

FY 2024

# ANNUAL FINANCIAL REPORT

SBM

STATE BAR OF MICHIGAN

AUDITED FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2024  
WITH REPORT OF INDEPENDENT AUDITORS

Audited Financial Statements  
and Other Supplementary Information

State Bar of Michigan

*Year Ended September 30, 2024  
with Report of Independent Auditors*

State Bar of Michigan  
Audited Financial Statements  
and Other Supplementary Information  
Year Ended September 30, 2024

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## Introductory Section



# STATE BAR OF MICHIGAN

December 10, 2024

Honorable Elizabeth T. Clement  
Chief Justice  
Supreme Court of Michigan  
Hall of Justice  
925 W. Ottawa Street  
Lansing, MI 48915

Pursuant to Rule 7 of the Rules Concerning the State Bar of Michigan, please accept the State Bar of Michigan's FY 2024 Annual Financial Report, which covers the fiscal year that ended on September 30, 2024. The Annual Financial Report contains audited financial statements and other information required by accounting standards as well as information that highlights the operations and effectiveness of the State Bar of Michigan as a public body corporate operating pursuant to statute and rules set forth by the Michigan Supreme Court.

The State Bar of Michigan's management is responsible for the information provided in this FY 2024 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. Their opinion is provided as part of this report. Questions or comments about this report should be directed to the executive director of the State Bar of Michigan.

Joseph Patrick McGill  
President

Peter Cunningham  
Executive Director

Thomas H. Howlett  
Treasurer

Tatiana Goodkin  
Chief Financial Officer



# OVERVIEW OF THE STATE BAR OF MICHIGAN

The State Bar of Michigan was established in 1935 by public act and is regulated by the Michigan Supreme Court. The State Bar of Michigan exists 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. By law, all persons licensed to practice law in Michigan constitute the State Bar of Michigan's membership. The State Bar of Michigan is a public body corporate, funded by licensing fees and revenue generated by bar activities. It receives no appropriations from the state of Michigan.

**The State Bar of Michigan works to promote the professionalism of lawyers; advocates for an open, fair, and accessible justice system; and provides services to members that enable them to best serve their clients.**

# GOVERNANCE

By integrating the Bar into the regulatory structure of the legal profession, the state of Michigan adopted a modified form of the self-governance of the legal profession common to England and commonwealth countries. Pursuant to Rule 5 of the Rules Concerning the State Bar of Michigan (State Bar Rules), the State Bar is governed by a Board of Commissioners. The president, president-elect, vice president, secretary, and treasurer are the officers of the State Bar, elected by the Board of Commissioners.

## BOARD OF COMMISSIONERS 2023-2024



**DANIEL D. QUICK**  
PRESIDENT



**JOSEPH P. MCGILL**  
PRESIDENT-ELECT



**LISA J. HAMAMEH**  
VICE PRESIDENT



**ERIKA L. BRYANT**  
SECRETARY



**THOMAS H. HOWLETT**  
TREASURER



David C. Anderson  
District I



Yolanda M. Bennett  
Representative Assembly  
Chair



Aaron V. Burrell  
District H



Hon. B. Chris Christenson  
District B



Ponce D. Clay  
District H



Tanya N. Cripps-Serra  
Young Lawyers Section  
Chair



Sherrie L. Detzler  
District D



Robert A. Easterly  
District E



Nicole A. Evans  
Representative Assembly  
Clerk



Hon. Kameshia D. Gant  
District I





Suzanne C. Larsen  
District A



Joshua A. Lerner  
District I



Sylvia A. Mansoor  
Young Lawyers Section  
Vice Chair



James W. Low  
District I



Gerard V. Mantese  
District I



Gerry Mason  
Commissioner-at-Large



Thomas P. Murray Jr.  
District C



Valerie R. Newman  
Commissioner-at-Large



Takura N. Nyamfukudza  
Commissioner-at-Large



Nicholas M. Ohanesian  
District C



Hon. David A. Perkins  
District H



Coleman L. Polts  
Young Lawyers Section  
Chair ex officio



John W. Reiser III  
Representative Assembly  
Vice Chair



Hon. Kristen D. Simmons  
District E



Delphia T. Simpson  
Commissioner-at-Large



Matthew B. Van Dyk  
District F



Danielle Walton  
Commissioner-at-Large



Hon. Erane C. Washington  
District G

## REPRESENTATIVE ASSEMBLY 2023-2024

State Bar Rule 6 provides for a 150-member Representative Assembly as the final policymaking body of the State Bar. Its elected officers are the chair, vice chair, and clerk.



Yolanda M. Bennett  
Chair



John W. Reiser III  
Vice Chair



Nicole A. Evans  
Clerk

# STRUCTURE

The State Bar of Michigan helps lawyers, as officers of the court, fulfill their ethical obligations to improve the quality of legal services and assist in the regulation of the legal profession. The State Bar of Michigan accomplishes a substantial portion of this work through its volunteers, led by the leadership of the Board of Commissioners and Representative Assembly.

There are also 21 standing committees of the State Bar, created to advance the work of the State Bar as defined by court rule. Over 420 attorneys served on State Bar of Michigan committees, task forces, and work groups in FY 2024. The State Bar's 43 sections focus largely on excellence in specific practice areas, and each operates with its own bylaws approved by the Board of Commissioners. The work of the Young Lawyers Section and the Judicial Section is funded by the State Bar of Michigan, and the other 41 sections are funded through membership dues.

To carry out its mission, the State Bar of Michigan employs a paid staff that operates under the supervision of the executive director, who is appointed by the Board of Commissioners. The State Bar of Michigan employed 74 full-time equivalent employees (FTEs) at the end of FY 2024.



**46,934**

**TOTAL ATTORNEY MEMBERS**

**41,427** ACTIVE MEMBERS

**1,262** INACTIVE MEMBERS

**4,245** EMERITUS MEMBERS

**33**

**MEMBERS OF THE BOARD OF COMMISSIONERS**

**150**

**MEMBERS OF THE REPRESENTATIVE ASSEMBLY**

**420**

**APPLICANTS APPOINTED TO FY25 SBM COMMITTEES**

**21**

**SBM COMMITTEES, WORK GROUPS, TASK FORCES**

**43**

**SECTIONS**

**74**

**EMPLOYEES**

# FY 2024 HIGHLIGHTS

## PROMOTING THE PROFESSIONALISM OF LAWYERS

### BAR ADMISSIONS AND LICENSING

The State Bar of Michigan administers the annual license renewal process for more than 42,000 active and inactive attorneys. It also distributes funds as directed by the Michigan Supreme Court to the State Bar of Michigan, the Attorney Discipline System, and the Client Protection Fund. In addition, the State Bar collects and distributes sections dues as well as voluntary contributions to the Access to Justice Campaign, Lawyers and Justice Assistance Program Fund, and Michigan Hall of Justice Learning Center Fund. The State Bar uses an online license renewal system to make the process quick and easy for Michigan attorneys. License renewal includes mandatory disclosures including interim administrator planning, IOLTA and non-IOLTA funds, other licensing jurisdictions, malpractice insurance, and any undisclosed criminal convictions as well as payment of fees.

**Character & Fitness:** The State Bar processed 895 character and fitness applications for the February 2024 and July 2024 bar exams and conducted district committee interviews for 20 applicants. In addition, five matters were referred, with interviews or recommendations pending, and 50 matters are expected to be referred upon completion of the investigation. There were 17 formal Character & Fitness Standing Committee hearings and nine formal Board of Law Examiners hearings.

**Pro Hac Vice:** The State Bar received 1,022 online applications for out-of-state and foreign lawyers seeking to appear before a Michigan court, administrative tribunal or agency, or arbitration proceeding.

### CLIENT PROTECTION FUND

Attorneys pay an annual fee to the Client Protection Fund as part of their annual license renewal. The fund reimburses clients who have been victimized by lawyers who violate the profession's ethical standards. The State Bar investigated 150 claims, 30 of which were approved by the Board of Commissioners, totaling \$113,669 in reimbursements. The State Bar also successfully recouped \$73,799 through its subrogation efforts.

### EDUCATING THE PUBLIC

The State Bar of Michigan's efforts to educate the public about the legal profession include significant support for statewide programs, such as the Michigan Center for Civic Education, Michigan Hall of Justice Learning Center, Law Day and Constitution Day activities, and Michigan Legal Help. A variety of materials are also available through SBM's website.

**Awards:** The State Bar of Michigan, through the Board of Commissioners and the Representative Assembly, honors outstanding service to the legal profession to help educate the public.

This year's award winners were:

- Roberts P. Hudson: Maura D. Corrigan
- Frank J. Kelley Distinguished Public Service: William M. Wolfson and Edward J. Plawecki
- Champion of Justice: Erika Riggs, Bonsitu A. Kitaba-Gaviglio, Andrew Densemo, and Marilena David
- John W. Reed Michigan Lawyer Legacy: Professor Gary M. Maveal
- John W. Cumiskey Pro Bono: Wendolyn W. Richards
- Liberty Bell: Elaine Stocking
- Unsung Hero: Elizabeth Hohausser

### ETHICS OPINIONS

The Professional Ethics Committee and Judicial Ethics Committee published a total of four ethics opinions and one guidebook in FY 2023–2024:

- RI-391: A lawyer may host parties or other social events but, when doing so, must comply with rules governing lawyer advertising and solicitation.
- JI-157: Judicial Security and Disqualification Analysis.
- JI-156: Ethics considerations for judicial officers to attend law firm events.
- RI-390: Ethical Responsibilities when Safekeeping Legal and Illegal Property from Clients.
- Ethics Guidebook: The Ethical Standards for Becoming a Judge

The Committee also published cybersecurity, judicial ethics, judicial campaign, and general attorney FAQs.

### JUDICIAL QUALIFICATIONS

The State Bar of Michigan Judicial Qualifications Committee assists the governor's office in evaluating candidates for possible appointment to judicial office when vacancies arise. In FY 2023–2024, the committee met 10 times and reviewed 64 candidates for possible appointment, as requested by the governor's office.

### PROFESSIONALISM & CIVILITY

The State Bar of Michigan's Special Committee on Professionalism & Civility develops and maintains materials intended to teach lawyers and judges the concepts that support the Michigan Supreme Court's "Professionalism Principles for Lawyers and Judges" (AO 2020–23). This year, the committee launched a Professionalism and Civility Speakers Bureau with volunteer committee members who lead discussions at law schools, law firms, state bar sections, courts, and bar associations across Michigan.

### UNAUTHORIZED PRACTICE OF LAW

As part of its duties to protect the public, the State Bar of Michigan is empowered to prosecute the unauthorized practice of law and



conduct outreach to educate the public about the unauthorized practice of law. The State Bar received 89 complaints alleging the unauthorized practice of law in FY 2023–2024. Of these complaints, 25 were closed after investigation, either due to the State Bar obtaining voluntary compliance or because there was insufficient evidence of UPL. The remaining 64 matters remain under investigation. Of those, eight are pending UPL Standing

Committee review after investigation, and one is pending litigation approval by the Board of Commissioners. No injunctive orders were obtained in the 2023–2024 bar year. There is one case currently in active litigation. One outreach activity was conducted in 2023–2024 and included speaking to the Immigration Section of the State Bar of Michigan on the Unauthorized Practice of Law.

## ADVOCATING FOR AN OPEN, FAIR, AND ACCESSIBLE JUSTICE SYSTEM

### ACCESS TO JUSTICE CAMPAIGN

The Access to Justice Campaign seeks to ensure access and fairness for all in the justice system. The ATJ Campaign is a collaborative centralized campaign, administered by the Michigan State Bar Foundation in partnership with the State Bar of Michigan, to increase resources for 14 regional and statewide civil legal aid programs in the state. The Foundation administers several grants through IOLTA, filing fees, and funding from state agencies. The Access to Justice Campaign collected \$1,160,595 in revenue (unaudited) from 2023–2024, including approximately \$3,613 in cy pres awards. In the 2023 calendar year, 43 firms gave at the Leadership Firm level of \$300 or more per attorney, and 56 firms, corporate legal departments, and SBM sections gave at tiered levels between \$1,000 and \$100,000.

### DIVERSITY AND INCLUSION

The State Bar of Michigan’s Face of Justice program continued to offer mentoring opportunities to law school students, with programs at both Michigan State University College of Law and Wayne State University Law School. The programs included 90 students and 72 mentors as well as tours of the Hall of Justice and the 36th District Court.

The Bar also hosted its annual Brunch for Bars to encourage networking and engagement among and between members of Michigan’s recognized bar associations. Approximately 117 registered and over 80 attended this year’s event.

### LAWYER REFERRAL SERVICE

The Lawyer Referral Service is a telephone-based referral system that matches people who are seeking legal assistance with an attorney in the practice area and location that they need. Consumers pay a \$25 administrative fee to receive a 25-minute consultation from the attorney to whom they are referred. The call center also screens callers to determine if they are eligible for free or low-cost legal services, referring them (at no cost) to the appropriate services. If callers decline to pay the administrative fee, the call center connects them with alternate resources, including information on legal clinics, self-help centers, Michigan Legal Help, nonprofit organizations, and the online lawyer directory so that they can find their own attorneys.

The Lawyer Referral Service in FY 2023–2024 provided 1,602 paid referrals and 957 waived-fee referrals to 102 participating attorneys. LRS also processed 853 applications

for a reduced cost service called Modest Means and referred 129 applicants to 17 participating attorneys. In total, LRS received 30,740 calls and responded to 2,099 online referral requests in FY 2023–2024.

### ONLINE DIRECTORY

The State Bar of Michigan hosts two online directories: The classic directory provides basic member contact information, and ReliaGuide offers enhanced-profile options that help attorneys showcase their experience, detail areas of practice, and reach potential clients. The online directories remain the most popular online service offered by the State Bar of Michigan. The classic directory accounts for nearly half of all page views to the State Bar of Michigan’s michbar.org website.

### PRO BONO INITIATIVES

The State Bar published the Pro Bono Honor Roll to recognize attorneys, law firms, and corporations that provide a significant amount of pro bono service, encouraging others to do so as well. The Honor Roll tallied more than 38,000 pro bono service hours from more than 900 Michigan-licensed attorneys in the 2023 calendar year. In addition, the State Bar continued to provide Michigan attorneys with an easily accessible online calendar of upcoming legal clinics, events, and other pro bono opportunities. The State Bar also offered the Spring Pro Bono Workshop to support legal aid and pro bono providers in Michigan. Lastly, the State Bar offered four programs to serve and support pro bono efforts in Michigan:

- Malpractice Insurance for Pro Bono Program: Provided professional liability malpractice insurance to 31 Michigan attorneys working on pro bono cases.
- Patent Pro Bono Project: In partnership with the Intellectual Property Law Section, received 92 requests for pro bono patent legal assistance from low-income Michigan inventors.
- Qualified Domestic Relations Order Referral Program: Received 41 referrals from legal aid programs for the preparation of QDROs for low-income Michiganders.
- Tax Pro Bono Program: In partnership with the Taxation Section, provided a substantive property tax law training on applying for poverty, disabled veteran, and principal residence exemptions before the Michigan Tax Tribunal. More than 20 Michigan attorneys and law students attended the training held at the Michigan State University College of Law.

## PUBLIC POLICY

The State Bar of Michigan engages in public policy that involves the regulation of the legal profession and improving the quality of legal services. Pursuant to AO 2004-1, all advocacy is reported on the State Bar of Michigan Public Policy Resource Center webpage. The State Bar also publishes a weekly Public Policy Update newsletter sent to approximately 3,100 subscribers.

The State Bar fully reviewed 138 public policy items—including legislation, court rules, and administrative rules—and adopted 109 formal policy positions. Highlights include successful advocacy for legislation implementing the recommendations of the Michigan Task Force on Juvenile Justice Reform, enhancing the rights of crime victims, expanding eligibility for problem-

solving court participation and programming, and protecting the personal identifying information of judicial officers and their families.

## RESEARCH

The State Bar of Michigan regularly conducts research to measure the effectiveness of its programs and to provide important information assessing the current state of Michigan's legal profession.

**Demographics Report:** The State Bar annually develops a Demographics Report that offers an in-depth look at the age, race/ethnicity, gender, practice and occupational areas, and location of Michigan attorneys.

# PROVIDING SERVICES TO MEMBERS THAT ENABLE THEM TO BEST SERVE CLIENTS

## ADMINISTRATIVE SUPPORT FOR SECTIONS

The State Bar of Michigan supports 43 sections, which serve the profession and the state by maintaining and building expertise in specific areas of law, hosting educational programs, publishing journals and newsletters, and mentoring and training new lawyers.

In FY 2023–2024, SBM's sections tallied 48,167 total memberships, including 33,458 paid section memberships. A total of 24,247 individuals were members of at least one section, and 18,271 were paid members. Non-attorney section memberships totaled 304. Free section memberships are typically extended to law students, first-year licensees, and those who qualify for the Young Lawyers and Judicial sections.

The State Bar of Michigan provides infrastructure, information, communication tools, and consultation to all sections—including maintaining the financial accounts, membership databases, demographic profiles, and individual websites of the sections. The State Bar also provides robust support for section events and programs through low-cost services.

All public policy advocacy by sections is financed entirely by voluntary section dues and is limited to the subject matter jurisdiction of the section.

## ETHICS HELPLINE AND SEMINARS

The State Bar of Michigan staff responded to more than 1,500 inquiries from attorneys and judges seeking informal advice through the Ethics Helpline (877-558-4760), more than 100 email inquiries, and numerous direct contacts to staff. The questions ranged from simple advice to complex scenarios requiring extensive research. Staff also provided a Tips and Tools Webinar, three Lawyer Trust Account Webinars, and several "Ethical Perspectives" columns for the *Michigan Bar Journal*.

## GREAT LAKES LEGAL CONFERENCE

The Great Lakes Legal Conference continued into its second year in June 2024. The event combines the former Bar Leadership Forum and the Upper Michigan Legal Institute into one event. The two-day conference included four learning tracks—Leadership, Legal Updates, Litigation, and Practice

Management. Attendees could mix and match sessions from the tracks to fully personalize their experience. The event featured keynote speakers John W. Allen of Varnum LLP and Dennis M. Kennedy of Dennis Kennedy Advisory Services LLC, who spoke about "Balancing Act: Ethics, Efficiency, and AI in Legal Practice." A total of 168 attorneys attended the event.

## INTERIM ADMINISTRATOR PROGRAM

The State Bar of Michigan Interim Administrator Program was fully implemented in FY 2023–2024. With the introduction of Rule 21: Mandatory Interim Administrator Planning, which went into effect in September 2023, the State Bar of Michigan successfully implemented a new online system that helps private practice attorneys fulfill these new requirements during license renewal and throughout the Bar year. The results of full implementation were:

- 16,982 attorneys designated an attorney or law firm as their interim administrator.
- 3,262 attorneys enrolled in the SBM's Interim Administrator Program, which includes auto-enrolled attorneys.
- 2,031 attorneys joined the List of Attorneys Willing to Serve as Interim Administrator.
- The program is aware of 22 interim administrator appointments who had been specifically chosen by the affected attorney to act as interim administrator if needed.
- The State Bar of Michigan's Succession Planning Counsel is actively serving as interim administrator in four cases.
- The program matched two affected attorneys to willing interim administrators.

The State Bar of Michigan continued outreach and education efforts by offering one-on-one assistance to any Michigan attorney with concerns and by giving presentations to the National Organization of Bar Counsel, CDAM, the Federal Bar Associations Bankruptcy Seminar, and multiple county bar sections. In addition, the Interim Administrator Program offered assistance to any attorney, judicial staff, or member of the public reporting a potential need for an interim administrator appointment.

### LAWYERS & JUDGES ASSISTANCE PROGRAM

The Lawyers and Judges Assistance Program (LJAP) helps to protect the public by assisting legal professionals with mental health and substance-use concerns. The State Bar works to improve the overall well-being of those in the legal profession in order to maximize their professional competency.

In FY 2023–2024, the LJAP reached more than 5,000 law students, lawyers, and judges through professional presentations on topics related to well-being in the legal profession. This effort included 52 presentations to law schools, employers, local and affinity bars, regulators, and other stakeholders. LJAP clinical staff also opened 58 new participant files and completed 33 biopsychosocial evaluations for members of the legal community seeking mental health or wellness-related services. In FY 2023–2024, the LJAP received a record-high 143 requests for confidential services. State Bar staff also offered four eight-week virtual support groups, provided a monthly “Practicing Wellness” column for the *Michigan Bar Journal*, and co-produced the On Balance podcast, which was downloaded more than 13,500 times. LJAP also continued to offer two virtual wellness events per year, each featuring a nationally renowned keynote speaker. The events are free and open to all members.

### PRACTICE MANAGEMENT RESOURCE CENTER

The Practice Management Resource Center provides resources to attorneys and their staffs to help them build and maintain professional competence. PMRC offers online resources and one-on-one support through the PMRC Helpline (800-341-9715). PMRC gave presentations on billing software as part of SBM’s three Lawyer Trust Accounts Seminars, on the ethical use of technology for Western Michigan University Cooley Law School, and on preventing fraud against law firms for the American Bar Association. PMRC also provided practice management recommendations as part of three onsite consultations provided as part of AGC/ADB requests. PMRC also provides the monthly “Law Practice Solutions” column for

the *Michigan Bar Journal*, works with the Lawyers & Judges Assistance Program to produce the monthly On Balance podcast, and offered two virtual seminars in FY 2023–2024 on law firm profitability and deepfakes.

### PUBLICATIONS

**eJournal:** The State Bar of Michigan redesigned and upgraded the eJournal, which offers summaries of Supreme Court, Court of Appeals, and 6th Circuit Court opinions in conjunction with the publication’s 25-year anniversary. To better promote the Bar’s services and keep Michigan attorneys up to date, the eJournal expanded to include additional news and information. Publishing five days a week except holidays, the eJournal provided more than 2,000 opinion summaries to almost 15,000 subscribers. The online version draws readership and ranks only behind the online directory in page views.

**Michigan Bar Journal:** Written by attorneys for attorneys, the *Michigan Bar Journal* is the State Bar of Michigan’s flagship publication. The magazine is delivered 11 times per year. About half of subscribers receive the printed magazine, and the other half of Michigan attorneys receive the email version. The *Michigan Bar Journal* includes feature articles based on themes developed and edited by the *Michigan Bar Journal* Committee. The publication also contains columns, articles, and news written by staff and other expert contributors. The Bar Journal is required to publish certain notices under the Rules Concerning the State Bar of Michigan and is also used to advertise SBM events and resources. In November 2021, the State Bar launched an online version of the Bar Journal and it continues to be the fastest growing area of the website, with 46% year-over-year growth.

**Newsletters:** The State Bar of Michigan also produces multiple newsletters including a weekly Public Policy Update as well as SBM Today, a monthly publication that features news from both SBM and the Michigan Supreme Court.

## As part of its mission, the State Bar of Michigan also is proud to actively support and serve on commissions established by the Michigan Supreme Court.



### Justice for All Commission

Committed to 100% access to Michigan’s Civil Justice System



### Commission on Diversity, Equity, and Inclusion

Working to eliminate disparities within the Michigan judiciary and justice system



### Commission on Well-Being in the Law

Improving the mental health of attorneys, increasing well-being, and eliminating stigmas associated with getting help



# FINANCIAL & MEMBERSHIP SUMMARY

## FY 2024 FINANCIAL SUMMARY

As of September 30, 2024, the State Bar of Michigan's net position in the Administrative Fund totaled \$16,066,845, an increase of \$3,315,720 or 26.0%. Excluding the net restricted assets associated with the retiree healthcare trust, the Administrative Fund totaled \$12,164,008, an increase of \$2,503,471 or 25.9%. The Administrative Fund increase was driven by positive net operating and non-operating revenue for the year. The Client Protection Fund's net position totaled \$3,125,627, an increase of \$603,634 or 23.9%. The sections' net position, calculated separately because it consists of voluntary section dues and other section funds, totaled \$2,874,683, a decrease of \$9,158 or 0.3%. The State Bar operates with no outstanding debt.

## FY 2024 MEMBERSHIP STATISTICS

A total of 773 new attorneys joined SBM in FY 2024, an increase over the 736 that joined in FY 2023. The overall number of State Bar of Michigan attorney members increased from FY 2023 by 110 (0.2%); however, the number of fee-paying attorneys dropped by 558 (-1.4%), which includes a decrease in active attorneys by 716 (-1.8%) and an increase in inactive attorneys by 158 (15%). Members who have been in good standing for 50 years or more do not pay the SBM portion of their license fees. The number of active 50-year attorneys increased by 158 (8.4%). Similarly, attorneys who choose emeritus status (after reaching the age of 70 or having a minimum of 30 years of licensure) no longer pay any license fees but are still considered members of the State Bar. The number of emeritus attorneys increased by 512 (13.8%). Below are the totals for the each membership category in fiscal years 2023 and 2024.

## SBM MEMBERS IN GOOD STANDING

	2023	2024
<b>PAYING</b>		
ACTIVE	40,115	39,399
INACTIVE	1,059	1,217
TOTAL PAYING	41,174	40,616
<b>NON PAYING</b>		
50-YEAR ACTIVE	1,870	2,028
50-YEAR INACTIVE	47	45
EMERITUS	3,733	4,245
TOTAL NONPAYING	5,650	6,318
<b>TOTAL</b>	<b>46,824</b>	<b>46,934</b>

## APPROVED FY 2025 BUDGET

The State Bar of Michigan Board of Commissioners approved an FY 2025 Administrative Fund budget in July 2024 totaling \$12,972,933, resulting in a projected surplus of \$200,782. The budget is aligned with the State Bar's strategic plan. A summary of the FY 2025 approved budget can also be found on the State Bar's website at [michbar.org/generalinfo](http://michbar.org/generalinfo).

## Financial Section



## Report of Independent Auditors

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

### Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the State Bar of Michigan as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the State Bar of Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the State Bar of Michigan as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State Bar of Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar of Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar of Michigan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Other Supplementary Information**

Our audit for the year ended September 30, 2024 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Bar of Michigan's basic financial statements. The schedules presented in the Other Supplementary Information section listed in the table of contents for the year ended September 30, 2024 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2024, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole for the year ended September 30, 2024.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the State Bar of Michigan as of and for the years ended September 30, 2020 through 2023 (not presented herein), and have issued our reports thereon, which contained unmodified opinions on the financial statements of the business-type activities and each major fund. The 2020 through 2023 information, as applicable, presented in the schedules in the Other Supplementary Information section of the table of contents (presented before any restatement of prior year's data) is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 basic financial statements as a whole for the years ended September 30, 2020 through 2023, as applicable.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Andrews Hoopu Pavlik PLC*

Okemos, Michigan  
December 10, 2024

# MANAGEMENT'S DISCUSSION & ANALYSIS

## DESCRIPTION OF THE FINANCIAL STATEMENTS

This annual report contains State Bar of Michigan financial statements and notes to those statements. The statements detail the financial position of the State Bar of Michigan overall as well as each of the Bar's funds. Included in this report are:

- Report of Independent Auditors, which expresses the audit opinion of the independent accounting firm
- Management's Discussion and Analysis, which discusses the operations of the State Bar and provides expanded financial information and related analysis
- Basic Financial Statements:
  - Statement of Net Position (Balance Sheet), which provides the financial position of the State Bar and each fund.
  - Statement of Revenue, Expenses, and Changes in Net Position (Income Statement), which provides the sources of revenue, the various expenses, and impact on net position for the State Bar and each fund.
  - Statement of Cash Flows, which shows the sources and uses of cash for the State Bar and each fund.
- Notes to the Financial Statements, which provide integral information to explain the basis for the numbers used within the basic financial statements.
- Required Supplementary Information, which provides additional information about the State Bar's participation in the State Employees' Retirement System for pension and other postemployment benefits
- Other Supplementary Information, which provides additional information to better understand the financial position of the State Bar.

## SUMMARY OF FY 2024 FINANCIAL INFORMATION NET POSITION: FY 2024 COMPARED TO FY 2023

### ADMINISTRATIVE FUND

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Current assets	\$11,908,981	\$9,991,124	\$1,917,857	19.2%
Noncurrent assets (net)	8,637,755	7,341,240	1,296,515	17.7%
Total assets	20,546,736	17,332,364	3,214,372	18.5%
Deferred outflows of resources	1,033,617	1,105,588	(71,971)	(6.5)%
Current liabilities	3,390,102	3,213,784	176,318	5.5%
Noncurrent liabilities	888,362	1,522,940	(634,578)	(41.7)%
Total liabilities	4,278,464	4,736,724	(458,260)	(9.7)%
Deferred inflows of resources	1,235,044	950,103	284,941	30.0%
Net position – net investment in capital assets	3,140,551	3,228,115	(87,564)	(2.7)%
Net position – restricted for retiree health care	3,902,837	3,090,588	812,249	26.3%
Net position – unrestricted	9,023,457	6,432,422	2,591,035	40.3%
Net position	\$16,066,845	\$12,751,125	\$3,315,720	26.0%

**Current assets** increased by \$1,917,857, or 19.2 percent, primarily due to higher cash and short-term investments and accrued interest.

**Noncurrent assets** increased by \$1,296,515, or 17.7 percent, due to the higher long-term investments, completion of capital expenditure projects, the new accounting software subscription asset, and increased value of the retiree health care trust investments.

**Deferred outflows of resources** decreased by \$71,971, or 6.5 percent, primarily due to adjustments related to changes in assumptions, proportions, and projected earnings for valuation of OPEB healthcare liability.

**Current liabilities** increased by \$176,318 or 5.5 percent, primarily due to higher deferred revenue, higher accrued expenses, and lower accounts payable.

**Noncurrent liabilities** decreased by \$634,578, or 41.7 percent, due to lower net pension and OPEB healthcare liabilities partially offset by the new accounting software subscription liability.

**Deferred inflows of resources** increased by \$284,941, or 30 percent, mainly due to changes in differences between expected and actual OPEB healthcare experience.

**Net position** increased by \$3,315,720, or 26 percent during FY 2024.

## CLIENT PROTECTION FUND

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Assets	\$3,599,845	\$2,680,499	\$919,346	34.3%
Liabilities	474,218	158,506	315,712	199.2%
Net Position	\$3,125,627	\$2,521,993	\$603,634	23.9%

**Assets** increased by \$919,346, or 34.3 percent, primarily due to higher investments.

**Liabilities** increased by \$315,712, or 199.2 percent, primarily due to funds received from an interpleader action to be disbursed.

**Net position** increased by \$603,634, or 23.9 percent, during FY 2024.

## SECTIONS

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Assets	\$3,116,272	\$3,113,435	\$2,837	0.1%
Liabilities	241,589	229,594	11,995	5.2%
Net Position	\$2,874,683	\$2,883,841	(\$9,158)	(0.3)%

With the exception of unearned revenue, all of the individual assets of the sections are held within the Administrative Fund and are shown as assets in "due from (to) other funds."

**Liabilities** represent unearned revenues paid by the section members for the next fiscal year.

**Net position** decreased by \$9,158, or 0.3 percent, as a result of section expenses being higher than section revenues during FY 2024.

## REVENUE, EXPENSES, AND CHANGES IN NET POSITION: FY 2024 COMPARED TO FY 2023

### ADMINISTRATIVE FUND

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Total operating revenue	\$12,988,393	\$12,659,081	\$329,312	2.6%
Operating expenses				
Labor	7,822,953	7,637,022	185,931	2.4%
Nonlabor	3,401,732	3,238,700	163,032	5.0%
Total operating expenses	11,224,685	10,875,722	348,963	3.2%
Net operating income	1,763,708	1,783,359	(19,651)	(1.1)%
Nonoperating revenue	1,552,012	1,154,643	397,369	34.4%
Change in net position	\$ 3,315,720	\$ 2,938,002	\$377,718	12.9%

**Operating income** decreased by \$19,651, or 1.1 percent, due to an increase in operating revenues of \$329,312, or 2.6 percent, offset by an increase in operating expenses of \$348,963, or 3.2 percent.

**Operating revenue** increased by \$329,312, or 2.6 percent, primarily due to Interim Administrator Program enrollments, higher lawyer referral fees, pass-through administration fees for Client Protection Fund and Attorney Discipline System, pro hac vice fees, Character and Fitness fees, and event and partner revenues. Increased revenues were offset by lower license fees revenue.

**Operating expenses** increased by \$348,963, or 3.2 percent, due to higher labor expenses of \$185,931, or 2.4 percent, and higher nonlabor expenses of \$163,032, or 5 percent. Labor expenses were higher primarily due to budgeted salary increases and higher insurance costs offset by lower retiree healthcare and pension benefit expenses per GASB 75 and 68. Nonlabor expenses were higher due to higher operating costs in most of the department budgets, including IT, Client Protection Fund, Lawyers and Judges Assistance Program, General Counsel, Interim Administrator Program, Human Resources, Representative Assembly, Digital, Justice Initiatives, Executive Office, and depreciation, and lower year-over year expenses in Research, Outreach, Board of Commissioners, and Bar Journal.

**Nonoperating revenue** increased by \$397,369, or 34.4 percent, due to change in market value of retiree health care trust investments, higher investment balances, and higher interest rates.

**Net position** increased by \$3,315,720 in FY 2024 compared to an increase of \$2,938,002 in FY 2023, primarily due to an increase in nonoperating income.

## CLIENT PROTECTION FUND

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Operating revenue	\$815,610	\$815,011	\$ 599	0.1%
Operating expenses	377,718	523,024	(145,306)	(27.8)%
Operating income	437,892	291,987	145,905	50.0%
Nonoperating revenue	165,742	108,215	57,527	53.2%
Change in net position	\$603,634	\$400,202	\$ 203,432	50.8%

**Net position** increased \$603,634 in FY 2024 compared to an increase of \$400,202 in FY 2023, resulting in a year-over-year change of \$203,432, or 50.8 percent.

**Operating revenue** increased by \$599, or 0.1 percent.

**Operating expenses** decreased by \$145,306, or 27.8 percent primarily due to lower claims payments and higher administrative costs.

**Nonoperating revenue** increased by \$57,527, or 53.2 percent, due to higher investment income.

## SECTIONS

	SEPTEMBER 30, 2024	SEPTEMBER 30, 2023	CHANGE	%
Operating revenue	\$1,916,212	\$1,863,754	\$ 52,458	2.8%
Operating expenses	1,925,370	2,056,041	(130,671)	(6.4)%
Operating income	(9,158)	(192,287)	183,129	(95.2)%
Change in net position	\$ (9,158)	\$ (192,287)	\$ 183,129	(95.2)%

Sections saw an increase in revenue due to higher section dues collected offset by lower event revenue, and a decrease in operating expenses due to fewer meetings and events compared to last year. Net position decreased by \$9,158 in FY 2024.



## REVENUE, EXPENSES, AND CHANGES IN NET POSITION: FY 2024 COMPARED TO APPROVED BUDGET

### ADMINISTRATIVE FUND

	FY 2024 ACTUAL	FY 2024 BUDGETED	DIFFERENCE	%
Operating revenue	\$12,988,393	\$12,599,955	\$ 388,438	3.1%
Operating expenses				
Labor	7,822,953	8,195,650	(372,697)	(4.5)%
Nonlabor	3,401,732	4,029,085	(627,353)	(15.6)%
Total operating expenses	11,224,685	12,224,735	(1,000,050)	(8.2)%
Operating income	1,763,708	375,220	1,388,488	370.0%
Nonoperating revenue	1,552,012	518,000	1,034,012	199.6%
Change in net position	\$ 3,315,720	\$ 893,220	\$2,422,500	271.2%

**Operating income** was favorable to budget by \$1,388,488, or 370 percent, due to a favorable variance in operating revenues of \$388,438, or 3.1 percent and a favorable variance in operating expenses of \$1,000,050, or 8.2 percent.

**Operating revenue** was favorable to budget by \$388,438, or 3.1 percent, primarily due to higher revenues in Lawyer Referral Services, Interim Administration Program, Character and Fitness, Bar Journal, Digital, and E-Journal, Lawyers and Judges Assistance Program, as well as revenue from partnerships and events, pro hac vice, and administration fees for Attorney Discipline System and Client Protection Fund. License fees and related revenues were lower due to lower number of paying attorneys.

**Operating expenses** were favorable to budget by \$1,000,050, or 8.2 percent, due to a favorable variance in labor expenses of \$372,697, or 4.5% percent, and a favorable variance in nonlabor expenses of \$627,353, or 15.6 percent. Labor expenses were mainly lower than budget due to lower retiree healthcare expense per GASB 75 and lower pension expense per GASB 68 and lower salaries, offset by higher employee health insurance expenses. Nonlabor expenses were lower than budget across a majority of teams due to a combination of cost savings, continuation of hybrid (office/remote) operations and lower travel and meeting costs (Executive Office, Board of Commissioners, Representative Assembly, and Great Lakes Legal Conference). IT expenses were lower than budget due to lower consulting expenses, lower software expenses, and equipment and maintenance expenses. Facilities expenses were lower than budget due to lower repair and maintenance expenses, utilities, and postage. Finance team expenses were lower than budget due to lower depreciation and credit card processing expenses. Communications teams (Bar Journal, Digital, Print and Design, and General Communications) recognized savings due to lower than budgeted paper, printing and mailing, design services, contractor expenses, equipment maintenance, and website maintenance.

**Nonoperating revenue** was favorable to budget by \$1,034,012, or 199.6 percent, primarily due to higher market value of investments of the retiree health care trust, which was not budgeted, and higher interest income.

**Change in net position** in FY 2024 was favorable to budget by \$2,422,500 due to an increase in net position of \$3,315,720 compared to a budgeted increase of \$893,220. In summary, the larger than budgeted growth in net position was due to favorable variances in budgeted operating revenues of \$388,438, operating expenses of \$1,000,050 and nonoperating revenue of \$1,034,012.

### CAPITAL ASSETS

Capital assets (net of accumulated depreciation) consisting of land, building, furniture and equipment, computer equipment/software (including work in progress), and GASB 96 subscription software increased by \$45,096 during FY 2024. This increase is primarily due to a difference between fixed asset additions of \$503,585, depreciation expense of \$444,042, and disposal of \$14,447. More detailed information about the State Bar's capital assets is presented in Note 5 to the financial statements.

### RISKS AND UNCERTAINTIES

The Michigan Supreme Court approved an \$80 fee increase for active licensed attorneys for the 2022-2023 fiscal year. The fee increase enabled the State Bar of Michigan to sustain its current operations and to stay in compliance with the financial safety policy adopted by the Board of Commissioners. In July 2024, the Board adopted the FY 2025 budget aligning it with the goals of the SBM Strategic Plan.

The State Bar's financial position will continue to be affected by uncertainties in several areas, including the future number of active attorneys, labor market, interest rates, and inflation. Mandatory license fees paid by Michigan attorneys account for 82 percent of SBM's operating revenues. However, the number of paying attorneys has decreased in the last two years, and we expect this trend to continue in the next few years. The State Bar continues to look for opportunities to increase operating revenues to help offset the loss in revenue. Like all businesses, operating expenses increased in FY 2024 because of increases in the cost of labor and professional services, information technology, travel, meetings, and events. In FY 2024, the increase in other operating revenues and investment income offset the increase in operating costs and added to the overall net position. SBM will continue to adapt to challenges by embracing innovation, monitoring trends, and using its strategic plan to effectively serve the public and Michigan attorneys.



## Basic Financial Statements

# State Bar of Michigan

## Statement of Net Position

September 30, 2024

	Administrative Fund	Client Protection Fund	Sections	Total
<b>Assets</b>				
Current assets:				
Cash for operations	\$ 948,734	\$ 61,789	\$ -	\$ 1,010,523
Investments	13,305,956	3,400,195	-	16,706,151
Accounts receivable:				
Trade	157,901	2,936	-	160,837
Due from (to) other funds	(3,051,197)	(65,075)	3,116,272	-
Prepaid expenses	547,587	-	-	547,587
Total current assets	11,908,981	3,399,845	3,116,272	18,425,098
Long-term investments	675,000	200,000	-	875,000
Retiree healthcare trust investments	4,689,544	-	-	4,689,544
Capital assets, net	3,273,211	-	-	3,273,211
Total assets	20,546,736	3,599,845	3,116,272	27,262,853
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	14,627	-	-	14,627
Deferred outflows related to OPEB	1,018,990	-	-	1,018,990
Total deferred outflows of resources	1,033,617	-	-	1,033,617
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	417,434	185	-	417,619
Accrued expenses	750,672	-	-	750,672
Due to Attorney Discipline System	34,904	-	-	34,904
Unearned revenue	2,147,744	124,365	241,589	2,513,698
Subscription liability – current	39,348	-	-	39,348
Interpleader funds	-	349,668	-	349,668
Total current liabilities	3,390,102	474,218	241,589	4,105,909
Subscription liability – noncurrent	93,312	-	-	93,312
Net pension liability	216,283	-	-	216,283
Net OPEB liability	578,767	-	-	578,767
Total liabilities	4,278,464	474,218	241,589	4,994,271
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	8,114	-	-	8,114
Deferred inflows related to OPEB	1,226,930	-	-	1,226,930
Total deferred inflows of resources	1,235,044	-	-	1,235,044
<b>Net position</b>				
Net investment in capital assets	3,140,551	-	-	3,140,551
Restricted for retiree health care	3,902,837	-	-	3,902,837
Unrestricted	9,023,457	3,125,627	2,874,683	15,023,767
Total net position	\$ 16,066,845	\$ 3,125,627	\$ 2,874,683	\$ 22,067,155

See accompanying notes.

# State Bar of Michigan

## Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2024

	Administrative Fund		Client Protection Fund		Sections	Total
	Fund	Fund	Fund	Fund	Sections	Total
<b>Operating revenue</b>						
License Fees, Section Dues, and Affiliate Dues	\$ 10,633,675	\$ 632,426	\$ -	\$ -	\$ 1,269,329	\$ 12,535,430
Character and Fitness	367,885	-	-	-	-	367,885
Lawyer Referral Service	351,748	-	-	-	-	351,748
Client Protection Fund administration fee	270,928	-	-	-	-	270,928
Lawyer Services	223,943	-	-	-	-	223,943
Interim Administrator Program	192,960	-	-	-	-	192,960
Bar Journal	169,381	-	-	-	-	169,381
Attorney Discipline System fee	127,955	-	-	-	-	127,955
Lawyers and Judges Assistance	71,823	-	-	-	-	71,823
Digital	54,169	-	-	-	-	54,169
Michigan State Bar Foundation rent	43,561	-	-	-	-	43,561
Great Lakes Legal Conference	41,735	-	-	-	-	41,735
Print and Design	34,076	-	-	-	-	34,076
e-Journal	31,578	-	-	-	-	31,578
Inaugural and Awards Luncheon	22,175	-	-	-	-	22,175
50 Year Honoree Celebration	7,660	-	-	-	-	7,660
Ethics	3,535	-	-	-	-	3,535
Practice Management Resource Center	1,771	-	-	-	-	1,771
Diversity	980	-	-	-	-	980
Other revenue	336,855	183,184	-	-	646,883	1,166,922
Total operating revenue	<u>12,988,393</u>	<u>815,610</u>	<u>-</u>	<u>-</u>	<u>1,916,212</u>	<u>15,720,215</u>
<b>Operating expenses</b>						
Labor expenses:						
Salaries	6,084,679	-	-	-	-	6,084,679
Employee benefits and payroll taxes	1,738,274	-	-	-	-	1,738,274
Total labor expenses	<u>7,822,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,822,953</u>
Nonlabor expenses:						
Legal	198,128	-	-	-	-	198,128
Public and Bar Services	963,418	-	-	-	-	963,418
Operations and Policy	2,240,186	-	-	-	-	2,240,186
Claims payments	-	106,355	-	-	-	106,355
Client Protection Fund administrative expenses	-	271,363	-	-	-	271,363
Sections expenses	-	-	-	1,925,370	-	1,925,370
Total nonlabor expenses	<u>3,401,732</u>	<u>377,718</u>	<u>-</u>	<u>1,925,370</u>	<u>-</u>	<u>5,704,820</u>
Total operating expenses	<u>11,224,685</u>	<u>377,718</u>	<u>-</u>	<u>1,925,370</u>	<u>-</u>	<u>13,527,773</u>
Operating income (loss)	<u>1,763,708</u>	<u>437,892</u>	<u>-</u>	<u>(9,158)</u>	<u>-</u>	<u>2,192,442</u>
<b>Nonoperating revenue</b>						
Investment income	819,982	165,742	-	-	-	985,724
Investment income – retiree healthcare trust, net	746,477	-	-	-	-	746,477
Loss on disposal of capital assets	(14,447)	-	-	-	-	(14,447)
Total nonoperating revenue	<u>1,552,012</u>	<u>165,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717,754</u>
Change in net position	3,315,720	603,634	-	(9,158)	-	3,910,196
Net position at beginning of year	12,751,125	2,521,993	-	2,883,841	-	18,156,959
Net position at end of year	<u>\$ 16,066,845</u>	<u>\$ 3,125,627</u>	<u>\$ -</u>	<u>\$ 2,874,683</u>	<u>\$ -</u>	<u>\$ 22,067,155</u>

See accompanying notes.

# State Bar of Michigan

## Statement of Cash Flows

Year Ended September 30, 2024

	Administrative Fund	Client Protection Fund	Sections	Total
<b>Cash flows from operating activities</b>				
License Fees, Section Dues, and Affiliate Dues	\$ 10,763,259	\$ 641,553	\$ 1,510,918	\$ 12,915,730
Other receipts	2,196,537	581,785	646,883	3,425,205
Payments to employees	(8,140,638)	(271,363)	-	(8,412,001)
Payments to suppliers and others	(3,115,692)	-	(2,157,801)	(5,273,493)
Payments for claims	-	(149,438)	-	(149,438)
Net cash from operating activities	1,703,466	802,537	-	2,506,003
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(291,296)	-	-	(291,296)
Subscription payments	(36,492)	-	-	(36,492)
Net cash from capital and related financing activities	(327,788)	-	-	(327,788)
<b>Cash flows from investing activities</b>				
Purchases of investments – net	(1,593,943)	(896,502)	-	(2,490,445)
Sales of retiree healthcare trust investments – net	181,419	-	-	181,419
Investment income	209,745	8,412	-	218,157
Net cash from investing activities	(1,202,779)	(888,090)	-	(2,090,869)
Net change in cash	172,899	(85,553)	-	87,346
Cash at beginning of year	775,835	147,342	-	923,177
Cash at end of year	\$ 948,734	\$ 61,789	\$ -	\$ 1,010,523

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

Operating income (loss)	\$ 1,763,708	\$ 437,892	\$ (9,158)	\$ 2,192,442
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	444,042	-	-	444,042
Pension expense	(119,187)	-	-	(119,187)
OPEB expense	(65,375)	-	-	(65,375)
Investment expenses paid (netted against investment income)	(11,361)	-	-	(11,361)
Subscription payments representing interest	8,775	-	-	8,775
Other reconciling items	(4,268)	-	-	(4,268)
Deferred outflows of resources related to pension – contributions subsequent to the measurement date	(14,627)	-	-	(14,627)
Deferred outflows of resources related to OPEB – contributions subsequent to the measurement date	(167,521)	-	-	(167,521)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(109,523)	(2,936)	-	(112,459)
Prepaid expenses	(109,135)	-	-	(109,135)
Accounts payable	(46,281)	(43,083)	-	(89,364)
Accrued expenses	53,293	-	-	53,293
Due (to) from other funds	(49,032)	51,869	(2,837)	-
Due to Attorney Discipline System	34,904	-	-	34,904
Unearned revenue	95,054	9,127	11,995	116,176
Interpleader funds	-	349,668	-	349,668
Net cash from operating activities	\$ 1,703,466	\$ 802,537	\$ -	\$ 2,506,003

**Noncash investing and financing activities**

Cost of right-to-use subscription assets acquisitions financed by subscriptions	\$ 160,377	\$ -	\$ -	\$ 160,377
Prepaid expense reclassified as SBITA asset	\$ 51,912	\$ -	\$ -	\$ 51,912

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 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 Annual Comprehensive 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. The Administrative Fund also accounts for the cash and investments of the Retiree Health Care Trust, that can only be used to pay State Employees' Retirement System (SERS) costs of retiree healthcare for eligible participants when they retire and become eligible for such benefit as calculated by the Michigan Office of Retirement Services (ORS).

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 license fee assessments and, to a lesser extent, by investment income, unspent judicial election campaign funds, and recoveries. 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.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

#### **A. Reporting Entity (continued)**

Sections – With the exception of the Young Lawyers Section and the Judicial 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 to their members. Financial services such as receipts and disbursements processing, financial reporting, and dues processing, as well as other related support services are provided to the sections and charged against the Administrative Fund. The investment income on a section’s funds is retained within the Administrative Fund to help offset the cost of support services. Certain services provided to sections that are in addition to basic support services and that may increase the variable costs of the Administrative Fund are charged back to the sections.

#### **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 provides 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. The periodic determination of revenue earned, expenses incurred, and changes in net position is appropriate for management control and accountability; therefore, the proprietary fund model is followed, and the full accrual basis of accounting is used.

Statement of Cash Flows – For purposes of the statement of cash flows, the State Bar considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Investments – Investments include all monies other than bank deposits (checking and savings accounts) and petty cash, net of amounts held on behalf of the Attorney Discipline System. As of September 30, 2024, assets in the State Bar of Michigan Retiree Health Care Trust consist of various mutual funds and other investments in accordance with the investment policies. Investments are recorded at fair market value, except for CDARS and certificates of deposit which are recorded at cost.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

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

Accounts Receivable – Accounts receivable are stated at net invoice or net recovery amounts. The Administrative Fund’s 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. As of September 30, 2024, the Administrative Fund’s allowance for doubtful accounts was \$880.

Subscriptions – Liabilities related to subscription-based information technology arrangements (SBITAs) are recognized at the commencement of the subscription term and are measured based on the present value of payments expected to be made during subscription term, discounted based on the interest rate specified in the contract or the implicit rate. Subscription assets are recognized at the commencement of the subscription term and are measured based on the initial measurement of the subscription liability plus payments made to the SBITA vendor at or before the commencement of the subscription term and capitalizable initial implementation costs.

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 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 two or more years with an acquisition cost of \$5,000 or more per item.

Unearned Revenue – Income is recognized as revenue as it is earned. Prepayments of annual license fees are recorded as unearned until the revenue is earned over the fiscal year.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The State Bar has two items that qualify for reporting in this category, which are deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits (OPEB).

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The State Bar has two items that qualify for reporting in this category, which are deferred inflows of resources related to pensions and deferred inflows of resources related to OPEB.

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 travel, supplies, utilities, postage, printing, contractor and outside services, and other items.

Pensions (Defined Benefit Retirement Plan) and Postemployment Benefits Other Than Pensions – For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the SERS and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 2. Deposits and Investments

The State Bar of Michigan has designated a total of 8 financial institutions for the deposit of its cash and investments as of September 30, 2024. 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 (other than investments held in the retiree health care trust fund) consisted of CDARS, certificates of deposit, U.S. Government Money Market Funds, U.S. Treasury Notes, and U.S. Treasury Bills. The retiree health care trust funds that are restricted to paying retiree health care premiums have a separate investment policy that allows for investment in equities and fixed income mutual funds.

The State Bar of Michigan's cash and investments are subject to several types of risk, which are examined in more detail below.



# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

Custodial Credit Risk of 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. The State Bar of Michigan’s investment policy for its surplus and operating funds (other than the restricted retiree health care trust funds that has a separate investment policy) is guided by PA 20 of 1943 as amended. The State Bar updated its investment policy in fiscal year 2020, allowing up to \$5 million in deposits in any bank as long as the bank meets certain size and rating criteria, or in any amount if the deposits are FDIC insured. At year end, the State Bar of Michigan had \$6,993,389 of bank deposits in checking, savings, CDARS, and certificates of deposit accounts, and of that balance 43 percent was insured.

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the State Bar will not be able to recover the value of its investments that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent, but not in the government’s name. As of September 30, 2024, no securities were exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The State Bar’s investment policy provides that cash and investments may be held in instruments with maturities not to exceed three years without express approval from the Finance Committee. The retiree health care trust investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

State Bar of Michigan

Notes to Financial Statements

September 30, 2024

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

As of September 30, 2024, the fair values and the weighted average maturities for the State Bar’s investments and the fixed income securities in the retiree health care trust are as follows:

	<b>Investment Maturities (in Years)</b>				
	<b>Balance as of September 30, 2024</b>	<b>Less Than or Equal to 1</b>	<b>Greater Than 1 to 5</b>	<b>Greater Than 5 to 10</b>	<b>More Than 10</b>
Investments:					
Government securities	\$ 10,859,852	\$ 9,719,576	\$ 1,140,276	\$ -	\$ -
Government money market fund	778,626	778,626	-	-	-
Certificates of deposit and CDARS	5,942,673	5,067,673	875,000	-	-
Retiree healthcare trust investments:					
Government securities	1,335,051	1,335,051	-	-	-
Mutual funds	966,713	-	-	966,713	-
Government money market fund	4,331	4,331	-	-	-
<b>Total</b>	<b>\$ 19,887,246</b>	<b>\$ 16,905,257</b>	<b>\$ 2,015,276</b>	<b>\$ 966,713</b>	<b>\$ -</b>

Credit Risk – Credit risk refers to the ability of the issuer to make timely payments of interest and principal. The retiree health care investment policy provides that fixed income funds may include any combination of fixed income funds including bond mutual funds or money market funds with a Morningstar rating of at least 4 stars, or below 4 stars with regular monitoring. Mutual funds held in the retiree health care trust that invest primarily in fixed income securities are not rated as to credit quality by a nationally recognized statistical rating organization.

Fair Value Measurements – The State Bar categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The State Bar’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 2. Deposits and Investments (continued)

The State Bar has the following recurring fair value measurements as of September 30, 2024:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Government securities	\$ 10,859,852	\$ 10,859,852	\$ -	\$ -
Government money market fund	778,626	778,626	-	-
Retiree healthcare trust investments:				
Government securities	1,335,051	1,335,051	-	-
Mutual funds	3,349,716	3,349,716	-	-
Government money market fund	4,331	4,331	-	-
Cash	446	N/A	N/A	N/A
Total	<u>\$ 16,328,022</u>	<u>\$ 16,327,576</u>	<u>\$ -</u>	<u>\$ -</u>

The State Bar's investments in certificates of deposit and CDARS totaling \$5,942,673 as of September 30, 2024 meet the criteria to be valued at cost.

### 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 reinstate 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, 2024 was \$127,955.

### 4. Leases and Subscriptions

#### State Bar as Lessor

As of September 30, 2024, State Bar of Michigan, as a lessor, was leasing 1,548.50 square feet of office space to Michigan State Bar Foundation (MSBF). The lease term started on October 1, 2021 and expires on September 30, 2026. The lease is classified as a short-term lease as it can be cancelled by either party at any time upon providing a 180-day notice.

State Bar of Michigan  
Notes to Financial Statements

September 30, 2024

**4. Leases and Subscriptions (continued)**

**Subscriptions**

The State Bar entered into two subscription-based information technology arrangements (SBITAs), one for a cloud accounting system and one for a cloud budgeting and planning tool. The total of the State Bar's subscription assets is recorded at cost of \$228,013, less accumulated amortization of \$35,061.

The future subscription payments under SBITA arrangements are as follows:

<b>Year Ended September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 39,348	\$ 9,348	\$ 48,696
2026	31,605	6,532	38,137
2027	34,210	3,927	38,137
2028	27,497	1,107	28,604
Total	<u>\$ 132,660</u>	<u>\$ 20,914</u>	<u>\$ 153,574</u>

In addition to the amounts presented above, the State Bar also had outflows of resources during the fiscal year totaling \$15,100 that were not included in the measurement of the subscription liability. This total consists of ongoing support services from the vendor of the two SBITAs.

State Bar of Michigan  
Notes to Financial Statements  
September 30, 2024

**5. Capital Assets**

A summary of capital assets as of September 30, 2024 follows:

	Beginning Balance	Additions	Disposals	Transfers and Write-Off	Ending Balance	Depreciable Life-Years
Capital assets not being depreciated:						
Land	\$ 380,545	\$ -	\$ -	\$ -	\$ 380,545	-
Work in progress	121,600	275,572	-	(357,171)	40,001	-
Capital assets being depreciated:						
Building	8,305,324	-	-	-	8,305,324	10-50
Furniture and equipment	1,967,721	-	(14,242)	34,594	1,988,073	5-20
Computer equipment/software	1,705,668	-	(16,407)	322,577	2,011,838	3-5
Right-to-use subscription software	-	228,013	-	-	228,013	Subscription Term
Total capital assets	12,480,858	503,585	(30,649)	-	12,953,794	
Less accumulated depreciation:						
Building	6,109,834	180,795	-	-	6,290,629	
Furniture and equipment	1,778,015	41,382	(14,242)	-	1,805,155	
Computer equipment/software	1,364,894	186,804	(1,960)	-	1,549,738	
Right-to-use subscription software	-	35,061	-	-	35,061	
Total accumulated depreciation	9,252,743	444,042	(16,202)	-	9,680,583	
Total net capital assets	<u>\$ 3,228,115</u>	<u>\$ 59,543</u>	<u>\$ (14,447)</u>	<u>\$ -</u>	<u>\$ 3,273,211</u>	
Depreciation expense					<u>\$ 444,042</u>	

State Bar of Michigan  
Notes to Financial Statements

September 30, 2024

## **6. 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, fiduciary liability policy, cyber liability policy, property and general liability policy, umbrella policy, and other policies.

## **7. Legal Issues**

There are legal issues pending for the State Bar of Michigan; however, management believes the likelihood of an unfavorable outcome is remote.

## **8. Retirement Plans**

Overview – The State Bar of Michigan participates in the State of Michigan's defined benefit (DB) plan pursuant to the State Employees Retirement Plan Act (PA 240 of 1943, as amended) 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 (DC) 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. As of September 30, 2023, there were two active employees in the defined benefit 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 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. The State Bar of Michigan's contributions to the plan for the year ended September 30, 2024 were \$410,193.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

#### **General Information about the Defined Benefit Plan**

##### **A. Plan Description**

The Michigan State Employees Retirement System (System or SERS) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor which consist of one member or retirant of the System; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; one retirant member of the System; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees.

The Michigan State Employees' Retirement System is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors) or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

##### **B. Benefits Provided**

Introduction – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, non-duty disability, and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 8. Retirement Plans (continued)

#### B. Benefits Provided (continued)

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

Pension Reform of 2012 – On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: Defined Benefit (DB) Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent contribution began on April 1, 2012. As of September 30, 2024, the State Bar of Michigan has two eligible active employees who selected this option.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's Defined Contribution (DC) plan. The 4 percent contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first. The State Bar of Michigan has no active employees who selected this option.
- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4 percent and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4 percent employer contribution to their DC account and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan. The State Bar of Michigan has no active employees who selected this option.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.



# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 8. Retirement Plans (continued)

#### B. Benefits Provided (continued)

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2 percent of their compensation to a 401(k) or 457 account, earning a matching 2 percent employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Regular Retirement – The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5 percent of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5 percent times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

1. age 60 with 10 or more years of credited service; or
2. age 55 with 30 or more years of credited service; or
3. age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5 percent for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 8. Retirement Plans (continued)

#### B. Benefits Provided (continued)

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. age 51 with 25 or more years in a covered position; or
2. age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position.

Deferred Retirement – Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force layoffs by reason of deinstitutionalization.

Non-Duty Disability Benefit – A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a non-duty disability pension. The non-duty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

Duty Disability Benefit – A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension, is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of \$6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

Survivor Benefit – Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to \$6,000.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 8. Retirement Plans (continued)

#### B. Benefits Provided (continued)

Pension Payment Options – When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100 percent, 75 percent, or 50 percent of the retiree’s pension benefit after the retiree’s death. The decision is irrevocable. A description of the options follows.

*Regular Pension* – The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

*100 Percent Survivor Pension* – Under this option, after the retiree’s death, the beneficiary will receive 100 percent of the pension for the remainder of the beneficiary’s lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension “pops-up” to the regular pension amount; another beneficiary cannot be named.

*75 Percent Survivor Pension* – Under this option, after the retiree’s death, the beneficiary will receive 75 percent of the pension for the remainder of the beneficiary’s lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent option previously described. If the beneficiary predeceases the retiree, the pension “pops-up” to the regular pension amount; another beneficiary cannot be named.

*50 Percent Survivor Pension* – Under this option, after the retiree’s death, the beneficiary will receive 50 percent of the pension for the remainder of the beneficiary’s lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent or 75 percent option previously described. If the beneficiary predeceases the retiree, the pension “pops-up” to the regular pension amount; another beneficiary cannot be named.

*Equated Pension* – An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with Regular, 100 percent, 75 percent, or 50 percent option. At age 65 the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of social security benefits at age 65, provided by the Social Security Administration Office.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

#### **B. Benefits Provided (continued)**

In order to calculate this benefit, members choosing this option must provide the State of Michigan Office of Retirement Services with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Post Retirement Adjustments – One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3 percent non-compounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8 percent annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3 percent increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

#### **C. Contributions**

Member Contributions – Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4 percent of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Employer Contributions – The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles, so the contribution rates do not have to increase over time. For fiscal year 2024, the State Bar of Michigan's contribution rate was 23.81 percent of the defined benefit employee wages. The State Bar of Michigan's contribution to the System for the fiscal year ending September 30, 2024 was \$14,627.

#### **D. Actuarial Assumptions**

The State Bar's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures.

State Bar of Michigan

Notes to Financial Statements

September 30, 2024

**8. Retirement Plans (continued)**

**D. Actuarial Assumptions (continued)**

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75 percent
Projected Salary Increases	2.75 – 11.75 percent, including wage inflation at 2.75 percent
Investment Rate of Return	6.00 percent, net of investment expenses
Cost-of-Living Pension Adjustment	3.00 percent Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible

Mortality rates for retirees were based on PubG-2010 Male and Female Retiree Mortality Tables scaled by 104% for males and 115% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Mortality rates for disabled retirees were based on PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled by 100% for males and 100% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Mortality rates for active employees were based on PubG-2010 Male and Female Employee Mortality Tables scaled by 100% for males and 100% for females adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2022 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 8. Retirement Plans (continued)

#### D. Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0 %	5.8 %
Private equity pools	16.0	9.6 %
International equity pools	15.0	6.8 %
Fixed income pools	13.0	1.3 %
Real estate and infrastructure pools	10.0	6.4 %
Absolute return pools	9.0	4.8 %
Real return and opportunistic pools	10.0	7.3 %
Short term investment pools	2.0	0.3 %
Total	<u>100.0 %</u>	

\*Long term rates of return are net of administrative expenses and 2.7 percent inflation.

#### E. Discount Rate

A discount rate of 6.0 percent was used to measure the total pension liability for the September 30, 2022 valuation. A discount rate of 6.0 percent was used to measure the total pension liability for the September 30, 2021 valuation. This discount rate for the September 30, 2022 valuation was based on the long-term expected rate of return on pension plan investments of 6.0 percent. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### F. Net Pension Liability

As of September 30, 2024, the State Bar of Michigan reported a liability of \$216,283 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures.

State Bar of Michigan

Notes to Financial Statements

September 30, 2024

**8. Retirement Plans (continued)**

**F. Net Pension Liability (continued)**

The State Bar of Michigan's proportion of the net pension liability was based on the State Bar of Michigan's required pension contributions received by the System during the measurement period October 1, 2022, through September 30, 2023, relative to the total required employer contributions from all of the System's participating employers. As of September 30, 2023, the State Bar of Michigan's proportion was 0.0038246 percent.

**G. Pension Liability Sensitivity**

The following presents the State Bar of Michigan's proportionate share of the net pension liability, calculated using the discount rate of 6.0 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	<b>1 Percent Decrease 5.0 Percent</b>	<b>Current Discount 6.0 Percent</b>	<b>1 Percent Increase 7.0 Percent</b>
State Bar of Michigan's proportionate share of net pension liability	\$ 286,620	\$ 216,283	\$ 156,135

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors).



State Bar of Michigan

Notes to Financial Statements

September 30, 2024

**8. Retirement Plans (continued)**

**I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2024, the State Bar of Michigan recognized pension credit of \$119,187. As of September 30, 2024, the State Bar of Michigan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ -
Difference between expected and actual experience	-	-
Net difference between projected and actual earnings on investments	-	8,114
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
State Bar of Michigan contributions subsequent to the measurement date	14,627	-
Total	<u>\$ 14,627</u>	<u>\$ 8,114</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the State Bar of Michigan contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (credit) as follows:

<b>Year Ended September 30:</b>	<b>Pension Expense (Credit) Amount</b>
2025	\$ (7,115)
2026	\$ (8,594)
2027	\$ 9,835
2028	\$ (2,240)

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### **9. Postemployment Benefits**

#### **A. Plan Description**

The Michigan State Employees' Retirement System (System or SERS) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of two members of the State Employees' Retirement System at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors) or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

#### **B. Benefits Provided**

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health, prescription drug, dental, and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20 percent of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30 percent subsidy with ten years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by the Michigan Department of Technology, Management, and Budget (DTMB) and the Civil Service Commission to make changes to retiree medical benefit plans.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

#### **B. Benefits Provided (continued)**

Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

#### **C. Contributions**

The statute requires the employer to contribute to finance the benefits of plan members. 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. The State Bar's contribution to SERS for the fiscal year ending September 30, 2024 was \$167,521. The State Bar is not required to contribute to SERS for postemployment benefits for active employees.

The State Bar has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, the Plan may be financed on a "pay-as-you-go" basis). The State Bar may make contributions to accumulate funds for payment of SERS cost as recommended by staff and approved by the State Bar Finance Committee. The State Bar has established an irrevocable trust for the purpose of accumulating funds for the retiree healthcare SERS costs. This trust is presented as part of employer assets in the Administrative Fund within the State Bar's financial statements rather than as a fiduciary fund because benefit payments cannot be made to plan participants from this trust and therefore, the trust does not meet the criteria as a qualifying trust under GASB Statement No. 75 or to be reported as a fiduciary fund. The employer assets within the trust have not been used to reduce the State Bar's net OPEB liability as only the fiduciary net position of the SERS OPEB plan can offset the employer's SERS net OPEB liability. As of September 30, 2024, the State Bar's assets in the trust amounted to \$4,689,544 which has been presented as a component of restricted net position as of September 30, 2024. The balance of restricted net position for retiree healthcare has been increased by deferred outflows of resources related to OPEB and reduced by the net OPEB liability and deferred inflows of resources related to OPEB, as follows:

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

### 9. Postemployment Benefits (continued)

#### C. Contributions (continued)

Assets in OPEB trust	\$ 4,689,544
Net OPEB liability	(578,767)
Deferred outflows of resources related to OPEB	1,018,990
Deferred inflows of resources related to OPEB	(1,226,930)
Net position restricted for retiree health care	<u>\$ 3,902,837</u>

#### D. Actuarial Assumptions

The State Bar's SERS net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The total SERS OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75 percent
Investment Rate of Return	6.20 percent, net of investment expenses
Projected Salary Increases	2.75 - 11.75 percent, including wage inflation at 2.75 percent
Health Care Cost Trend Rate	Pre-65: 7.50 percent year 1 graded to 3.50 percent year 15; 3.00 percent year 120 Post-65: 6.25 percent year 1 graded to 3.50 percent year 15; 3.00 percent year 120
Mortality	PubG-2010 Male and Female Mortality Table used for retirees (scaled by 104% for males and 115% for females) and active employees (scaled by 100% for males and females); PubNS-2010 Male and Female Disabled Retiree Mortality Table used for disabled retirees (scaled by 100% for males and females); adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study covering the period 2017 through 2022 have been adopted by the System for use in the determination of the SERS total OPEB liability beginning with the September 30, 2022 valuation.

The long-term expected rate of return on SERS OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of SERS OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

State Bar of Michigan

Notes to Financial Statements

September 30, 2024

**9. Postemployment Benefits (continued)**

**D. Actuarial Assumptions (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the SERS OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity pools	25.0 %	5.8 %
Private equity pools	16.0	9.6 %
International equity pools	15.0	6.8 %
Fixed income pools	13.0	1.3 %
Real estate and infrastructure pools	10.0	6.4 %
Absolute return pools	9.0	4.8 %
Real return and opportunistic pools	10.0	7.3 %
Short term investment pools	2.0	0.3 %
Total	<u>100.0 %</u>	

\*Long term rates of return are net of administrative expenses and 2.7 percent inflation.

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on SERS OPEB plan investment, net of SERS OPEB plan investment expense, was 11 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Discount Rate**

A single discount rate of 6.2 percent was used to measure the total SERS OPEB liability for the September 30, 2022 valuation. A discount rate of 6.2 percent was used to measure the total SERS OPEB liability for the September 30, 2021 valuation. This single discount rate for the September 30, 2022 valuation was based on the expected rate of return on SERS OPEB plan investments of 6.2 percent. The projection of cash flows used to determine this single discount rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the SERS OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on SERS OPEB plan investments was applied to all periods of projected benefit payments to determine the total SERS OPEB liability.

# State Bar of Michigan

## Notes to Financial Statements

September 30, 2024

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

#### **F. SERS Net OPEB Liability**

As of September 30, 2024, the State Bar reported a liability of \$578,767 for its proportionate share of SERS net OPEB liability. The SERS net OPEB liability was measured as of September 30, 2023, and the SERS total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The State Bar's proportion of the SERS net OPEB liability was based on the State Bar's required OPEB contributions received by SERS during the measurement period October 1, 2022, through September 30, 2023, relative to the total required employer contributions from all of SERS's participating employers. As of September 30, 2023, the State Bar's proportion was 0.03443952 percent.

For the proportionate share calculation, the sum of the retiree premiums invoiced to the State Bar during the measurement period October 1, 2022, through September 30, 2023, comprises the State Bar's required OPEB contributions, which is not representative of the total expected contribution effort of the State Bar to SERS for OPEB benefits because it does not include contributions that will be required in the future when currently active participants begin receiving OPEB benefits. This is due to the previously mentioned settlement agreement effective January 1, 2004. As active participants begin receiving OPEB benefits, it is expected that the State Bar's required annual OPEB contributions will increase, which may increase the State Bar's proportionate share of the SERS net OPEB liability.

The allocated SERS net OPEB liability is not fully representative of the amounts the State Bar will be required to pay the State of Michigan for the actual cost of postemployment benefits, due to the previously mentioned settlement agreement effective January 1, 2004. Also, per the settlement agreement, the State Bar's payments for the actual cost of postemployment benefits are not funded from the SERS OPEB fiduciary assets, although the State Bar is allocated SERS net OPEB liability which takes into consideration SERS OPEB investments. The State Bar will fund future premium payments from the assets of the retiree health care trust.

State Bar of Michigan

Notes to Financial Statements

September 30, 2024

**9. Postemployment Benefits (continued)**

**G. Sensitivity of the SERS Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the State Bar’s SERS net OPEB liability calculated using a single discount rate of 6.2 percent, as well as what the State Bar’s SERS net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	<b>1 Percent Decrease 5.2 Percent</b>	<b>Current Discount 6.2 Percent</b>	<b>1 Percent Increase 7.2 Percent</b>
State Bar’s proportionate share of SERS net OPEB liability	\$ 861,436	\$ 578,767	\$ 338,799

The following presents the State Bar’s SERS net OPEB liability calculated using the assumed trend rates, as well as what the State Bar’s SERS net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<b>1 Percent Decrease</b>	<b>Current Healthcare Cost Trend</b>	<b>1 Percent Increase</b>
State Bar’s proportionate share of SERS net OPEB liability	\$ 327,241	\$ 578,767	\$ 865,300

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the SERS OPEB plan’s fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting [www.michigan.gov/ors](http://www.michigan.gov/ors).



State Bar of Michigan  
Notes to Financial Statements

September 30, 2024

**9. Postemployment Benefits (continued)**

**I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2024, the State Bar recognized OPEB credit of \$65,375. As of September 30, 2024, the State Bar reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 1,147,471
Changes of assumptions	253,971	48,542
Net difference between projected and actual earnings on investments	7,755	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	589,743	30,917
State Bar's contributions subsequent to the measurement date	167,521	-
<b>Total</b>	<b>\$ 1,018,990</b>	<b>\$ 1,226,930</b>

Amounts reported as deferred outflows of resources related to OPEB resulting from State Bar contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense (credit) as follows:

<b>Year Ended September 30:</b>	<b>OPEB Expense (Credit) Amount</b>
2025	\$ (156,721)
2026	\$ (130,436)
2027	\$ (7,922)
2028	\$ (44,692)
2029	\$ (35,690)

## Required Supplementary Information

# State Bar of Michigan

## Required Supplementary Information

### State Employees' Retirement System – Pension

**Schedule of the State Bar's Proportionate Share of Net Pension Liability (amounts determined as of the prior fiscal year)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
The State Bar's proportionate share of the net pension liability:										
As a percentage	0.00382%	0.00572%	0.00597%	0.00546%	0.00547%	0.00508%	0.00509%	0.00498%	0.00486%	0.00486%
Amount	\$ 216,283	\$ 365,770	\$ 232,483	\$ 402,467	\$ 364,363	\$ 330,798	\$ 263,680	\$ 269,288	\$ 274,261	\$ 250,159
The State Bar's covered payroll	\$ 116,236	\$ 162,350	\$ 157,164	\$ 152,533	\$ 154,442	\$ 145,438	\$ 139,598	\$ 134,080	\$ 130,515	\$ 130,515
The State Bar's proportionate share of the net pension liability, as a percentage of its covered payroll	186.07%	225.30%	147.92%	263.86%	235.92%	227.45%	188.89%	200.84%	210.14%	191.67%
Plan fiduciary net position as a percentage of total pension liability	70.24%	66.92%	78.08%	64.07%	64.71%	67.22%	69.45%	67.48%	66.11%	68.07%

**Schedule of the State Bar's Pension Contributions (amounts determined as of the current fiscal year)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 14,627	\$ 24,225	\$ 38,227	\$ 37,617	\$ 36,627	\$ 34,117	\$ 35,778	\$ 36,226	\$ 36,351	\$ 37,573
Contributions in relation to the actuarially determined statutorily required contributions	14,627	24,225	38,227	37,617	36,627	34,117	35,778	36,226	36,351	37,573
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 61,249	\$ 116,236	\$ 162,350	\$ 157,164	\$ 152,533	\$ 154,442	\$ 145,438	\$ 141,100	\$ 139,597	\$ 134,080
Contributions as a percentage of covered payroll	23.88%	20.84%	23.55%	23.93%	24.01%	22.09%	24.60%	25.67%	26.04%	28.02%

State Bar of Michigan

Required Supplementary Information

State Employees' Retirement System – Pension

**Notes to Pension Required Supplementary Information**

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions for Pension is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions for Pension are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions for Pension is a comparison of the employer's contributions to the actuarially determined contributions.

The actuarially determined contributions presented in the Schedule of Contributions for Pension are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2024 contributions reported in that schedule.

**Methods and Assumptions Used to Determine Contribution for Fiscal Year 2024**

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	14 years, as of October 1, 2022, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.25 percent
Projected Salary Increases	2.75 – 11.75 percent, including wage inflation at 2.75 percent
Investment Rate of Return	6.70 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, 93% of the table rates for males and 98% of the table rates for females were used. For active and disabled retirees, 100% of the table rates were used.

State Bar of Michigan

Required Supplementary Information

State Employees' Retirement System – OPEB

**Schedule of the State Bar's Proportionate Share of Net OPEB Liability (amounts determined as of the prior fiscal year)**

	2024	2023	2022	2021	2020	2019	2018
The State Bar's proportionate share of the net OPEB liability:							
As a percentage	0.03444%	0.02973%	0.02287%	0.02366%	0.02008%	0.02020%	0.01982%
Amount	\$ 578,767	\$ 1,157,170	\$ 872,429	\$ 1,381,131	\$ 1,581,433	\$ 1,603,186	\$ 1,634,710
The State Bar's covered payroll	\$ 487,639	\$ 620,387	\$ 734,917	\$ 774,642	\$ 778,563	\$ 896,804	\$ 896,804
The State Bar's proportionate share of the net OPEB liability, as a percentage of its covered payroll	118.69%	186.52%	118.71%	178.29%	203.12%	178.77%	182.28%
Plan fiduciary net position as a percentage of total OPEB liability	77.36%	56.64%	57.12%	38.29%	27.88%	24.41%	19.89%

**Schedule of the State Bar's OPEB Contributions (amounts determined as of the current fiscal year)**

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 167,521	\$ 174,444	\$ 177,708	\$ 176,165	\$ 164,771	\$ 153,421	\$ 139,752
Contributions in relation to the actuarially determined statutorily required contributions	167,521	174,444	177,708	176,165	164,771	153,421	139,752
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 438,296	\$ 487,639	\$ 620,387	\$ 734,917	\$ 774,642	\$ 778,563	\$ 793,265
Contributions as a percentage of covered payroll	38.22%	35.77%	28.64%	23.97%	21.27%	19.71%	17.62%

## State Bar of Michigan

### Required Supplementary Information

#### State Employees' Retirement System – OPEB

##### Notes to OPEB Required Supplementary Information

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit obligations as a factor.

The Schedule of Contributions for OPEB is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of the Proportionate Share of the Net OPEB Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions for OPEB is a comparison of the employer's contributions to the actuarially determined contributions.

The actuarially determined contributions presented in the Schedule of Contributions for OPEB are calculated as of September 30, four years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the fiscal year 2024 contributions reported in that schedule.

##### Methods and Assumptions Used to Determine Contribution for Fiscal Year 2024

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed Period
Remaining Amortization Period	14 years, as of October 1, 2022, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.25 percent
Projected Salary Increases	2.75 – 11.75 percent, including wage inflation at 2.75 percent
Investment Rate of Return	6.90 percent net of investment and administrative expenses
Health Care Cost Trend Rate	Pre-65: 7.50 percent year 1 graded to 3.50 percent year 15; 3.00 percent year 120 Post-65: 6.25 percent year 1 graded to 3.50 percent year 15; 3.00 percent year 120
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, 93% of the table rates for males and 98% of the table rates for females were used. For active and disabled retirees, 100% of the table rates were used.

## Other Supplementary Information



# State Bar of Michigan

## Schedule of Revenue and Expenses – Sections

	<b>Balance October 1, 2023</b>	<b>Revenue</b>	<b>Expenses</b>	<b>Balance September 30, 2024</b>
Administrative & Regulatory Law	\$ 96,898	\$ 12,212	\$ 270	\$ 108,840
Agricultural Law	20,738	4,000	2,462	22,276
Alternative Dispute Resolution	78,816	53,220	57,873	74,163
American Indian Law	17,881	4,180	7,493	14,568
Animal Law	19,632	3,630	4,477	18,785
Antitrust, Franchising, & Trade Regulation	37,214	5,900	5,316	37,798
Appellate Practice	96,164	23,450	10,911	108,703
Arts, Communication, Entertainment, and Sports	14,449	6,468	7,597	13,320
Aviation Law	52,082	2,975	170	54,887
Business Law	200,071	149,799	183,885	165,985
Cannabis Law	32,309	38,522	67,234	3,597
Children's Law	29,552	17,695	14,066	33,181
Consumer Law	33,929	6,825	3,361	37,393
Criminal Law	136,948	52,480	43,262	146,166
Elder Law and Disability Rights	99,034	77,320	83,894	92,460
Environmental Law	105,671	21,156	6,004	120,823
Family Law	226,224	282,652	313,341	195,535
Government Law	74,406	37,239	28,892	82,753
Health Care Law	65,546	32,382	36,521	61,407
Information Technology Law	90,657	13,695	1,747	102,605
Immigration Law	28,026	13,440	3,081	38,385
Insurance and Indemnity Law	39,843	34,005	30,299	43,549
Intellectual Property Law	17,915	36,020	49,130	4,805
International Law	56,290	10,150	7,644	58,796
Judicial	-	28,934	28,934	-
Labor and Employment Law	161,106	94,807	100,610	155,303
Latin American Bar Activities	10,084	-	-	10,084
Law Student	27,012	1,650	30	28,632
Legal Administrators	46,494	7,575	3,729	50,340
LGBTQ+ Law	31,769	10,103	7,870	34,002
Litigation	117,077	65,783	103,223	79,637
Military and Veterans' Law	27,792	4,775	77	32,490
Negligence Law	(4,858)	206,420	185,590	15,972
Paralegal/Legal Assistant	8,701	5,795	5,569	8,927
Prisons and Corrections	17,621	4,580	916	21,285
Probate and Estate Planning	221,441	116,513	133,903	204,051
Real Property Law	246,718	249,072	213,464	282,326
Religious Liberty Law	17,049	6,790	2,368	21,471
Senior Lawyers	28,515	7,075	218	35,372
Social Security Law	23,647	18,695	20,549	21,793
Solo and Small Firm	85,192	22,350	4,984	102,558
Taxation	90,598	33,480	64,256	59,822
Workers' Compensation Law	55,316	23,500	25,012	53,804
Young Lawyers	2,272	68,900	55,138	16,034
<b>Total</b>	<b>\$ 2,883,841</b>	<b>\$ 1,916,212</b>	<b>\$ 1,925,370</b>	<b>\$ 2,874,683</b>

## State Bar of Michigan

### Comparative Statement of Net Position – Administrative Fund

	September 30		Increase (Decrease)	
	2024	2023	Amount	%
<b>Assets</b>				
Current assets:				
Cash for operations	\$ 948,734	\$ 775,835	\$ 172,899	22.3 %
Investments	13,305,956	11,776,776	1,529,180	13.0 %
Accounts receivable:				
Trade	157,901	44,919	112,982	251.5 %
Foundation	-	3,459	(3,459)	(100.0)%
Due to other funds*	(3,051,197)	(3,100,229)	49,032	1.6 %
Prepaid expenses	547,587	490,364	57,223	11.7 %
Total current assets	<u>11,908,981</u>	<u>9,991,124</u>	<u>1,917,857</u>	<u>19.2 %</u>
Long-term investments	675,000	-	675,000	N/A
Retiree healthcare trust investments	4,689,544	4,113,125	576,419	14.0 %
Capital assets, net	<u>3,273,211</u>	<u>3,228,115</u>	<u>45,096</u>	<u>1.4 %</u>
Total assets	<u>20,546,736</u>	<u>17,332,364</u>	<u>3,214,372</u>	<u>18.5 %</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions	14,627	24,225	(9,598)	(39.6)%
Deferred outflows related to OPEB	1,018,990	1,081,363	(62,373)	(5.8)%
Total deferred outflows of resources	<u>1,033,617</u>	<u>1,105,588</u>	<u>(71,971)</u>	<u>(6.5)%</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	417,434	463,715	(46,281)	(10.0)%
Due to Attorney Discipline System	34,904	-	34,904	N/A
Accrued expenses	750,672	697,379	53,293	7.6 %
Unearned revenue*	2,147,744	2,052,690	95,054	4.6 %
Subscription liability – current	39,348	-	39,348	N/A
Total current liabilities	<u>3,390,102</u>	<u>3,213,784</u>	<u>176,318</u>	<u>5.5 %</u>
Subscription liability – noncurrent	93,312	-	93,312	N/A
Net pension liability	216,283	365,770	(149,487)	(40.9)%
Net OPEB liability	<u>578,767</u>	<u>1,157,170</u>	<u>(578,403)</u>	<u>(50.0)%</u>
Total liabilities	<u>4,278,464</u>	<u>4,736,724</u>	<u>(458,260)</u>	<u>(9.7)%</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	8,114	3,373	4,741	140.6 %
Deferred inflows related to OPEB	1,226,930	946,730	280,200	29.6 %
Total deferred inflows of resources	<u>1,235,044</u>	<u>950,103</u>	<u>284,941</u>	<u>30.0 %</u>
<b>Net position</b>				
Net investment in capital assets	3,140,551	3,228,115	(87,564)	(2.7)%
Restricted for retiree health care	3,902,837	3,090,588	812,249	26.3 %
Unrestricted	9,023,457	6,432,422	2,591,035	40.3 %
Total net position	<u>\$ 16,066,845</u>	<u>\$ 12,751,125</u>	<u>\$ 3,315,720</u>	<u>26.0 %</u>

\* Unearned revenue related to Sections fees in FY 2023 were reclassified to conform with the FY 2024 presentation.

# State Bar of Michigan

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

	Year Ended September 30		Variance	
	2024	2023	Increase (Decrease) Amount	%
<b>Operating revenue</b>				
License Fees, Section Dues, and Affiliate Dues	\$ 10,633,675	10,830,970	\$ (197,295)	(1.8)%
Character and Fitness	367,885	356,580	11,305	3.2 %
Lawyer Referral Service	351,748	162,396	189,352	116.6 %
Client Protection Fund administration fee	270,928	210,235	60,693	28.9 %
Lawyer Services	223,943	218,868	5,075	2.3 %
Interim Administrator Program	192,960	-	192,960	N/A
Bar Journal	169,381	169,561	(180)	(0.1)%
Attorney Discipline System fee	127,955	115,962	11,993	10.3 %
Lawyers and Judges Assistance	71,823	61,064	10,759	17.6 %
Digital	54,169	60,781	(6,612)	(10.9)%
Michigan State Bar Foundation rent	43,561	41,402	2,159	5.2 %
Great Lakes Legal Conference	41,735	36,305	5,430	15.0 %
Print and Design	34,076	45,082	(11,006)	(24.4)%
e-Journal	31,578	28,085	3,493	12.4 %
Inaugural and Awards Luncheon	22,175	17,885	4,290	24.0 %
50 Year Honoree Celebration	7,660	5,960	1,700	28.5 %
Ethics	3,535	2,475	1,060	42.8 %
Practice Management Resource Center	1,771	2,880	(1,109)	(38.5)%
Diversity	980	-	980	N/A
Other revenue	336,855	292,590	44,265	15.1 %
Total operating revenue	<u>12,988,393</u>	<u>12,659,081</u>	<u>329,312</u>	<u>2.6 %</u>
<b>Operating expenses</b>				
Labor expenses:				
Salaries	6,084,679	5,789,720	294,959	5.1 %
Employee benefits and payroll taxes	1,738,274	1,847,302	(109,028)	(5.9)%
Total labor expenses	<u>7,822,953</u>	<u>7,637,022</u>	<u>185,931</u>	<u>2.4 %</u>
Nonlabor expenses:				
Legal:				
Human Resources	77,043	61,723	15,320	24.8 %
Character and Fitness	39,179	40,431	(1,252)	(3.1)%
Client Protection Fund	34,838	16,467	18,371	111.6 %
General Counsel	27,750	15,413	12,337	80.0 %
Interim Administrator Program	11,113	2,907	8,206	282.3 %
Unauthorized Practice of Law	4,508	4,268	240	5.6 %
Ethics	3,697	3,526	171	4.8 %
Total Legal	<u>198,128</u>	<u>144,735</u>	<u>53,393</u>	<u>36.9 %</u>
Public and Bar Services:				
Technical Services	612,389	535,888	76,501	14.3 %
Outreach	106,898	122,822	(15,924)	(13.0)%
Great Lakes Legal Conference	60,754	60,894	(140)	(0.2)%
Inaugural and Awards Luncheon	43,979	40,779	3,200	7.8 %
Lawyers and Judges Assistance	38,749	21,812	16,937	77.6 %
50 Year Honoree Celebration	34,673	34,967	(294)	(0.8)%
Diversity	28,155	32,212	(4,057)	(12.6)%
Lawyer Services	27,735	29,460	(1,725)	(5.9)%
Lawyer Referral Service	5,547	3,954	1,593	40.3 %
Practice Management Resource Center	4,539	6,989	(2,450)	(35.1)%
Total Public and Bar Services	<u>963,418</u>	<u>889,777</u>	<u>73,641</u>	<u>8.3 %</u>

## State Bar of Michigan

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

	Year Ended September 30		Variance	
	2024	2023	Increase (Decrease) Amount	%
<b>Operating expenses (continued)</b>				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	\$ 444,042	\$ 420,981	\$ 23,061	5.5 %
Facilities Services	400,037	394,657	5,380	1.4 %
Financial Services	385,463	386,882	(1,419)	(0.4)%
Bar Journal	329,282	338,468	(9,186)	(2.7)%
Justice Initiatives	143,175	134,123	9,052	6.7 %
Digital	113,423	101,252	12,171	12.0 %
Board of Commissioners	110,005	120,453	(10,448)	(8.7)%
Administration	108,820	105,214	3,606	3.4 %
Governmental Relations	67,875	63,239	4,636	7.3 %
Print and Design	40,235	48,093	(7,858)	(16.3)%
Representative Assembly	34,795	21,723	13,072	60.2 %
Executive Office	33,161	23,374	9,787	41.9 %
e-Journal	15,908	15,713	195	1.2 %
General Communications	10,740	6,462	4,278	66.2 %
Research and Development	3,225	23,554	(20,329)	(86.3)%
Total Operations and Policy	<u>2,240,186</u>	<u>2,204,188</u>	<u>35,998</u>	<u>1.6 %</u>
Total nonlabor expenses	<u>3,401,732</u>	<u>3,238,700</u>	<u>163,032</u>	<u>5.0 %</u>
Total operating expenses	<u>11,224,685</u>	<u>10,875,722</u>	<u>348,963</u>	<u>3.2 %</u>
Operating income (loss)	<u>1,763,708</u>	<u>1,783,359</u>	<u>(19,651)</u>	<u>(1.1)%</u>
<b>Nonoperating revenue (expenses)</b>				
Investment income	819,982	579,659	240,323	41.5 %
Investment income (loss) – retiree healthcare trust, net	746,477	574,984	171,493	29.8 %
Loss on disposal of capital assets	(14,447)	-	(14,447)	N/A
Total nonoperating revenue (expenses)	<u>1,552,012</u>	<u>1,154,643</u>	<u>397,369</u>	<u>34.4 %</u>
Change in net position	3,315,720	2,938,002	377,718	12.9 %
Net position at beginning of year	12,751,125	9,813,123	2,938,002	29.9 %
Net position at end of year	<u>\$ 16,066,845</u>	<u>\$ 12,751,125</u>	<u>\$ 3,315,720</u>	<u>26.0 %</u>

## State Bar of Michigan

### Schedule of Revenue, Expenses, and Changes in Net Position Compared to Budget – Administrative Fund

	Year Ended September 30		Variance Over	
	2024 Actual	2024 Budget	(Under) Budget Amount	%
<b>Operating revenue</b>				
License Fees, Section Dues, and Affiliate Dues	\$ 10,633,675	\$ 10,795,000	\$ (161,325)	(1.5)%
Character and Fitness	367,885	329,970	37,915	11.5 %
Lawyer Referral Service	351,748	160,000	191,748	119.8 %
Client Protection Fund administration fee	270,928	201,000	69,928	34.8 %
Lawyer Services	223,943	209,410	14,533	6.9 %
Interim Administrator Program	192,960	90,000	102,960	114.4 %
Bar Journal	169,381	146,000	23,381	16.0 %
Attorney Discipline System fee	127,955	121,800	6,155	5.1 %
Lawyers and Judges Assistance	71,823	60,000	11,823	19.7 %
Digital	54,169	40,000	14,169	35.4 %
Michigan State Bar Foundation rent	43,561	43,575	(14)	(0.0)%
Great Lakes Legal Conference	41,735	35,000	6,735	19.2 %
Print and Design	34,076	39,500	(5,424)	(13.7)%
e-Journal	31,578	27,000	4,578	17.0 %
Inaugural and Awards Luncheon	22,175	13,000	9,175	70.6 %
50 Year Honoree Celebration	7,660	5,600	2,060	36.8 %
Ethics	3,535	2,500	1,035	41.4 %
Practice Management Resource Center	1,771	3,000	(1,229)	(41.0)%
Diversity	980	-	980	N/A
Other revenue	336,855	277,600	59,255	21.3 %
<b>Total operating revenue</b>	<b>12,988,393</b>	<b>12,599,955</b>	<b>388,438</b>	<b>3.1 %</b>
<b>Operating expenses</b>				
Labor expenses:				
Salaries	6,084,679	6,124,434	(39,755)	(0.6)%
Employee benefits and payroll taxes	1,738,274	2,071,216	(332,942)	(16.1)%
<b>Total labor expenses</b>	<b>7,822,953</b>	<b>8,195,650</b>	<b>(372,697)</b>	<b>(4.5)%</b>
Nonlabor expenses:				
Legal:				
Human Resources	77,043	80,780	(3,737)	(4.6)%
Character and Fitness	39,179	61,250	(22,071)	(36.0)%
Client Protection Fund	34,838	17,410	17,428	100.1 %
General Counsel	27,750	42,215	(14,465)	(34.3)%
Interim Administrator Program	11,113	19,410	(8,297)	(42.7)%
Unauthorized Practice of Law	4,508	14,250	(9,742)	(68.4)%
Ethics	3,697	11,385	(7,688)	(67.5)%
<b>Total Legal</b>	<b>198,128</b>	<b>246,700</b>	<b>(48,572)</b>	<b>(19.7)%</b>
Public and Bar Services:				
Technical Services	612,389	775,500	(163,111)	(21.0)%
Outreach	106,898	132,750	(25,852)	(19.5)%
Great Lakes Legal Conference	60,754	97,800	(37,046)	(37.9)%
Inaugural and Awards Luncheon	43,979	58,400	(14,421)	(24.7)%
Lawyers and Judges Assistance	38,749	34,050	4,699	13.8 %
50 Year Honoree Celebration	34,673	47,900	(13,227)	(27.6)%
Diversity	28,155	38,750	(10,595)	(27.3)%
Lawyer Services	27,735	30,750	(3,015)	(9.8)%
Lawyer Referral Service	5,547	6,000	(453)	(7.6)%
Practice Management Resource Center	4,539	10,805	(6,266)	(58.0)%
<b>Total Public and Bar Services</b>	<b>963,418</b>	<b>1,232,705</b>	<b>(269,287)</b>	<b>(21.8)%</b>

## State Bar of Michigan

### Schedule of Revenue, Expenses, and Changes in Net Position Compared to Budget – Administrative Fund

	Year Ended September 30		Budget Variance Over	
	2024	2024	(Under) Budget	
	Actual	Budget	Amount	%
<b>Operating expenses (continued)</b>				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	\$ 444,042	\$ 470,000	\$ (25,958)	(5.5)%
Facilities Services	400,037	470,750	(70,713)	(15.0)%
Financial Services	385,463	403,650	(18,187)	(4.5)%
Bar Journal	329,282	395,350	(66,068)	(16.7)%
Justice Initiatives	143,175	138,275	4,900	3.5 %
Digital	113,423	124,500	(11,077)	(8.9)%
Board of Commissioners	110,005	137,300	(27,295)	(19.9)%
Administration	108,820	112,800	(3,980)	(3.5)%
Governmental Relations	67,875	69,920	(2,045)	(2.9)%
Print and Design	40,235	55,800	(15,565)	(27.9)%
Representative Assembly	34,795	51,800	(17,005)	(32.8)%
Executive Office	33,161	57,200	(24,039)	(42.0)%
e-Journal	15,908	16,245	(337)	(2.1)%
General Communications	10,740	16,600	(5,860)	(35.3)%
Research and Development	3,225	29,490	(26,265)	(89.1)%
Total Operations and Policy	<u>2,240,186</u>	<u>2,549,680</u>	<u>(309,494)</u>	<u>(12.1)%</u>
Total nonlabor expenses	<u>3,401,732</u>	<u>4,029,085</u>	<u>(627,353)</u>	<u>(15.6)%</u>
Total operating expenses	<u>11,224,685</u>	<u>12,224,735</u>	<u>(1,000,050)</u>	<u>(8.2)%</u>
Operating income	<u>1,763,708</u>	<u>375,220</u>	<u>1,388,488</u>	<u>370.0 %</u>
<b>Nonoperating revenue (expenses)</b>				
Investment income	819,982	518,000	301,982	58.3 %
Investment income – retiree healthcare trust, net	746,477	-	746,477	N/A
Loss on disposal of capital assets	(14,447)	-	(14,447)	N/A
Total nonoperating revenue (expenses)	<u>1,552,012</u>	<u>518,000</u>	<u>1,034,012</u>	<u>199.6 %</u>
Change in net position	3,315,720	893,220	2,422,500	271.2 %
Net position at beginning of year	12,751,125	12,751,125	-	0.0 %
Net position at end of year	<u>\$ 16,066,845</u>	<u>\$ 13,644,345</u>	<u>\$ 2,422,500</u>	<u>17.8 %</u>

# State Bar of Michigan

## Historical Financial Summaries – Administrative Fund

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Operating revenue</b>					
License Fees, Section Dues, and Affiliate Dues	\$ 7,732,165	\$ 7,764,197	\$ 7,675,680	\$ 10,830,970	\$ 10,633,675
Other operating revenue	1,390,427	1,409,807	1,517,858	1,828,111	2,354,718
Total operating revenue	<u>9,122,592</u>	<u>9,174,004</u>	<u>9,193,538</u>	<u>12,659,081</u>	<u>12,988,393</u>
<b>Operating expenses</b>					
Salaries	5,281,014	5,089,955	5,418,000	5,789,720	6,084,679
Employee benefits and payroll taxes	1,776,147	1,694,812	1,540,619	1,847,302	1,738,274
Other operating expenses	3,211,185	3,073,735	3,040,859	3,238,700	3,401,732
Total operating expenses	<u>10,268,346</u>	<u>9,858,502</u>	<u>9,999,478</u>	<u>10,875,722</u>	<u>11,224,685</u>
Operating income (loss)	<u>(1,145,754)</u>	<u>(684,498)</u>	<u>(805,940)</u>	<u>1,783,359</u>	<u>1,763,708</u>
<b>Nonoperating revenue</b>					
Investment income	199,067	70,185	62,582	579,659	819,982
Investment income (loss) – retiree healthcare trust, net	318,946	824,417	(1,216,661)	574,984	746,477
Loss on disposal of capital assets	(17,570)	(8,793)	(78)	-	(14,447)
Total nonoperating revenue	<u>500,443</u>	<u>885,809</u>	<u>(1,154,157)</u>	<u>1,154,643</u>	<u>1,552,012</u>
Change in net position	(645,311)	201,311	(1,960,097)	2,938,002	3,315,720
Net position at beginning of fiscal year	12,217,220	11,571,909	11,773,220	9,813,123	12,751,125
Net position at end of fiscal year	<u>\$ 11,571,909</u>	<u>\$ 11,773,220</u>	<u>\$ 9,813,123</u>	<u>\$ 12,751,125</u>	<u>\$ 16,066,845</u>
Net position as a % of total operating expenses	112.7%	119.4%	98.1%	117.2%	143.1%
Unrestricted net position as a % of total operating expenses	54.8%	51.5%	42.5%	59.1%	80.4%
Number of State Bar of Michigan attorney members in good standing as of September 30	46,320	46,523	46,773	46,824	46,934



## State Bar of Michigan

### Historical Financial Summaries – Client Protection Fund

	FY 2020*	FY 2021*	FY 2022	FY 2023	FY 2024
<b>Operating revenue</b>					
License Fees	\$ 645,814	\$ 645,566	\$ 645,784	\$ 641,066	\$ 632,426
Pro Hac Vice fees	13,425	12,990	11,970	12,330	-
Other operating revenue	107,357	37,159	43,576	161,615	183,184
Total operating revenue	<u>766,596</u>	<u>695,715</u>	<u>701,330</u>	<u>815,011</u>	<u>815,610</u>
<b>Operating expenses</b>					
Claims payments	576,159	338,293	238,106	312,369	106,355
Other operating expenses	172,476	162,866	187,870	210,655	271,363
Total operating expenses	<u>748,635</u>	<u>501,159</u>	<u>425,976</u>	<u>523,024</u>	<u>377,718</u>
Operating income	17,961	194,556	275,354	291,987	437,892
Nonoperating revenue – investment income	16,958	3,845	12,318	108,215	165,742
Change in net position	<u>34,919</u>	<u>198,401</u>	<u>287,672</u>	<u>400,202</u>	<u>603,634</u>
Net position at beginning of fiscal year	1,996,791	2,031,710	1,834,119	2,121,791	2,521,993
Cumulative effect of change in accounting principle	-	(395,992)	-	-	-
Net position at end of fiscal year	<u>\$ 2,031,710</u>	<u>\$ 1,834,119</u>	<u>\$ 2,121,791</u>	<u>\$ 2,521,993</u>	<u>\$ 3,125,627</u>
Net position as a % of total operating expenses	271.4%	366.0%	498.1%	482.2%	827.5%

\* Before any restatement of prior year's data