



The State Bar *of California*

Q4 2021 Financial Statements

Finance Committee Meeting, May 19, 2022

Q4 2021 Financial Statement Highlights – Revenue

YTD ACTUAL REVENUE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Dec 31, 2021 Actual (in \$M)	Dec 31, 2021 Budget (in \$M)	Changes	Changes (in %)
Operating Revenue	\$185.9	\$183.3	\$2.6	1%
General Fund	86.4	87.1	(0.7)	-1%
Legal Services Trust Fund, Equal Access Fund, and Homeless Prevention II Program	65.7	61.9	3.8	6%
Admissions Fund	19.0	19.4	(0.4)	-2%
Client Security Fund	8.1	8.0	0.1	1%
Other Funds	6.7	6.9	(0.2)	-3%

- General Fund less than budget by \$0.7M due to Affinity and Insurance payouts
 - Included 5 quarters of payouts instead of 4 quarters due to 2021 change in accounting method (cash to accrual method)
- Legal Services Trust (LSTF), Equal Access, and Grant (includes Homeless Prevention II (HP II)) Funds
 - LSTF revenue more than budget of \$5.0M due to higher number of lawyers' trust accounts and average balance on those accounts than budgeted
 - Offset by \$1.2M less than budget Grants Fund (HP II) revenue and Equal Access Fund revenue
 - due to administrative cost reimbursements in HP II incorrectly budgeted for 12-month term vs 54-month grant term
- Admissions Fund less than budget by \$0.4M due to exam fees refunded as a result of July exam software failures



Q4 2021 Financial Statement Highlights – Expenses

YTD ACTUAL EXPENSE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Dec 31, 2021 Actual (in \$M)	Dec 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Expenses	\$174.7	\$200.4	(\$25.7)	-13%
General Fund	80.3	91.6	(11.3)	-12%
Bank Settlement Fund	2.4	2.5	(0.1)	-4%
Equal Access Fund	25.3	31.3	(6.0)	-19%
Grants Fund	9.9	10.2	(0.3)	-3%
Legal Services Trust Fund	26.4	25.8	0.6	2%
Admissions Fund	18.8	23.4	(4.6)	-20%
Client Security Fund	6.4	8.4	(2.0)	-24%
Other Funds	5.2	7.2	(2.0)	-28%

- General Fund expenses less than budget by \$11.3M due to personnel savings from staff vacancies and pension expenses from the annual actuarial valuation results
 - Pension plan performed better than expected resulting in significant net investment income earned
- Equal Access expenses less than budget by \$6.0M
 - Q4 2021 budgeted expenses were paid until January 2022 due to delayed in grant agreement execution and funding
- Legal Services Trust (LSTF) expenses higher than budget by \$0.6M
 - Entire variance due to Provisionally Licensed Lawyers (PLL) program not budgeted in 2021



Q4 2021 Financial Statement Highlights – Expenses contd...

YTD ACTUAL EXPENSE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Dec 31, 2021 Actual (in \$M)	Dec 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Expenses	\$174.7	\$200.4	(\$25.7)	-13%
General Fund	80.3	91.6	(11.3)	-12%
Bank Settlement Fund	2.4	2.5	(0.1)	-4%
Equal Access Fund	25.3	31.3	(6.0)	-19%
HP II Program	9.9	10.2	(0.3)	-3%
Legal Services Trust Fund	26.4	25.8	0.6	2%
Admissions Fund	18.8	23.4	(4.6)	-20%
Client Security Fund	6.4	8.4	(2.0)	-24%
Other Funds	5.2	7.2	(2.0)	-28%

- Admissions Fund expenses less than budget by \$4.6M due to exam expenses and personnel cost savings
 - Exam expenses savings due to remote exam format and net effect of aggressive budgeting for new applicants and conservative budgeting for attorney applicants
 - Personnel savings of \$1.2M from vacancies
- Client Security Fund expenses less than budget by \$2.0M due to less payments made as fewer applications were processed than anticipated.





The State Bar *of California*

Q1 2022 Financial Statements and Investment Report

Finance Committee Meeting, May 19, 2022

Quarterly Reports

- Quarterly reports include:
 - Q1 2022 Financial Statements
 - Q1 2022 Investment Report



Q1 2022 Financial Statement Highlights – Revenue

YTD ACTUAL REVENUE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Mar 31, 2021 Actual (in \$M)	Mar 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Revenue	\$181.4	\$176.0	\$5.4	3%
General Fund	83.6	82.4	1.2	1%
Legal Services Trust Fund, Equal Access Fund, and Homeless Prevention II Program	73.4	70.7	2.7	4%
Admissions Fund	10.5	9.2	1.3	14%
Client Security Fund	8.0	7.9	0.1	1%
Other Funds	5.9	5.8	0.1	2%

- General Fund higher than budget by \$1.2M mostly due to Mandatory fees
 - More licensee payments received than anticipated in Q1
- Legal Services Trust (LSTF), Equal Access, and Grant (includes Homeless Prevention (HP) II and III) Funds
 - Grants Fund revenue higher \$4.7M due to a timing allocation discrepancy of HP III in the budget
 - 7 months of 2021 revenue were not allocated correctly upon contract signing/funds received in the budget
 - Offset by \$2.0M lower revenues in LSTF and Equal Access Fund
 - due to delayed requests for administrative cost reimbursements not submitted until Q2
- Admissions Fund higher than budget by \$1.3M due to February exam fees better than anticipated due to conservative budgeting



Q1 2022 Financial Statement Highlights – Expenses

YTD ACTUAL EXPENSE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Mar 31, 2021 Actual (in \$M)	Mar 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Expenses	\$101.8	\$79.6	\$22.2	28%
General Fund	19.3	21.3	(2.0)	-9%
Bank Settlement Fund	2.3	0.0	2.3	100%
Equal Access Fund	26.5	21.2	5.3	25%
Grants Fund	36.0	16.5	19.5	118%
Legal Services Trust Fund	9.3	10.0	(0.7)	-7%
Admissions Fund	6.4	6.7	(0.3)	-4%
Client Security Fund	0.8	2.4	(1.6)	-67%
Other Funds	1.2	1.5	(0.3)	-20%

- General Fund expenses lower than budget by \$2.0M due to personnel savings from staff vacancies and building operations savings due to lower occupancy in Q1 than anticipated
- Bank Settlement budgeted expenses of \$0 were not properly captured in adopted budget due to technical issue; will submit budget amendment to correct
- Equal Access expenses higher than budget by \$5.3M
 - Q4 2021 budgeted expenses were paid in January 2022 due to delayed grant agreement execution and funding
- Grants Fund expenses higher than budget by \$19.5M
 - Due to HP III grant disbursements inaccurately budgeted in adopted budget; will submit budget amendment to align with expected spending for 2022



Q1 2022 Financial Statement Highlights – Expenses contd...

YTD ACTUAL EXPENSE BY FUND COMPARED TO YTD BUDGET				
Financial Statement Category	Mar 31, 2021 Actual (in \$M)	Mar 31, 2021 Budget (in \$M)	Changes (in \$M)	Changes (in %)
Operating Expenses	\$101.8	\$79.6	\$22.2	28%
General Fund	19.3	21.3	(2.0)	-9%
Bank Settlement Fund	2.3	0.0	2.3	100%
Equal Access Fund	26.5	21.2	5.3	25%
Grants Fund	36.0	16.5	19.5	118%
Legal Services Trust Fund	9.3	10.0	(0.7)	-7%
Admissions Fund	6.4	6.7	(0.3)	-4%
Client Security Fund	0.8	2.4	(1.6)	-67%
Other Funds	1.2	1.5	(0.3)	-20%

- Legal Services Trust (LSTF) expenses lower than budget by \$0.7M
 - Due to Provisionally Licensed Lawyers (PLL) grant disbursement not paid until Q2 2022
- Admissions Fund expenses lower than budget by \$0.3M due to personnel savings from staff vacancies
- Client Security Fund expenses lower than budget by \$1.6M due to less payments made as fewer applications were processed than anticipated



Q1 2022 Investment Report Highlights

- Highlights:
 - Wells Fargo highly rated securities
 - Government bonds, corporate bonds
 - In compliance with policy
 - Total market value \$110M compared to \$155M as of March 31, 2021
 - Local Agency Investment Fund (LAIF)
 - market value \$74.2M
 - quarterly rate decreased to 0.29% compared to 0.43% in 2021
 - part of California's pooled money investment account



Q1 2022 Investment Report

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Government Bonds	\$ 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%
Total	\$ 109,514,890	\$ 109,919,277	100.0%	1.18%

Unrealized Gain/(Loss):

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>

