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with Supplemental Information, September 30, 2007"

Full report available at
www.michbar.org/generalinfo/pdfs/annual_fin_report.pdf

November 14, 2007

Michigan Supreme Court, Honorable Clifford W. Taylor, Chief Justice,
Hall of Justice, 925 W. Ottawa St., Lansing, MI 48915

RE: STATE BAR OF MICHIGAN ANNUAL REPORT—FY 2007

With this letter, please accept the FY 2007 Annual Report of the State Bar of Michigan. The Annual Report covers the fiscal year ended September 30, 2007, and contains the audited financial statements and other information required by accounting standards or useful to understanding the operations and effectiveness of the State Bar of Michigan.

MAJOR ACCOMPLISHMENTS IN FY 2007

Fiscal year 2007 witnessed continued successful implementation of the State Bar Strategic Plan and the provision of enhanced services to the members and the public in a cost-effective manner. The approved plan is on the State Bar's website at http://www.michbar.org/generalinfo/StrategicPlan_AM_2005s.pdf.

Major accomplishments included:

- The Board of Commissioners reviewed and updated the Strategic Plan, highlighting as areas of increased attention the enhancement and coordination of pro bono activity, greater understanding of the need for and utilization of continuing legal education, and continued development of partnerships with local and specialty bars to better advance the core functions of the State Bar.
- The State Bar achieved a financial surplus during FY 2007 primarily through continued cost control, deferral and reduction of staff positions, and favorable investment results.
- A total of 123 unauthorized practice of law (UPL) complaints were received by the State Bar of Michigan for investigation for the 12 months ending September 30, 2007. Three UPL prosecutions were initiated in FY 2007. One of the three prosecutions was resolved by consent judgment; the other two are currently pending. Of the 123 complaints received in the 12 months ending September 30, 2007, 33 remain open and 90 have been closed. There are currently 89 open UPL investigations (including 56 cases that were opened before FY 2007).
- During the 12 months ending September 30, 2007, the Board of Commissioners approved a total of 39 Client Protection Fund claims totaling \$211,260 for payment to reimburse clients whose funds held in trust by their attorneys were misappropriated. A total of \$183,428 in claims was disbursed from the Fund in FY 2007. There is a total of \$87,317 in authorized but unpaid claims as of September 30, 2007, pending receipt of signed subrogation agreements from the prospective payees. The Client Protection Fund ended the year with net assets of \$1,992,437, exclusive of the approved but unpaid claims awaiting subrogation agreements.
- The State Bar processed 1,211 character and fitness applications, and conducted 64 district committee interviews, 30 formal character and fitness standing committee hearings, and three hearings before the Board of Law Examiners during the most recent reporting year.
- The Ethics helpline responded to over 5,000 ethics inquiries, and the Ethics Committee issued six informal ethics opinions.

- The Access to Justice Campaign total for the fiscal year ended September 30, 2007 was approximately \$785,000 in contributions and new pledges (unaudited, net of adjustments). The Access to Justice Campaign was established in 1997 as a partnership of the State Bar of Michigan, the Michigan State Bar Foundation, and Michigan's legal aid providers to support civil legal aid to the poor. More than \$6.8 million has been received to date by the Access to Justice Fund in donations and pledges. The Access to Justice Fund is held by the Michigan State Bar Foundation, which receives, administers, and distributes donations according to the Access to Justice Fund guidelines at www.msb.org/atjfund.
- The Economics of Law Practice survey was conducted for the first time in an online format, allowing the voluntary participation of every attorney. The survey tracks attorney and law firm income, billing rates, expenses, and trends in law practice management. Survey results are available online and can be customized to meet specific queries, and results are available as ready-to-use charts, tables, and graphs.
- A well-attended Annual Meeting was held in Grand Rapids in September 2007 in conjunction with an ICLE Solo and Small Firm Institute. In addition, a Bar Leadership Forum took place at Boyne Mountain and the Upper Michigan Legal Institute at Mackinac Island in June 2007.
- The State Bar website relocated to a new host, and a Google search engine was added to the site, making documents and resources easier to find.
- The *Michigan Bar Journal* was redesigned, and the Publications & Website Advisory Committee sponsored the first fiction-writing contest for State Bar members.
- The State Bar of Michigan and Michigan Talk Radio joined forces to launch a new, hour-long monthly "Ask the Lawyer" feature to discuss important legal issues and answer listeners' calls.
- The Practice Management Resource Center (PMRC) received on average 19,465 page views per month on its website, answered more than 350 calls to its helpline, and held 11 seminars for 370 attendees at various locations in Michigan. The PMRC also provided tours and software test-drive opportunities to groups and individuals in the Lansing-based Education Center.
- The State Bar's public policy program developed and advocated for approximately 45 legislative and court rule positions, and coordinated the provision of technical assistance to the legislature, most notably in the area of tax change consequences.
- The Lawyer Referral program handled over 100 telephone inquiries daily from the public seeking legal services.
- Nearly 600 volunteer lawyers served on 28 standing and special committees, and five initiatives formed to carry out the mission of the State Bar of Michigan. A new committee, the Technology Committee, was approved by the Board of Commissioners and will function in the 2007–2008 bar year.
- Services to the State Bar's 38 sections, particularly in the areas of technology, public policy, and training, were expanded and enhanced. A new section, the Insurance and Indemnity Law Section, was approved by the Board of Commissioners and began to function in the 2007–2008 bar year.

- The State Bar president and staff made more than 80 visits to the 135 local and special-purpose voluntary bars in Michigan.
- The Young Lawyers Section's program, "We the Jury," and its newsletter, *Inter Alia*, earned first place national honors at the 2007 Annual Meeting of the Young Lawyers Division of the American Bar Association.
- The State Bar prepared amicus briefs in two cases with significant import to the practice of law, *Grace v Leitman* and *Smith v Kbouri*, for submission to the Michigan Supreme Court.
- The Board of Commissioners conducted a comprehensive national search and selected Janet K. Welch as executive director to fill the vacancy created by the departure of John T. Berry.

FY 2007 FINANCIAL SUMMARY

The State Bar achieved a financial surplus of \$1,053,159 in the Administrative Fund during FY 2007 through continued cost control, deferral and reduction of staff positions, favorable investment results, and other revenue increases.

The State Bar's Net Assets in the Administrative Fund totaled \$9,904,516 as of September 30, 2007, and operates without any debt.

APPROVED FY 2008 BUDGET

The State Bar Board of Commissioners has approved a balanced budget for FY 2008 that focuses on continued spending for strategic programs. A summary of the FY 2008 approved budget was pub-

lished in the November 2007 *Michigan Bar Journal* and can also be found on the State Bar's website at www.michbar.org/generalinfo/.

MANAGEMENT'S RESPONSIBILITY

The State Bar of Michigan's management is responsible for the information provided in this FY 2007 Annual Report. The basic financial statements and related notes are audited by the independent accounting firm of Plante & Moran, PLLC, in accordance with auditing standards generally accepted in the United States of America, and their opinion is provided as a part of this report.

Questions or comments on this FY 2007 Annual Report should be directed to Ms. Janet K. Welch, Executive Director of the State Bar of Michigan.



Ronald D. Keefe
President



Janet K. Welch
Executive Director



Julie I. Fershtman
Treasurer



James C. Horsch
Director of Finance and Administration