

State Bar of Michigan

Audited Financial Statements  
and Other Supplementary Information

*Year Ended September 30, 2011*  
*With Report of Independent Auditors*

State Bar of Michigan  
Audited Financial Statements  
and Other Supplementary Information  
Year Ended September 30, 2011

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## Introductory Section

December 12, 2011

Honorable Robert P. Young, Jr.  
Chief Justice  
Supreme Court of Michigan  
Hall of Justice  
925 W. Ottawa Street  
Lansing, MI 48915

**RE: STATE BAR OF MICHIGAN ANNUAL FINANCIAL REPORT - FY 2011**

With this letter, please accept the FY 2011 Annual Financial Report of the State Bar of Michigan. The Annual Financial Report covers the fiscal year ended September 30, 2011, and contains the audited financial statements and other information required by accounting standards or useful to understanding the operations and effectiveness of the State Bar of Michigan.

**MAJOR ACCOMPLISHMENTS IN FY 2011**

FY 2011 witnessed continued successful implementation of the State Bar Strategic Plan and the provision of enhanced services to the members and the public in a cost-effective manner. The Strategic Plan can be accessed on the State Bar's website at <http://www.michbar.org/generalinfo/pdfs/strategicplan.pdf>.

Major accomplishments included:

- The State Bar of Michigan's special task force on adapting the judicial branch to changes in Michigan's economy and demographics (Judicial Crossroads Task Force) finalized and announced its recommendations in the areas of technology; structure and resources; access to justice; and business impact. A press conference was held in January 2011 and the recommendations were presented to the House Judiciary Committee in February 2011. Support for the objectives of the Task Force recommendations is ongoing.
- The Board of Commissioners approved a set of Strategic Plan Priorities for FY 2011-13. The effort was supported by the results of a comprehensive member survey that was submitted to the full membership in March and April 2011 that identified member needs and satisfaction. The approved strategic priorities are guiding the State Bar in allocating resources and setting operational focus.

- The State Bar of Michigan published the 2010 Economics of Law Practice Survey providing Michigan attorneys with a resource that allows access to the most current law practice economic information available. The survey results are provided free as a service to members of the State Bar of Michigan. The key findings report contains information pertaining to attorney income and billing rates.
- The State Bar of Michigan launched a new online career center in February to connect employers in the legal profession to eligible and qualified candidates looking for job opportunities. The service is free to members and is a valuable benefit.
- A total of 1,097 new member applications were processed and attorney membership of the State Bar of Michigan grew to 41,803 members in good standing, an increase of 1.6% over FY 2010.
- The State Bar achieved a financial surplus of \$610,494 during FY 2011 primarily through continued cost control, deferral of expenses, lower depreciation, and lower retiree health care expense.
- The Board of Commissioners approved recommendations of the “Public Statement Workgroup” commissioned by State Bar President Tony Jenkins to define the conditions for and the restrictions on public statements on behalf of the State Bar.
- During the year ended September 30, 2011, the Board of Commissioners approved 68 Client Protection Fund claims totaling \$354,473 for payment to reimburse clients whose funds held in trust by their attorneys were misappropriated. A total of \$459,175 in claims was disbursed from the fund in FY 2011. There is a total of \$30,162 in authorized but unpaid claims as of September 30, 2011, pending receipt of signed subrogation agreements from the prospective payees. A total of \$15,707 was collected from 13 respondents on subrogation files. The Client Protection Fund ended the year with net assets of \$2,168,424, exclusive of the approved but unpaid claims awaiting subrogation agreements.
- The State Bar processed 1,270 character and fitness applications for the July 2010 and February 2011 exams, conducted 78 district committee interviews and 34 formal character and fitness standing committee hearings, and participated in one hearing before the Board of Law Examiners during the most recent reporting year (May 1, 2010 - April 30, 2011). Staff continues to create reports that automatically generate request letters, many of which are sent electronically, reducing postage costs and utilizing information imported from the online application submitted by the applicants.
- Eighty-seven complaints alleging the unauthorized practice of law (UPL) were received by the State Bar during the year ended September 30, 2011. Thirty-four of these complaints were closed after investigation, 18 are being monitored after investigation, 31 remain open pending further investigation, 2 complaints recommended for litigation by the UPL Standing Committee are pending final review by the Board of Commissioners, and 2 matters were approved by the Board for litigation.

- The Special Committee on Defining the Practice of Law (Special Committee), appointed by State Bar President Tony Jenkins, examined a rule-based definition of the practice of law prepared by the Standing Committee on the Unauthorized Practice of Law (UPL Committee) as well as alternative approaches to addressing the unauthorized practice of law and to protecting persons needing legal assistance from unauthorized legal practices. In its report to the Board of Commissioners, the Special Committee endorsed a slightly modified version of the proposed definition, recommending its inclusion in the Rules Concerning the State Bar of Michigan as Rule 16.1, Definition of the Practice of Law, stating that the proposed definition codifies and clarifies Michigan common law, provides transparency into issues arising out of the “practice of law,” furnishes necessary guidance to lawyers and others, and will enhance the enforcement efforts of the UPL Committee. The Board of Commissioners referred the report to the Representative Assembly for its consideration.
- State Bar staff counsel responded to approximately 10 to 20 inquiries daily from attorneys and judges seeking informal advice through the Ethics Helpline. The “Tips and Tools for a Successful Practice” seminar was presented twice during the bar year to help lawyers strengthen their law practices, and the new “Lawyer Trust Accounts” seminar, developed by State Bar staff counsel, was presented to assist lawyers in the ethical management of their trust accounts and provide resources for effective recordkeeping. Staff counsel also gave several ethics presentations to local bar associations and bar-related entities.
- The State Bar helped promote and guide the implementation of “Professionalism in Action” (law-school orientation) programs at Wayne State University Law School, University of Detroit Mercy School of Law, Michigan State University College of Law, and Thomas M. Cooley Law School campuses. The program is available to all Michigan law schools.
- The Lawyer Referral Service (LRS) responded to telephone calls and online referral requests, providing an average of 130 referrals to members of the public daily.
- The Practice Management Resource Center (PMRC) continued to provide a variety of practice management resources on its website, which received an average of 31,213 page views monthly. PMRC staff responded to telephone calls from lawyers seeking informal advice via the PMRC helpline, authored practice management articles for the Michigan Bar Journal and external publications, and participated in numerous seminars and programs sponsored by local bar associations, Institute of Continuing Legal Education (ICLE), law schools, and bar-related entities. Through its Customized Training & Consulting Program, PMRC staff continued to perform individualized practice management consultations and customized technology training sessions for lawyers and law firms, and conduct audits for members referred by the attorney discipline agencies.
- The Board of Commissioners approved appointing a standing Practice Management Resource Center Advisory Committee to provide guidance to the Center in the development, maintenance, and evaluation of resources, programs, and services designed to help members build and strengthen their law practices.

- The Lawyers and Judges Assistance Program (LJAP) opened approximately 141 new cases and provided monitoring services to 103 clients during FY 2011. LJAP also participated in the third annual Richard Steinberg Memorial Treatment Fund dinner held in April 2011.
- The Professional Ethics Committee provided comments to the Michigan Supreme Court on proposed revisions to the Michigan Rules of Professional Conduct (MRPC) and issued two new ethics opinions.
- The State Bar's public policy program conducted a full review of 60 bills and court rules and led the advocacy on approximately 50 formal legislative and court rule positions. The State Bar continued its advocacy to reform the indigent criminal defense system. The State Bar also worked to support the goals of the recommendations of the Judicial Crossroads Task Force. At the federal level, the State Bar also advocated for several issues, including funding for civil legal aid, protecting attorney-client privilege in regulatory matters, and other legislative matters to assist in funding for state courts.
- Volunteers filled 844 positions on the 30 standing and special committees and other initiatives to carry out the mission of the State Bar of Michigan. Thirty-two non lawyers joined in that work. The continued implementation of the online committee appointment process resulted in a record number of applicants to serve on State Bar committees.
- Services to the State Bar's 38 sections were enhanced and reviewed with section leaders at the fifth annual Section Chair Orientation.
- The State Bar president and staff made more than 85 visits to the 126 local and special-purpose voluntary bars in Michigan.
- The State Bar of Michigan supported diversity in the profession in FY 2011 with a series of meetings and events culminating in a "Celebrating Diversity Reception" event at the Henry Ford Museum in conjunction with the 2011 Annual Meeting. The reception served as a sequel to an event at last year's Annual Meeting which introduced the Michigan Pledge to Achieve Diversity and Inclusion in the Legal Profession. More than 700 groups, firms, and attorneys have signed on to the pledge. Additionally, the Board of Commissioners unanimously approved appointing a standing diversity and inclusion advisory committee to institutionalize the diversity work of the SBM.
- The State Bar of Michigan hosted the third annual Pro Bono Coordinators Workshop on May 25, 2011. The workshop covered recruitment and recognition of pro bono attorneys, rural pro bono practice, engagement of law firms and the judiciary, and law school pro bono resources for the community.
- The State Bar completed and published the Persons with Disabilities and Access to the Michigan Legal System: A Status Report, 2010.
- An annual Justice Initiatives summit was held in April to gather opinion leaders, policy-makers, and others in the justice initiative community to discuss major issues of concern to the justice community. The working topic of "Engaging the Next Generation of Justice Initiatives Leaders" included the concepts of civil right to counsel, limited scope representation, and pro se representation.

- The State Bar of Michigan held several large member events during FY 2011. In June, a Bar Leadership Forum and Upper Michigan Legal Institute were conducted at Mackinac Island. A well-attended Annual Meeting was held in Dearborn in September 2011 in conjunction with the ICLE Solo and Small Firm Institute.
- *Milliken v. Bradley*, a historic 1974 United States Supreme Court case that addressed a plan for desegregation of schools and busing in Detroit and its suburbs, was the subject of the State Bar's 36th Michigan Legal Milestone. A panel of speakers with diverse viewpoints reflected on the significance of the case and its continuing impact on schools in southeastern Michigan and across the nation at a dedication ceremony and luncheon held in conjunction with the State Bar Annual Meeting in Dearborn.
- Services to members were enhanced with the addition of two new partners offering service discounts to members. In June, SBM partnered with Clio, a web-based legal practice management program that has been optimized to meet the needs of solos and small firms. Clio is accessible from any device (Mac, PC, mobile) and is secure and easy to use. In addition, LookingForSpace.com is an online resource for lawyers seeking to rent extra offices to other attorneys and attorneys seeking to sublet office space from other law firms.
- A key State Bar benefit was enhanced in FY 2011. Casemaker launched its new upgraded version CasemakerELITE. A free benefit provided to members of the State Bar of Michigan, this service provides case law, constitution, and statutes for all 50 states, including the District of Columbia, Michigan primary law, administrative code, state court rules, federal court rules, attorney general opinions, and the model civil jury instructions. In addition to the free functionality, new advanced features are available via subscription. The Casemaker website averages 3,500 visits from our member area monthly.
- Technology improvements continued with the implementation of a state-of-the-art telephone system, expanded electronic voting for State Bar elections, and online member directory improvements.
- The State Bar's Audit Committee recommended new auditors (Andrews Hooper Pavlik PLC) for the period FY 2011-13.
- The Access to Justice Campaign revenue (including pledges) for the fiscal year ended September 30, 2011 was more than \$750,000 (unaudited). The Access to Justice Campaign is a partnership of the State Bar of Michigan, the Michigan State Bar Foundation, and Michigan's legal aid providers to increase resources for civil legal aid to the poor in Michigan. Approximately \$10.6 million has been received to date by the Access to Justice Fund in donations and pledges. The Access to Justice Fund is held by the Michigan State Bar Foundation, which receives, administers, and distributes donations according to the Access to Justice Fund guidelines at [www.msbf.org/atjfund](http://www.msbf.org/atjfund).

## **FY 2011 FINANCIAL SUMMARY**

The State Bar achieved a financial surplus of \$610,494 in the Administrative Fund during FY 2011 primarily through continued cost control, deferral of expenses, lower depreciation, and lower retiree health care expense. The State Bar's net assets in the Administrative Fund totaled \$11,909,693 as of September 30, 2011. The Client Protection Fund has \$2,168,624 in net assets and the Retiree Health Care Trust has \$1,039,246 for future retiree health care premiums. The State Bar operates without any debt.

## **APPROVED FY 2012 BUDGET**

The State Bar Board of Commissioners has approved a deficit budget for FY 2012 of (\$204,956) that focuses on continued spending for accomplishing its strategic focus. A summary of the FY 2012 approved budget was published in the November 2011 *Michigan Bar Journal* and can also be found on the State Bar's website at [www.michbar.org/generalinfo/](http://www.michbar.org/generalinfo/).

## **MANAGEMENT'S RESPONSIBILITY**

The State Bar of Michigan's management is responsible for the information provided in this FY 2011 Annual Financial Report. The basic financial statements and related notes are audited by the independent accounting firm of Andrews Hooper Pavlik PLC in accordance with auditing standards generally accepted in the United States of America, and their opinion is provided as a part of this report.

Questions or comments on this FY 2011 Annual Financial Report should be directed to Janet K. Welch, executive director of the State Bar of Michigan.



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Julie I. Fershtman  
President



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Janet K. Welch  
Executive Director



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Lori A. Buiteweg  
Treasurer



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James C. Horsch  
Director of Finance and Administration

## **FY 2011 STATE BAR OF MICHIGAN BOARD OF COMMISSIONERS**

W. Anthony Jenkins, Detroit, President  
Julie I. Fershtman, Farmington Hills, President-Elect  
Bruce A. Courtade, Grand Rapids, Vice President  
Brian D. Einhorn, Southfield, Secretary  
Thomas C. Rombach, New Baltimore, Treasurer  
Danielle Mason Anderson, Kalamazoo  
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David R. Brake, Lansing  
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Lori A. Buiteweg, Ann Arbor  
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Lawrence Patrick Nolan, Eaton Rapids  
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Richard J. Siriani, Troy  
Angelique Strong Marks, Troy  
Julie A. Sullivan, Kalamazoo  
Laurin' C. Roberts Thomas, Lansing  
Brandy Y. Robinson, Detroit  
Dana M. Warnez, Center Line

## **Overview of the State Bar of Michigan**

### **STATE BAR ORGANIZATION**

The State Bar of Michigan was established in 1935 by the Michigan Legislature. By law, members include all persons who are licensed to practice law in the state of Michigan. The State Bar is a Public Body Corporate funded primarily by member dues and not by governmental appropriations. The State Bar is regulated by the Michigan Supreme Court through the Michigan Supreme Court Rules Concerning the State Bar of Michigan. The mission of the State Bar is to aid in promoting improvements in the administration of justice and advancements in jurisprudence, improving relations between the legal profession and the public, and promoting the interests of the legal profession in Michigan.

The State Bar is governed by a Board of Commissioners. The minimum number of commissioners on the board is 31 and the maximum number is 33. For the year ended September 30, 2011, there were 32 commissioners on the board. The Board of Commissioners has six commissioner committees that provide oversight to the operations of the State Bar: the Executive Committee, Finance Committee, Audit Committee, Programs and Services Committee, Professional Standards Committee, and the Public Policy, Image, and Identity Committee.

The president, president-elect, vice president, secretary, and treasurer comprise the elected officers of the State Bar. A 10-member Executive Committee comprised of the officers, the Representative Assembly chair and vice-chair, and three other commissioners chosen by the president manage the affairs of the State Bar between board meetings. A 142-member Representative Assembly of the State Bar is the final policymaking body of the State Bar. Its elected officers are the chair, chair-elect, and clerk.

As of September 30, 2011, there were 26 standing committees and 3 special committees and sub-entities of the State Bar, whose members are appointed each year by the president, each with a specific jurisdictional statement governing its responsibilities. In addition, there are 38 sections of the State Bar, each with its own bylaws approved by the Board of Commissioners. A total of 35 sections are funded by dues from their membership.

The State Bar employs a paid staff to carry out its mission under the supervision of the executive director, appointed by the Board of Commissioners. The State Bar employed 68 full-time equivalent employees (FTEs) at the end of fiscal year 2011, compared to 67.5 FTEs at the end of fiscal year 2010. Salaries and benefits totaled approximately \$5.6 million, or about 64 percent of total Administrative Fund expenses.

## **STATE BAR PROGRAMS AND MEMBERSHIP SERVICES**

The State Bar administers, operates, and provides for a variety of programs and member services that benefit both the public interest and the members of the State Bar, including:

- Administering the character and fitness process by which bar applicants are admitted to the practice of law. This work includes bar application processing, character and fitness investigations, and interviews and hearings (primarily funded by investigation fees paid by prospective applicants)
- Investigating and seeking injunctive relief against parties engaged in the unauthorized practice of law (UPL), educating members about what constitutes UPL, and providing education to the public on lawyer selection and the hazards of obtaining legal services from nonlawyers
- Providing informal ethics advice to lawyers about the propriety of their conduct based on the Michigan Rules of Professional Conduct and applicable ethics opinions
- Rendering written ethics opinions by the Ethics Committee
- Reviewing and evaluating new laws and court rules for their impact on the administration of justice and on the profession and advocating for policies consistent with the mission of the State Bar
- Publishing the Michigan Bar Journal 11 times a year and an annual Directory issue
- Publishing an e-Journal that updates the legal profession daily on changes to laws and summarizes cases to help attorneys stay up to date with the law
- Operating an online Public Policy Resource Center and publishing the weekly Public Policy Update to increase awareness of public policy issues of particular interest to lawyers
- Maintaining an internet site that serves as both a research tool and a source of information about the State Bar
- Operating a Lawyers and Judges Assistance Program that provides confidential referral, assessment, monitoring, and counseling services to lawyers, judges, and law students challenged by substance use and mental health issues
- Providing members free access to an online career center to connect employers in the legal profession to eligible and qualified candidates looking for job opportunities
- Providing member affinity programs that offer discounted services to members including credit cards, insurance, rental cars, and other business and personal services

- Providing annual State Bar membership identification cards to members and, when requested, Certificates of Good Standing
- Providing a member orientation for the newest members of the State Bar
- Providing members the opportunity to actively participate, network, and share information in State Bar member interest groups (sections) and State Bar committees, including providing administrative support to these groups
- Providing State Bar organizations with a print-on-demand service for newsletter preparation (primarily offset with fees)
- Holding an annual meeting and conference, an annual leadership conference, and periodic seminars that provide for networking and educational updates (partially offset with fees)
- Conducting the Upper Michigan Legal Institute that provides educational opportunities for northern Michigan lawyers (partially offset with fees)
- Providing an online tool for attorneys to search for Michigan case law and related references
- Providing members and bar organizations with meeting rooms and related meeting services at the State Bar headquarters
- Administering a Client Protection Fund that provides for reimbursement to members of the general public who have been victimized by the few lawyers who have misappropriated funds entrusted to them (primarily funded by member assessments)
- Operating a subscriber-based lawyer referral service that provides referrals to the general public and affords subscribing lawyers the opportunity for potential clients to be referred to them (partially funded by the subscribing lawyers)
- Administering the State Bar's justice initiatives programs, which include promoting the effective delivery of high-quality legal services to all Michigan residents, especially those with lower incomes; raising both public and professional awareness of the fair delivery of justice in our state and promoting equal application of law for all citizens; and administering the State Bar's Access to Justice fundraising campaign in support of private giving to nonprofit civil legal aid programs in Michigan
- Operating a Practice Management Resource Center (PMRC) to provide basic and up-to-date practice information by means of a frequently updated website containing articles, features, and forms; an onsite education center and lending library; telephone assistance; and seminars on topics designed to assist lawyers in managing the business aspects of practicing law (some for minimal fees)

## MEMBERSHIP AND AFFILIATE STATISTICS

Below are the statistics for each class of member and affiliate group for the year ended September 30, 2011:

### Attorney Members

Active members	39,389
Emeritus members	1,139
Inactive members	1,275

<b>Total Attorney Members</b>	<b>41,803</b>
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### Affiliates

Legal administrators	25
Legal assistants	439

<b>Total Affiliates</b>	<b>464</b>
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During FY 2011, a total of 1,097 new members joined the State Bar of Michigan.

NOTE: These figures reflect members and affiliates in good standing and do not include those disciplined, disbarred, resigned, deceased, or suspended for nonpayment of dues.

## Financial Section

## Report of Independent Auditors

To the Board of Commissioners  
State Bar of Michigan  
Lansing, Michigan

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar of Michigan as of September 30, 2011, and for the year then ended, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the State Bar of Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bar of Michigan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the State Bar of Michigan as of September 30, 2011, and the respective changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules presented in the Other Supplementary Information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory Section listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information.

*Andrews Hooper Paulik PLC*

Okemos, Michigan  
December 12, 2011

## Management's Discussion and Analysis

# State Bar of Michigan

## Management's Discussion and Analysis

September 30, 2011

### **Brief Description of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the State Bar of Michigan financially as a whole and understand the activity within each fund of the State Bar. The financial statements and related information are organized in this report as follows:

Report of Independent Auditors - Expresses the audit opinion of the independent accounting firm.

Management's Discussion and Analysis (MD&A) - Supplemental information, which discusses the operations of the State Bar and provides expanded financial information and related analysis.

Basic Financial Statements:

- Statement of Net Assets (Balance Sheet) - Discloses the financial position of the State Bar and each fund.
- Statement of Revenue, Expenses, and Changes in Net Assets (Income Statement) – Discloses the sources of revenue, the various expenses, and impact on net assets for the State Bar and each fund.
- Statement of Cash Flows - Shows the sources and uses of cash for the State Bar and each fund.

Notes to the Financial Statements - Provide integral information needed to explain the basis for the numbers used within the basic financial statements.

Other Supplementary Information - Provides additional information to better understand the financial position of the State Bar.

### **Summary of FY 2011 Financial Information**

The audited financial statements, including the statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows, are shown on pages 20 through 24.

Following is a financial analysis comparing FY 2011 with FY 2010 for the statement of net assets and the statement of revenue, expenses, and changes in net assets. Also shown is a financial analysis comparing FY 2011 actual with the FY 2011 budget for the statement of revenue, expenses, and changes in net assets. The financial exhibits in the "Other Supplementary Information" section of this report shown on pages 33 through 40 are also helpful reference material for this analysis.

State Bar of Michigan

Management's Discussion and Analysis (continued)

**Analysis of FY 2011 Statement of Net Assets Compared to FY 2010**

<b>Administrative Fund</b>	<b>September 30</b>		<b>Increase (Decrease)</b>	<b>%</b>
	<b>2011</b>	<b>2010</b>		
Current Assets	<b>\$ 9,087,668</b>	\$ 8,428,085	\$ 659,583	7.83%
Noncurrent Assets (net)	<b>4,976,499</b>	4,972,281	4,218	0.08%
Total Assets	<b><u>\$14,064,167</u></b>	<u>\$ 13,400,366</u>	<u>\$ 663,801</u>	4.95%
Liabilities	<b>\$ 2,154,474</b>	\$ 2,101,167	\$ 53,307	2.54%
Net Assets - Invested in Capital Assets	<b>4,876,186</b>	4,972,281	(96,095)	-1.93%
Net Assets - Unrestricted	<b><u>7,033,507</u></b>	<u>6,326,918</u>	<u>706,589</u>	11.17%
Total Liabilities and Net Assets	<b><u>\$14,064,167</u></b>	<u>\$ 13,400,366</u>	<u>\$ 663,801</u>	4.95%

Current assets increased by \$659,583, or 7.83 percent, primarily due to higher investments, partially offset by a decrease in cash. Noncurrent assets increased by \$4,218, or .08 percent, as the increase in the retiree health care asset of \$100,313 more than offset the decrease in capital assets (net) of \$96,095, or 1.93 percent, which was due to increased accumulated depreciation partially offset by increased capital expenditures. Liabilities increased by \$53,307, or 2.54 percent, due primarily to higher deferred revenue. Net assets increased as a result of the surplus of \$610,494, or 4.95 percent, during FY 2011.

<b>Client Protection Fund</b>	<b>September 30</b>		<b>Increase (Decrease)</b>	<b>%</b>
	<b>2011</b>	<b>2010</b>		
Assets	<b>\$ 2,246,264</b>	\$ 2,217,294	\$ 28,970	1.31%
Liabilities	<b>\$ 77,640</b>	\$ 69,893	\$ 7,747	11.08%
Net Assets	<b><u>2,168,624</u></b>	<u>2,147,401</u>	<u>21,223</u>	0.99%
Total Liabilities and Net Assets	<b><u>\$ 2,246,264</u></b>	<u>\$ 2,217,294</u>	<u>\$ 28,970</u>	1.31%

Assets increased by \$28,970, or 1.31 percent, due to higher investments, net of lower cash and lower "due from" other funds. Liabilities increased by \$7,747 or 11.08 percent, primarily due to higher deferred revenue. Net assets increased as a result of the surplus of \$21,223, or .99 percent, during FY 2011.

State Bar of Michigan

Management's Discussion and Analysis (continued)

Sections	September 30		Increase (Decrease)	%
	2011	2010		
Total Assets	\$ 1,603,328	\$ 1,608,592	\$ (5,264)	-0.33%
Net Assets	\$ 1,603,328	\$ 1,608,592	\$ (5,264)	-0.33%

All of the individual assets and liabilities of the Sections are held within the Administrative Fund and are shown as assets in "due from (to) other funds". Both assets and net assets decreased by \$5,264, or .33 percent, as a result of Section expenses being greater than Section revenue during the year.

**Analysis of FY 2011 Statement of Revenue, Expenses, and Changes in Net Assets Compared to FY 2010**

Administrative Fund	Year Ended September 30		Increase (Decrease)	%
	2011	2010		
Operating Revenue	\$ 9,291,423	\$ 9,225,116	\$ 66,307	0.72%
Operating Expenses:				
Labor	5,593,209	5,558,671	34,538	0.62%
Nonlabor	3,198,683	3,295,355	(96,672)	-2.93%
Total Operating Expenses	8,791,892	8,854,026	(62,134)	-0.70%
Operating Income	499,531	371,090	128,441	34.61%
Nonoperating Revenue	110,963	130,714	(19,751)	-15.11%
Increase in Net Assets	\$ 610,494	\$ 501,804	\$ 108,690	21.66%

**Administrative Fund**

The Administrative Fund's operating income increased by \$128,441, or 34.61 percent, during FY 2011 due to an increase in operating revenue of \$66,307, or .72 percent, and a decrease in operating expenses of \$62,134, or .70 percent.

The Administrative Fund's operating revenue increased by \$66,307, or .72 percent, during FY 2011, primarily due to increases in member dues and fees, annual meeting revenue, and character and fitness fees; partially offset by decreases in affinity revenue, advertising and publications revenue, and print center revenue.

## State Bar of Michigan

### Management's Discussion and Analysis (continued)

The Administrative Fund's operating expenses decreased by \$62,134, or .70 percent, during FY 2011 due to lower nonlabor expenses of \$96,672, or 2.93 percent, due primarily to lower executive office expenses, HR expenses, depreciation and payments in lieu of property tax expense; partially offset by higher annual meeting expenses due to a portion of the 2010 annual meeting expense occurring in FY 2011. The lower nonlabor expenses were partially offset by higher labor expenses of \$34,538, or .62 percent, due to higher salary expense partially offset by lower retiree health care expense.

The Administrative Fund's nonoperating revenue decreased by \$19,751, or 15.11 percent, during FY 2011, due to lower investment income.

As a result, the Administrative Fund's increase in net assets was \$108,690 higher in FY 2011 as compared to FY 2010, due to a surplus of \$610,494 in FY 2011 as compared to a surplus of \$501,804 in FY 2010. To recap, the primary reason for this increase was due to an increase in operating income of \$128,441 and a decrease in nonoperating revenue of \$19,751.

#### **Analysis of FY 2011 Statement of Revenue, Expenses, and Changes in Net Assets Compared to FY 2010**

<u>Client Protection Fund</u>	<u>Year Ended September 30</u>		<u>Increase</u>	<u>%</u>
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>	
Operating Revenue	\$ 635,646	\$ 614,377	\$ 21,269	3.46%
Operating Expenses	<u>638,002</u>	<u>571,633</u>	<u>66,369</u>	11.61%
Operating Income (Loss)	<u>(2,356)</u>	42,744	(45,100)	-105.51%
Nonoperating Revenue	<u>23,579</u>	<u>27,035</u>	<u>(3,456)</u>	-12.78%
Increase in Net Assets	<u>\$ 21,223</u>	<u>\$ 69,779</u>	<u>\$ (48,556)</u>	-69.59%

#### **Client Protection Fund**

The Client Protection Fund experienced an increase in net assets of \$21,223 in FY 2011 compared to an increase of \$69,779 in FY 2010, resulting in a year-over-year decrease of \$48,556, due primarily to higher claims payments partially offset by higher revenue.

State Bar of Michigan

Management's Discussion and Analysis (continued)

**Analysis of FY 2011 Statement of Revenue, Expenses, and Changes in Net Assets Compared to FY 2010**

Sections	Year Ended September 30		Increase (Decrease)	%
	2011	2010		
Operating Revenue	\$ 1,650,233	\$ 1,538,985	\$ 111,248	7.23%
Operating Expenses	1,655,497	1,532,201	123,296	8.05%
Operating Income	\$ (5,264)	\$ 6,784	\$ (12,048)	-177.59%

**Sections**

The Sections experienced a decrease in net assets of \$5,264 in FY 2011 compared to an increase of \$6,784 in FY 2010, resulting in a year-over-year decrease of \$12,048, due to higher expenses mostly offset by higher revenues.

**Analysis of FY 2011 Revenue, Expenses, and Changes in Net Assets as Compared to FY 2011 Approved Budget - Administrative Fund**

	Year Ended September 30		(Unfavorable) Variance	%
	2011 Actual	2011 Budget		
Operating Revenue	\$ 9,291,423	\$ 9,313,200	\$ (21,777)	-0.23%
Operating Expenses:				
Labor	5,593,209	5,747,948	154,739	2.69%
Nonlabor	3,198,683	3,954,679	755,996	19.12%
Total Operating Expenses	8,791,892	9,702,627	910,735	9.39%
Operating Income (Loss)	499,531	(389,427)	888,958	N/A
Nonoperating Revenue	110,963	100,000	10,963	10.96%
Increase (Decrease) in Net Assets	\$ 610,494	\$ (289,427)	\$ 899,921	N/A

The Administrative Fund's operating income was better than budget by \$888,958 due to a favorable variance in operating expenses of \$910,735, or 9.39 percent, partially offset by an unfavorable variance in operating revenue of \$21,777, or .23 percent.

## State Bar of Michigan

### Management's Discussion and Analysis (continued)

The Administrative Fund's operating revenue was unfavorable to budget by \$21,777, or .23 percent, primarily due to lower advertising and publications revenue; partially offset by higher character and fitness fees.

The Administrative Fund's operating expenses were favorable to budget by \$910,735, or 9.39 percent, during FY 2011 due to lower labor expenses of \$154,739, or 2.69 percent, due primarily to lower retiree health care and benefit expenses; and due to lower nonlabor expenses of \$755,996, or 19.12 percent, due primarily to lower depreciation expense and expenses for executive offices (including justice initiatives), member service and communications, and professional standards.

The Administrative Fund's nonoperating revenue was favorable to budget by \$10,963, or 10.96 percent, due to slightly higher investment returns than budgeted.

As a result, the Administrative Fund's increase in net assets in FY 2011 was favorable to budget by \$899,921, due to a surplus of \$610,494 as compared to a budgeted decrease of \$289,427. To recap, the primary reasons for this favorable variance were due to a favorable variance in operating income of \$888,958 and by a favorable variance in nonoperating revenue of \$10,963.

#### **Analysis of Capital Assets**

Capital assets (net of accumulated depreciation) consisting of land, building, furniture and equipment, and computer equipment/software decreased by \$96,095 during FY 2011. This decrease is due to current year depreciation expense of \$398,137 being greater than current year additions of \$302,042. More detailed information about the State Bar's capital assets is presented in Note 4 to the financial statements.

## Basic Financial Statements

State Bar of Michigan  
Statement of Net Assets  
September 30, 2011

	<b>Administrative Fund</b>	<b>Client Protection Fund</b>	<b>Sections</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash	\$ 1,429,875	\$ 138,258	\$ -	\$ 1,568,133
Investments	8,707,000	2,118,000	-	10,825,000
Accounts receivable:				
Trade	180,192	10,005	-	190,197
Foundation	21,070	-	-	21,070
Due (to) from other funds	(1,583,329)	(19,999)	1,603,328	-
Inventory	36,111	-	-	36,111
Prepaid expenses	296,749	-	-	296,749
Total current assets	9,087,668	2,246,264	1,603,328	12,937,260
SBM retiree health care asset	100,313	-	-	100,313
Capital assets, net	4,876,186	-	-	4,876,186
Total assets	<u>\$ 14,064,167</u>	<u>\$ 2,246,264</u>	<u>\$ 1,603,328</u>	<u>\$ 17,913,759</u>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable	\$ 512,755	\$ 1,215	\$ -	\$ 513,970
Accrued expenses	456,199	-	-	456,199
Deferred revenue	1,185,520	76,425	-	1,261,945
Total current liabilities	2,154,474	77,640	-	2,232,114
Net assets:				
Invested in capital assets	4,876,186	-	-	4,876,186
Unrestricted	7,033,507	2,168,624	1,603,328	10,805,459
Total net assets	<u>11,909,693</u>	<u>2,168,624</u>	<u>1,603,328</u>	<u>15,681,645</u>
Total liabilities and net assets	<u>\$ 14,064,167</u>	<u>\$ 2,246,264</u>	<u>\$ 1,603,328</u>	<u>\$ 17,913,759</u>

*See accompanying notes.*

State Bar of Michigan  
Statement of Revenue, Expenses, and Changes in Net Assets  
Year Ended September 30, 2011

	<b>Administrative Fund</b>	<b>Client Protection Fund</b>	<b>Sections</b>	<b>Total</b>
<b>Operating revenue</b>				
Membership dues and fees	\$ 7,254,916	\$ 607,676	\$ 1,126,474	\$ 8,989,066
Bar Journal	244,604	-	-	244,604
Bar Journal Directory	137,839	-	-	137,839
Bar Leadership Forum	9,103	-	-	9,103
Rent/Attorney Discipline System fee	83,009	-	-	83,009
Lawyers and Judges Assistance	41,009	-	-	41,009
Annual Meeting	146,428	-	-	146,428
Upper Michigan Legal Institute	8,487	-	-	8,487
Ethics	3,900	-	-	3,900
50-year Golden Celebration	3,483	-	-	3,483
Print Center	99,836	-	-	99,836
e-Journal	45,924	-	-	45,924
Lawyer Referral Service	117,479	-	-	117,479
Member and Endorsed Services	548,311	-	-	548,311
Character and Fitness	318,240	-	-	318,240
Practice Management Resource Center	14,280	-	-	14,280
Internet	31,671	-	-	31,671
Other revenue	182,904	27,970	523,759	734,633
Total operating revenue	9,291,423	635,646	1,650,233	11,577,302
<b>Operating expenses</b>				
Labor expenses:				
Salaries	3,846,904	-	-	3,846,904
Employee benefits and payroll taxes	1,746,305	-	-	1,746,305
Total labor expenses	5,593,209	-	-	5,593,209
Nonlabor expenses:				
Executive Offices	561,676	-	-	561,676
Finance and Administration	1,029,958	-	-	1,029,958
Information Technology Services	212,049	-	-	212,049
Member Services and Communications	1,269,563	-	-	1,269,563
Professional Standards	125,437	-	-	125,437
Claims payments	-	459,175	-	459,175
Client Protection Fund administrative expenses	-	178,827	-	178,827
Sections expenses	-	-	1,655,497	1,655,497
Total nonlabor expenses	3,198,683	638,002	1,655,497	5,492,182
Total operating expenses	8,791,892	638,002	1,655,497	11,085,391
Operating income (loss)	499,531	(2,356)	(5,264)	491,911
Nonoperating revenue - investment income	110,963	23,579	-	134,542
Increase (decrease) in net assets	610,494	21,223	(5,264)	626,453
Net assets - beginning of year	11,299,199	2,147,401	1,608,592	15,055,192
Net assets - end of year	\$ 11,909,693	\$ 2,168,624	\$ 1,603,328	\$ 15,681,645

See accompanying notes.

State Bar of Michigan  
Statement of Cash Flows  
Year Ended September 30, 2011

	Administrative Fund	Client Protection Fund	Sections	Total
<b>Cash flows from operating activities</b>				
Membership dues and fees	\$ 7,326,311	\$ 614,208	\$ 1,126,474	\$ 9,066,993
Other receipts	2,106,457	67,967	523,759	2,698,183
Payments to employees	(5,675,611)	(178,828)	-	(5,854,439)
Payments to suppliers	(2,922,410)	-	(1,650,233)	(4,572,643)
Payments for claims	-	(457,959)	-	(457,959)
Net cash provided by operating activities	834,747	45,388	-	880,135
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(302,042)	-	-	(302,042)
<b>Cash flows from investing activities</b>				
Purchases of investments - net	(1,287,000)	(573,000)	-	(1,860,000)
Investment income	110,963	23,579	-	134,542
Net cash used in investing activities	(1,176,037)	(549,421)	-	(1,725,458)
Net decrease in cash	(643,332)	(504,033)	-	(1,147,365)
Cash - beginning of year	2,073,207	642,291	-	2,715,498
Cash - end of year	\$ 1,429,875	\$ 138,258	\$ -	\$ 1,568,133

Reconciliation of operating income to net cash from operating activities is as follows:

Operating income (loss)	\$ 499,531	\$ (2,356)	\$ (5,264)	\$ 491,911
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	398,137	-	-	398,137
Changes in assets and liabilities:				
Accounts receivable	66,749	5,735	-	72,484
Prepaid expenses	(33,376)	-	-	(33,376)
SBM retiree health care asset	(100,313)	-	-	(100,313)
Accounts payable	(78,726)	1,215	-	(77,511)
Accrued expenses	17,911	-	-	17,911
Due (to) from other funds	(39,526)	34,262	5,264	-
Deferred revenue	114,122	6,532	-	120,654
Inventory	(9,762)	-	-	(9,762)
Net cash provided by operating activities	\$ 834,747	\$ 45,388	\$ -	\$ 880,135

During 2011, there were no noncash investing, capital, and financing activities.

State Bar of Michigan

Fiduciary Funds  
Statement of Net Assets

September 30, 2011

	<b>Retiree Health Care Trust Fund</b>
<b>Assets</b>	
Investments	\$ 1,039,246
Total assets	<u>\$ 1,039,246</u>
<b>Net assets</b> - held in trust for employee benefits	<u>\$ 1,039,246</u>

State Bar of Michigan  
 Fiduciary Funds  
 Statement of Changes in Net Assets  
 Year Ended September 30, 2011

	<b>Retiree Health Care Trust Fund</b>
<b>Additions</b>	
Contributions	\$ 210,000
Investment income (loss)	(20,489)
Net increase	189,511
 <b>Net assets held in trust for employee benefits</b>	
Beginning of year	849,735
End of year	\$ 1,039,246

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2011

### **1. Summary of Significant Accounting Policies**

The accounting policies of the State Bar of Michigan (State Bar) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the State Bar:

#### **A. Reporting Entity**

The State Bar of Michigan is the association of the members of the bar of this state, organized and existing as a public body corporate pursuant to powers of the Supreme Court over the State Bar of the State. The State Bar of Michigan shall, under the rules of the Supreme Court, aid in promoting improvements in the administration of justice and advancements in jurisprudence, in improving relations between the legal profession and the public, and in promoting the interests of the legal profession in this state.

No component units are required to be reported in the State Bar of Michigan's financial statements. The State Bar of Michigan's financial statements are included in the State of Michigan Comprehensive Annual Financial Report as a component unit. For accountability purposes, the accounts of the State Bar of Michigan are organized into three distinct funds, each of which is considered a separate accounting entity:

Administrative Fund – The Administrative Fund is the main operating fund for the State Bar of Michigan and accounts for all of the activities that are not accounted for in another fund.

Client Protection Fund – The Client Protection Fund is a voluntary program established for the purpose of reimbursing clients who have been victimized by the few lawyers who violate the profession's ethical standards and misappropriate funds entrusted to them. It is funded primarily by dues assessments and, to a lesser extent, by interest income and unspent judicial election campaign funds. The Client Protection Fund concerns itself with investigation of claims, the distribution of authorized payments, and the institution and prosecution of all subrogation actions seeking to recoup monies paid from the fund.

In addition to claims paid shown in the statement of revenue, expenses, and changes in net assets, there is a total of \$30,162 in claims that has been authorized by the Board of Commissioners as of September 30, 2011 but is awaiting signed subrogation agreements for payment.

# State Bar of Michigan

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### A. Reporting Entity (continued)

Sections – With the exception of the Young Lawyers Section, the Judicial Conference, and the Master Lawyers Section, the Sections are self-funded, voluntary memberships that promote the particular interests of attorneys practicing in their respective specialty areas of law. Each Section operates within the definitions of its own set of bylaws, which must be approved by the Board of Commissioners of the State Bar of Michigan. Sections plan and carry out programs, publications, and activities of interest. Financial services, such as receipts and disbursements processing, financial reporting, dues processing, meeting rooms and arrangements, and related support services, are provided to the Sections and charged against the Administrative Fund; further, the interest and investment income or loss on a Section’s funds are retained within the Administrative Fund.

#### B. Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The State Bar of Michigan follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provide a comprehensive one-line look at the State Bar’s financial activities.

#### C. Basis of Accounting

The State Bar of Michigan follows the accounting rules promulgated by the Governmental Accounting Standards Board. Additionally, the State Bar of Michigan follows all Financial Accounting Standards Board (FASB) Codification sections applicable on or before November 30, 1989, unless those pronouncements conflict with or contradict the GASB. The State Bar of Michigan has elected not to follow FASB Codification sections applicable after November 30, 1989 for its business-type activities. The periodic determination of revenue earned, expenses incurred, and net income is appropriate for management control and accountability; therefore, the proprietary fund model is followed and the full accrual basis of accounting is used.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the State Bar in a trustee capacity. This fund includes the State Bar of Michigan Retiree Health Care Trust. The fund is reported within the basic financial statements even though its resources cannot be used to fund the State Bar’s operations because of the fiduciary responsibility that the State Bar retains relative to the operations of the postemployment plan.

Investments – Investments include all monies other than bank deposits (checking and savings accounts) and petty cash. Investments are recorded at fair market value.

# State Bar of Michigan

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### C. Basis of Accounting (continued)

Prepaid Expenses – Prepaid expenses reported in the Administrative Fund represent advance payment for future year expenses.

Capital Assets – All capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such capital assets is charged as an expense against the operations of the proprietary funds on a straight-line basis, based on the appropriate depreciation schedule for each class of capital assets. It is the policy of the State Bar to capitalize all assets that have useful lives of greater than two years with an acquisition cost of \$500 or more per item or group of items.

Deferred Revenue – Income is recognized as revenue as it is earned. Prepayments of annual dues are recorded as deferred until the revenue is earned over the dues year.

Operating Revenue – All revenue from programmatic sources is considered to be operating revenue.

Nonlabor Expenses – All operating expenses except salaries, employee benefits, and payroll taxes are considered to be nonlabor expenses. These expenses include supplies, utilities, postage, printing, contractor expenses, and other items.

Accounts Receivable – Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal member payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. At September 30, 2011, the allowance for the doubtful accounts was \$10,858.

### 2. Deposits and Investments

The State Bar of Michigan has designated three primary financial institutions for the deposit of its cash and investments. The State Bar of Michigan's cash and investments, except for the Client Protection Fund, are combined with the Sections. The cash and investments of the Client Protection Fund are maintained in separate accounts. The Finance Committee of the Board of Commissioners monitors the investments according to its investment policy. At year end, investments consisted solely of CDARS and certificates of deposit that are with banks in amounts not exceeding the FDIC limits and therefore are completely insured by the FDIC (principal and accrued interest), except for investments held by the Retiree Health Care Trust Fund. Investments held by the Retiree Health Care Trust Fund consist of 2 bond mutual funds and 7 equity mutual funds.

## State Bar of Michigan

### Notes to Financial Statements (continued)

#### 2. Deposits and Investments (continued)

Custodial Credit Risk and Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the State Bar of Michigan’s deposits may not be returned. Due to the recent financial system collapse, the State Bar has practiced a policy of ensuring that all bank deposits are insured by the FDIC or collateralized by government securities.

At year end, the State Bar of Michigan (including deposits held on behalf of the Attorney Discipline System) had \$13,011,766 of bank deposits (checking, savings, NOW, certificates of deposit, and CDARS accounts) and of that balance, except for recent receipts of dues payments received in the lockbox, 100 percent was insured.

#### 3. Related Party

The State Bar of Michigan provides employee and financial services to the Attorney Discipline System for a fee. The Attorney Discipline System is the adjudicative arm of the Supreme Court that is empowered to discipline and re-instate attorneys in accordance with the Court Rules. The State Bar of Michigan and the Attorney Discipline System have a common bank savings account and share the same employer tax ID number. The fee billed to the Attorney Discipline System for the year ended September 30, 2011 was \$43,455.

#### 4. Capital Assets

A summary of capital assets at September 30, 2011 follows:

	Beginning Balance	Additions	Disposals	Ending Balance	Depreciable Life-Years
Capital assets not being depreciated:					
Land	\$ 380,545	\$ -	\$ -	\$ 380,545	-
Capital assets being depreciated:					
Building	7,580,407	34,286		7,614,693	10-50
Furniture and equipment	1,996,069	150,364	(86,600)	2,059,833	5-20
Computer equipment/software	1,416,223	117,392	(138,594)	1,395,021	3-5
<b>Total capital assets</b>	<b>11,373,244</b>	<b>302,042</b>	<b>(225,194)</b>	<b>11,450,092</b>	
Less accumulated depreciation:					
Building	3,831,724	166,256	-	3,997,980	
Furniture and equipment	1,368,234	107,930	(86,600)	1,389,564	
Computer equipment/software	1,201,005	123,951	(138,594)	1,186,362	
<b>Total accumulated depreciation</b>	<b>6,400,963</b>	<b>398,137</b>	<b>(225,194)</b>	<b>6,573,906</b>	
<b>Total net capital assets</b>	<b>\$ 4,972,281</b>	<b>\$ (96,095)</b>	<b>\$ -</b>	<b>\$ 4,876,186</b>	
Depreciation expense				<u>\$ 398,137</u>	

## State Bar of Michigan

### Notes to Financial Statements (continued)

#### **5. Risk Management**

The State Bar of Michigan is exposed to various risks and loss related to property loss, torts, errors and omissions, employee theft, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The State Bar of Michigan has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The State Bar's Finance Committee reviews risks and insurance coverage on its director's and officer's liability policy, property and general liability policy, and umbrella policy.

#### **6. Legal Issues**

The State Bar of Michigan is presently a nominal defendant in a federal action filed in the Eastern District of Michigan by a former member seeking to collaterally attack a 1992 decision by the Attorney Discipline Board to suspend the former member's license to practice law in Michigan. The Plaintiff's claim does not include a claim for money damages. The State Bar of Michigan is not presently incurring legal fees relative to the action or any other lawsuit, and is not aware of any other lawsuits that are imminent.

#### **7. Retirement Plans**

Plan Description – The State Bar of Michigan participates in the State of Michigan's defined benefit plan, pursuant to the State Employees Retirement Plan Act (PA 240 of 1943) that covers most state employees, as well as eligible and former employees of related component units such as the State Bar of Michigan. The defined benefit plan is available to employees and former employees hired on or before March 31, 1997 and who have not elected the defined contribution plan (collectively known as Tier 1 employees). The plan provides defined benefits for retirement, disability, death benefits, and annual costs of living adjustment to plan members whose eligibility is subject to age, retirement, years of service, and vesting requirements. The State Legislature establishes the benefit provisions and employer payments to the State for the plan.

Employees not covered by the defined benefit plan (collectively known as Tier 2 employees) are covered by the State Bar of Michigan Retirement Plan (defined contribution plan) administered by the State Bar.

The State of Michigan plans issue a publicly available financial report that includes financial statements and required supplemental information for the systems. That report may be obtained by writing to the system at 7150 Harris Drive, PO Box 30171, Lansing, MI 48909.

Funding Policy – For the defined benefit plan, the State Bar of Michigan is required to pay the State at an actuarially determined rate, which was 23.98 percent of Tier 1 payroll for the fiscal year ended September 30, 2011.

## State Bar of Michigan

### Notes to Financial Statements (continued)

#### **7. Retirement Plans (continued)**

Funding Policy (continued) – For the defined contribution plan, the State Bar of Michigan contributes 4.0 percent of each employee’s pay with a match of up to 3.0 percent of each employee’s pay based on employee contributions, subject to plan limits. In addition to the contribution percentages above, for employees hired before January 1, 2004 and not eligible for retiree healthcare benefits, the State Bar also makes additional voluntary contributions.

The State Bar of Michigan’s contributions to the plans, including the cost of administering the plans, excluding postemployment benefits (see Note 8), for the years ended September 30, 2011, 2010, and 2009 were \$316,944, \$336,990, and \$355,703, respectively.

#### **8. Postemployment Benefits**

Plan Description – Employees, former employees, and retirees of the State Bar of Michigan who were hired on or before March 31, 1997 (or who had equivalent service with other agencies) and who participate in either the defined benefit retirement plan or the defined contribution retirement plan, and meet certain vesting and other requirements at retirement, will receive health care benefits from the State of Michigan. The cost of retiree health care benefits is determined by the State of Michigan based upon statute. Effective January 1, 2004, pursuant to a settlement agreement with the State of Michigan, the State Bar of Michigan assumed responsibility for paying the actual cost of the postemployment benefits to the State of Michigan for eligible retirees instead of being assessed a fee each year by the State of Michigan based on the State Bar of Michigan’s active payroll. Currently, the plan has 31 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the State Bar of Michigan. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

Funding Policy – The State Bar of Michigan has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, as shown below, the State Bar has made contributions to advance-fund these benefits.

Funding Progress – For the year ended September 30, 2011, the State Bar of Michigan has estimated the cost of providing retiree health care benefits through an actuarial valuation as of October 1, 2010. The valuation computes an annual required contribution, which represents a level of a funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows for September 30, 2011:

State Bar of Michigan

Notes to Financial Statements (continued)

**8. Postemployment Benefits (continued)**

Annual required contribution (recommended)	\$ 210,332
Interest on the prior year's net OPEB obligation	-
Less adjustment of the annual required contribution	-
	-
Annual OPEB cost	210,332
Amount contributed:	
Payments of current premiums	(100,645)
Advance funding	(210,000)
	-
Decrease in net OPEB obligation	(310,645)
OPEB obligation – Beginning of year	-
	-
OPEB obligation (asset) – End of year	\$ (100,313)

The annual OPEB costs and the percentage contributed to the plan were as follows:

	Fiscal Year Ended September 30, 2011	Fiscal Year Ended September 30, 2010	Fiscal Year Ended September 30, 2009
	2011	2010	2009
Annual OPEB costs	\$ 210,332	\$ 289,882	\$ 289,882
Additional contributions	100,313	-	-
Total amount contributed	\$ 310,645	\$ 289,882	\$ 289,892
Percentage contributed	148%	100%	100%

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of October 1, 2010:

Actuarial value of assets	\$ 849,735
Actuarial accrued liability (AAL)	\$ 3,047,699
Unfunded AAL (UAAL)	\$ 2,197,964
Funded ratio	27.88%
Covered payroll	\$ 841,675
UAAL as a percentage of covered payroll	261.14%

## State Bar of Michigan

### Notes to Financial Statements (continued)

#### **8. Postemployment Benefits (continued)**

Actuarial methods and assumption – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2010 actuarial valuation, the unit credit actuarial cost method was used. The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Significant actuarial assumptions used in determining the annual OPEB cost include: 1) a rate of return on investments of present and future assets of 7 percent, compounded annually; 2) an annual medical cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4.7 percent after 8 years; and 3) an annual dental and vision cost trend rate of 3.5 percent initially, reduced to 3 percent after one year.

The actuarial value of assets was based on the amount invested in the trust on the actuarial valuation date. The UAAL is being amortized over 30 years from the valuation date in level dollar payments. The remaining amortization period at September 30, 2011 was 29 years.

The State Bar of Michigan is currently consulting with the State of Michigan Office of Retirement Services to confirm the number of participants with vested retiree health care benefits that was the basis for the most recent actuarial study used in determining the total actuarial present value of future benefits and the annual required contribution. The discussion is not yet complete, but based on recent information from the State of Michigan there is a potential that the number of State Bar participants with vested benefits could be higher than the census used in the actuarial study, which could result in a higher total actuarial present value of future benefits and annual required contribution. The financial impact, if any, cannot be determined at this time.

## Other Supplementary Information

State Bar of Michigan  
Schedule of Revenue and Expenses - Sections

	<b>Balance October 1, 2010</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Balance September 30, 2011</b>
Administrative Law	\$ 34,937	\$ 12,851	\$ 13,390	\$ 34,398
Alternative Dispute Resolution	33,625	40,911	63,566	10,970
American Indian Law	15,482	3,464	6,660	12,286
Animal Law	11,671	5,840	5,080	12,431
Antitrust, Franchising, and Trade Regulation	20,978	5,045	13,059	12,964
Appellate Practice	21,924	17,485	15,294	24,115
Arts, Communication, Entertainment, and Sports	9,028	6,843	5,922	9,949
Aviation Law	20,535	3,288	641	23,182
Business Law	150,276	135,599	152,371	133,504
Children's Law	15,751	19,340	25,290	9,801
Consumer Law	19,985	9,930	7,480	22,435
Criminal Law	29,751	51,225	78,910	2,066
Elder Law and Disability Rights	56,838	125,554	78,905	103,487
Environmental Law	59,067	21,936	26,819	54,184
Family Law	111,850	183,307	198,654	96,503
General Practice	8,791	24,755	21,943	11,603
Health Care Law	59,412	36,670	34,298	61,784
Information Technology Law	28,278	13,555	3,119	38,714
Insurance and Indemnity Law	12,880	12,225	6,045	19,060
Intellectual Property Law	22,719	36,530	13,821	45,428
International Law	21,524	12,410	15,882	18,052
Judicial Conference	2,896	18,450	16,686	4,660
Labor and Employment Law	52,345	91,682	76,143	67,884
Latin American Bar Activities	10,625	831	481	10,975
Law Practice Management and Legal Administrators	47,398	15,275	28,410	34,263
Law Student	4,845	3,795	2,368	6,272
Paralegal/Legal Assistant	19,462	15,555	22,458	12,559
Litigation	87,582	53,503	48,764	92,321
Negligence Law	24,840	92,090	93,715	23,215
Prisons and Corrections	826	3,284	3,444	666
Probate and Estate Planning	154,745	117,374	88,605	183,514
Public Corporation Law	26,572	26,670	30,455	22,787
Real Property Law	225,167	229,964	262,211	192,920
Master Lawyers	1,374	7,870	7,561	1,683
Social Security Lawyers	10,533	20,105	21,269	9,369
Taxation	89,237	57,375	57,354	89,258
Workers' Compensation Law	64,022	27,662	15,914	75,770
Young Lawyers	20,821	89,985	92,510	18,296
<b>Total</b>	<b>\$ 1,608,592</b>	<b>\$ 1,650,233</b>	<b>\$ 1,655,497</b>	<b>\$ 1,603,328</b>

State Bar of Michigan

Comparative Statement of Net Assets - Administrative Fund

	September 30		Variance	
	2011	2010	Increase (Decrease) Amount	%
<b>Assets</b>				
Current assets:				
Cash	\$ 1,429,875	\$ 2,073,207	\$ (643,332)	-31.03%
Investments	8,707,000	7,420,000	1,287,000	17.35%
Accounts receivable:				
Trade	180,192	249,488	(69,296)	-27.78%
Foundation	21,070	18,523	2,547	13.75%
Due (to) from other funds	(1,583,329)	(1,622,855)	39,526	-2.44%
Inventory	36,111	26,349	9,762	37.05%
Prepaid expenses	296,749	263,373	33,376	12.67%
Total current assets	9,087,668	8,428,085	659,583	7.83%
SBM retiree health care asset	100,313	-	100,313	100.00%
Capital assets, net	4,876,186	4,972,281	(96,095)	-1.93%
Total assets	\$ 14,064,167	\$ 13,400,366	\$ 663,801	4.95%
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable	\$ 512,755	\$ 591,481	\$ (78,726)	-13.31%
Accrued expenses	456,199	438,288	17,911	4.09%
Deferred revenue	1,185,520	1,071,398	114,122	10.65%
Total current liabilities	2,154,474	2,101,167	53,307	2.54%
Net assets:				
Invested in capital assets	4,876,186	4,972,281	(96,095)	-1.93%
Unrestricted	7,033,507	6,326,918	706,589	11.17%
Total net assets	11,909,693	11,299,199	610,494	5.40%
Total liabilities and net assets	\$ 14,064,167	\$ 13,400,366	\$ 663,801	4.95%

## State Bar of Michigan

### Schedule of Revenue, Expenses, and Changes in Net Assets Compared to Prior Year - Administrative Fund

	Year Ended September 30		Variance	
	2011	2010	Increase (Decrease) Amount	%
<b>Operating revenue</b>				
Membership dues and fees	\$ 7,254,916	\$ 7,178,322	\$ 76,594	1.07%
Bar Journal	244,604	255,206	(10,602)	-4.15%
Bar Journal Directory	137,839	165,077	(27,238)	-16.50%
Bar Leadership Forum	9,103	8,895	208	2.34%
Rent/Attorney Discipline System fee	83,009	81,743	1,266	1.55%
Justice Initiatives	-	6,082	(6,082)	-100.00%
Lawyers and Judges Assistance	41,009	30,638	10,371	33.85%
Annual Meeting	146,428	77,959	68,469	87.83%
Upper Michigan Legal Institute	8,487	9,797	(1,310)	-13.37%
Ethics	3,900	5,374	(1,474)	-27.43%
50-year Golden Celebration	3,483	1,470	2,013	136.94%
Print Center	99,836	126,157	(26,321)	-20.86%
e-Journal	45,924	51,406	(5,482)	-10.66%
Lawyer Referral Service	117,479	123,407	(5,928)	-4.80%
Member and Endorsed Services	548,311	591,085	(42,774)	-7.24%
Character and Fitness	318,240	292,560	25,680	8.78%
Practice Management Resource Center	14,280	14,969	(689)	-4.60%
Internet	31,671	27,672	3,999	14.45%
Other revenue	182,904	177,297	5,607	3.16%
Total operating revenue	9,291,423	9,225,116	66,307	0.72%
<b>Operating expenses</b>				
Labor expenses:				
Salaries	3,846,904	3,756,017	90,887	2.42%
Employee benefits and payroll taxes	1,746,305	1,802,654	(56,349)	-3.13%
Total labor expenses	5,593,209	5,558,671	34,538	0.62%
Nonlabor expenses:				
Executive Offices:				
Executive Office	63,959	113,987	(50,028)	-43.89%
Human Resources	37,128	65,963	(28,835)	-43.71%
Representative Assembly	45,070	46,406	(1,336)	-2.88%
Board of Commissioners	119,029	126,659	(7,630)	-6.02%
Outreach, Committees, Section Support, Local and Affinity Bars	126,776	114,475	12,301	10.75%
General Counsel	9,251	8,219	1,032	12.56%
Government Relations	78,732	68,306	10,426	15.26%
Research and Development	29,361	30,685	(1,324)	-4.31%
Standing Committee on Justice Initiatives	8,292	7,853	439	5.59%
Resource Development Initiative	993	766	227	29.63%
Pro Bono Initiative	13,360	16,457	(3,097)	-18.82%
Equal Access Initiative	25,056	13,892	11,164	80.36%
Criminal Issues Initiative	4,459	12,243	(7,784)	-63.58%
Justice Policy Initiative	210	232	(22)	-9.48%
Total Executive Offices	561,676	626,143	(64,467)	-10.30%

## State Bar of Michigan

### Schedule of Revenue, Expenses, and Changes in Net Assets Compared to Prior Year (continued) - Administrative Fund

	Year Ended September 30		Variance	
	2011	2010	Increase (Decrease) Amount	%
<b>Operating expenses (continued)</b>				
Nonlabor expenses (continued)				
Finance and Administration:				
Administration	\$ 41,022	\$ 38,609	\$ 2,413	6.25%
Facilities Services	348,423	341,813	6,610	1.93%
Financial Services	242,376	268,739	(26,363)	-9.81%
Depreciation	398,137	457,872	(59,735)	-13.05%
Total Finance and Administration	1,029,958	1,107,033	(77,075)	-6.96%
Information Technology Services	212,049	230,093	(18,044)	-7.84%
Member Services and Communications:				
Member and Endorsed Services	103,872	112,189	(8,317)	-7.41%
Annual Meeting	191,666	106,886	84,780	79.32%
50-Year Golden Celebration	15,669	13,587	2,082	15.32%
Upper Michigan Legal Institute	18,480	16,682	1,798	10.78%
Bar Leadership Forum	24,358	22,775	1,583	6.95%
Bar Journal Directory	160,093	162,373	(2,280)	-1.40%
Bar Journal	539,005	524,976	14,029	2.67%
Print Center	77,867	95,107	(17,240)	-18.13%
Internet	57,162	61,219	(4,057)	-6.63%
e-Journal	18,940	19,022	(82)	-0.43%
Media Relations	62,451	69,119	(6,668)	-9.65%
Total Member Services and Communications	1,269,563	1,203,935	65,628	5.45%
Professional Standards:				
Ethics	15,032	15,545	(513)	-3.30%
Character and Fitness	46,909	51,200	(4,291)	-8.38%
Client Protection Fund expense	10,430	5,521	4,909	88.92%
Lawyer Referral Service	8,427	8,799	(372)	-4.23%
Lawyer and Judges Assistance	26,853	26,677	176	0.66%
Practice Management Resource Center	7,933	10,929	(2,996)	-27.41%
Unauthorized Practice of Law	9,853	9,480	373	3.93%
Total Professional Standards	125,437	128,151	(2,714)	-2.12%
Total nonlabor expenses	3,198,683	3,295,355	(96,672)	-2.93%
Total operating expenses	8,791,892	8,854,026	(62,134)	-0.70%
Operating income	499,531	371,090	128,441	34.61%
Nonoperating revenue - investment income	110,963	130,714	(19,751)	-15.11%
Increase in net assets	610,494	501,804	108,690	21.66%
Net assets - beginning of year	11,299,199	10,797,395	501,804	4.65%
Net assets - end of year	\$ 11,909,693	\$ 11,299,199	\$ 610,494	5.40%

State Bar of Michigan

Schedule of Revenue, Expenses, and Changes in Net Assets Compared to Budget -  
Administrative Fund

	Year Ended September 30		Budget Variance	
	2011 Actual	2011 Budget	Favorable (Unfavorable) Amount	%
<b>Operating revenue</b>				
Membership dues and fees	\$ 7,254,916	\$ 7,260,500	\$ (5,584)	-0.08%
Bar Journal	244,604	271,200	(26,596)	-9.81%
Bar Journal Directory	137,839	167,500	(29,661)	-17.71%
Bar Leadership Forum	9,103	9,900	(797)	-8.05%
Rent/Attorney Discipline System fee	83,009	83,500	(491)	-0.59%
Lawyers and Judges Assistance	41,009	25,000	16,009	64.04%
Annual Meeting	146,428	160,900	(14,472)	-8.99%
Upper Michigan Legal Institute	8,487	9,200	(713)	-7.75%
Ethics	3,900	4,000	(100)	-2.50%
50-year Golden Celebration	3,483	9,000	(5,517)	-61.30%
Print Center	99,836	109,500	(9,664)	-8.83%
e-Journal	45,924	57,000	(11,076)	-19.43%
Lawyer Referral Service	117,479	109,000	8,479	7.78%
Member and Endorsed Services	548,311	547,100	1,211	0.22%
Character and Fitness	318,240	271,800	46,440	17.09%
Practice Management Resource Center	14,280	7,700	6,580	85.45%
Internet	31,671	28,000	3,671	13.11%
Other revenue	182,904	182,400	504	0.28%
Total operating revenue	9,291,423	9,313,200	(21,777)	-0.23%
<b>Operating expenses</b>				
Labor expenses:				
Salaries	3,846,904	3,832,244	(14,660)	-0.38%
Employee benefits and payroll taxes	1,746,305	1,915,704	169,399	8.84%
Total labor expenses	5,593,209	5,747,948	154,739	2.69%
Nonlabor expenses:				
Executive Offices:				
Executive Office	63,959	92,100	28,141	30.55%
Human Resources	37,128	101,633	64,505	63.47%
Representative Assembly	45,070	48,900	3,830	7.83%
Board of Commissioners	119,029	126,350	7,321	5.79%
Outreach, Committees, Section Support,				
Local and Affinity Bars	126,776	133,000	6,224	4.68%
General Counsel	9,251	30,450	21,199	69.62%
Government Relations	78,732	86,350	7,618	8.82%
Research and Development	29,361	64,725	35,364	54.64%
Standing Committee on Justice Initiatives	8,292	9,900	1,608	16.24%
Resource Development Initiative	993	15,000	14,007	93.38%
Pro Bono Initiative	13,360	24,200	10,840	44.79%
Equal Access Initiative	25,056	30,400	5,344	17.58%
Criminal Issues Initiative	4,459	20,800	16,341	78.56%
Justice Policy Initiative	210	400	190	47.50%
Total Executive Offices	561,676	784,208	222,532	28.38%

State Bar of Michigan

Schedule of Revenue, Expenses, and Changes in Net Assets Compared to Budget (continued) -  
Administrative Fund

	Year Ended September 30		Budget Variance	
	2011 Actual	2011 Budget	Favorable (Unfavorable) Amount	%
<b>Operating expenses (continued)</b>				
Nonlabor expenses (continued)				
Finance and Administration:				
Administration	\$ 41,022	\$ 45,775	\$ 4,753	10.38%
Facilities Services	348,423	367,700	19,277	5.24%
Financial Services	242,376	277,350	34,974	12.61%
Depreciation	398,137	520,000	121,863	23.44%
Total Finance and Administration	1,029,958	1,210,825	180,867	14.94%
Information Technology Services	212,049	221,810	9,761	4.40%
Member Services and Communications:				
Member and Endorsed Services	103,872	143,840	39,968	27.79%
Annual Meeting	191,666	256,595	64,929	25.30%
50-Year Golden Celebration	15,669	58,300	42,631	73.12%
Upper Michigan Legal Institute	18,480	23,050	4,570	19.83%
Bar Leadership Forum	24,358	39,700	15,342	38.64%
Bar Journal Directory	160,093	183,500	23,407	12.76%
Bar Journal	539,005	562,901	23,896	4.25%
Print Center	77,867	90,700	12,833	14.15%
Internet	57,162	75,450	18,288	24.24%
e-Journal	18,940	20,600	1,660	8.06%
Media Relations	62,451	94,700	32,249	34.05%
Total Member Services and Communications	1,269,563	1,549,336	279,773	18.06%
Professional Standards:				
Ethics	15,032	20,850	5,818	27.90%
Character and Fitness	46,909	50,950	4,041	7.93%
Client Protection Fund expense	10,430	9,300	(1,130)	-12.15%
Lawyer Referral Service	8,427	13,900	5,473	39.37%
Lawyer and Judges Assistance	26,853	37,600	10,747	28.58%
Practice Management Resource Center	7,933	35,500	27,567	77.65%
Unauthorized Practice of Law	9,853	20,400	10,547	51.70%
Total Professional Standards	125,437	188,500	63,063	33.46%
Total nonlabor expenses	3,198,683	3,954,679	755,996	19.12%
Total operating expenses	8,791,892	9,702,627	910,735	9.39%
Operating income (loss)	499,531	(389,427)	888,958	N/A
Nonoperating revenue - investment income	110,963	100,000	10,963	10.96%
Increase in net assets	610,494	(289,427)	899,921	N/A
Net assets - beginning of year	11,299,199	11,299,199	-	
Net assets - end of year	\$ 11,909,693	\$ 11,009,772	\$ 899,921	8.17%

State Bar of Michigan  
Historical Financial Summaries - Administrative Fund

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Operating revenue:					
Membership dues and fees	\$ 6,893,351	\$ 7,003,700	\$ 7,093,830	\$ 7,178,322	\$ 7,254,916
Other operating revenue	2,463,542	2,476,477	2,269,067	2,046,794	2,036,507
Total operating revenue	9,356,893	9,480,177	9,362,897	9,225,116	9,291,423
Operating expenses:					
Salaries	3,467,319	3,516,743	3,719,459	3,756,017	3,846,904
Employee benefits and payroll taxes	1,454,713	1,841,353	1,774,672	1,802,654	1,746,305
Other operating expenses	4,021,508	4,033,808	3,619,373	3,295,355	3,198,683
Total operating expenses	8,943,540	9,391,904	9,113,504	8,854,026	8,791,892
Operating income	413,353	88,273	249,393	371,090	499,531
Nonoperating revenue - investment income	639,806	341,866	213,347	130,714	110,963
Increase in net assets	1,053,159	430,139	462,740	501,804	610,494
Net assets at beginning of fiscal year	8,851,357	9,904,516	10,334,655	10,797,395	11,299,199
Net assets at end of fiscal year	\$ 9,904,516	\$ 10,334,655	\$ 10,797,395	\$ 11,299,199	\$ 11,909,693
Net assets as a % of total operating expenses	110.74%	110.04%	118.48%	127.62%	135.46%
Number of State Bar of Michigan attorney members in good standing as of September 30	39,347	39,996	40,515	41,133	41,803

State Bar of Michigan  
Historical Financial Summaries - Client Protection Fund

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Operating revenue:					
Membership dues and fees	\$ 567,848	\$ 577,151	\$ 590,321	\$ 599,145	\$ 607,676
Other operating revenue	47,363	13,917	27,056	15,232	27,970
Total operating revenue	615,211	591,068	617,377	614,377	635,646
Operating expenses:					
Claims payments	183,428	441,565	494,661	400,823	459,175
Other operating expenses	143,907	148,640	170,690	170,810	178,827
Total operating expenses	327,335	590,205	665,351	571,633	638,002
Operating income (loss)	287,876	863	(47,974)	42,744	(2,356)
Nonoperating revenue - investment income	181,465	82,583	49,713	27,035	23,579
Increase in net assets	469,341	83,446	1,739	69,779	21,223
Net assets at beginning of fiscal year	1,523,096	1,992,437	2,075,883	2,077,622	2,147,401
Net assets at end of fiscal year	\$ 1,992,437	\$ 2,075,883	\$ 2,077,622	\$ 2,147,401	\$ 2,168,624
Net assets as a % of total operating expenses	608.68%	351.72%	312.26%	375.66%	339.91%