



Michael Franck Building • 306 Townsend Street
Lansing, Michigan 48933-2012 • Telephone: (517) 346-6300
or (800) 968-1442 • Fax: (517) 482-6248

and Other Supplementary Information, Year Ended September 30, 2012

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

December 13, 2012

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

RE: STATE BAR OF MICHIGAN ANNUAL FINANCIAL REPORT— FY 2012

With this letter, please accept the FY 2012 Annual Financial Report of the State Bar of Michigan. The Annual Financial Report covers the fiscal year ended September 30, 2012, 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 2012

FY 2012 witnessed continued successful implementation of the State Bar Strategic Plan and the provision of enhanced services to the members and the public in a cost-effective manner. The Strategic Plan can be accessed on the State Bar's website at <http://www.michbar.org/generalinfo/pdfs/strategicplan.pdf>.

Major accomplishments included:

- The State Bar processed 1,203 character and fitness applications for the July 2011 and February 2012 exams, conducted 78 district committee interviews and 34 formal character and fitness standing committee hearings, and participated in six hearings before the Board of Law Examiners during the most recent reporting year (May 1, 2011–April 30, 2012). Staff continues to create reports that automatically generate request letters, many of which are sent electronically, reducing postage costs and utilizing information imported from the online application submitted by the applicants.
- A total of 1,143 new member applications were processed and attorney membership of the State Bar of Michigan grew to 42,490 members in good standing, an increase of 1.6% over FY 2011.
- The State Bar achieved a financial surplus of \$393,964 during FY 2012 primarily through continued cost control, health care benefit restructuring, operational efficiencies, and deferral of expenses.
- During the year ended September 30, 2012, the Board of Commissioners approved 63 Client Protection Fund claims totaling \$337,888 for payment to reimburse clients whose funds held by their attorneys were misappropriated. A total of \$283,870 in claims was disbursed from the fund in FY 2012. There is a total of \$80,564 in authorized but unpaid claims as of September 30, 2012, pending receipt of signed subrogation agreements from the prospective payees. A total of \$13,451 was collected from 11 respondents on subrogation files. The Client Protection Fund ended the year with net assets of \$2,337,719, exclusive of the approved but unpaid claims awaiting subrogation agreements.
- During the year ended September 30, 2012, the Board approved litigation in five matters in which the unauthorized practice of law (UPL) is believed to have occurred. Of 92 complaints alleging the unauthorized practice of law that were received during the same period, 44 of these complaints were closed after investigation, 13 are being monitored after investigation, and 35 remain open pending further investigation.
- The State Bar has requested that the Supreme Court consider adopting a rule-based definition of the practice of law approved by the Representative Assembly, which is intended to codify Michigan's common law defining the practice of law and serve as a user-friendly guide to educate and protect the public from persons engaged in the unauthorized practice of law.
- State Bar staff counsel responded to approximately 10 to 20 inquiries daily from attorneys and judges seeking informal advice through the Ethics Helpline. The "Tips and Tools for a Successful Practice" seminar was presented once during the bar year to help lawyers strengthen their law practices, and the "Lawyer Trust Accounts" seminar, developed by State Bar staff counsel, was presented three times during the bar year (in Ingham, Washtenaw, and Genesee counties) to assist lawyers in the ethical management of their trust accounts and provide resources for effective recordkeeping. Staff counsel also gave several ethics presentations to law schools, local bar associations, and bar-related entities.
- The Lawyer Referral Service (LRS) responded to telephone calls and online referral requests, providing an average of 130 referrals to members of the public daily.

- The Lawyers and Judges Assistance Program (LJAP) opened approximately 117 new cases and provided monitoring services to 112 clients during FY 2012. LJAP performed 89 assessments and monitored an average of 76 clients each month. LJAP clinicians presented "LJAP: Accountability & Support" to the Attorney Grievance Commission and Attorney Discipline Board staff on September 6, 2012. LJAP clinicians have presented 18 times to law students, attorneys, and judges on issues including addiction, stress management, and dealing with difficult personalities.
- The Professional Ethics Committee was authorized to provide specific comments to the Michigan Supreme Court on proposed revisions to the Michigan Rules of Professional Conduct (MRPC) and issued two new ethics opinions.
- The Judicial Ethics Committee provided comments to proposed changes to the Michigan Code of Judicial Conduct that were adopted by the Board of Commissioners and formed the basis of comments made to the Supreme Court on behalf of the State Bar of Michigan. The committee approved the publication of an article authored by member Lorie Savin entitled "Friend Requests and Beyond: Judicial Ethics in the Social Networking Sphere," which was published in the December 2011 issue of the *Michigan Bar Journal*. The committee issued one ethics opinion.
- The State Bar's public policy program conducted a full review of 54 bills and court rules and led the advocacy on approximately 40 formal legislative and court rule positions. The State Bar continued its advocacy to reform the indigent criminal defense system by assisting the Governor's Indigent Defense Advisory Commission. At the federal level, the State Bar also advocated for several issues, including funding for civil legal aid, and other legislative matters to assist in funding for state courts.
- Volunteers filled 626 positions on the 31 standing and special committees and other initiatives to carry out the mission of the State Bar of Michigan. Twenty-seven nonlawyers joined in that work. The continued implementation of the online committee appointment process resulted in a record number of applicants to serve on State Bar committees.
- Services to the State Bar's 39 sections were enhanced and reviewed with section leaders at the seventh annual Section Chair Orientation.
- A new section of the State Bar, the Agricultural Law Section, was approved by the Board of Commissioners in July and is being launched for the 2012–13 year. The Agricultural Law Section will serve as a forum for the exchange of ideas among members engaged in the practice of law servicing agricultural clients and will aim to help these attorneys improve the practice of agricultural law, study the statutes and regulations affecting the agricultural community, and improve the quality of legal services provided to the agricultural community in Michigan.
- The State Bar president and staff continued a robust program of visits to approximately 135 local and special-purpose bars recognized by the State Bar of Michigan. The purpose of those visits is to gather information about the state of the profession throughout Michigan, support local civic education programs, familiarize members with State Bar services, provide practice management and lawyers and judges assistance seminars, participate in bench-bar gatherings, and conduct strategic planning and organizational development programs.
- The State Bar of Michigan supported diversity and inclusion in the profession in FY 2012 by:
 - Increasing the signatories to the State Bar of Michigan's Pledge to Achieve Diversity and Inclusion to 565 individuals, 136 law firms, 42 voluntary bar associations, 30 state bar sections and committees, 17 governmental and law-related entities, 10 corporations, 8 legal aid providers, and 5 law schools.
 - Publishing the January 2012 issue of the *Michigan Bar Journal*, which was dedicated exclusively to articles about diversity and inclusion.
 - Cosponsoring the first annual Diversity Summit in conjunction with the Federal Bar Association Eastern District of Michigan Diversity Committee. The summit promoted collaboration among the affinity bars that attend the popular "Celebrating our Diverse Bar" event.
 - Offering "Diversity and Inclusion 2.0: Recognizing Unintentional Intolerance and the Challenge it Presents to the Legal Profession" at the 2012 Annual Meeting.
- The State Bar of Michigan hosted the fourth annual Pro Bono Coordinators Workshop on May 23, 2012. The workshop covered recruitment and

recognition of pro bono attorneys, rural pro bono practice, engagement of law firms and the judiciary, and law school pro bono resources for the community.

- The third annual Justice Initiatives summit was held in April to gather opinion leaders and policymakers to discuss major issues of concern to the justice community. The group discussed the "Solutions on Self Help" (SOS) Taskforce pilot project that provides web-based self-help resources to the poor.
- The State Bar of Michigan held several large member events during FY 2012. 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 2012 in conjunction with the ICLE Solo and Small Firm Institute.
- The historic 1976 Elliott-Larsen Civil Rights Act (ELCRA) was the subject of the State Bar's 37th Legal Milestone dedication held in August at the state Capitol building in Lansing. A bronze plaque commemorating the act was unveiled during the dedication ceremony.
- A new statewide Law Day contest was successfully launched with the theme "Michigan: No Courts, No Justice, No Freedom" on SBM's Michigan Legal Milestones. The new contest calls for projects that highlight the significance of the Michigan Legal Milestones and their relationship to the role of the courts and/or an understanding of the role of the judiciary in Michigan's constitutional democracy. Rather than an essay format, a more flexible approach invites dramatic or musical plays, debates, video game designs, essays, podcasts, commentaries, reenactments, mock trials, and short documentaries.
- The Practice Management Resource Center (PMRC) continued to provide a variety of practice management resources through a newly redesigned website. Page views and downloads since the redesign have more than doubled. PMRC staff continued to respond to telephone calls from lawyers seeking informal advice via the PMRC helpline, authored practice management articles for the *Michigan Bar Journal* and external publications, and participated in numerous seminars and programs sponsored by local bar associations, the Institute of Continuing Legal Education (ICLE), law schools, and bar-related entities. Through a customized training and consulting program, PMRC staff continued to perform individualized practice management consultations and customized technology training sessions for lawyers and law firms, and conducted audits for members referred by the attorney discipline agencies.
- Some of the newest additions to the Practice Management Resource Center this year were the development of a "PRACTICE ez™" logo used to identify PMRC products and services, the implementation of a popular series of innovative iPad training seminars, the development of new tools and features on the PMRC website including the introduction of video instruction, an Apple Users Corner, and the implementation of a free online library allowing members to download e-books and audio books to office computers, laptops, smartphones, and tablets. Unlike the lending library, which requires return shipping, the downloadable library items are free to members and automatically delete after the designated lending period expires.
- The Board of Commissioners approved the appointment of a Practice Management Resource Center Advisory Committee to provide guidance to PMRC staff in the development, maintenance, and evaluation of resources, programs, and services designed to help members build and strengthen their law practices. The committee issued a report and recommendations at the end of its term in September. The report will now be reviewed by the Publications and Website Advisory Committee to assist them in the further development of practice management resources and content on the State Bar of Michigan website.
- Services to members were enhanced with the addition of five new partner programs offering discounts to members: SenditCertified, the ABA Retirement Funds Program, Dell's Member Purchase Program, Best Buy for Business, and Long-Term Care Resources. SenditCertified provides secure e-mail, electronic signature, and file transfer for members by sending e-mail messages and attachments through an encrypted pathway. The ABA Retirement Funds Program provides affordable 401(k) plans exclusively to the legal community by providing trustee, recordkeeping, tax reporting, compliance testing, investment management, and participant communication services. Dell's Member Purchase Program (MPP) offers the best price on personal computer purchases with savings of 10–30% or more off select configurations. Best Buy for Business offers discounted pricing for SBM members on appliances, computers, televisions, furniture, office supplies, commercial performance plans, and installation services. Long-Term Care Resources offers a national network of long-term care specialists available to explain the costs and benefits of long-term care insurance programs.
- The State Bar of Michigan launched a new mentoring center. The new web-based service is designed to match veteran attorneys with newer attorneys who have similar interests and backgrounds. The veteran attorneys will be called on to provide advice and counsel on everything from

filing a brief to preparing for closing arguments. Mentors and mentees are able to search user profiles and initiate contact with one another via the MentorBoard, with e-mail addresses kept confidential until a contact request has been made and accepted, at which point the e-mail address of each is revealed to the other. Each user has access to all of the tools necessary to track activity.

- The *Michigan Bar Journal* launched a new digital version that can be viewed using a computer, iPad, iPhone, and all Android tablets and phones including Nook and Kindle. The program automatically detects what device a member is using and feeds the correct version. Members who elect to opt out of the printed version of the magazine receive a monthly e-mail reminder that the new issue is available in their favorite digital format.
- The State Bar of Michigan website was redesigned to center its pages on the viewer screens and page width was expanded from 760 pixels to 970 pixels, allowing for an extra column of content on all HTML pages. In addition, the first phase of improving the online member directory was implemented to include sorts by member type, county, committee, and section membership.
- The State Bar of Michigan received the American Bar Association Grassroots Advocacy Award with particular emphasis on its outstanding efforts to increase funding for the Legal Services Corporation (LSC), which helps provide legal aid for low-income Americans. The award was presented on April 18 during a reception at the United States Supreme Court. The State Bar of Michigan worked to prevent a potentially devastating \$104.2 million cut to the LSC budget of \$404.2 million in fiscal year 2010. While the House of Representatives proposed funding LSC at \$300 million, the Senate favored an allocation of \$396 million. Ultimately, funding was set at \$348 million, thanks in large part to efforts such as the State Bar of Michigan's.
- State Bar facility improvements continued with the implementation of a state-of-the-art board room audio-visual upgrade and a larger emergency generator for maintaining critical operations during power outages.
- The Access to Justice Campaign revenue (including pledges) for the fiscal year ended September 30, 2012, was more than \$760,000 (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 \$11.4 million has been received to date by the Access to Justice Fund in donations and pledges. Access to Justice Fund contributions are received and administered by the Michigan State Bar Foundation according to the Access to Justice Fund guidelines at www.msbf.org/atjfund.

FY 2012 FINANCIAL SUMMARY

The State Bar achieved a financial surplus of \$393,964 in the Administrative Fund during FY 2012 primarily through continued cost control, health care benefit restructuring, operational efficiencies, and deferral of expenses. The State Bar's net assets in the Administrative Fund totaled \$12,303,657, and the Client Protection Fund has \$2,337,719 in net assets as of September 30, 2012. Additionally, the Retiree Health Care Trust has \$1,395,120 for future retiree health care premiums. The State Bar operates without any debt.

APPROVED FY 2013 BUDGET

The State Bar Board of Commissioners has approved a deficit budget for FY 2013 of (\$333,127) that focuses on continued spending for accomplishing its strategic focus. A summary of the FY 2013 approved budget was published in the November 2012 *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 2012 Annual Financial Report. The basic financial statements and related notes are audited by the independent accounting firm of Andrews Hooper Pavlik PLC in accordance with auditing standards generally accepted in the United States of America, and their opinion is provided as a part of this report.

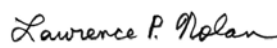
Questions or comments on this FY 2012 Annual Financial Report should be directed to Janet K. Welch, executive director of the State Bar of Michigan.



Bruce A. Courtade
President



Janet K. Welch
Executive Director



Lawrence Patrick Nolan
Treasurer



James C. Horsch
Director of Finance and Administration