

Excerpts from "State Bar of Michigan Annual Financial Report



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with Supplemental Information, September 30, 2010"

Full report available at

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

December 3, 2010

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 2010

With this letter, please accept the FY 2010 Annual Financial Report of the State Bar of Michigan. The Annual Financial Report covers the fiscal year ended September 30, 2010, 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 2010

Fiscal year 2010 witnessed continued successful implementation of the State Bar Strategic Plan and the provision of enhanced services to the members and the public in a cost-effective manner. The Strategic Plan amended in 2009 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 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). Four task force committees formulated recommendations during FY 2010 in the areas of technology, structure and resources, access to justice, and business impact. The task force held its final meeting in October 2010.
- A total of 1,074 new member applications were processed and attorney membership of the State Bar of Michigan grew to 41,133 members in good standing.
- The State Bar achieved a financial surplus of \$501,804 during FY 2010 primarily through continued cost control and deferral of expenses.
- During the year ended September 30, 2010, the Board of Commissioners approved a total of 31 Client Protection Fund claims totaling \$447,552 for payment to reimburse clients whose funds held in trust by their attorneys were misappropriated. A total of \$400,823 in claims was disbursed from the fund in FY 2010. There is a total of \$136,164 in authorized but unpaid claims as of September 30, 2010, pending receipt of signed subrogation agreements from the prospective payees. A total of \$12,670 was collected from 13 respondents on subrogation files. The Client Protection Fund ended the year with net assets of \$2,147,401, exclusive of the approved but unpaid claims awaiting subrogation agreements.
- The State Bar processed 1,158 character and fitness applications for the July 2009 and February 2010 exams, conducted 96 district committee interviews and 36 formal character and fitness standing committee hearings, and participated in 7 hearings before the Board of Law Examiners during the most recent reporting year (May 1, 2009–April 30, 2010). Staff continues to create reports that automatically generate request letters, many of which are sent electronically, reducing postage costs and utilizing information imported from the on-line application submitted by the applicants.
- Ninety-two complaints alleging the unauthorized practice of law (UPL) were received by the State Bar during the year ended September 30, 2010. Forty-one of these complaints were closed after investigation, 13 are being monitored after investigation, 34 remain open pending further investigation, 2 complaints recommended for litigation by the UPL Standing Committee are pending review by the Board of Commissioners, and 2 matters were approved by the board for litigation.

- State Bar staff counsel responded to an average of 10 to 20 inquiries daily from attorneys and judges seeking informal advice through the Ethics Helpline. In addition, two "Tips and Tools for a Successful Practice" seminars were conducted to help lawyers strengthen their law practices, and State Bar staff made several ethics presentations to local bar associations and bar-related entities.
- The State Bar helped promote and guide the implementation of a "Professionalism in Action" (law school orientation) program at Wayne State University Law School, University of Detroit Mercy School of Law, Michigan State University College of Law, and Thomas M. Cooley Law School campuses. The program is available to all Michigan law schools.
- The Lawyer Referral Service (LRS) responded to telephone calls and online referral requests, providing an average of 128 referrals to members of the public daily.
- The Practice Management Resource Center (PMRC) continued to provide a variety of practice management resources on its website, which received an average of 24,244 page views per month. PMRC staff responded to approximately 294 telephone calls from lawyers seeking informal advice via the PMRC helpline. PMRC staff also conducted the "How to Build and Strengthen Your Law Practice" seminar, authored practice management articles for the *Michigan Bar Journal* and external publications, and participated in numerous seminars and programs sponsored by local bar associations, ICLE, law schools, and bar-related entities. Through its newly launched Customized Training & Consulting Program, the PMRC has performed individualized practice management consultation and customized training for law firms and at the request of the attorney discipline agencies.
- The Lawyers and Judges Assistance Program (LJAP) provided services to approximately 1,263 callers during FY 2010, including providing monitoring services to 107 clients during FY 2010. LJAP also participated in the second annual Richard Steinberg Memorial Treatment Fund Raising dinner held in April 2010.
- The Professional Ethics Committee provided comments to the Michigan Supreme Court on proposed revisions to the Michigan Rules of Professional Conduct (MRPC) and issued five new ethics opinions.
- The State Bar, in collaboration with the Michigan State Bar Foundation and the Grievance Administrator, prepared guidelines, forms, and articles, and drafted website content to assist lawyers in understanding their ethical obligations under MRPC 1.15A, the Trust Account Overdraft Notification (TAON) rule, which took effect on September 15, 2010. The State Bar has approved 141 financial institutions that have agreed to provide overdraft reports to the Grievance Administrator, as required by the TAON rule.
- The State Bar's public policy program conducted a full review of 65 bills and court rules and led the advocacy on approximately 36 formal legislative and court rule positions. In addition, the State Bar led a lobbying effort on indigent criminal defense reform, including participation in Michigan-focused congressional hearings, state legislative hearings, and various educational forums. Further, the State Bar engaged in lobbying efforts to highlight the problems with a proposed tax on legal services.
- A delegation from Michigan presented "Collaboration to Restore Justice—the Michigan Experience" at the American Bar Association's Sixth Annual Summit on Indigent Defense Improvement at the American Bar Association's Midyear Meeting on February 6, 2010. The group participated in a forum to discuss the forward momentum to achieve public defense reform that has benefited from the

- involvement of the bench, the bar, the Michigan Campaign for Justice, and other important stakeholders.
- Volunteer lawyers filled 802 positions on the 30 standing and special committees and initiatives to carry out the mission of the State Bar of Michigan. Thirty-two nonlawyers joined them in that work. The continued implementation of the online committee appointment process resulted in a record number of applicants to serve on State Bar committees.
 - Services to the State Bar's 39 sections were enhanced and reviewed with section leaders at the third annual Section Chair Orientation.
 - The State Bar president and staff made more than 100 visits to the 135 local and special-purpose voluntary bars in Michigan.
 - A new Master Lawyers Section was approved by the Board of Commissioners for implementation in FY 2011, replacing the Senior Lawyers Section. All members 60 years or older or with 30 years of service (totaling over 11,700) are automatic members of the Master Lawyers Section at no cost. The new section will promote its members' interests; plan and carry out programs, publications and activities; and coordinate programs with local, affiliate, and national bar associations. It will also protect the public by providing resources on the ethical and practical issues related to transitioning from the practice of law, be a resource for attorneys as they plan their retirement, and expand opportunities for its members to contribute to the community.
 - The State Bar of Michigan supported diversity in the profession in FY 2010 by creating the new position of Director of Diversity to focus on various aspects of diversity in the legal profession. In addition, the State Bar facilitated three colloquia and developed a "pledge" that members of the State Bar may sign to show their support for diversity and inclusion.
 - The State Bar of Michigan hosted a pro bono workshop on May 26, 2010 entitled "Nurture the Power of Pro Bono." The workshop covered the recruitment and recognition of pro bono attorneys, rural pro bono practice, engaging law firms and the judiciary, and accessing law school pro bono resources.
 - The State Bar's Committee on Domestic Violence sponsored a domestic violence education event in Ann Arbor in March for more than 60 Michigan attorneys that included the topics of barriers to escaping domestic violence, perpetrator accountability, and compassionate representation.
 - An annual Justice Initiatives summit was held to gather opinion leaders, policy makers, and other "big thinkers" to discuss major issues of concern to the justice community. The working topic of "Strategies for Addressing the Needs of the Underrepresented" included the concepts of civil right to counsel, limited scope representation, and pro se representation. The effort also supported and advanced the work of the Judicial Crossroads Task Force.
 - The State Bar reviewed the reapportionment of election districts of the Representative Assembly, the Board of Commissioners, and Young Lawyers Section as required by Rules 5(3) and 6(3) of the Supreme Court Rules for the BOC and RA and the YLS bylaws. No changes were made to the BOC districts, the RA made changes to seven election circuits, and the YLS made changes in two election districts.
 - The entire *Michigan Bar Journal* collection from 1921 to present was added to the State Bar's website as an online archive, accessible to members through the member log-in area of our website. Also, the State Bar launched a new Michigan Legal Milestones website, which provides an interactive map showing the location of all the milestone markers around the state, the complete text from the plaques, historical information, and photos from the dedication ceremonies.
 - The State Bar of Michigan held several large member events during FY 2010. Fifty-year State Bar members were honored at the "Golden Celebration" in May 2010. In June, a Bar Leadership Forum and Upper Michigan Legal Institute were conducted at Mackinac Island. A well-attended Annual Meeting was held in Grand Rapids in September 2010 in conjunction with the ICLE Solo and Small Firm Institute.
 - The State Bar of Michigan officials commemorated Law Day on May 3, 2010 with a radio broadcast and hosted a Law Day student essay awards luncheon at the Michigan Hall of Justice.

- The State Bar of Michigan conducted a ceremony in conjunction with its 35th Michigan Legal Milestone "Elk, Oil and the Environment," which focused on the decade-long battle in the 1970s over drilling for oil and gas in northeast Michigan's Pigeon River County Forest. The ceremony was held on June 9, 2010, and a bronze plaque was permanently installed outside the Otsego County Courthouse in Gaylord.
- The State Bar launched several social media sites, including Facebook, LinkedIn, and Twitter pages, as well as a new State Bar Blog.
- The State Bar entered into a new agreement with Casemaker that will continue to bring premium state and federal research materials to our membership at no cost. The entire 50-state and federal collection will continue to be available to the State Bar membership for the next five years.
- Services to members were enhanced with the addition of three new partners offering service discounts to our members: InterCall audio and web conferencing, Sprint, and Liberty Mutual Insurance.
- The State Bar improved its cost effectiveness by negotiating more favorable rates for employee health insurances, installing energy conservation improvements, and finding cost-effective alternatives for services purchased.
- The Access to Justice Campaign revenue (including pledges) for the fiscal year ended September 30, 2010 was more than \$700,000 (unaudited). The Access to Justice Campaign is a partnership of the State Bar of Michigan, the Michigan State Bar Foundation, and Michigan's legal aid providers to increase resources for civil legal aid to the poor in Michigan. Approximately \$9.9 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 2010 FINANCIAL SUMMARY

The State Bar achieved a financial surplus of \$501,804 in the Administrative Fund during FY 2010 primarily through continued cost control and deferral of expenses. The State Bar's net assets in the Administrative Fund totaled \$11,299,199 as of September 30, 2010, and the fund operates without any debt.

APPROVED FY 2011 BUDGET

The State Bar Board of Commissioners has approved a deficit budget for FY 2011 of (\$289,426) that focuses on continued spending for strategic programs. A summary of the FY 2011 approved budget was published in the November 2010 *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 2010 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.

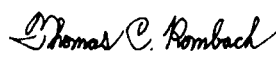
Questions or comments on this FY 2010 Annual Financial Report should be directed to Ms. Janet K. Welch, executive director of the State Bar of Michigan.



W. Anthony Jenkins
President



Janet K. Welch
Executive Director



Thomas C. Rombach
Treasurer



James C. Horsch
Director of Finance and Administration