Court	13,739,415	-	13,739,415	13,683,982	55,433	13,858,164	(118,749)
<b>Total Operating Expenses</b>	<b>80,263,078</b>	<b>94,498,824</b>	<b>174,761,902</b>	<b>242,021,451</b>	<b>(67,259,549)</b>	<b>200,412,946</b>	<b>(25,651,044)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>6,160,796</b>	<b>4,987,814</b>	<b>11,148,610</b>	<b>(58,022,618)</b>	<b>69,171,228</b>	<b>(17,146,867)</b>	<b>28,295,477</b>
<b>NON-OPERATING</b>							
Investment Income	46,054	(53,702)	(7,648)	2,591,296	(2,598,944)	1,582,500	(1,590,148)
Rental Income	3,130,931		3,130,931	4,207,527	(1,076,596)	3,179,369	(48,438)
Interest Expense on Loans	(307,724)	(374,441)	(682,165)	(839,731)	157,566	(917,730)	235,565
Principal Expense on Loans	-	-	-	-	-	-	-

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Twelve Months Ended December 31, 2021**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2021 Actual</b>	<b>2020 Actual</b>	<b>Variance- 2020 Actual vs 2021 Actual</b>	<b>2021 Budget</b>	<b>Variance- 2021 Actual vs Budget</b>
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	2,869,260	(428,143)	2,441,118	5,959,092	(3,517,975)	3,844,139	(1,403,022)
 <b>INCOME/(LOSS) BEFORE TRANSFERS</b>	 9,030,056	 4,559,672	 13,589,728	 (52,063,526)	 65,653,254	 (13,302,728)	 26,892,456
 <b>TRANSFERS</b>							
49232-Trsf In From Justice Gap Fund	-	1,500,000	1,500,000	1,000,000	500,000	1,500,000	-
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	66,035	(2,024)	-	64,011
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	-	(1,500,000)	(1,500,000)	(1,000,000)	(500,000)	(1,500,000)	-
69410-Interfund Transaction-Expenses	(60,307)	(3,704)	(64,011)	(66,035)	2,024	-	(64,011)
<b>TOTAL TRANSFERS</b>	(3,216)	3,216	-	-	-	-	-
 <b>CHANGE IN NET POSITION</b>	 9,026,840	 4,562,888	 13,589,728	 (52,063,526)	 65,653,254	 (13,302,728)	 26,892,456
 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 December 31</b>	<b>40,569,370</b>	<b>65,497,111</b>	<b>106,066,481</b>	<b>92,476,753</b>	<b>13,589,728</b>	<b>-</b>	<b>-</b>

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Twelve Months Ended December 31, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	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	-	-	-	-	112	-	-	16,248	-	-	-	-	-	16,360
EAF AB 145 Filing Fee Revenue	-	-	7,521,200	-	-	-	-	-	-	-	-	-	-	7,521,200
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-	-	-	-	17,262,838	-	-	17,262,838
Grant Revenue	-	-	18,838,800	-	-	-	-	-	-	-	-	9,923,704	-	28,762,504
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-	2,252,054	-	-	-	-	-	2,252,054
Licensing Fees and Donations	8,061,178	314,893	-	1,175,151	2,104,211	726,163	6,926,358	-	-	-	-	-	-	19,307,954
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-	-	-	-	867,362	-	-	867,362
Other Revenue	24,075	-	-	-	-	-	-	102,754	-	-	843,508	-	-	970,337
Trust Account Revenue	-	-	-	-	-	-	22,526,029	-	-	-	-	-	-	22,526,029
<b>Total Operating Revenue</b>	<b>8,085,253</b>	<b>314,893</b>	<b>26,360,000</b>	<b>1,175,151</b>	<b>2,104,323</b>	<b>726,163</b>	<b>29,452,387</b>	<b>2,371,056</b>	<b>-</b>	<b>-</b>	<b>18,973,708</b>	<b>9,923,704</b>	<b>-</b>	<b>99,486,638</b>
<b>OPERATING EXPENSES</b>														
Access & Inclusion	-	338,044	25,296,520	13,719	-	-	26,392,808	-	-	2,421,710	250	9,889,244	-	64,352,295
Admissions	-	-	-	-	-	-	-	1,746,876	-	-	18,782,179	-	-	20,529,054
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Client Security Fund	6,407,713	-	-	-	-	-	-	-	-	-	-	-	-	6,407,713
General & Administrative	-	-	-	-	-	-	-	-	-	-	-	-	143,312	143,312
Governance	-	-	-	-	101	779,777	-	-	-	-	-	-	-	779,877
Lawyers Assistance Program	100	-	-	-	2,286,247	-	-	-	-	-	225	-	-	2,286,572
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>6,407,813</b>	<b>338,044</b>	<b>25,296,520</b>	<b>13,719</b>	<b>2,286,347</b>	<b>779,777</b>	<b>26,392,808</b>	<b>1,746,876</b>	<b>-</b>	<b>2,421,710</b>	<b>18,782,654</b>	<b>9,889,244</b>	<b>143,312</b>	<b>94,498,824</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>1,677,440</b>	<b>(23,151)</b>	<b>1,063,480</b>	<b>1,161,432</b>	<b>(182,024)</b>	<b>(53,614)</b>	<b>3,059,579</b>	<b>624,180</b>	<b>-</b>	<b>(2,421,710)</b>	<b>191,054</b>	<b>34,460</b>	<b>(143,312)</b>	<b>4,987,814</b>

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Twelve Months Ended December 31, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>NON-OPERATING</b>														
Investment Income	(1,662)	(177)	(7,018)	(1,552)	(1,809)	(323)	(21,590)	(2,377)	-	(9,955)	(6,738)	-	(502)	(53,702)
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	(374,441)	(374,441)
Principal Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	(1,662)	(177)	(7,018)	(1,552)	(1,809)	(323)	(21,590)	(2,377)	-	(9,955)	(6,738)	-	(374,943)	(428,143)
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	1,675,778	(23,327)	1,056,462	1,159,880	(183,834)	(53,937)	3,037,989	621,804	0	(2,431,665)	184,317	34,460	(518,255)	4,559,672
<b>TRANSFERS</b>														
49232-Trsf In From Justice Gap Fund	-	-	-	-	-	-	1,500,000	-	-	-	-	-	-	1,500,000
49314-Transfer In From Admissions Fund	-	-	-	-	-	-	-	100,000	-	-	-	-	-	100,000
49410-Interfund Transaction-Revenue	5,520	-	-	-	1,400	-	-	-	-	-	-	-	-	6,920
69224-Trsf Out To Legal Spec. Fund	-	-	-	-	-	-	-	-	-	-	(100,000)	-	-	(100,000)
69228-Transfer Out To LSTF	-	-	-	(1,500,000)	-	-	-	-	-	-	-	-	-	(1,500,000)
69410-Interfund Transaction-Expenses	(2,315)	-	-	-	-	-	-	-	-	-	(1,389)	-	-	(3,704)
<b>Total Transfers</b>	3,205	-	-	(1,500,000)	1,400	-	1,500,000	100,000	-	-	(101,389)	-	-	3,216
<b>CHANGE IN NET POSITION</b>	1,678,983	(23,327)	1,056,462	(340,120)	(182,434)	(53,937)	4,537,989	721,804	-	(2,431,665)	82,928	34,460	(518,255)	4,562,888
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	5,641,993	6,224	9,571,539	10,565,599	248,435	(610,590)	60,934,223
<b>NET POSITION AT December 31</b>	3,910,275	310,447	3,533,055	3,498,241	1,539,401	296,556	29,096,664	6,363,797	6,224	7,139,874	10,648,527	282,895	(1,128,845)	65,497,111

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 Twelve Months Ended December 31, 2021

	2021 Actual	2020 Actual	Variance	% Change
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	(628,854)	757,731	(1,386,585)	(183.0)
Continuing Legal Education Fees	675,354	730,783	(55,429)	(7.6)
EAF AB 145 Filing Fee Revenue	7,521,200	5,177,645	2,343,555	45.3
Exam App. & Moral Char. Fees	17,262,838	20,135,282	(2,872,444)	(14.3)
Grant Revenue	28,762,504	14,825,772	13,936,732	94.0
Law Corporation Registration Fees	1,808,170	1,843,213	(35,043)	(1.9)
Legal Specialization Fees	2,252,054	2,153,660	98,394	4.6
Licensing Fees and Donations	103,190,783	109,482,549	(6,291,766)	(5.7)
Multi-Jurisdictional Practice Fees	867,362	876,719	(9,357)	(1.1)
Other Revenue	1,673,072	1,738,675	(65,603)	(3.8)
Trust Account Revenue	22,526,029	26,276,804	(3,750,775)	(14.3)
<b>Total Operating Revenue</b>	<b>185,910,512</b>	<b>183,998,833</b>	<b>1,911,679</b>	<b>1.0</b>
<b>OPERATING EXPENSES</b>				
Access & Inclusion	65,414,160	95,105,310	(29,691,150)	(31.2)
Admissions	20,532,907	20,261,292	271,615	1.3
Attorney Regulation and Consumer Resources	5,968,266	5,432,212	536,054	9.9

**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 Twelve Months Ended December 31, 2021**

	<b>2021 Actual</b>	<b>2020 Actual</b>	<b>Variance</b>	<b>% Change</b>
Chief Trial Counsel	59,128,344	61,032,187	(1,903,843)	(3.1)
Client Security Fund	6,407,713	13,827,903	(7,420,190)	(53.7)
General & Administrative	(15,942,205)	17,063,297	(33,005,502)	(193.4)
Governance	5,444,664	5,953,713	(509,049)	(8.6)
Lawyers Assistance Program	2,286,572	2,199,397	87,175	4.0
Depreciation	6,681,596	2,766,076	3,915,520	141.6
Probation	1,763,181	1,968,949	(205,768)	(10.5)
Professional Competence	3,337,290	2,727,133	610,157	22.4
State Bar Court	13,739,415	13,683,982	55,433	0.4
<b>Total Operating Expenses</b>	<b>174,761,902</b>	<b>242,021,451</b>	<b>(67,259,549)</b>	<b>(27.8)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>11,148,610</b>	<b>(58,022,618)</b>	<b>69,171,228</b>	<b>(119.2)</b>
<b>NON-OPERATING</b>				
Investment Income	(7,648)	2,591,296	(2,598,944)	(100.3)
Rental Income	3,130,931	4,207,527	(1,076,596)	(25.6)
Interest Expense on Loans	(682,165)	(839,731)	157,566	(18.8)
Principal Expense on Loans	-	-	-	-

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 Twelve Months Ended December 31, 2021

	2021 Actual	2020 Actual	Variance	% Change
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	2,441,118	5,959,092	(3,517,975)	(59.0)
 <b>INCOME/(LOSS) BEFORE TRANSFERS</b>	 13,589,728	 (52,063,526)	 65,653,254	 (126.1)
 <b>TRANSFERS</b>				
49232-Trsf In From Justice Gap Fund	1,500,000	1,000,000	500,000	(50.0)
49314-Transfer In From Admissions Fund	100,000	825,000	(725,000)	87.9
49410-Interfund Transaction-Revenue	64,011	66,035	(2,024)	3.1
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	(1,500,000)	(1,000,000)	(500,000)	(50.0)
69410-Interfund Transaction-Expenses	(64,011)	(66,035)	2,024	3.1
<b>TOTAL TRANSFERS</b>	-	-	-	-
<b>CHANGE IN NET POSITION</b>	13,589,728	(52,063,526)	65,653,254	(126.1)
 Net Position at beginning of year	 92,476,753	 144,540,279	 (52,063,526)	 (36.0)
<b>NET POSITION AT December 31</b>	<b>106,066,481</b>	<b>92,476,753</b>	<b>13,589,728</b>	<b>14.7</b>



The State Bar of California  
Statement of Assets, Liabilities & Net Position  
Bar Wide as of December 31, 2021

	General Fund	Other Funds	2021 Actual	2020 Actual	Variance- 2021 v. 2020
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	140,821,613	-	140,821,613	88,880,486	51,941,127
Investments	20,614,031	-	20,614,031	32,506,150	(11,892,119)
Accounts Receivable (net of allowances)	1,200,314	2,006,300	3,206,614	3,857,973	(651,359)
Interfund Rec(Pay)	(115,638,783)	115,633,267	(5,516)	-	(5,516)
Other Assets	427,062	16,967	444,029	1,656,510	(1,212,481)
Capital Assets (net of depreciation)	102,290,824	-	102,290,824	106,060,821	(3,769,997)
Deferred Outflows	12,163,713	-	12,163,713	14,705,033	(2,541,320)
<b>Total Assets &amp; Deferred Outflows</b>	<b>161,878,774</b>	<b>117,656,534</b>	<b>279,535,308</b>	<b>247,666,973</b>	<b>31,868,335</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	36,181,573	31,668,850	67,850,423	43,097,616	24,752,807
Unearned Income	-	-	-	-	-
Loan Payable	13,237,000	20,490,573	33,727,573	20,101,894	13,625,679
Deferred Inflows	42,930,022	-	42,930,022	2,676,079	40,253,943
OPEB Liability	7,617,010	-	7,617,010	11,616,834	(3,999,824)
Pension Liability	21,343,799	-	21,343,799	77,697,797	(56,353,998)
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>121,309,404</b>	<b>52,159,423</b>	<b>173,468,827</b>	<b>155,190,220</b>	<b>18,278,607</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)
Change in Net Position	9,026,840	4,562,888	13,589,728	(52,063,526)	65,653,254
<b>Total Net Position</b>	<b>40,569,370</b>	<b>65,497,111</b>	<b>106,066,481</b>	<b>92,476,753</b>	<b>13,589,728</b>
<b>Total Liabilities &amp; Net Position</b>	<b>161,878,774</b>	<b>117,656,534</b>	<b>279,535,308</b>	<b>247,666,973</b>	<b>31,868,335</b>

**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**as of December 31, 2021**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust	Legal Special.	IT Special Assess.	Bank Settle.	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>														
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	-	-	-	-	2,005,298	-	-	-	1,002	-	-	2,006,300
Interfund Rec(Pay)	6,044,148	397,467	3,536,836	3,829,861	2,111,490	528,730	29,044,676	7,008,520	6,224	7,139,874	16,581,145	19,916,228	19,488,069	115,633,267
Other Assets	-	-	-	-	14,967	-	-	-	-	-	2,000	-	-	16,967
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>6,044,148</b>	<b>397,467</b>	<b>3,536,836</b>	<b>3,829,861</b>	<b>2,126,456</b>	<b>528,730</b>	<b>31,049,973</b>	<b>7,008,520</b>	<b>6,224</b>	<b>7,139,874</b>	<b>16,584,147</b>	<b>19,916,228</b>	<b>19,488,069</b>	<b>117,656,534</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>														
Accounts Payable and Accrued Liabilities	2,133,873	87,020	3,781	331,620	587,055	232,174	1,953,309	644,723	-	-	5,935,620	19,633,333	126,341	31,668,850
Unearned Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	20,490,573	20,490,573
OPEB Liabilities (Investments)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>2,133,873</b>	<b>87,020</b>	<b>3,781</b>	<b>331,620</b>	<b>587,055</b>	<b>232,174</b>	<b>1,953,309</b>	<b>644,723</b>	<b>-</b>	<b>-</b>	<b>5,935,620</b>	<b>19,633,333</b>	<b>20,616,914</b>	<b>52,159,423</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	5,641,993	6,224	9,571,539	10,565,599	248,435	(610,590)	60,934,223
Change in Net Position	1,678,983	(23,327)	1,056,462	(340,120)	(182,434)	(53,937)	4,537,989	721,804	-	(2,431,665)	82,928	34,460	(518,255)	4,562,888
<b>Total Net Position</b>	<b>3,910,275</b>	<b>310,447</b>	<b>3,533,055</b>	<b>3,498,241</b>	<b>1,539,401</b>	<b>296,556</b>	<b>29,096,664</b>	<b>6,363,797</b>	<b>6,224</b>	<b>7,139,874</b>	<b>10,648,527</b>	<b>282,895</b>	<b>(1,128,845)</b>	<b>65,497,111</b>
<b>Total Liabilities &amp; Net Position</b>	<b>6,044,148</b>	<b>397,467</b>	<b>3,536,836</b>	<b>3,829,861</b>	<b>2,126,456</b>	<b>528,730</b>	<b>31,049,973</b>	<b>7,008,520</b>	<b>6,224</b>	<b>7,139,874</b>	<b>16,584,147</b>	<b>19,916,228</b>	<b>19,488,069</b>	<b>117,656,534</b>



# The State Bar of California

Date: May 19, 2022

To: Members, Finance Committee  
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Financial Statements for Three Months as of March 31, 2022

This memo outlines the State Bar's three-months operating results as of March 31, 2022, with information and comparative analysis regarding revenue and expenses.

## FINANCIAL HIGHLIGHTS – REVENUES AND EXPENSES

Table 1 below provides year-to-date budget-to-actual-variance highlights for select revenue and expense categories.

**Table 1. YTD Budget-to-Actual-Variance Analysis <sup>1</sup>**

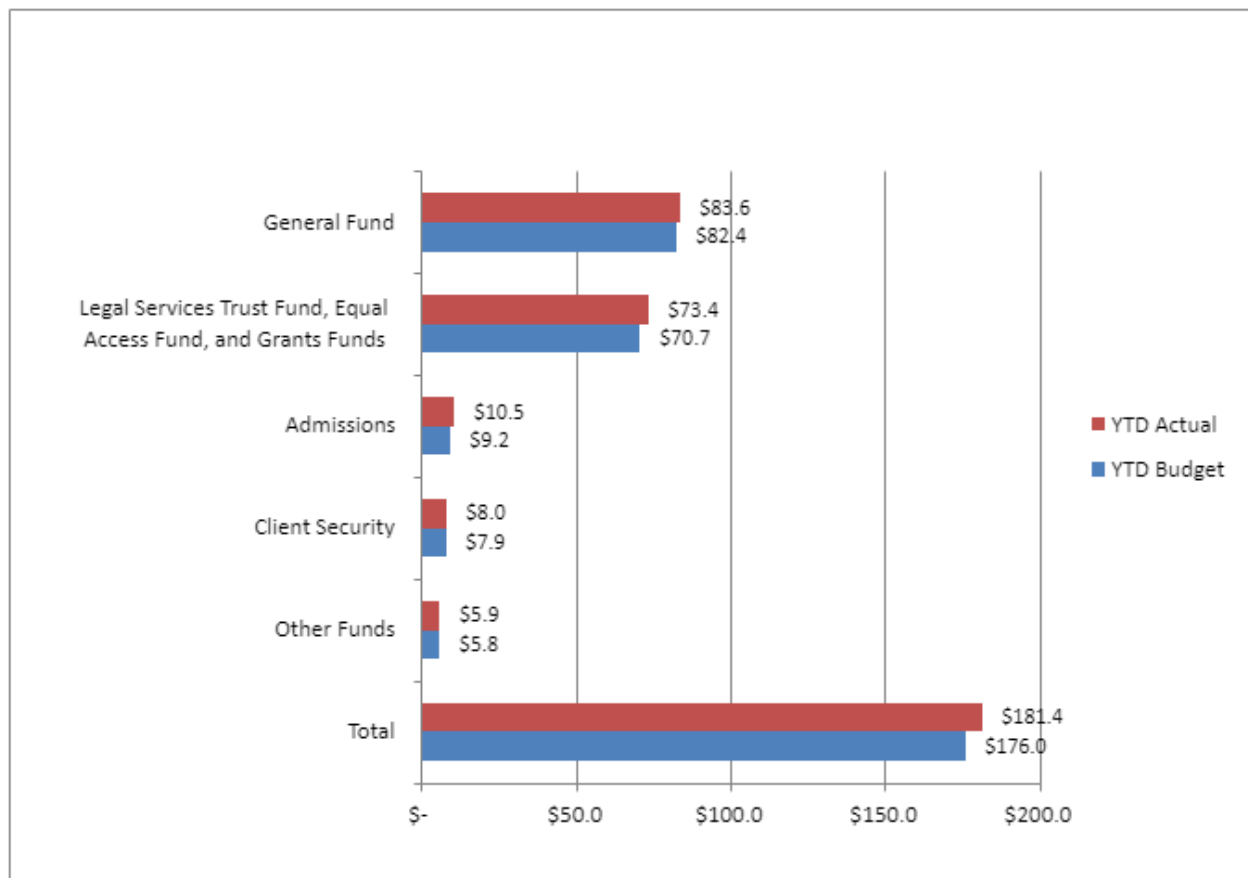
Financial Statement Category	Mar 31, 2022 Actual (in \$M)	Mar 31, 2022 Budget (in \$M)	Changes (in \$M)	Changes (in %)	Refer to Attachment
<b>Operating Revenue</b>	<b>\$181.4</b>	<b>\$176.0</b>	<b>\$5.4</b>	<b>3.1%</b>	<b>1, 2, 3</b>
Licensing Fees & Donations	101.7	100.4	1.3	1.3%	1, 2, 3
Trust Account Revenue	3.4	3.9	(0.5)	(12.8%)	1, 2, 3
Exam App & Moral Character Fees	9.6	8.3	1.3	15.7%	1, 2, 3
Grant Revenue	54.4	51.2	3.2	6.2%	1, 2, 3
<b>Operating Expenses</b>	<b>\$101.8</b>	<b>\$79.6</b>	<b>\$22.2</b>	<b>27.9%</b>	<b>1, 2, 3</b>
Access & Inclusion	74.3	48.0	26.3	54.8%	1, 2, 3
Admissions	6.8	7.2	(0.4)	(5.6%)	1, 2, 3
Chief Trial Counsel	13.2	14.7	(1.5)	(10.2%)	1, 2, 3
Client Security Fund	0.8	2.4	(1.6)	(66.7%)	1, 2, 3

<sup>1</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.

See Attachments 1–5 for a more detailed comparisons of the State Bar’s financial results for the three months ended March 31, 2022.

## REVENUE

Figure A. comparison of operating revenue budget versus actuals at the fund level.



Overall, operating revenues totaled \$181.4 million for the three months ended March 31, 2022, \$5.4 million more than budgeted operating revenue of \$176.0 million.

Operating revenue for the General Fund totaled \$83.6 million, \$1.2 million more than the budgeted revenue of \$82.4 million. The primary driver is Mandatory Fees, accounting for \$1.1 million of the variance as more licensee payments were received than anticipated in the first quarter of 2022.

Operating Revenue for the Legal Services Trust Fund (LSTF), Equal Access Fund, and Grants Fund totaled \$73.4 million, \$2.7 million more than the budgeted operating revenue of \$70.7

million. The variance is comprised of \$4.7 million higher revenues in the Grants Fund offset by a \$1.5 million unfavorable variance in the Equal Access Fund and a \$0.5 million unfavorable variance in LSTF. The Grants Fund was affected by a budget timing discrepancy that did not incorporate the seven months of Homeless Prevention III (HP III) revenue recorded in January, capturing revenue from the contract inception of July 1, 2021. Staff will submit a budget adjustment to correct the allocation in the second quarter. In the Equal Access Fund, revenues were lower than budget by \$1.5 million due to delayed requests for administrative cost reimbursements, that were not submitted until the second quarter. The State Bar is reimbursed for staff time and costs of services that support grant management. The LSTF variance (includes IOLTA income and Voluntary fees) was affected by the timing of IOLTA revenues received.

The Admissions Fund revenue totaled \$10.5 million, \$1.3 million more than budgeted revenues of \$9.2 million. February exam fees were better than budget by \$1.6 million due to conservative budgeting while Moral Character Determination fees were below budget by \$0.3 million due to timing of collecting those revenues.

Client Security Fund revenue, which is funded by mandatory licensing fees, is in line with budgeted amount at a \$0.1 million variance, or 1 percent higher than budget.

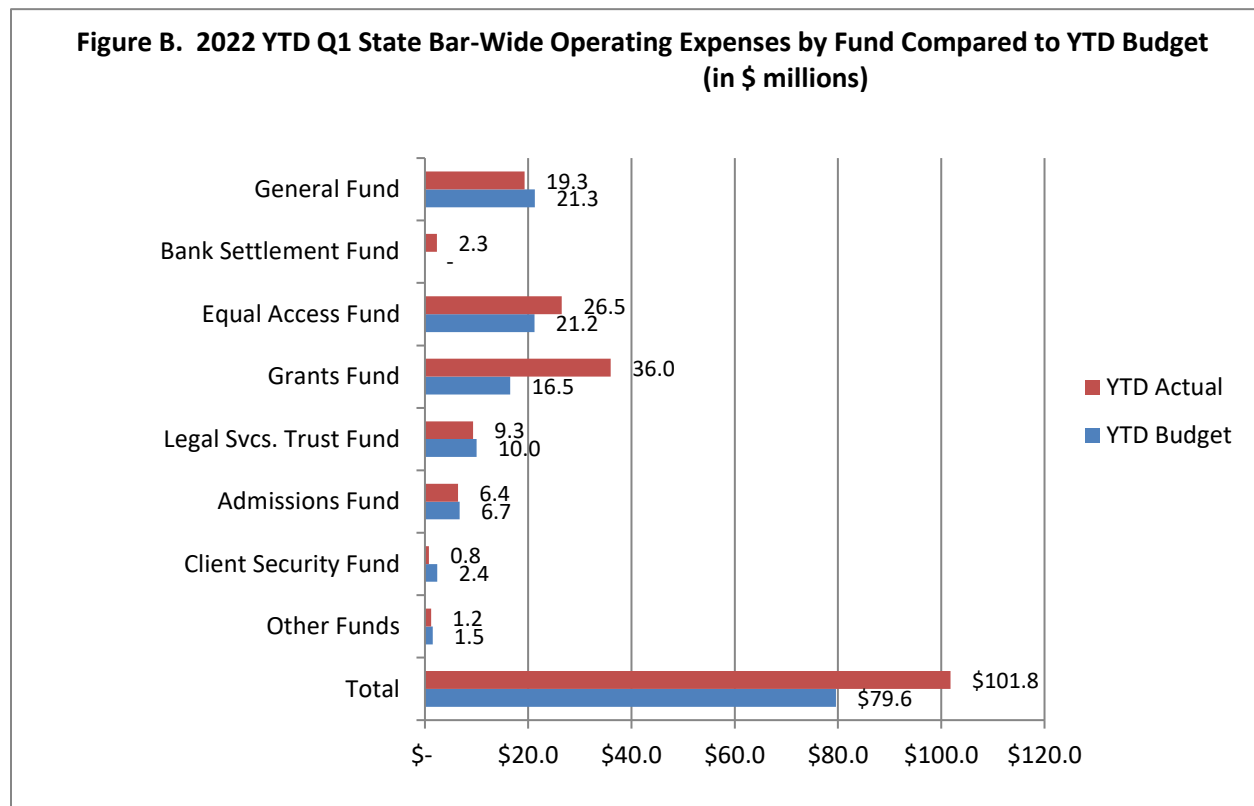
Other Funds revenues were also in line with budgeted amount with no significant variance.

#### **NONOPERATING REVENUES/EXPENSES**

Nonoperating revenues/expenses consists of investment income, rental income, and interest expense on loans. Nonoperating revenue/expenses resulted in net expenses of \$1.2 million, or \$0.8 million lower than budget, mostly due to unrealized investment losses.

## EXPENSES

Figure B. comparison of operating expenses budget versus actuals at the fund level.



The State Bar's total operating expenses for the three months ended March 2022 were \$101.8 million, compared to a budget of \$79.6 million. The variance is mostly due to the timing of grant funds received and disbursed.

General Fund expenses totaled \$19.3 million, \$2.0 million less than budgeted expenses of \$21.3 million. Personnel expenses were \$1.0 million below budget due to staff vacancies. In addition, Building Operations were \$0.4 million below budget with savings in repairs and maintenance, janitorial and building security due to the lower occupancy rates than anticipated.

Bank Settlement Fund expenses totaled \$2.3 million compared to a zero budget. Expenses for this fund were not properly captured in the adopted budgeted due to a technical issue. Staff will correct this with a budget amendment as part of the mid-year analysis.

Equal Access Fund expenses were \$26.5 million, \$5.3 million more than the \$21.2 million budget. The fourth quarter 2021 grant disbursements, which were budgeted in 2021, occurred in January 2022 due to a delay in grant agreement execution.

Grants Fund expenses were \$36.0 million, \$19.5 million more than the \$16.5 million budget. The variance is due to grant disbursements for HP III Fund program that were inaccurately under budgeted by \$19.5 million. Staff will submit a budget amendment to align with the projected spending in 2022.

Legal Services Trust Fund expenses were \$9.3 million, \$0.7 million less than the \$10.0 million budget. The entire \$0.7 million grant expense variance is from Provisionally Licensed Lawyers (PLL) grant disbursements which were not disbursed until the second quarter in 2022.

Admissions Fund expenses were \$6.4 million compared to a budget of \$6.7 million. The \$0.3 million variance is from personnel savings due to vacancies in the first quarter of 2022.

Client Security Fund expenses were \$0.8 million, or \$1.6 million less than budget. Most of the variance is due to less payments made as fewer applications were 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 Three Months Ended March 31, 2022**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance- 2021 Actual vs 2022 Actual</b>	<b>2022 Budget</b>	<b>Variance- 2022 Actual vs Budget</b>
<b>OPERATING REVENUE</b>							
Affinity Insurance Revenue	(185,866)	-	(185,866)	(446,406)	260,540	(3)	(185,863)
Continuing Legal Education Fees	155,072	726	155,798	174,976	(19,178)	192,225	(36,427)
EAF AB 145 Filing Fee Revenue	-	8,687,715	8,687,715	5,503,850	3,183,865	8,687,266	449
Exam App. & Moral Char. Fees	-	9,628,837	9,628,837	11,128,401	(1,499,564)	8,347,721	1,281,116
Grant Revenue	-	54,422,221	54,422,221	19,054,276	35,367,945	51,194,367	3,227,854
Law Corporation Registration Fees	616,310	-	616,310	407,926	208,384	476,373	139,937
Legal Specialization Fees	-	1,821,526	1,821,526	1,822,403	(877)	1,824,398	(2,872)
Licensing Fees and Donations	82,698,901	19,037,769	101,736,670	99,282,851	2,453,819	100,405,540	1,331,130
Multi-Jurisdictional Practice Fees	-	697,598	697,598	673,824	23,774	691,000	6,598
Other Revenue	271,490	238,202	509,692	561,999	(52,307)	285,762	223,930
Trust Account Revenue	-	3,370,109	3,370,109	5,378,986	(2,008,877)	3,937,500	(567,391)
<b>Total Operating Revenue</b>	<b>83,555,907</b>	<b>97,904,703</b>	<b>181,460,610</b>	<b>143,543,086</b>	<b>37,917,524</b>	<b>176,042,149</b>	<b>5,418,461</b>
<b>OPERATING EXPENSES</b>							
Access & Inclusion	101,430	74,177,202	74,278,632	28,894,891	45,383,741	48,022,813	26,255,819
Admissions	-	6,803,323	6,803,323	4,983,189	1,820,134	7,235,559	(432,236)
Attorney Regulation and Consumer Resources	1,469,432	-	1,469,432	1,345,039	124,393	1,632,468	(163,036)



**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Three Months Ended March 31, 2022**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance- 2021 Actual vs 2022 Actual</b>	<b>2022 Budget</b>	<b>Variance- 2022 Actual vs Budget</b>
Chief Trial Counsel	13,249,288	-	13,249,288	12,962,560	286,728	14,703,714	(1,454,426)
Client Security Fund	-	820,440	820,440	787,010	33,430	2,450,889	(1,630,449)
General & Administrative	(812,652)	-	(812,652)	(2,161,220)	1,348,568	(1,436,092)	623,440
Governance	1,012,689	114,047	1,126,736	1,174,534	(47,798)	1,489,533	(362,797)
Lawyers Assistance Program	-	657,274	657,274	323,437	333,837	628,131	29,143
Depreciation	-	-	-	2,688,873	(2,688,873)	-	-
Probation	393,740	-	393,740	391,693	2,047	448,470	(54,730)
Professional Competence	706,633	-	706,633	697,896	8,737	1,003,056	(296,423)
State Bar Court	3,133,602	-	3,133,602	3,220,220	(86,618)	3,439,095	(305,493)
<b>Total Operating Expenses</b>	<b>19,254,162</b>	<b>82,572,286</b>	<b>101,826,448</b>	<b>55,308,122</b>	<b>46,518,326</b>	<b>79,617,636</b>	<b>22,208,812</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>64,301,745</b>	<b>15,332,417</b>	<b>79,634,162</b>	<b>88,234,964</b>	<b>(8,600,802)</b>	<b>96,424,513</b>	<b>(16,790,351)</b>
<b>NON-OPERATING</b>							
Investment Income	(488,995)	(145,547)	(634,542)	137,208	(771,750)	135,846	(770,388)
Rental Income	752,788	-	752,788	804,091	(51,303)	913,062	(160,274)
Interest Expense on Loans	(202,455)	-	(202,455)	(145,264)	(57,191)	(328,780)	126,325
Principal Expense on Loans	(1,154,792)	-	(1,154,792)	-	(1,154,792)	(1,154,771)	(21)

**The State Bar of California**  
**Statement of Operating Revenue, Operating Expenses & Changes in Net Position - Bar Wide**  
**for Three Months Ended March 31, 2022**

	<b>General Fund</b>	<b>Other Funds</b>	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance- 2021 Actual vs 2022 Actual</b>	<b>2022 Budget</b>	<b>Variance- 2022 Actual vs Budget</b>
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	(1,093,454)	(145,547)	(1,239,001)	796,035	(2,035,036)	(434,643)	(804,358)
 <b>INCOME/(LOSS) BEFORE TRANSFERS</b>	 63,208,291	 15,186,870	 78,395,161	 89,030,999	 (10,635,838)	 95,989,870	 (17,594,709)
 <b>TRANSFERS</b>							
49314-Transfer In From Admissions Fund	-	-	-	100,000	(100,000)	100,000	(100,000)
49410-Interfund Transaction-Revenue	-	-	-	64,011	(64,011)	-	-
69224-Trsf Out To Legal Spec. Fund	-	-	-	(100,000)	100,000	(100,000)	100,000
69410-Interfund Transaction-Expenses	-	-	-	(64,011)	64,011	-	-
<b>TOTAL TRANSFERS</b>	-	-	-	-	-	-	-
 <b>CHANGE IN NET POSITION</b>	 63,208,291	 15,186,870	 78,395,161	 89,030,999	 (10,635,838)	 95,989,870	 (17,594,709)
 Net Position at beginning of year	 40,569,371	 65,497,107	 106,066,478	 92,476,753	 13,589,725	 -	 -
<b>NET POSITION AT March 31</b>	<b>103,777,662</b>	<b>80,683,977</b>	<b>184,461,639</b>	<b>181,507,752</b>	<b>2,953,887</b>	<b>-</b>	<b>-</b>

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Three Months Ended March 31, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
OPERATING REVENUE														
Affinity Insurance Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continuing Legal Education Fees	-	-	-	-	-	-	-	726	-	-	-	-	-	726
EAF AB 145 Filing Fee Revenue	-	-	8,687,715	-	-	-	-	-	-	-	-	-	-	8,687,715
Exam App. & Moral Char. Fees	-	-	-	-	-	-	-	-	-	-	9,628,837	-	-	9,628,837
Grant Revenue	-	-	43,036,110	-	-	-	-	-	-	-	-	11,386,111	-	54,422,221
Law Corporation Registration Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Specialization Fees	-	-	-	-	-	-	-	1,821,526	-	-	-	-	-	1,821,526
Licensing Fees and Donations	7,982,036	312,480	-	1,012,873	2,087,550	725,355	6,917,475	-	-	-	-	-	-	19,037,769
Multi-Jurisdictional Practice Fees	-	-	-	-	-	-	-	-	-	-	697,598	-	-	697,598
Other Revenue	27,037	-	-	-	-	-	-	35,665	-	-	175,500	-	-	238,202
Trust Account Revenue	-	-	-	-	-	-	3,370,109	-	-	-	-	-	-	3,370,109
<b>Total Operating Revenue</b>	8,009,073	312,480	51,723,825	1,012,873	2,087,550	725,355	10,287,584	1,857,917	-	-	10,501,935	11,386,111	-	97,904,703
OPERATING EXPENSES														
Access & Inclusion	-	151,448	26,505,916	2,754	-	-	9,242,079	-	-	2,306,361	-	35,968,644	-	74,177,202
Admissions	-	-	-	-	-	-	-	437,035	-	-	6,366,288	-	-	6,803,323
Attorney Regulation and Consumer Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chief Trial Counsel	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Client Security Fund	820,440	-	-	-	-	-	-	-	-	-	-	-	-	820,440
General & Administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Governance	-	-	-	-	-	114,047	-	-	-	-	-	-	-	114,047
Lawyers Assistance Program	-	-	-	-	657,274	-	-	-	-	-	-	-	-	657,274
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Probation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Competence	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State Bar Court	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	820,440	151,448	26,505,916	2,754	657,274	114,047	9,242,079	437,035	-	2,306,361	6,366,288	35,968,644	-	82,572,286
<b>OPERATING INCOME/(LOSS)</b>	7,188,633	161,032	25,217,909	1,010,119	1,430,276	611,308	1,045,505	1,420,882	-	(2,306,361)	4,135,647	(24,582,533)	-	15,332,417

## NON-OPERATING

**The State Bar of California**  
**Operating Revenue, Operating Expenses, and Changes in Net Position**  
**(Non General Funds) for Three Months Ended March 31, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Legislat. Activities	Legal Services Trust	Legal Special.	IT Special Assess.	Bank Settlement	Admissions	Grants	SF Tenant Improve.	Total Other Funds
Investment Income	(4,504)	(479)	(19,021)	(4,206)	(4,904)	(877)	(58,514)	(6,441)	-	(26,980)	(18,260)	-	(1,361)	(145,547)
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal Expense on Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52908-Interest earned on fac. Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	(4,504)	(479)	(19,021)	(4,206)	(4,904)	(877)	(58,514)	(6,441)	-	(26,980)	(18,260)	-	(1,361)	(145,547)
<b>INCOME/(LOSS) BEFORE TRANSFERS</b>	7,184,129	160,553	25,198,888	1,005,913	1,425,372	610,431	986,991	1,414,441	-	(2,333,341)	4,117,387	(24,582,533)	(1,361)	15,186,870
<b>TRANSFERS</b>														
<b>CHANGE IN NET POSITION</b>	7,184,129	160,553	25,198,888	1,005,913	1,425,372	610,431	986,991	1,414,441	-	(2,333,341)	4,117,387	(24,582,533)	(1,361)	15,186,870
Net Position at beginning of year	3,910,275	310,446	3,533,055	3,498,241	1,539,402	296,556	29,096,664	6,363,796	6,224	7,139,874	10,648,525	282,894	(1,128,845)	65,497,107
<b>NET POSITION AT March 31</b>	11,094,404	470,999	28,731,943	4,504,154	2,964,774	906,987	30,083,655	7,778,237	6,224	4,806,533	14,765,912	(24,299,639)	(1,130,206)	80,683,977

**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 Three Months Ended March 31, 2022**

	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance</b>	<b>% Change</b>
<b>OPERATING REVENUE</b>				
Affinity Insurance Revenue	(185,866)	(446,406)	260,540	(58.4)
Continuing Legal Education Fees	155,798	174,976	(19,178)	(11.0)
EAF AB 145 Filing Fee Revenue	8,687,715	5,503,850	3,183,865	57.8
Exam App. & Moral Char. Fees	9,628,837	11,128,401	(1,499,564)	(13.5)
Grant Revenue	54,422,221	19,054,276	35,367,945	185.6
Law Corporation Registration Fees	616,310	407,926	208,384	51.1
Legal Specialization Fees	1,821,526	1,822,403	(877)	-
Licensing Fees and Donations	101,736,670	99,282,851	2,453,819	2.5
Multi-Jurisdictional Practice Fees	697,598	673,824	23,774	3.5
Other Revenue	509,692	561,999	(52,307)	(9.3)
Trust Account Revenue	3,370,109	5,378,986	(2,008,877)	(37.3)
<b>Total Operating Revenue</b>	<b>181,460,610</b>	<b>143,543,086</b>	<b>37,917,524</b>	<b>26.4</b>
<b>OPERATING EXPENSES</b>				
Access & Inclusion	74,278,632	28,894,891	45,383,741	157.1
Admissions	6,803,323	4,983,189	1,820,134	36.5
Attorney Regulation and Consumer Resources	1,469,432	1,345,039	124,393	9.2

**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 Three Months Ended March 31, 2022**

	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance</b>	<b>% Change</b>
Chief Trial Counsel	13,249,288	12,962,560	286,728	2.2
Client Security Fund	820,440	787,010	33,430	4.2
General & Administrative	(812,652)	(2,161,220)	1,348,568	(62.4)
Governance	1,126,736	1,174,534	(47,798)	(4.1)
Lawyers Assistance Program	657,274	323,437	333,837	103.2
Depreciation	-	2,688,873	(2,688,873)	(100.0)
Probation	393,740	391,693	2,047	0.5
Professional Competence	706,633	697,896	8,737	1.3
State Bar Court	3,133,602	3,220,220	(86,618)	(2.7)
<b>Total Operating Expenses</b>	<b>101,826,448</b>	<b>55,308,122</b>	<b>46,518,326</b>	<b>84.1</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>79,634,162</b>	<b>88,234,964</b>	<b>(8,600,802)</b>	<b>(9.7)</b>
<b>NON-OPERATING</b>				
Investment Income	(634,542)	137,208	(771,750)	(562.5)
Rental Income	752,788	804,091	(51,303)	(6.4)
Interest Expense on Loans	(202,455)	(145,264)	(57,191)	39.4
Principal Expense on Loans	(1,154,792)	-	(1,154,792)	-

**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 Three Months Ended March 31, 2022**

	<b>2022 Actual</b>	<b>2021 Actual</b>	<b>Variance</b>	<b>% Change</b>
52908-Interest earned on fac. Fees	-	-	-	-
<b>Total Non-Operating</b>	(1,239,001)	796,035	(2,035,036)	(255.6)
 <b>INCOME/(LOSS) BEFORE TRANSFERS</b>	 78,395,161	 89,030,999	 (10,635,838)	 (11.9)
 <b>TRANSFERS</b>				
49314-Transfer In From Admissions Fund	-	100,000	(100,000)	100.0
49410-Interfund Transaction-Revenue	-	64,011	(64,011)	100.0
69224-Trsf Out To Legal Spec. Fund	-	(100,000)	100,000	100.0
69410-Interfund Transaction-Expenses	-	(64,011)	64,011	100.0
<b>TOTAL TRANSFERS</b>	-	-	-	-
<b>CHANGE IN NET POSITION</b>	78,395,161	89,030,999	(10,635,838)	(11.9)
 Net Position at beginning of year	 106,066,478	 92,476,753	 13,589,725	 14.7
<b>NET POSITION AT March 31</b>	<b>184,461,639</b>	<b>181,507,752</b>	<b>2,953,887</b>	<b>1.6</b>

The State Bar of California  
Statement of Assets, Liabilities & Net Position  
Bar Wide as of March 31, 2022

	General Fund	Other Funds	2022 Actual	2021 Actual	Variance- 2022 v. 2021
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>					
Cash	280,154,661	-	280,154,661	99,061,632	181,093,029
Investments	20,433,677	-	20,433,677	79,234,198	(58,800,521)
Accounts Receivable (net of allowances)	(2,945,577)	17,089,630	14,144,053	28,121,517	(13,977,464)
Interfund Rec(Pay)	(114,307,982)	114,302,465	(5,517)	11,919	(17,436)
Other Assets	(75,171,591)	18,909	(75,152,682)	(7,056,292)	(68,096,390)
Capital Assets (net of depreciation)	102,290,824	-	102,290,824	103,439,349	(1,148,525)
Deferred Outflows	12,163,713	-	12,163,713	14,705,033	(2,541,320)
<b>Total Assets &amp; Deferred Outflows</b>	<b>222,617,725</b>	<b>131,411,004</b>	<b>354,028,729</b>	<b>317,517,356</b>	<b>36,511,373</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>					
Accounts Payable and Accrued Liabilities	13,221,659	50,727,027	63,948,686	24,321,231	39,627,455
Unearned Income	-	-	-	-	-
Loan Payable	33,727,573	-	33,727,573	19,697,663	14,029,910
Deferred Inflows	42,930,022	-	42,930,022	2,676,079	40,253,943
OPEB Liability	7,617,010	-	7,617,010	11,616,834	(3,999,824)
Pension Liability	21,343,799	-	21,343,799	77,697,797	(56,353,998)
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>118,840,063</b>	<b>50,727,027</b>	<b>169,567,090</b>	<b>136,009,604</b>	<b>33,557,486</b>
<b>NET POSITION</b>					
Net Position at Beginning of Year	40,569,371	65,497,107	106,066,478	92,476,753	13,589,725
Change in Net Position	63,208,291	15,186,870	78,395,161	89,030,999	(10,635,838)
<b>Total Net Position</b>	<b>103,777,662</b>	<b>80,683,977</b>	<b>184,461,639</b>	<b>181,507,752</b>	<b>2,953,887</b>
<b>Total Liabilities &amp; Net Position</b>	<b>222,617,725</b>	<b>131,411,004</b>	<b>354,028,729</b>	<b>317,517,356</b>	<b>36,511,373</b>



**The State Bar of California**  
**Statement of Assets, Liabilities & Net Position (Non-General Funds)**  
**As of March 31, 2022**

	Client Security	Elim. of Bias	Equal Access	Justice Gap	Lawyer Assist. Program	Leg. Activities	Legal Svcs. Trust	Legal Special.	IT Special Assess.	Bank Settle.	Admissions	Grants	SF Tenant Improve.	Total Other Funds
<b>ASSETS &amp; DEFERRED OUTFLOWS</b>														
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable (net of allowances)	-	-	17,079,517	-	-	-	19,079	-	-	-	1,015	(9,981)	-	17,089,630
Interfund Rec(Pay)	11,265,809	470,999	13,252,232	4,504,154	3,022,374	934,111	30,135,811	7,799,155	6,224	4,806,533	16,277,704	22,957,564	(1,130,206)	114,302,465
Other Assets	1,835	-	-	-	14,966	-	-	-	-	-	2,108	-	-	18,909
Capital Assets (net of depreciation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows</b>	<b>11,267,644</b>	<b>470,999</b>	<b>30,331,749</b>	<b>4,504,154</b>	<b>3,037,340</b>	<b>934,111</b>	<b>30,154,890</b>	<b>7,799,155</b>	<b>6,224</b>	<b>4,806,533</b>	<b>16,280,827</b>	<b>22,947,583</b>	<b>(1,130,206)</b>	<b>131,411,004</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS</b>														
Accounts Payable and Accrued Liabilities	173,240	-	1,599,806	-	72,566	27,124	71,235	20,918	-	-	1,514,915	47,247,222	-	50,727,027
Unearned Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEB Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>173,240</b>	<b>-</b>	<b>1,599,806</b>	<b>-</b>	<b>72,566</b>	<b>27,124</b>	<b>71,235</b>	<b>20,918</b>	<b>-</b>	<b>-</b>	<b>1,514,915</b>	<b>47,247,222</b>	<b>-</b>	<b>50,727,027</b>
<b>NET POSITION</b>														
Net Position at Beginning of Year	3,910,275	310,446	3,533,055	3,498,241	1,539,402	296,556	29,096,664	6,363,796	6,224	7,139,874	10,648,525	282,894	(1,128,845)	65,497,107
Change in Net Position	7,184,129	160,553	25,198,888	1,005,913	1,425,372	610,431	986,991	1,414,441	-	(2,333,341)	4,117,387	(24,582,533)	(1,361)	15,186,870
<b>Total Net Position</b>	<b>11,094,404</b>	<b>470,999</b>	<b>28,731,943</b>	<b>4,504,154</b>	<b>2,964,774</b>	<b>906,987</b>	<b>30,083,655</b>	<b>7,778,237</b>	<b>6,224</b>	<b>4,806,533</b>	<b>14,765,912</b>	<b>(24,299,639)</b>	<b>(1,130,206)</b>	<b>80,683,977</b>
<b>Total Liabilities &amp; Net Position</b>	<b>11,267,644</b>	<b>470,999</b>	<b>30,331,749</b>	<b>4,504,154</b>	<b>3,037,340</b>	<b>934,111</b>	<b>30,154,890</b>	<b>7,799,155</b>	<b>6,224</b>	<b>4,806,533</b>	<b>16,280,827</b>	<b>22,947,583</b>	<b>(1,130,206)</b>	<b>131,411,004</b>



# The State Bar *of California*

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ATTACHMENT C

Date: March 19, 2022

To: Members, Finance Committee  
Members, Board of Trustees

From: Aracely Montoya-Chico, Chief Financial Officer

Subject: Investment Report for the First Quarter Ended March 31, 2022

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Attached is the quarterly Investment Report for the State Bar of California as of March 31, 2022. 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, with the State Treasurer's Local Agency Investment Fund (LAIF), and with the Bank of New York Mellon Trust Company. As of March 31, 2022, the market value of the investment portfolio was \$109.9 million, compared to \$154.6 million as of March 31, 2021; the 50 percent decline in the market value of the investment portfolio is the result of investments reaching maturity.

The quarterly rate of return of the investment portfolio for this quarter is 1.18 percent. Interest rates are lower in comparison to the year prior; the quarterly interest rate on deposits in the LAIF decreased from 0.43 percent for the quarter ended March 31, 2021, to 0.29 percent for the quarter ended March 31, 2022. As of March 31, 2022, the daily rate at LAIF was 0.42 percent. Year to date actual investment earnings decreased from a \$0.2 million gain in 2021 to \$0.6 million loss in 2022.

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 March 31, 2022**

<b><u>Asset Group</u></b>	<b><u>Original Cost</u></b>	<b><u>Market Value</u></b>	<b><u>Portfolio Percentage</u></b>	<b><u>Weighted Average Yield</u></b>
Wells Fargo Custody Account:				
- Government Bonds	\$ 13,872,669	\$ 13,846,623	12.6%	2.70%
- Corporate Bonds	6,261,498	6,364,010	5.8%	2.57%
- Common Stock-Metlife Inc.	-	220,084	0.2%	N/A
Subtotal-Securities, Bonds and Notes	20,134,167	20,430,717	18.6%	
Interest Receivable	-	107,837	0.1%	0.29%
Local Agency Investment Fund	74,207,292	74,207,292	67.5%	0.29%
Bank of New York Mellon Trust Company, N.A. Investment	15,173,431	15,173,431	13.8%	0.03%
<b>Total</b>	<b>\$ 109,514,890</b>	<b>\$ 109,919,277</b>	<b>100.0%</b>	<b>1.18%</b>
<b>Unrealized Gain/(Loss):</b>				
Market Value of Portfolio -Securities, Bonds and Notes		\$ 20,430,717		
Original Cost of Portfolio -Securities, Bonds and Notes		20,134,167		
Unrealized Gain/(Loss)		<u>\$ 296,550</u>		

**State Bar of California**  
**Investment Month End Report - Wells Fargo Custody Account Ending#47000**  
**Balance as of March 31, 2022**

<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>Pur Date</u>	<u>Maturity Date</u>
STATE OF CALIFORNIA	13063DADO	AA-	Municipal Bond	3,035,000	2,993,269	3,035,000	35,919	41,731	2.37%	04/27/17	04/01/22
RIVERSIDE CA UNIF SCH DIST	769059A22	AA-	Municipal Bond	1,250,000	1,250,000	1,237,263	4,127	(12,738)	1.98%	12/17/19	02/01/24
TOTAL MUNICIPAL BONDS AND NOTES:				4,285,000	4,243,269	4,272,263	40,046	28,994	2.25%		
FED HOME LN MTG CORP	3134GBA69	AA+	Government Agency	3,000,000	2,978,490	3,015,210	10,292	36,720	2.38%	08/09/17	08/09/22
FED HOME LN BK	313383WD9	AA+	Government Agency	6,500,000	6,650,911	6,559,150	12,413	(91,761)	3.13%	08/15/13	09/09/22
TOTAL FEDERAL BONDS AND NOTES:				9,500,000	9,629,401	9,574,360	22,705	(55,041)	2.89%		
APPLE INC	037833BF6	AA+	Corporate Bond	3,215,000	3,201,015	3,221,623	33,275	20,608	2.70%	05/13/15	05/13/22
TOYOTA MOTOR CREDIT CORP	89236TEC5	A+	Corporate Bond	1,500,000	1,452,690	1,503,705	2,060	51,015	2.15%	09/08/17	09/08/22
TOYOTA MOTOR CREDIT CORP	89236TEL5	A+	Corporate Bond	1,625,000	1,607,793	1,638,683	9,750	30,890	2.70%	01/11/18	01/11/23
TOTAL CORPORATE BONDS :				6,340,000	6,261,498	6,364,010	45,086	102,513	2.57%		
BRIGHTHOUSE FINANCIAL INC	10922N103	N/A	Common Stock	-	-	13,742	-	13,742		08/07/17	N/A
METLIFE INC	59156R108	N/A	Common Stock	-	-	206,342	-	206,342			N/A
TOTAL COMMON STOCKS:				-	-	220,084	-	220,084			
TOTAL INVESTMENT HELD BY WELLS FARGO:				\$ 20,125,000	\$ 20,134,167	\$ 20,430,717	\$ 107,837	\$ 296,550			