

Excerpts from "State Bar of Michigan Annual Financial Report



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with Supplemental Information, September 30, 2009"

Full report available at

www.michbar.org/generalinfo/pdfs/annual_fin_report.pdf

December 9, 2009

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

RE: STATE BAR OF MICHIGAN ANNUAL REPORT—FY 2009

With this letter, please accept the FY 2009 Annual Financial Report of the State Bar of Michigan. The Annual Financial Report covers the fiscal year ended September 30, 2009, 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 2009

Fiscal year 2009 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 Plan can be accessed on the State Bar's website at <http://www.michbar.org/generalinfo/pdfs/strategicplan.pdf>.

Major accomplishments included:

- The State Bar of Michigan planned and initiated the formation of a special task force on adapting the judicial branch to changes in Michigan's economy and demographics (Judicial Crossroads Task Force). The task force will present its recommendations in 2010.
- The SBM supported a successful presentation before the State Officers Compensation Commission arguing against proposed reductions in judicial compensation.
- The SBM provided input and comment on the Michigan Supreme Court recusal standards.
- The State Bar formed a workgroup at the request of the Michigan Supreme Court to review proposed modifications to the disciplinary procedural rules. The workgroup's comprehensive recommendations were approved by the BOC and forwarded to the Supreme Court.
- The State Bar developed a new online video management system and collaborated with the Michigan Supreme Court to host Supreme Court oral arguments, administrative conferences, and administrative hearings on the SBM website.
- The SBM assisted in a collaborative effort to respond to inquiries made by the Michigan Supreme Court and bankers regarding the proposed Trust Account Overdraft Notification rule.
- The State Bar's president-elect, executive director, and representative of the International Law Section participated in the first SBM investment mission in collaboration with the governor. The group traveled to Israel and met with the Israeli Bar, law school, and Israeli Supreme Court officials. The purpose of the collaboration is to support state efforts toward international economic development in Michigan by fostering a better understanding of Michigan's legal system and cooperation with foreign bars.
- A total of 1,081 new member applications were processed and attorney membership of the State Bar of Michigan grew to 40,515 members.
- The State Bar achieved a financial surplus of \$462,740 during FY 2009 primarily through continued cost control and deferral of staff positions.
- During the 12 months ending September 30, 2009, the Board of Commissioners approved a total of 49 Client Protection Fund claims totaling \$339,069 for payment to reimburse clients whose funds held in trust by their attorneys were misappropriated. A total of \$494,661 in claims was disbursed from the Fund in FY 2009. There is a total

of \$89,435 in authorized but unpaid claims as of September 30, 2009, pending receipt of signed subrogation agreements from the prospective payees. One claim in the amount of \$2,000 was administratively dropped in FY 2009. A total of \$16,288 was collected from 14 respondents on subrogation files. The Client Protection Fund ended the year with net assets of \$2,077,622, exclusive of the approved but unpaid claims awaiting subrogation agreements.

- The State Bar processed 1,271 character and fitness applications, conducted 50 district committee interviews and 18 formal character and fitness standing committee hearings, and participated in eight hearings before the Board of Law Examiners during the most recent reporting year. In addition, applications for the Michigan bar examination, and the character and fitness certification process, are now online and interactive. The information applicants enter online is imported into the State Bar's database, eliminating the need for duplicate data entry and reducing the cost of document storage.
- A total of 56 complaints alleging the unauthorized practice of law (UPL) were received by the State Bar of Michigan during the 12 months ending September 30, 2009. The State Bar's permanent injunction against Perez-DeLeon for the unauthorized practice of law was successfully enforced in state and federal court.
- The Ethics Helpline responded to an average of 10 to 20 inquiries daily from attorneys and judges seeking assistance through the Ethics Helpline. In addition, Bar staff made several presentations to local bar associations and bar-related entities on ethical and practice management issues.
- The SBM helped promote and guide institutionalization of a "Professionalism in Action" (law school orientation) program at the Michigan State University College of Law and Thomas M. Cooley Law School campuses. The program is available to all Michigan law schools.
- The Lawyer Referral Service (LRS) responded to telephone calls and online referral requests, providing an average of 120 referrals daily. The LRS began accepting Lawyer Referral Service requests through the michbar.org webpage.
- The Practice Management Resource Center (PMRC) continued to provide a variety of resources on its website, which received an average of 19,042 page views monthly. PMRC staff responded to approximately 312 telephone calls from lawyers seeking help via the PMRC helpline. The PMRC launched its Customized Training & Consulting Program, which provides specifically tailored practice management, risk management, and/or technology-based sessions to lawyers and law firms, and collaborated with the Attorney Grievance Commission and the Attorney Discipline Board to provide mandatory training as a component of the disciplinary process. In addition, "Tips and Tools for a Successful Practice" seminars were hosted to help lawyers strengthen their law practices.
- The State Bar of Michigan held several large events during FY 2009. Fifty-year SBM members were honored at the "Golden Celebration" in May 2009. In June, a Bar Leadership Forum and Upper Michigan Legal Institute were conducted at Mackinac Island. A well-attended Annual Meeting was held in Dearborn in September 2009 in conjunction with the ICLE Solo and Small Firm Institute.
- The State Bar of Michigan sponsored a live remote Law Day broadcast on May 1 that was simulcast from the State Bar Michael Franck building in Lansing to radio stations statewide and hosted a Law Day Luncheon in cooperation with the Michigan Lawyers Auxiliary. In addition, the SBM supported numerous law-related education

initiatives, including the Law-Related Education Summit, and a well-received Detroit Public School program, "Educating for Everyday Democracy: The Jury Process."

- The *Michigan Bar Journal* won the top award for large bars (more than 15,000 members) for "Excellence in Publications" from the National Association of Bar Executives Communications Section.
- The State Bar of Michigan conducted two events in conjunction with its Michigan Legal Milestones program that honors important cases, events and personalities in our state's history: 1) installed a plaque at Zussman Park at City Hall in Hamtramck commemorating the 1981 *Poletown* decision and 2) dedicated the 34th Legal Milestone commemorating the 1982 beating death of Vincent Chin and the two cases that arose from Chin's death at a ceremony held at the Chinese Community Center in Madison Heights.
- 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. In addition, the SBM led a lobbying effort on indigent criminal defense, including participation in Michigan-focused congressional hearings, and various educational forums. Further, the SBM engaged in educational lobbying efforts to highlight the problems with a proposed tax on legal services.
- Volunteer lawyers filled 699 positions on the 27 standing and special committees and initiatives to carry out the mission of the State Bar of Michigan. Thirty-six nonlawyers joined them in that work. The implementation of the first online committee appointment process resulted in a record number of applicants to serve on SBM committees.
- Services to the State Bar's 38 sections were enhanced and reviewed with section leaders at the second annual Section Chair Orientation.
- The State Bar president and staff made more than 125 visits to the 135 local and special-purpose voluntary bars in Michigan. Two new bar associations were recognized: the South Asian Bar Association and the Monroe Criminal Defense Bar.
- A new Master Lawyers Section was approved by the Board of Commissioners for implementation in FY 2010 based on recommendations from the Senior Lawyers Section Planning Workgroup. The workgroup reviewed the needs of the rapidly growing number of senior lawyers and focused on assuring that relevant services are available to senior lawyers, that the public is protected as lawyers age in their practice, and that meaningful programs are available to help senior lawyers contribute their considerable skills to the community.
- The State Bar improved its cost effectiveness by implementing a new employee compensation structure based on an independent compensation study, and also negotiated more favorable rates for employee health insurances and other services contracts.
- The SBM supported the Economics of Law Practice survey workgroup, including how to respond to an empirical challenge arising from the *Smith v Khouri*, 481 Mich 519 (2008) decision.
- The online member directory on the SBM website was updated to expand searches to include modifications to search using city, state, and foreign country. Attorneys who have been suspended for non-payment of dues, members on disciplinary suspension, members who have had their license revoked, former members who have resigned, and former members who are deceased were also added to the database search. Additionally, a new navigation menu was added to the online member directory for easy access to sections that were removed from the 2009 print directory. Moving these sections online resulted in over 100 less pages in the print directory, reducing paper and postage costs.
- The SBM launched a new e-Journal mobile web version that members can easily access on their smartphones and PDAs. By linking to the mobile pages, members now have access to the latest appellate opinion summaries with links to the full case opinions. In addition, the SBM also launched an opinion and summary search engine to search the more than 38,000 e-Journal case summaries by court, year, month, practice area, text, case name, and judge.
- A new agreement with Casemaker provides members free access for one year to premium state and federal legal research materials, in-

cluding case law, constitutions, and statutes for all 50 states and the District of Columbia, with subscription options and revenue opportunities available thereafter.

- The SBM now provides Federal Express Advantage and UPS shipping programs for the SBM membership.
- The SBM launched the "A Lawyer Helps" program and website dedicated to the program that provides members with an opportunity to demonstrate how lawyers assist and aid the public.
- The State Bar implemented a new "Sharepoint" collaboration portal to support the efficiency of committee and section work. In addition, the Google search engine on the SBM website was upgraded and expanded to help members locate information.
- As part of the SBM's Pro Bono Initiative, a number of training programs were conducted, including domestic violence training, foreclosure prevention training, veterans training, and a Pro Bono summit was held. As part of the SBM Equal Access Initiative, the Jury Curriculum Project was completed.
- The Access to Justice Campaign total for the fiscal year ended September 30, 2009 was more than \$647,000 in contributions and new pledges (unaudited). The Access to Justice Campaign is a partnership of the State Bar of Michigan, the Michigan State Bar Foundation, and Michigan's legal aid providers to increase resources for civil legal aid to the poor in Michigan. Almost \$9.2 million has been received to date by the Access to Justice Fund in donations and pledges. The Access to Justice Fund is held by the Michigan State Bar Foundation, which receives, administers, and distributes donations according to the Access to Justice Fund Guidelines at www.msbf.org/atjfund.

FY 2009 FINANCIAL SUMMARY

The State Bar achieved a financial surplus of \$462,740 in the Administrative Fund during FY 2009 primarily through continued cost control and deferral of staff positions. The State Bar's Net Assets in the Administrative Fund totaled \$10,797,395 as of September 30, 2009, and operates without any debt.

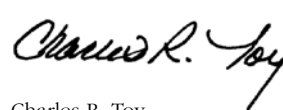
APPROVED FY 2010 BUDGET

The State Bar Board of Commissioners has approved a deficit budget for FY 2010 of (\$189,975) that focuses on continued spending for strategic programs. A summary of the FY 2010 approved budget was published in the November 2009 *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 2009 Annual Financial 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.

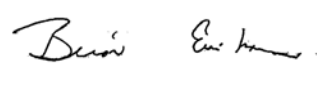
Questions or comments on this FY 2009 Annual Financial Report should be directed to Ms. Janet K. Welch, executive director of the State Bar of Michigan.



Charles R. Toy
President



Janet K. Welch
Executive Director



Brian D. Einhorn
Treasurer



James C. Horsch
Director of Finance and Administration