FY 2022

State Bar of Michigan
ANNUAL FINANCIAL REPORT

AUDITED FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2022
WITH REPORT OF INDEPENDENT AUDITORS

SBM
State Bar of Michigan

Audited Financial Statements
and Other Supplementary Information

State Bar of Michigan

Year Ended September 30, 2022
with Report of Independent Auditors

CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

State Bar of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2022

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December 7, 2022

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 2022 Annual Financial Report, which covers the fiscal year that ended on September 30, 2022. 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 2022 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.

James W. Heath
President

Peter Cunningham
Executive Director

Erika L. Bryant
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 2021-2022


DANA M. WARNEZ
PRESIDENT


JAMES W. HEATH
PRESIDENT-ELECT


DANIEL D. QUICK
VICE PRESIDENT

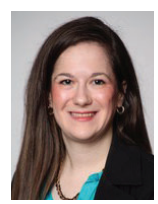

JOSEPH P. MCGILL
SECRETARY


LISA J. HAMAMEH
TREASURER


Danielle Mason Anderson
District F


David C. Anderson
District I


Yolanda M. Bennett
Clerk, Representative Assembly


Kristina A. Bilowus
Chair, Young Lawyers Section


Erika L. Bryant
District H


Aaron V. Burrell
District H


Hon. B. Chris Christenson
District B


Thomas P. Clement
Commissioner-at-large


Sherriee L. Detzler
District D


Robert A. Easterly
District E


Hon. Kameshia D. Gant
District I

Thomas H. Howlett
District I

Sarah E. Kuchon
District I

Suzanne C. Larsen
District A

James W. Low
District I

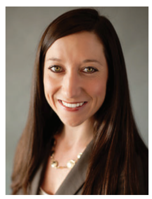
Gerrow D. Mason
Vice Chair, Representative Assembly

Thomas E. McCarthy, Jr.
District C

Valerie R. Newman
Commissioner-at-large

Takura N. Nyamfukudza
Commissioner-at-large

Nicholas M. Ohanesian
Chair, Representative Ass-sembly



Samantha J. Orvis
Immediate Past Chair, Young Lawyers Section

Hon. David A. Perkins
District H

Colemon L. Potts
Chair Elect, Young Lawyers Section

Hon. Kristen D. Simmons
District E

Delphia Simpson
Commissioner-at-large

Thomas G. Sinas
District C

Danielle Walton
Commissioner-at-large

Hon. Erane C. Washington
District G

Mark A. Wisniewski
District H

REPRESENTATIVE ASSEMBLY 2021-2022

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.

Nicholas M. Ohanesian
Chair

Gerrow D. Mason
Vice Chair

Yolanda Bennett
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 also are 20 standing committees of the State Bar created to advance the work of the State Bar as defined by court rule. Over 480 attorneys served on State Bar of Michigan committees, task forces, and work groups in FY 2022. The State Bar's 44 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 42 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 72.5 full-time equivalent employees (FTEs) at the end of FY 2022, the same number as FY 2021.

46,773
TOTAL ATTORNEY MEMBERS

42,395 ACTIVE MEMBERS
1,072 INACTIVE MEMBERS
3,306 EMERITUS MEMBERS

34
MEMBERS OF THE BOARD OF COMMISSIONERS

150
MEMBERS OF THE REPRESENTATIVE ASSEMBLY

483
ATTORNEYS SERVED ON COMMITTEES, TASK FORCES, AND WORK GROUPS

20
STANDING COMMITTEES

44
SECTIONS

72.5
EMPLOYEES

KEY ACTIVITIES

ACTIVITIES MANDATED BY STATUTE OR COURT RULE

ADMINISTRATIVE ACTIVITIES

- Maintenance of official attorney database
- Collection of license fees and administration of licensing requirements
- Administrative support for the Attorney Discipline System
- Governance (self-governing features of the integrated bar are defined by court rule)

ACTIVITIES SPECIFICALLY MANDATED BY STATUTE, COURT RULE, OR SUPREME COURT ADMINISTRATIVE ORDER

- Character and fitness operations
- Pro hac vice administration
- Annual Meeting
- Unauthorized practice of law prosecution
- Client Protection Fund administration
- Michigan Bar Journal
- Member directory
- Administration of prepaid legal services regulation
- Administration of nonprofit lawyer referral services regulation
- Regulation of advocacy concerning promotion of improvements in the administration of justice and advancements in jurisprudence
- Administration of IOLTA financial institution registrations
- Nominations for statutory positions

ACTIVITIES AUTHORIZED BY BOARD OF COMMISSIONERS TO CARRY OUT GOVERNMENTAL MANDATE

IMPROVEMENTS IN THE ADMINISTRATION OF JUSTICE AND ADVANCEMENTS IN JURISPRUDENCE

- Administration of AO 2004-1 concerning State Bar of Michigan public policy activities
- Access to justice initiatives
- Policy development and research
- Diversity and inclusion initiatives
- Advocacy (court rule and statute)

IMPROVEMENTS IN RELATIONS BETWEEN THE LEGAL PROFESSION AND THE PUBLIC

- Unauthorized practice of law educational resources
- Online legal resource center
- Civic education and public outreach
- Pro bono program and A Lawyer Helps
- Enhanced profile directories

PROMOTION OF INTERESTS OF LEGAL PROFESSION

- Administrative support for sections
- Practice management support services
- Lawyers and Judges Assistance Program
- Ethics Helpline
- Legal research tool
- Endorsed products & services
- Ethics seminars & resources
- E-Journal
- Practice management seminars
- Support for recognized bar associations

HIGHLIGHTS OF FY 2022

ANNUAL FISCAL REPORT UPDATE

ADMINISTRATIVE ACTIVITIES

Collection of License Fees & Administration of Licensing Requirements

The State Bar of Michigan has continued to improve the online license renewal process by updating and upgrading the member portal and e-commerce site at https://e.michbar.org. Improvements included developing an online consolidated billing portal, creating a helpdesk system to field Michigan attorneys' questions sent by email, introducing a tracking system for bar card shipments, and automatically generating receipts for payments by check processed by lockbox.

ACTIVITIES SPECIFICALLY MANDATED BY STATUTE, COURT RULE, OR SUPREME COURT ADMINISTRATIVE ORDER

Bar Admissions

The State Bar processed 611 character and fitness (C&F) applications for the February 2022 and July 2022 bar exams and conducted district committee interviews for 31 applicants. Three additional matters were referred, with interviews or recommendations pending. Twenty-four matters are expected to be referred to C&F district committees upon completion of the investigation. There were 34 formal standing committee hearings conducted. Ten formal BLE hearings were held.

Annual Meeting

The State Bar satisfied court rule requirements by successfully conducting the 2022 Annual Meeting and associated business functions. These included the Board of Commissioners meetings and the Representative Assembly meeting. The annual Inaugural & Awards ceremony was held as a luncheon event in Detroit in September.

Unauthorized Practice of Law Administration

The State Bar received 62 complaints alleging the unauthorized practice of law (UPL) in FY 2022. Of these complaints, 35 were closed after investigation, either due to obtaining voluntary compliance or because there was no evidence of UPL found. Of the remaining 27 open matters, nine matters remain under investigation, seven matters are pending UPL Standing Committee review after investigation, and 11 matters were approved for litigation by the Board of Commissioners and remain open for litigation review. Four injunctive orders were obtained by the UPL Department, and three cases remain in active litigation.

Client Protection Fund Administration

The Board of Commissioners approved 31 Client Protection Fund claims filed by payees whose attorneys misappropriated client funds. These claims totaled $236,106. The State Bar made payments of $422,812 which included $240,737 approved by the Board of Commissioners in FY 2021. As of September 30, 2022, $56,531 of claims remained to be paid pending the receipt of signed subrogation agreements.

Response to COVID-19 Pandemic

In response to the profound, extensive emergency changes in the operations of the court system and the practice of law precipitated by the COVID-19 public health crisis, the State Bar refocused its communications and public services to meet the emerging needs of the public and Michigan lawyers. The State Bar and its sections continue to work collaboratively with the State Court Administrative Office, the Board of Law Examiners, the Attorney Discipline System, the Michigan Institute for Continuing Legal Education, and the executive and legislative branches, to best serve Michigan attorneys and the public as Michigan continues to evolve to the unprecedented changes created by the pandemic.

ACTIVITIES AUTHORIZED BY BOARD OF COMMISSIONERS TO CARRY OUT GOVERNMENTAL MANDATE IMPROVEMENTS IN ADMINISTRATION OF JUSTICE AND ADVANCEMENTS IN JURISPRUDENCE

Administration of AO 2004-1 and Policy Development

The State Bar defended its governmentally-mandated duties when faced with a federal lawsuit that, as part of a string of lawsuits across the country, raised First Amendment challenges against integrated bars.

On August 22, 2019, a State Bar member filed a complaint in the Western District of Michigan alleging that mandatory membership in and payment of dues to the State Bar infringes on her First Amendment right to free association and free speech. Taylor v. State Bar of Michigan, No. 1:19-cv-00670-RJJ-PJG (W.D. Mich). Taylor alleged that, under Janus v. AFSCME, 138 S. Ct. 2448 (2018), the Michigan law requiring State Bar membership in order to practice law is unconstitutional. On September 8, 2020, the district court in the Western District of Michigan granted summary judgment in favor of the State Bar, explaining that the issues raised by Ms. Taylor have been "squarely decided" by the United States Supreme Court. On July 15, 2021, the Sixth Circuit affirmed the district court: "Consistent with the numerous courts faced with claims like Taylor's in the wake of Janus, we hold that Lathrop and Keller remain good law." The Supreme Court denied the plaintiff's petition for a writ of certiorari on April 4, 2022.

Access to Justice Initiatives

Promotion of access to justice is a thread that winds through many State Bar activities. In addition to policy development, the State Bar supports a centralized fundraising campaign administered by the separate Michigan State Bar Foundation in partnership with the State Bar, to raise money for qualifying civil legal aid programs in Michigan. The Access to Justice Campaign revenue for FY 2022 was more than $1,386,000 (unaudited), including approximately $17,400 in cy pres awards. Approximately $25.9 million has been received by the Access to Justice Fund in donations and pledges. In the 2021 calendar year, 47 firms gave at the Leadership Firm level of $300+ per attorney, and 64 firms and corporate legal departments gave at tiered levels between $1,000 and $100,000.

An issue of the Michigan Bar Journal also was dedicated to Access to Justice. Published in November 2021, it included an introduction by the Honorable Bridget Mary McCormack titled "Building Toward a Breakthrough in Access to Justice."

The State Bar pro bono program and "A Lawyer Helps" also continued its support of services to assist those with qualified domestic relation orders, federal and state income tax issues, and patents. The State Bar also published the third edition of the Pro Bono Honor Roll, which encourages more pro bono service by recognizing attorneys, law firms, and corporations that provide a significant level of pro bono service. The Honor Roll tallied more than 39,000 hours of pro bono service by Michigan attorneys in 2021.

Justice for All Commission

The State Bar plays key roles in the Justice for All Commission, which was established in January 2021 by the Michigan Supreme Court. State Bar representatives serve on the commission, executive team, and various committees and workgroups. Prior to the establishment of the commission, the State Bar was heavily involved in the creation of the Justice for All Task Force inventory and strategic plan.

Diversity and Inclusion

In addition to its traditional work partnering with local and affinity bars on diversity and inclusion efforts, the State Bar continued to build a central repository of resources for Michigan lawyers on race and justice and convened another online Race and Justice Forum to discuss the intersection of the legal community and bias training for law enforcement professionals. The State Bar offered virtual training sessions to the Judicial Qualifications Committee on how unconscious processes may affect individual decision-making. In partnership with the National Association of Women Judges, the State Bar Face of Justice program offered a virtual mentoring experience to students from every law school in Michigan as well as 150 high school students in Michigan.

Advocacy

The State Bar public policy program fully reviewed 52 public policy items — including legislation, court rules, and administrative rules — and took approximately 45 formal policy positions. Highlights of legislative activity include successful advocacy for funding at the state level of the Michigan Indigent Defense Commission and the Judiciary Budget as well as continued funding at the federal level for the Legal Services Corporation. Pursuant to AO 2004-1, all advocacy is reported on the State Bar of Michigan Public Policy Resource Center webpage.

IMPROVEMENTS IN RELATIONS BETWEEN THE LEGAL PROFESSION AND THE PUBLIC

Online Legal Resource Center

The State Bar of Michigan launched the Online Legal Resource and Referral Center in 2018 and has continued in subsequent years to advance its offerings and capabilities.

The website includes information and access to the Lawyer Referral Service, the online attorney directory, and educational materials to help consumers with their legal needs. In FY 2022, the Lawyer Referral Service updated practice areas to facilitate better, more targeted referral matches; expanded the Modest Means Program; transitioned to a new call center system; increased additional resources available to consumers seeking legal assistance who are unable to afford an attorney; and increased data analysis to better identify gaps in attorney/panelist availability by areas of practice and geographic location.

The Legal Resource and Referral Center portal was developed as a tool to better serve the Lawyer Referral Service panel attorneys by collecting data on referrals and ensuring all referrals are processed in a consistent manner. The portal also allows attorneys to manage their referrals online and facilitates online reporting and payment, which previously required a manual system.

In total, there were 220,790 unique visitors to the site who accessed 552,996 pages of information.

PROMOTION OF INTERESTS OF LEGAL PROFESSION

Administrative Support for Sections

SBM sections 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, among other services. Most SBM sections are organized by practice area, with five exceptions: Judicial, Young Lawyers, Law Students, Senior Lawyers, and Law Practice Management. SBM provides administrative support for sections — maintaining the sections' financial accounts, membership databases, demographic profiles, and individual section websites — and robust support for section events and programs. SBM staff also provides consultation to sections on issues ranging from internal section governance to public policy advocacy. All public policy advocacy by sections is financed entirely by voluntary section dues and is confined to the subject matter jurisdiction of the section.

In FY 2022, memberships in SBM's 44 sections totaled 50,217, including 34,836 paid section memberships purchased by 24,898 unique individuals (over 1,000 section members in FY 2022 were not SBM licensees). As a rule, free section memberships extend to law students, first-year licensees, and those who qualify for the Young Lawyers and Judicial sections. In FY 2022, SBM sections provided a total of 15,381 free memberships.

Practice Management Support Services

The Practice Management Resource Center (PMRC) provided low- and no-cost virtual seminars to Michigan attorneys and their staffs on topics including technology, risk management, practice management, and collaboration. The virtual seminars also were recorded and made available for viewing after their live broadcasts. In addition, the PMRC continued to update and provide resources, trainings, and guidance through the State Bar's website, personalized assistance to helpline callers, Michigan Bar Journal articles, newsletters, and social media. The State Bar also continued to produce its national podcast, "On Balance," which focuses on the interplay between practice management and wellness for a thriving law practice.

After a two-year absence due to the pandemic, the Upper Michigan Legal Institute returned in 2022 as an opportunity for all Michigan attorneys to expand their legal education and stay up-to-date on evolving issues in the legal profession. Hosted in partnership with the Institute of Continuing Legal Education, program topics included family law, criminal law, probate & estate planning, and real property law.

Lawyers and 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 is devoted to the advancement of well-being in the legal profession, including offering services to those looking to optimize their overall wellness. Use of LJAP services and resources continued to increase in FY 2022. LJAP reached nearly 1,600 law students, lawyers, and judges through professional presentations on topics related to well-being in the legal profession through outreach to law schools, legal employers, local and affinity bars, regulators, and other stakeholders in the field of law. The number of presentations provided is a 108% increase from FY 2021, which had also increased from the year prior. Clinical assessments provided to members of the legal community for those seeking mental health or wellness related services increased 21%.

In conjunction with the Practice Management Resource Center, LJAP continues to help produce the "On Balance" podcast on wellness-related topics. LJAP continues to offer weekly virtual support groups to both lawyers and law students.

LJAP has been integral in the establishment and oversight of the SOLACE (Support of Lawyers/Legal Personnel – All Concern Encouraged) Program. Since the launch of SOLACE in July 2021, over 16,000 legal professionals have voluntarily joined the SOLACE Network either individually or as a SOLACE Program Partner. The SOLACE Network has fulfilled 100% of requests for assistance, often within minutes.

In FY 2022, LJAP staff played an active role in the establishment of the Task Force on Well-Being in the Law, a collaboration between the State Bar of Michigan and the Michigan Supreme Court. The task force was formally launched in May 2022 and is working with stakeholders to take steps to instill greater well-being in the legal profession.

Ethics Helpline and Seminars

The State Bar of Michigan staff ethics counsel responded to approximately seven to eight inquiries daily from attorneys and judges seeking informal advice through the Ethics Helpline. The inquiries ranged from simple advice to complex scenarios requiring extensive research. Staff counsel conducted numerous presentations, including three Lawyer Trust Account Seminars and two Tips and Tools Seminars.

The Professional Ethics Committee published a General Attorney FAQ and an IOLTA FAQ in conjunction with the Michigan State Bar Foundation; issued three ethics opinions; issued a record retention kit; and published flowcharts on conflicts of interest. The Judicial Ethics Committee published FAQs concerning judicial campaigns and general judicial ethical issues, drafted three judicial ethics opinions, and provided comments on proposed court rules.

Interim Administrator Program

Since 2019, the State Bar has been working on creating a succession planning requirement to help ensure that clients are protected if their attorney dies or otherwise becomes unexpectedly unable to practice law. The need for succession planning in Michigan is great and growing based on data indicating that the number of small and solo practices is growing, and attorneys are waiting longer to retire from the practice of law.

In June 2022, the Michigan Supreme Court adopted rule changes to establish an Interim Administrator Program based on recommendations made by the State Bar. Beginning in September of 2023, the program will require attorneys in private practice to create a succession plan in the event the attorney becomes unexpectedly unable to practice law due to death, disability, or discipline. Beginning with 2023-2024 license renewals, all active Michigan attorneys in private practice will be required to either 1) designate a successor attorney or law firm or 2) pay a fee to participate in the State Bar of Michigan Interim Administrator Program. The Interim Administrator Program also will provide education and resources for attorneys to navigate the new requirement.

Support for Bar Associations

SBM formally recognizes 123 voluntary bar associations in Michigan, divided into three types: geography-based (e.g., Ingham County Bar), demography-based (e.g., Davis-Dunnings Bar), and practice area (e.g., Creditors Bar). SBM provides a variety of support services to bar associations including consultation from SBM staff, event coordination, communications support, and convening discussions and collaborations among bars, with SBM sections, and with other law-related entities.

The State Bar of Michigan also provides support to these entities through the Bar Leadership Forum, which returned in 2022 after a two-year hiatus because of COVID-19. BLF brought together section leaders as well as members of the Board of Commissioners and officers from other bar associations to learn skills that will help them be more effective leaders. Topics included understanding Robert's Rules of Order; an update on the Commission on Diversity, Equity, and Inclusion; and effective marketing and communications.

FINANCIAL & MEMBERSHIP SUMMARY

FINANCIAL SUMMARY

As of September 30, 2022, the State Bar of Michigan's net position in the Administrative Fund totaled $9,813,123— a decrease of $1,960,097, or 16.6%, in FY 2022. Excluding the net liabilities associated with the retiree health care trust and other financial impacts, the Administrative Fund totaled $7,439,054 — a decrease of $983,958, or 11.7%, in FY 2022. The Administrative Fund decrease was anticipated because the State Bar of Michigan was at the end of an extended "fee cycle." The last funding increase for the State Bar of Michigan was 18 years before FY 2022, which means the fee cycle was the longest fee cycle in at least half a century. The Client Protection Fund's net position totaled $2,121,791 — an increase of $287,672, or 15.7%. The sections' net position, calculated separately as it consists of voluntary section dues and other section funds, totaled $3,076,128 — an increase of $92,793, or 3.1%, in FY 2022. The State Bar operates with no outstanding debt.

APPROVED FY 2023 BUDGET

The State Bar Board of Commissioners approved a FY 2023 Administrative Fund budget in July 2022 totaling $11,757,260, resulting in projected surplus of $1,113,675. The budget considers an $80 active member license fee increase effective FY 2023 and is aligned with the State Bar's strategic plan. A summary of the FY 2023 approved budget is in the December 2022 Michigan Bar Journal and can also be found on the State Bar's website at michbar.org/generalinfo.

MEMBERSHIP AND AFFILIATE STATISTICS

In FY 2022, the number of State Bar of Michigan attorney members increased by 250, or 0.5%, over FY 2021. The number of active attorneys increased by 151, or 0.3%. Below are the statistics for each type of member as well as affiliate members for the year ended September 30, 2022:

Attorney Members	
Active members	42,395
Inactive members	1,072
Emeritus members	3,306
Total attorney members	46,773

Affilliate Members	
Legal administrators	2
Legal assistants	214
Total affilliate members	216

In FY 2022, 876 new members joined the State Bar of Michigan.

NOTE: These figures reflect members and affiliates in good standing and do not include those disciplined, disbarred, resigned, deceased, or suspended for nonpayment of license fees.

Financial Section

AHP
CPAs & ADVISORS

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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, 2022, 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, 2022, 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, 2022 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, 2022 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, 2022, 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, 2022.

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, 2018 through 2021 (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 2018 through 2021 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, 2018 through 2021, 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 Hooper Pavlik PLC

Okemos, Michigan
December 7, 2022

State Bar of Michigan

Management's Discussion and Analysis

September 30, 2022

Brief Description of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the State Bar of Michigan financially as a whole and understand the activity within each fund of the State Bar. The financial statements and related information are organized in this report as follows:

Report of Independent Auditors – Expresses the audit opinion of the independent accounting firm.

Management's Discussion and Analysis (MD&A) – Discusses the operations of the State Bar and provides expanded financial information and related analysis.

Basic Financial Statements:

- Statement of Net Position (Balance Sheet) – Provides the financial position of the State Bar and each fund.
- Statement of Revenue, Expenses, and Changes in Net Position (Income Statement) – Provides the sources of revenue, the various expenses, and impact on net position for the State Bar and each fund.
- Statement of Cash Flows – Shows the sources and uses of cash for the State Bar and each fund.

Notes to the Financial Statements – Provides integral information to explain the basis for the numbers used within the basic financial statements.

Required Supplementary Information – Provides additional information about the State Bar's participation in the State Employees' Retirement System for pension and other postemployment benefits.

Other Supplementary Information – Provides additional information to better understand the financial position of the State Bar.

Summary of FY 2022 Financial Information

The audited financial statements, including the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows, are shown on pages 22-24.

The following is a financial analysis comparing FY 2022 with FY 2021 for the statement of net position and the statement of revenue, expenses, and changes in net position. Also shown is a financial analysis comparing FY 2022 actual with the FY 2022 budget for the statement of revenue, expenses, and changes in net position. The financial exhibits in the "Other Supplementary Information" section of this report shown on pages 57-64 are also helpful reference materials for this analysis.

Analysis of FY 2022 Statement of Net Position Compared to FY 2021

Administrative Fund	September 30 2022	September 30 2021	Increase (Decrease)	%
Current Assets	$ 7,786,531	$ 8,212,453	$ (425,922)	(5.2)%
Noncurrent Assets (net)	6,765,778	8,074,501	(1,308,723)	(16.2)%
Total Assets	14,552,309	16,286,954	(1,734,645)	(10.7)%
Deferred Outflows of Resources	654,255	818,038	(163,783)	(20.0)%
Current Liabilities	3,233,071	2,769,112	463,959	16.8 %
Noncurrent Liabilities	1,104,912	1,783,598	(678,686)	(38.1)%
Total Liabilities	4,337,983	4,552,710	(214,727)	(4.7)%
Deferred Inflows of Resources	1,055,458	779,062	276,396	35.5 %
Net Position – Net Investment in Capital Assets	3,193,128	3,343,587	(150,459)	(4.5)%
Net Position – Restricted for Retiree Health Care	2,374,069	3,350,208	(976,139)	(29.1)%
Net Position – Unrestricted	4,245,926	5,079,425	(833,499)	(16.4)%
Net Position	$ 9,813,123	$ 11,773,220	$ (1,960,097)	(16.6)%

Current assets decreased by $425,922, or 5.2 percent, primarily due to lower cash, prepaid expenses, and accounts receivable, and higher balances due to Sections. Noncurrent assets decreased by $1,308,723, or 16.2 percent, due to decreases in the retiree health care trust fund and net capital assets offset by the new lease receivable. Deferred outflows of resources decreased by $163,783 or 20.0 percent, primarily due to OPEB adjustments related to changes in assumptions for valuation of OPEB healthcare liability.

Current liabilities increased by $463,959, or 16.8 percent, primarily due to higher unearned license fees due to FY 2023 $80 license fee increase for active attorneys and higher accounts payable. Noncurrent liabilities decreased by $678,686, or 38.1 percent, due to decreases in the net pension and OPEB liabilities. Deferred inflows of resources increased by $276,396, or 35.5 percent, due to the new lease deferred inflow and the OPEB and pension adjustments. Overall, net position decreased by $1,960,097, or 16.6 percent during FY 2022.

Analysis of FY 2022 Statement of Net Position Compared to FY 2021 (continued)

Client Protection Fund	September 30 2022	September 30 2021	Increase (Decrease)	%
Assets	$ 2,297,782	$ 2,207,281	$ 90,501	4.1 %
Liabilities	175,991	373,162	(197,171)	(52.8)%
Net Position	$ 2,121,791	$ 1,834,119	$ 287,672	15.7 %

Assets increased by $90,501, or 4.1 percent, primarily due to higher investments and cash for operations, net of lower due from other funds. Liabilities decreased by $197,171 or 52.8 percent, primarily due to lower accounts payable and unearned revenue. As a result, net position increased by $287,672, or 15.7 percent, during FY 2022.

Sections	September 30 2022	September 30 2021	Increase (Decrease)	%
Total Assets	$ 3,076,128	$ 2,983,335	$ 92,793	3.1%
Net Position	$ 3,076,128	$ 2,983,335	$ 92,793	3.1%

All of the individual assets and liabilities of the sections are held within the Administrative Fund and are shown as assets in "due from (to) other funds." Both assets and net position increased by $92,793 or 3.1 percent, as a result of section revenue being greater than section expenses during FY 2022. The increase is primarily due to higher non-dues section revenue, offset by higher expenses due to an increase in section meetings and events.

Analysis of FY 2022 Statement of Revenue, Expenses, and Changes in Net Position Compared to FY 2021

Administrative Fund	Year Ended September 30 2022	Year Ended September 30 2021	Increase (Decrease)	%
Operating Revenue	$ 9,193,538	$ 9,174,004	$ 19,534	0.2 %
Operating Expenses:				
Labor	6,958,619	6,784,767	173,852	2.6 %
Nonlabor	3,040,859	3,073,735	(32,876)	(1.1)%
Total Operating Expenses	9,999,478	9,858,502	140,976	1.4 %
Operating Loss	(805,940)	(684,498)	(121,442)	(17.7)%
Nonoperating Revenue (Expenses)	(1,154,157)	885,809	(2,039,966)	(230.3)%
Change in Net Position	$ (1,960,097)	$ 201,311	$ (2,161,408)	(1073.7)%

Analysis of FY 2022 Statement of Revenue, Expenses, and Changes in Net Position Compared to FY 2021 (continued)

Retiree healthcare trust income is presented net of the trust advisor fees of $18,504 for FY 2022 and $19,439 for FY 2021.

The Administrative Fund's operating loss increased by $121,442, or 17.7 percent, due to an increase in operating expenses of $140,976 or 1.4 percent offset by a slight increase in operating revenue of $19,534 or 0.2 percent.

The Administrative Fund's operating revenue increased by $19,534, or 0.2 percent, primarily due to higher Lawyer Referral Services revenue, Client Protection Fund administration fees, credit card processing fees, Lawyer Services partner revenues and event revenues, lower license fees and Character and Fitness revenue, and late fees.

The Administrative Fund's operating expenses increased by $140,976, or 1.4 percent, due to higher labor expenses of $173,852, or 2.6 percent offset by lower nonlabor expenses of $32,876, or 1.1 percent. Labor expenses were higher primarily due to budgeted increases and lower vacancies when compared to FY 2021, offset by lower retiree healthcare and pension benefit expenses (GASB 68/75). Lower nonlabor expenses were primarily due to lower operating expenses in IT, Finance due to depreciation, and in Bar Journal and E Journal, offset by higher expenses in Facilities and team expenses related to resumed events, travel, and meetings.

The Administrative Fund's nonoperating revenue decreased by $2,039,966, or 230.3 percent, due to change in market value of retiree health care trust investments.

As a result, the Administrative Fund's net position decreased by $1,960,097 in FY 2022 compared to an increase of $201,311 in FY 2021. The primary drivers for this decrease were a decrease in nonoperating revenue of $2,039,966 and an increase in operating loss of $121,442.

	Year Ended September 30		Increase	
Client Protection Fund	**2022**	**2021**	**(Decrease)**	**%**
Operating Revenue	$ 701,330	$ 695,715	$ 5,615	.8 %
Operating Expenses	425,976	501,159	(75,183)	(15.0)%
Operating Income	275,354	194,556	80,798	41.5 %
Nonoperating Revenue	12,318	3,845	8,473	220.3 %
Change in Net Position	$ 287,672	$ 198,401	$ 89,271	45.0 %

Analysis of FY 2022 Statement of Revenue, Expenses, and Changes in Net Position Compared to FY 2021 (continued)

The Client Protection Fund experienced an increase in net position of $287,672 in FY 2022 compared to an increase of $198,401 in FY 2021, resulting in a year-over-year change of $89,271, or 45.0 percent. Operating revenue increased by $5,615, or .8 percent, primarily due to higher claim recoveries. Operating expenses decreased by $75,183 or 15.0 percent primarily due to lower claims payments recorded in FY 2022 compared to FY 2021, offset by higher administrative costs. Nonoperating revenue increased by $8,473, or 220.3 percent, due to higher investment income.

	Year Ended September 30			
Sections	**2022**	**2021**	**Increase (Decrease)**	**%**
Operating Revenue	$ 1,691,448	$ 1,438,308	$ 253,140	17.6 %
Operating Expenses	1,598,655	1,074,713	523,942	48.8 %
Operating Income	92,793	363,595	(270,802)	(74.5)%
Change in Net Position	$ 92,793	$ 363,595	$ (270,802)	(74.5)%

Sections saw an increase in operating revenue and operating expenses in FY 2022 due to higher non-dues revenue and higher expenses due to resumption of meetings and events. Net position increased $92,793 in FY 2022.

Analysis of FY 2022 Revenue, Expenses, and Changes in Net Position as Compared to FY 2022 Approved Budget – Administrative Fund

	Year Ended September 30		Favorable/ (Unfavorable)	
Administrative Fund	**2022 Actual**	**2022 Budget**	**Variance**	**%**
Operating Revenue	$ 9,193,538	$ 9,120,850	$ 72,688	0.8 %
Operating Expenses:				
Labor	6,958,619	7,349,146	390,527	5.3 %
Nonlabor	3,040,859	3,892,394	851,535	21.9 %
Total Operating Expenses	9,999,478	11,241,540	1,242,062	11.0 %
Operating Loss	(805,940)	(2,120,690)	1,314,750	62.0 %
Nonoperating Revenue (Expenses)	(1,154,157)	33,000	(1,187,157)	(3597.4)%
Change in Net Position	$ (1,960,097)	$ (2,087,690)	$ 127,593	6.1 %

Analysis of FY 2022 Revenue, Expenses, and Changes in Net Position as Compared to FY 2022 Approved Budget – Administrative Fund (continued)

The Administrative Fund's operating loss was favorable to budget by $1,314,750, or 62.0 percent, due to a favorable variance in operating revenue of $72,688, or 0.8 percent, and a favorable variance in operating expenses of $1,242,062, or 11.0 percent.

The Administrative Fund's operating revenue was favorable to budget by $72,688, or 0.8 percent, primarily due to higher Lawyer Referral Services revenues, advertising and program revenues, and credit card processing fees, offset by lower Character and Fitness bar exam applications revenue and lower event revenues.

The Administrative Fund's operating expenses were favorable to budget by $1,242,062, or 11.0 percent, due to a favorable variance in labor expenses of $390,527, or 5.3 percent, and a favorable variance in nonlabor expenses of $851,535, or 21.9 percent. Labor expenses were lower due to changes in pension and retiree healthcare liabilities (GASB 68 and 75), together explaining a variance of $281,653, and lower employee health insurance expenses. Salaries were $19,140, or 0.4% lower than budget, due to vacancies. Nonlabor expenses were lower than budget across all three divisions and a majority of teams due to a combination of cost savings, lower operating expenses due to continuation of hybrid (office/remote) operations and lower than budgeted meeting and travel expenses across all teams. IT had lower telephone expenses due to implementation of the new phone system, as well as lower consulting, software and repair and maintenance expenses. Facilities expenses were lower due to lower postage, electricity, and office modification and furniture expenses, offset by higher gas and repair expenses. Finance team expenses were lower than budget, due to lower depreciation, consulting, temporary staff and payment processing expenses. Communications recognized savings in Bar Journal due to lower contractor, typesetting and design expenses, and lower expenses for promotion of the Bar and website maintenance.

The Administrative Fund's nonoperating revenue was unfavorable to budget by $1,187,157, or 3597.4 percent, primarily due to decline in market value of investments of the retiree health care trust, which was not budgeted, net of higher interest income on short-term funds.

The Administrative Fund's decrease in net position in FY 2022 was favorable to budget by $127,593 due to a decrease in net position of $1,960,097 compared to a budgeted loss of $2,087,690. In summary, the primary reasons for this favorable variance were due to a favorable variance in budgeted operating loss of $1,314,750 net of an unfavorable variance in nonoperating revenue of $1,187,157.

Analysis of Capital Assets

Capital assets (net of accumulated depreciation) consisting of land, building, furniture and equipment, and computer equipment/software (including work in progress) decreased by $150,459 during FY 2022. This decrease is primarily due to a difference between fixed asset additions of $283,890, depreciation expense of $434,271 and a $78 loss on a disposal of asset. More detailed information about the State Bar's capital assets is presented in Note 5 to the financial statements.

COVID-19 Pandemic

The State Bar of Michigan FY 2022 operations and financial results continued to be impacted by the COVID-19 pandemic. The State Bar transitioned to remote operations on March 16, 2020, and the SBM building continued to remain closed to the public during the year with partial resumption of in-the-office work. As a result of a combination of office/remote work, continued focus on cost savings and efficiencies, and lower than pre-pandemic meeting and travel expenses, FY 2022 operating results were favorable to budget by $1.3 million.

It is expected that COVID-19 and the economic environment, especially conditions in the labor market and the rate of inflation, create a degree of economic uncertainty with impact to State Bar's revenues, expenses, and operations in FY 2023. State Bar derives 83% of its revenues from licensing fees which are mandatory and collected at the beginning of the fiscal year. However, other operating revenues have been trending down since 2016, although recovering from their lowest level in FY 2020; SBM is limited in opportunities to grow these revenues. SBM is expecting increases in some operating costs, such as labor, utilities, paper, postage, and professional services.

The FY 2023 budget was created using conservative assumptions for expected revenues and expenses with objective to allow the State Bar to maintain its current level of services, as mandated by Supreme Court rule and statute. Michigan Supreme Court approved a $80 fee increase for active licensed attorneys, effective October 1, 2022, to enable SBM to sustain its current operations as currently defined and stay within the SBM financial safety reserve policy adopted by the Board of Commissioners in 2005.

Basic Financial Statements

State Bar of Michigan

Statement of Net Position

September 30, 2022

	Administrative Fund	Client Protection Fund	Sections	Total
Assets				
Current assets:				
Cash for operations	$ 2,451,119	$ 210,465	$ -	$ 2,661,584
Investments	7,953,650	2,081,625	-	10,035,275
Accounts receivable:				
Trade	51,437	1,625	-	53,062
Foundation	3,294	-	-	3,294
Due from (to) other funds	(3,080,195)	4,067	3,076,128	-
Prepaid expenses	396,913	-	-	396,913
Lease receivable - current	10,313	-	-	10,313
Total current assets	7,786,531	2,297,782	3,076,128	13,160,441
Retiree healthcare trust investments	3,541,327	-	-	3,541,327
Lease receivable - noncurrent	31,323	-	-	31,323
Capital assets, net	3,193,128	-	-	3,193,128
Total assets	14,552,309	2,297,782	3,076,128	19,926,219
Deferred outflows of resources				
Deferred outflows related to pensions	38,227	-	-	38,227
Deferred outflows related to OPEB	616,028	-	-	616,028
Total deferred outflows of resources	654,255	-	-	654,255
Liabilities				
Current liabilities:				
Accounts payable	336,346	56,531	-	392,877
Accrued expenses	633,546	-	-	633,546
Unearned revenue	2,263,179	119,460	-	2,382,639
Total current liabilities	3,233,071	175,991	-	3,409,062
Net pension liability	232,483	-	-	232,483
Net OPEB liability	872,429	-	-	872,429
Total liabilities	4,337,983	175,991	-	4,513,974
Deferred inflows of resources				
Deferred inflows related to pensions	103,071	-	-	103,071
Deferred inflows related to OPEB	910,857	-	-	910,857
Deferred inflows related to leases	41,530	-	-	41,530
Total deferred inflows of resources	1,055,458	-	-	1,055,458
Net position				
Net investment in capital assets	3,193,128	-	-	3,193,128
Restricted for retiree health care	2,374,069	-	-	2,374,069
Unrestricted	4,245,926	2,121,791	3,076,128	9,443,845
Total net position	$ 9,813,123	$ 2,121,791	$ 3,076,128	$ 15,011,042

See accompanying notes.

State Bar of Michigan

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2022

	Administrative Fund	Client Protection Fund	Sections	Total
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	$ 7,675,680	$ 645,784	$ 1,256,499	$ 9,577,963
Character and Fitness	267,120	-	-	267,120
Lawyer Services	230,002	-	-	230,002
Client Protection Fund administration fee	187,450	-	-	187,450
Lawyer Referral Service	182,479	-	-	182,479
Bar Journal	158,260	-	-	158,260
Digital	68,174	-	-	68,174
Attorney Discipline System fee	66,449	-	-	66,449
Lawyers and Judges Assistance	49,245	-	-	49,245
Print and Design	47,926	-	-	47,926
Michigan State Bar Foundation rent	39,373	-	-	39,373
e-Journal	28,270	-	-	28,270
Upper Michigan Legal Institute	20,363	-	-	20,363
Bar Leadership Forum	13,605	-	-	13,605
Inaugural and Awards Luncheon	8,550	-	-	8,550
Diversity	5,000	-	-	5,000
50 Year Honoree Celebration	2,438	-	-	2,438
Ethics	2,025	-	-	2,025
Practice Management Resource Center	939	-	-	939
Other revenue	140,190	55,546	434,949	630,685
Total operating revenue	9,193,538	701,330	1,691,448	11,586,316
Operating expenses				
Labor expenses:				
Salaries	5,418,000	-	-	5,418,000
Employee benefits and payroll taxes	1,540,619	-	-	1,540,619
Total labor expenses	6,958,619	-	-	6,958,619
Nonlabor expenses:				
Legal	163,360	-	-	163,360
Public and Bar Services	778,839	-	-	778,839
Operations and Policy	2,098,660	-	-	2,098,660
Claims payments	-	238,106	-	238,106
Client Protection Fund administrative expenses	-	187,870	-	187,870
Sections expenses	-	-	1,598,655	1,598,655
Total nonlabor expenses	3,040,859	425,976	1,598,655	5,065,490
Total operating expenses	9,999,478	425,976	1,598,655	12,024,109
Operating income (loss)	(805,940)	275,354	92,793	(437,793)
Nonoperating revenue (expenses)				
Investment income	62,582	12,318	-	74,900
Investment income (loss) – retiree healthcare trust, net	(1,216,661)	-	-	(1,216,661)
Loss on disposal of capital assets	(78)	-	-	(78)
Total nonoperating revenue (expenses)	(1,154,157)	12,318	-	(1,141,839)
Change in net position	(1,960,097)	287,672	92,793	(1,579,632)
Net position at beginning of year	11,773,220	1,834,119	2,983,335	16,590,674
Net position at end of year	$ 9,813,123	$ 2,121,791	$ 3,076,128	$ 15,011,042

See accompanying notes.

State Bar of Michigan

Statement of Cash Flows

Year Ended September 30, 2022

	Administrative Fund	Client Protection Fund	Sections	Total
Cash flows from operating activities				
License Fees, Section Dues, and Affiliate Dues	$ 8,092,751	$ 633,319	$ 1,256,499	$ 9,982,569
Other receipts	1,618,238	71,130	434,949	2,124,317
Payments to employees	(7,234,219)	(187,870)	-	(7,422,089)
Payments to suppliers and others	(2,518,617)	-	(1,691,448)	(4,210,065)
Payments for claims	-	(422,812)	-	(422,812)
Net cash from operating activities	(41,847)	93,767	-	51,920
Cash flows from capital and related financing activities				
Purchase of capital assets	(283,890)	-	-	(283,890)
Cash flows from investing activities				
Purchases of investments – net	(1,962,941)	(2,071,722)	-	(4,034,663)
Purchases of retiree healthcare trust investments – net	(8,570)	-	-	(8,570)
Investment income	51,413	2,415	-	53,828
Net cash from investing activities	(1,920,098)	(2,069,307)	-	(3,989,405)
Net change in cash	(2,245,835)	(1,975,540)	-	(4,221,375)
Cash at beginning of year	4,696,954	2,186,005	-	6,882,959
Cash at end of year	$ 2,451,119	$ 210,465	$ -	$ 2,661,584

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

	Administrative Fund	Client Protection Fund	Sections	Total
Operating income (loss)	$ (805,940)	$ 275,354	$ 92,793	$ (437,793)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and work in progress write-off	434,271	-	-	434,271
Pension expense (credit)	(30,475)	-	-	(30,475)
OPEB expense (credit)	(23,137)	-	-	(23,137)
Investment expenses paid (netted against investment income)	(18,504)	-	-	(18,504)
Other reconciling items	(10,490)	-	-	(10,490)
Deferred outflows of resources related to pension – contributions subsequent to the measurement date	(38,227)	-	-	(38,227)
Deferred outflows of resources related to OPEB – contributions subsequent to the measurement date	(177,708)	-	-	(177,708)
Changes in assets, deferred ouflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	19,210	(1,625)	-	17,585
Lease receivable and deferred inflows related to leases	(106)	-	-	(106)
Prepaid expenses	69,716	-	-	69,716
Accounts payable	36,759	(184,706)	-	(147,947)
Accrued expenses	4,437	-	-	4,437
Due (to) from other funds	75,584	17,209	(92,793)	-
Unearned revenue	422,763	(12,465)	-	410,298
Net cash from operating activities	$ (41,847)	$ 93,767	$ -	$ 51,920

During 2022, there were no noncash investing, capital, or financing activities.

See accompanying notes.

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.

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, 2022, 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 certificates of deposit which are recorded at cost.

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, 2022, the Administrative Fund's allowance for doubtful accounts was $525.

Lease Receivable – Lease-related amounts are recognized at the inception of leases in which the State Bar is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable, plus any amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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).

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 three items that qualify for reporting in this category, which are deferred inflows of resources related to pensions, deferred inflows of resources related to OPEB, and deferred inflows of resources related to leases.

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.

D. Change in Accounting Principles

On October 1, 2021, the State Bar implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and subsequent pronouncements. This standard enhances the relevance and consistency of information about the entity's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the September 30, 2022 financial statements. No restatement of beginning of year net position was recorded because the State Bar of Michigan's lease, in which it serves as lessor, had an effective date of October 1, 2021. The State Bar of Michigan Administrative Fund recognized $51,912 in leases receivable as of October 1, 2021, due to the implementation of GASB Statement No. 87; however, this entire amount was offset by deferred inflows of resources for leases.

1. Summary of Significant Accounting Policies (continued)

E. Risk and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the world. The COVID-19 pandemic has caused business disruptions and continued uncertainties including supply chain issues, increased inflation and vendor costs, event cancellations, and more. The extent of the ultimate impact of COVID-19 on the State Bar of Michigan's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on members, employees, and vendors, all of which cannot be reasonably predicted at this time.

2. Deposits and Investments

The State Bar of Michigan has designated a total of 10 financial institutions for the deposit of its cash and investments as of September 30, 2022. 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 certificates of deposit 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.

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 $7,780,454 of bank deposits in checking, savings, and certificates of deposit accounts, and of that balance 29 percent was insured.

2. Deposits and Investments (continued)

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, 2022, 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. As of September 30, 2022, the State Bar's investments in U.S. Treasury Bills had an average maturity of less than one year. 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. As of September 30, 2022, the fixed income mutual funds and ETFs held in the retiree health care trust investments have the following weighted average maturities: $672,098 6-10 years; $345,405 more than 10 years.

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 and ETFs 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.

2. Deposits and Investments (continued)

The State Bar has the following recurring fair value measurements as of September 30, 2022:

- Investments held by the Retiree Healthcare Trust Funds totaling $3,541,327 as of September 30, 2022 are valued using prices quoted in active markets for those securities (Level 1 inputs).
- Investments in U.S. Treasury Bills totaling $5,058,796 as of September 30, 2022 are valued using prices quoted in active markets for those securities (Level 1 inputs).

The State Bar's investments in certificates of deposit totaling $4,976,479 as of September 30, 2022 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, 2022 was $66,449.

4. Leases

State Bar as Lessor

As of September 30, 2022, 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 can be cancelled by either party at any time upon providing a 180-day notice.

The State Bar's lessor obligations include repair and maintenance, heat and air conditioning, electricity, hot and cold water, janitorial services, and ground maintenance, which are nonlease components that are not included in the measurement of the lease receivable. In addition, as part of the agreement and included in the monthly payment are eight parking spaces for MSBF staff and processing and remittance of MSBF donations received through the State Bar's e-commerce portal and its lockbox, which amounts are not included in the measurement of the lease receivable. The total payment amount for the year ended September 30, 2022, was $39,531, payable in monthly installments on the first day of the month. The annual payment amount is subject to up to a maximum annual increase of 5 percent, based upon the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Detroit Area ("CPI") calculated as of June 30 of the current year.

4. Leases (continued)

State Bar as Lessor (continued)

Lease receivable at the inception of the lease was calculated by discounting lease payments for the term of the lease by a discount rate of 0.6 percent, based on the Fidelity “Municipal GO AA” bond index with a maturity date closest to the lease term as of the most recently ended quarter. The nonlease payment component ($28,991 for the year-ended September 30, 2022) was determined based on lessor’s costs to maintain the leased premises and to provide services included in the agreement.

For the year ended September 30, 2022, the State Bar recognized lease revenue of $10,382 and received total payments of $39,531 under the agreement, representing $10,276 of lease receivable principal, $264 lease interest revenue, and $28,991 of additional inflows for nonlease components.

The future minimum payments under the lease agreement are as follows:

Year Ended September 30	Principal	Interest	Nonlease Components	Total
2023	$ 10,313	$ 227	$ 28,991	$ 39,531
2024	10,377	163	28,991	39,531
2025	10,441	99	28,991	39,531
2026	10,505	35	28,991	39,531
Total	$ 41,636	$ 524	$ 115,964	$ 158,124

5. Capital Assets

A summary of capital assets as of September 30, 2022 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	59,900	283,890	-	(234,669)	109,121	-
Capital assets being depreciated:						
Building	8,204,314	-	-	-	8,204,314	10-50
Furniture and equipment	2,037,827	-	(160,069)	35,469	1,913,227	5-20
Computer equipment/software	1,283,625	-	-	199,200	1,482,825	3-5
Total capital assets	11,966,211	283,890	(160,069)	-	12,090,032	
Less accumulated depreciation:						
Building	5,742,083	183,668	-	-	5,925,751	
Furniture and equipment	1,900,412	43,666	(159,991)	-	1,784,087	
Computer equipment/software	980,129	206,937	-	-	1,187,066	
Total accumulated depreciation	8,622,624	434,271	(159,991)	-	8,896,904	
Total net capital assets	$ 3,343,587	$ (150,381)	$ (78)	$ -	$ 3,193,128	
Depreciation expense					$ 434,271	

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 no legal issues pending for the State Bar of Michigan.

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, 2022, 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, 2022 were $355,805.

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.

8. Retirement Plans (continued)

A. Plan Description (continued)

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 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.

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, 2021, the State Bar of Michigan has two eligible active employees who selected this option.

8. Retirement Plans (continued)

B. Benefits Provided (continued)

- 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.

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.

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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.

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.

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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 lay-offs 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.

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.

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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. 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.

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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 2022, the State Bar of Michigan's contribution rate was 23.97 percent of the defined benefit employee wages. The State Bar of Michigan's contribution to the System for the fiscal year ending September 30, 2022 was $38,227.

D. Actuarial Assumptions

The State Bar's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and rolled-forward using generally accepted actuarial procedures.

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	6.7 percent, net of investment expenses
Cost-of-Living Pension Adjustment	3 percent Annual Non-Compounded with Maximum Annual Increase of $300 for those eligible

Mortality rates for retirees were based on RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 93% for males and 98% for females and adjusted for morality improvements using projection scale MP-2017 from 2006. Mortality rates for disabled retirees were based on RP-2014 Male and Female Disabled Annuitant Mortality Table scaled by 100% for males and 100% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Mortality rates for active employees were based on RP-2014 Male and Female Employee Annuitant Mortality Table scaled by 100% for males and 100% for females adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2017 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, 2021, are summarized in the following table:

8. Retirement Plans (continued)

D. Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0 %	5.4 %
Private equity pools	16.0	9.1 %
International equity pools	15.0	7.5 %
Fixed income pools	10.5	(0.7) %
Real estate and infrastructure pools	10.0	5.4 %
Absolute return pools	9.0	2.6 %
Real return and opportunistic pools	12.5	6.1 %
Short term investment pools	2.0	(1.3) %
Total	100.0 %	

*Long term rates of return are net of administrative expenses and 2.0 percent inflation.

E. Discount Rate

A discount rate of 6.7 percent was used to measure the total pension liability for the September 30, 2020 valuation. A discount rate of 6.7 percent was used to measure the total pension liability for the September 30, 2019 valuation. This discount rate for the September 30, 2020 valuation was based on the long-term expected rate of return on pension plan investments of 6.7 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, 2022, the State Bar of Michigan reported a liability of $232,483 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and rolled-forward using generally accepted actuarial procedures.

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, 2020, through September 30, 2021, relative to the total required employer contributions from all of the System's participating employers. As of September 30, 2021, the State Bar of Michigan's proportion was 0.0057189 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 6.7 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:

	1 Percent Decrease 5.7 Percent	Current Discount 6.7 Percent	1 Percent Increase 7.7 Percent
State Bar of Michigan's proportionate share of net pension liability	$ 336,235	$ 232,483	$ 144,110

H. Pension Plan Fiduciary Net Position

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

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, 2022, the State Bar of Michigan recognized pension credit of $30,475. As of September 30, 2022, the State Bar of Michigan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ -
Difference between expected and actual experience	-	-
Net difference between projected and actual earnings on investments	-	103,071
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
State Bar of Michigan contributions subsequent to the measurement date	38,227	-
Total	$ 38,227	$ 103,071

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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (credit) as follows:

Year ended September 30:	Pension Expense (Credit) Amount
2023	$ (27,449)
2024	$ (22,722)
2025	$ (25,345)
2026	$ (27,555)

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.

9. Postemployment Benefits (continued)

A. Plan Description (continued)

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 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.

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, 2022 was $177,708. 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, 2022, the assets in the trust amounted to $3,541,327 which has been presented as a component of restricted net position as of September 30, 2022. 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:

9. Postemployment Benefits (continued)

C. Contributions (continued)

Assets in OPEB trust	$ 3,541,327
Net OPEB liability	(872,429)
Deferred outflows of resources related to OPEB	616,028
Deferred inflows of resources related to OPEB	(910,857)
Net position restricted for retiree health care	$ 2,374,069

D. Actuarial Assumptions

The State Bar's SERS net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2020 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	6.9 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	7.5 percent year 1 graded to 3.5 percent year 15; 3.0 percent year 120
Mortality	RP-2014 Male and Female Annuitant Mortality Table used for retirees (scaled by 93% for males and 98% for females), active employees and disabled retirees, with adjustments for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study covering the period 2012 through 2017 have been adopted by the System for use in the determination of the SERS total OPEB liability beginning with the September 30, 2017 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.

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, 2021, are summarized in the following table:

9. Postemployment Benefits (continued)

D. Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0 %	5.4 %
Private equity pools	16.0	9.1 %
International equity pools	15.0	7.5 %
Fixed income pools	10.5	(0.7)%
Real estate and infrastructure pools	10.0	5.4 %
Absolute return pools	9.0	2.6 %
Real return and opportunistic pools	12.5	6.1 %
Short term investment pools	2.0	(1.3)%
Total	100.0 %	

*Long term rates of return are net of administrative expenses and 2.0 percent inflation.

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on SERS OPEB plan investment, net of SERS OPEB plan investment expense, was 26.23 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 6.9 percent was used to measure the total SERS OPEB liability for the September 30, 2020 valuation. A discount rate of 6.9 percent was used to measure the total SERS OPEB liability for the September 30, 2019 valuation. This single discount rate for the September 30, 2020 valuation was based on the expected rate of return on SERS OPEB plan investments of 6.9 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.

9. Postemployment Benefits (continued)

F. SERS Net OPEB Liability

As of September 30, 2022, the State Bar reported a liability of $872,429 for its proportionate share of SERS net OPEB liability. The SERS net OPEB liability was measured as of September 30, 2021, and the SERS total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2020 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, 2020, through September 30, 2021, relative to the total required employer contributions from all of SERS's participating employers. As of September 30, 2020, the State Bar's proportion was 0.02286616 percent.

For the proportionate share calculation, the sum of the retiree premiums invoiced to the State Bar during the measurement period October 1, 2020, through September 30, 2021, 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 State Bar of Michigan Retiree Health Care Trust.

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 6.9 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:

	1 Percent Decrease 5.9 Percent	Current Discount 6.9 Percent	1 Percent Increase 7.9 Percent
State Bar's proportionate share of SERS net OPEB liability	$ 1,103,019	$ 872,429	$ 678,065

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:

	1 Percent Decrease	Current Healthcare Cost Trend	1 Percent Increase
State Bar's proportionate share of SERS net OPEB liability	$ 667,357	$ 872,429	$ 1,108,601

H. OPEB Plan Fiduciary Net Position

Detailed information about the SERS OPEB plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting www.michigan.gov/ors.

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, 2022, the State Bar recognized OPEB credit of $23,137. As of September 30, 2022, the State Bar reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 687,827
Changes of assumptions	235,065	41,965
Net difference between projected and actual earnings on investments	-	119,618
Changes in proportion and differences between actual contributions and proportionate share of contributions	203,255	61,447
State Bar's contributions subsequent to the measurement date	177,708	-
Total	$ 616,028	$ 910,857

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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense (credit) as follows:

Year ended September 30:	OPEB Expense (Credit) Amount
2023	$ (123,081)
2024	$ (111,936)
2025	$ (110,418)
2026	$ (99,930)
2027	$ (27,172)

10. Line of Credit

In September 2019, the State Bar negotiated a two year line of credit facility for $500,000 for liquidity purposes at a rate of Wall Street Journal prime minus 0.5 percent adjusted daily and pledging certificates of deposit as collateral for the loan. The line of credit facility was renewed in October 2021 for another two-year term. The line is due on demand but if no demand is made then in monthly payments with final payment due October 20, 2023. As of September 30, 2022, there were no outstanding amounts on this line of credit. In addition, in August 2019, the State Bar negotiated an agreement for credit cards for a line of credit of $175,000 at a fixed rate of 14.9% for balances not paid within the billing cycle. In October 2021, the line of credit was increased to $225,000. Collateral securing the line of credit also secures this loan. As of September 30, 2022, there were no outstanding amounts on the credit card line.

11. Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs),* which defines SBITAs and provides guidance on the accounting and financial reporting for SBITA's by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The State Bar is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the State Bar's financial statements for the year ending September 30, 2023.

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)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
The State Bar's proportionate share of the net pension liability:								
As a percentage	0.00572%	0.00597%	0.00546%	0.00547%	0.00508%	0.00509%	0.00498%	0.00486%
Amount	$ 232,483	$ 402,467	$ 364,363	$ 330,798	$ 263,680	$ 269,288	$ 274,261	$ 250,159
The State Bar's covered payroll	$ 157,164	$ 152,533	$ 154,442	$ 145,438	$ 141,100	$ 139,598	$ 134,080	$ 130,515
The State Bar's proportionate share of the net pension liability, as a percentage of its covered payroll	147.92%	263.86%	235.92%	227.45%	186.87%	192.90%	204.55%	191.67%
Plan fiduciary net position as a percentage of total pension liability	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)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Statutorily required contribution	$ 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	38,227	37,617	36,627	34,117	35,778	36,226	36,351	37,573
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The State Bar's covered payroll	$ 162,350	$ 157,164	$ 152,533	$ 154,442	$ 145,438	$ 141,100	$ 139,597	$ 134,080
Contributions as a percentage of covered payroll	23.55%	23.93%	24.01%	22.09%	24.60%	25.67%	26.04%	28.02%

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 2022 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022

Valuation Date	September 30, 2018
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	16 years, as of October 1, 2020, 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)	**2022**	**2021**	**2020**	**2019**	**2018**
The State Bar's proportionate share of the net OPEB liability:					
As a percentage	0.02287%	0.02366%	0.02008%	0.02020%	0.01982%
Amount	$ 872,429	$ 1,381,131	$ 1,581,433	$ 1,603,186	$ 1,634,710
The State Bar's covered payroll	$ 734,917	$ 774,642	$ 793,265	$ 793,265	$ 896,804
The State Bar's proportionate share of the net OPEB liability, as a percentage of its covered payroll	118.71%	178.29%	199.36%	202.10%	182.28%
Plan fiduciary net position as a percentage of total OPEB liability	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)	**2022**	**2021**	**2020**	**2019**	**2018**
Statutorily required contribution	$ 177,708	$ 176,165	$ 164,771	$ 153,421	$ 139,752
Contributions in relation to the actuarially determined statutorily required contributions	177,708	176,165	164,771	153,421	139,752
Contribution deficiency	$ -	$ -	$ -	$ -	$ -
The State Bar's covered payroll	$ 620,387	$ 734,917	$ 774,642	$ 778,562	$ 793,265
Contributions as a percentage of covered payroll	28.64%	23.97%	21.27%	19.71%	17.62%

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 2022 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2022

Valuation Date	September 30, 2018
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed Period
Remaining Amortization Period	16 years, as of October 1, 2020, 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	8.25 percent year 1 graded to 3.50 percent year 9
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

	Balance October 1, 2021	Revenue	Expenses	Balance September 30, 2022
Administrative & Regulatory Law	$ 75,500	$ 12,074	$ 1,604	$ 85,970
Agricultural Law	14,602	3,825	1,061	17,366
Alternative Dispute Resolution	91,820	34,020	46,236	79,604
American Indian Law	15,024	4,340	4,426	14,938
Animal Law	18,020	3,515	1,809	19,726
Antitrust, Franchising, & Trade Regulation	31,931	6,055	2,253	35,733
Appellate Practice	71,615	22,505	12,446	81,674
Arts, Communication, Entertainment, and Sports	10,233	5,160	3,077	12,316
Aviation Law	46,364	2,988	353	48,999
Business Law	243,268	147,265	140,002	250,531
Cannabis Law	54,066	52,230	8,856	97,440
Children's Law	22,880	17,920	12,219	28,581
Consumer Law	27,915	6,960	3,860	31,015
Criminal Law	88,835	51,533	18,912	121,456
Elder Law and Disability Rights	104,947	74,635	71,771	107,811
Environmental Law	84,585	19,273	8,266	95,592
Family Law	241,931	248,932	249,199	241,664
Government Law	47,137	38,939	34,208	51,868
Health Care Law	90,500	41,425	47,054	84,871
Information Technology Law	87,289	13,775	2,367	98,697
Immigration Law	19,857	11,865	855	30,867
Insurance and Indemnity Law	48,585	33,920	30,874	51,631
Intellectual Property Law	60,052	38,148	34,927	63,273
International Law	45,131	11,375	7,039	49,467
Judicial	-	27,883	27,883	-
Labor and Employment Law	151,554	83,305	68,267	166,592
Latin American Bar Activities	9,549	542	7	10,084
Law Practice Management & Legal Administrators	40,652	6,615	893	46,374
Law Student	23,083	2,070	41	25,112
LGBTQA Law	19,825	8,145	878	27,092
Litigation	185,270	60,760	114,173	131,857
Military and Veterans' Law	18,477	4,850	79	23,248
Negligence Law	85,874	107,474	171,120	22,228
Paralegal/Legal Assistant	7,632	6,400	9,165	4,867
Prisons and Corrections	10,721	4,100	1,217	13,604
Probate and Estate Planning	235,907	118,335	122,221	232,021
Real Property Law	257,641	195,512	188,140	265,013
Religious Liberty Law	11,519	6,755	4,944	13,330
Senior Lawyers	15,293	6,975	669	21,599
Solo and Small Firm	60,973	24,210	18,510	66,673
Social Security Law	43,025	15,725	27,422	31,328
Taxation	106,496	43,757	30,407	119,846
Workers' Compensation Law	57,345	23,955	29,378	51,922
Young Lawyers	412	41,403	39,567	2,248
Total	$ 2,983,335	$ 1,691,448	$ 1,598,655	$ 3,076,128

State Bar of Michigan

Comparative Statement of Net Position – Administrative Fund

	September 30		Increase (Decrease)	
	2022	**2021***	**Amount**	**%**
Assets				
Current assets:				
Cash for operations	$ 2,451,119	$ 4,696,954	$ (2,245,835)	(47.8)%
Investments	7,953,650	5,979,540	1,974,110	33.0 %
Accounts receivable:				
Trade	51,437	70,430	(18,993)	(27.0)%
Foundation	3,294	3,511	(217)	(6.2)%
Due to other funds	(3,080,195)	(3,004,611)	(75,584)	2.5 %
Prepaid expenses	396,913	466,629	(69,716)	(14.9)%
Lease receivable - current	10,313	-	10,313	N/A
Total current assets	7,786,531	8,212,453	(425,922)	(5.2)%
Retiree healthcare trust investments	3,541,327	4,730,914	(1,189,587)	(25.1)%
Lease receivable - noncurrent	31,323	-	31,323	N/A
Capital assets, net	3,193,128	3,343,587	(150,459)	(4.5)%
Total assets	14,552,309	16,286,954	(1,734,645)	(10.7)%
Deferred outflows of resources				
Deferred outflows related to pensions	38,227	38,551	(324)	(0.8)%
Deferred outflows related to OPEB	616,028	779,487	(163,459)	(21.0)%
Total deferred outflows of resources	654,255	818,038	(163,783)	(20.0)%
Liabilities				
Current liabilities:				
Accounts payable	336,346	299,587	36,759	12.3 %
Accrued expenses	633,546	629,109	4,437	0.7 %
Unearned revenue	2,263,179	1,840,416	422,763	23.0 %
Total current liabilities	3,233,071	2,769,112	463,959	16.8 %
Net pension liability	232,483	402,467	(169,984)	(42.2)%
Net OPEB liability	872,429	1,381,131	(508,702)	(36.8)%
Total liabilities	4,337,983	4,552,710	(214,727)	(4.7)%
Deferred inflows of resources				
Deferred inflows related to pensions	103,071	-	103,071	N/A
Deferred inflows related to OPEB	910,857	779,062	131,795	16.9 %
Deferred inflows related to leases	41,530	-	41,530	N/A
Total deferred inflows of resources	1,055,458	779,062	276,396	35.5 %
Net position				
Net investment in capital assets	3,193,128	3,343,587	(150,459)	(4.5)%
Restricted for retiree health care	2,374,069	3,350,208	(976,139)	(29.1)%
Unrestricted	4,245,926	5,079,425	(833,499)	(16.4)%
Total net position	$ 9,813,123	$ 11,773,220	$ (1,960,097)	(16.6)%

** Before any restatement of prior year's data*

State Bar of Michigan

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

	Year Ended September 30		Variance Increase (Decrease)	
	2022	**2021***	**Amount**	**%**
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	$ 7,675,680	$ 7,764,197	$ (88,517)	(1.1)%
Character and Fitness	267,120	312,885	(45,765)	(14.6)%
Lawyer Services	230,002	213,887	16,115	7.5 %
Client Protection Fund administration fee	187,450	162,439	25,011	15.4 %
Lawyer Referral Service	182,479	137,775	44,704	32.4 %
Bar Journal	158,260	151,512	6,748	4.5 %
Digital	68,174	70,659	(2,485)	(3.5)%
Attorney Discipline System fee	66,449	63,045	3,404	5.4 %
Lawyers and Judges Assistance	49,245	51,876	(2,631)	(5.1)%
Print and Design	47,926	48,944	(1,018)	(2.1)%
Michigan State Bar Foundation rent	39,373	39,531	(158)	(0.4)%
e-Journal	28,270	26,913	1,357	5.0 %
Upper Michigan Legal Institute	20,363	-	20,363	N/A
Bar Leadership Forum	13,605	-	13,605	N/A
Inaugural and Awards Luncheon	8,550	-	8,550	N/A
Diversity	5,000	-	5,000	N/A
50 Year Honoree Celebration	2,438	-	2,438	N/A
Ethics	2,025	7,325	(5,300)	(72.4)%
Practice Management Resource Center	939	1,375	(436)	(31.7)%
Bar Journal Directory	-	13,914	(13,914)	(100.0)%
Other revenue	140,190	107,727	32,463	30.1 %
Total operating revenue	9,193,538	9,174,004	19,534	0.2 %
Operating expenses				
Labor expenses:				
Salaries	5,418,000	5,089,955	328,045	6.4 %
Employee benefits and payroll taxes	1,540,619	1,694,812	(154,193)	(9.1)%
Total labor expenses	6,958,619	6,784,767	173,852	2.6 %
Nonlabor expenses:				
Legal:				
Human Resources	51,506	41,213	10,293	25.0 %
General Counsel	49,865	27,268	22,597	82.9 %
Character and Fitness	41,087	49,705	(8,618)	(17.3)%
Client Protection Fund	15,986	3,285	12,701	386.6 %
Unauthorized Practice of Law	3,097	4,490	(1,393)	(31.0)%
Ethics	1,819	2,124	(305)	(14.4)%
Total Legal	163,360	128,085	35,275	27.5 %
Public and Bar Services:				
Technical Services	515,689	643,212	(127,523)	(19.8)%
Outreach	90,938	59,246	31,692	53.5 %
Inaugural and Awards Luncheon	34,952	4,124	30,828	747.5 %
50 Year Honoree Celebration	30,677	2,791	27,886	999.1 %
Lawyer Services	26,435	32,464	(6,029)	(18.6)%
Bar Leadership Forum	23,755	-	23,755	N/A
Upper Michigan Legal Institute	21,459	-	21,459	N/A
Lawyers and Judges Assistance	13,970	6,493	7,477	115.2 %
Diversity	13,073	20,462	(7,389)	(36.1)%
Practice Management Resource Center	6,133	3,041	3,092	101.7 %
Lawyer Referral Service	1,758	6,692	(4,934)	(73.7)%
Total Public and Bar Services	778,839	778,525	314	0.0 %

* Before any restatement of prior year's data

State Bar of Michigan

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

	Year Ended September 30		Variance Increase (Decrease)	
	2022	**2021***	**Amount**	**%**
Operating expenses (continued)				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	$ 434,271	$ 530,042	$ (95,771)	(18.1)%
Financial Services	367,052	385,922	(18,870)	(4.9)%
Facilities Services	362,709	310,602	52,107	16.8 %
Bar Journal	334,933	397,961	(63,028)	(15.8)%
Justice Initiatives	131,559	127,156	4,403	3.5 %
Digital	104,197	89,476	14,721	16.5 %
Administration	99,170	82,289	16,881	20.5 %
Board of Commissioners	83,874	47,581	36,293	76.3 %
Governmental Relations	56,936	56,735	201	0.4 %
Print and Design	43,318	37,144	6,174	16.6 %
Executive Office	33,711	29,255	4,456	15.2 %
Representative Assembly	23,799	13,800	9,999	72.5 %
e-Journal	14,644	31,342	(16,698)	(53.3)%
General Communications	7,306	11,586	(4,280)	(36.9)%
Research and Development	1,181	14,584	(13,403)	(91.9)%
Bar Journal Directory	-	1,650	(1,650)	(100.0)%
Total Operations and Policy	2,098,660	2,167,125	(68,465)	(3.2)%
Total nonlabor expenses	3,040,859	3,073,735	(32,876)	(1.1)%
Total operating expenses	9,999,478	9,858,502	140,976	1.4 %
Operating loss	(805,940)	(684,498)	(121,442)	(17.7)%
Nonoperating revenue (expenses)				
Investment income	62,582	70,185	(7,603)	(10.8)%
Investment income (loss) – retiree healthcare trust, net	(1,216,661)	824,417	(2,041,078)	(247.6)%
Loss on disposal of capital assets	(78)	(8,793)	8,715	99.1 %
Total nonoperating revenue (expenses)	(1,154,157)	885,809	(2,039,966)	(230.3)%
Change in net position	(1,960,097)	201,311	(2,161,408)	(1073.7)%
Net position at beginning of year	11,773,220	11,571,909	201,311	1.7 %
Net position at end of year	$ 9,813,123	$ 11,773,220	$ (1,960,097)	(16.6)%

** Before any restatement of prior year's data*

State Bar of Michigan

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

	Year Ended September 30		Budget Variance Favorable (Unfavorable)	
	2022 Actual	2022 Budget	Amount	%
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	$ 7,675,680	$ 7,653,000	$ 22,680	0.3 %
Character and Fitness	267,120	358,125	(91,005)	(25.4)%
Lawyer Services	230,002	205,025	24,977	12.2 %
Client Protection Fund administration fee	187,450	172,500	14,950	8.7 %
Lawyer Referral Service	182,479	150,000	32,479	21.7 %
Bar Journal	158,260	146,050	12,210	8.4 %
Digital	68,174	48,500	19,674	40.6 %
Attorney Discipline System fee	66,449	64,300	2,149	3.3 %
Lawyers and Judges Assistance	49,245	60,000	(10,755)	(17.9)%
Print and Design	47,926	37,000	10,926	29.5 %
Michigan State Bar Foundation rent	39,373	42,000	(2,627)	(6.3)%
e-Journal	28,270	25,000	3,270	13.1 %
Upper Michigan Legal Institute	20,363	12,500	7,863	62.9 %
Bar Leadership Forum	13,605	11,725	1,880	16.0 %
Inaugural and Awards Luncheon	8,550	31,000	(22,450)	(72.4)%
Diversity	5,000	-	5,000	N/A
50 Year Honoree Celebration	2,438	3,350	(912)	(27.2)%
Ethics	2,025	4,875	(2,850)	(58.5)%
Practice Management Resource Center	939	3,500	(2,561)	(73.2)%
Other revenue	140,190	92,400	47,790	51.7 %
Total operating revenue	9,193,538	9,120,850	72,688	0.8 %
Operating expenses				
Labor expenses:				
Salaries	5,418,000	5,437,140	19,140	0.4 %
Employee benefits and payroll taxes	1,540,619	1,912,006	371,387	19.4 %
Total labor expenses	6,958,619	7,349,146	390,527	5.3 %
Nonlabor expenses:				
Legal:				
Human Resources	51,506	64,200	12,694	19.8 %
General Counsel	49,865	61,000	11,135	18.3 %
Character and Fitness	41,087	61,750	20,663	33.5 %
Client Protection Fund	15,986	12,930	(3,056)	(23.6)%
Unauthorized Practice of Law	3,097	13,050	9,953	76.3 %
Ethics	1,819	10,795	8,976	83.1 %
Interim Administrator Program	-	1,150	1,150	100.0 %
Total Legal	163,360	224,875	61,515	27.4 %
Public and Bar Services:				
Technical Services	515,689	657,044	141,355	21.5 %
Outreach	90,938	134,500	43,562	32.4 %
Inaugural and Awards Luncheon	34,952	69,000	34,048	49.3 %
50 Year Honoree Celebration	30,677	38,200	7,523	19.7 %
Lawyer Services	26,435	34,150	7,715	22.6 %
Bar Leadership Forum	23,755	34,500	10,745	31.1 %
Upper Michigan Legal Institute	21,459	31,400	9,941	31.7 %
Lawyers and Judges Assistance	13,970	23,600	9,630	40.8 %
Diversity	13,073	36,700	23,627	64.4 %
Practice Management Resource Center	6,133	10,505	4,372	41.6 %
Lawyer Referral Service	1,758	10,350	8,592	83.0 %
Total Public and Bar Services	778,839	1,079,949	301,110	27.9 %

State Bar of Michigan

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

	Year Ended September 30		Budget Variance	
	2022	2022	Favorable (Unfavorable)	
	Actual	Budget	Amount	%
Operating expenses (continued)				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	$ 434,271	$ 560,000	$ 125,729	22.5 %
Financial Services	367,052	426,590	59,538	14.0 %
Facilities Services	362,709	409,500	46,791	11.4 %
Bar Journal	334,933	381,040	46,107	12.1 %
Justice Initiatives	131,559	137,275	5,716	4.2 %
Digital	104,197	129,100	24,903	19.3 %
Administration	99,170	97,200	(1,970)	(2.0)%
Board of Commissioners	83,874	133,250	49,376	37.1 %
Governmental Relations	56,936	68,620	11,684	17.0 %
Print and Design	43,318	53,850	10,532	19.6 %
Executive Office	33,711	65,950	32,239	48.9 %
Representative Assembly	23,799	54,200	30,401	56.1 %
e-Journal	14,644	16,005	1,361	8.5 %
General Communications	7,306	33,350	26,044	78.1 %
Research and Development	1,181	21,640	20,459	94.5 %
Total Operations and Policy	2,098,660	2,587,570	488,910	18.9 %
Total nonlabor expenses	3,040,859	3,892,394	851,535	21.9 %
Total operating expenses	9,999,478	11,241,540	1,242,062	11.0 %
Operating loss	(805,940)	(2,120,690)	1,314,750	62.0 %
Nonoperating revenue (expenses)				
Investment income	62,582	33,000	29,582	89.6 %
Investment income (loss) – retiree healthcare trust, net	(1,216,661)	-	(1,216,661)	N/A
Loss on disposal of capital assets	(78)	-	(78)	N/A
Total nonoperating revenue (expenses)	(1,154,157)	33,000	(1,187,157)	(3597.4)%
Change in net position	(1,960,097)	(2,087,690)	127,593	6.1 %
Net position at beginning of year	11,773,220	11,773,220	-	0.0 %
Net position at end of year	$ 9,813,123	$ 9,685,530	$ 127,593	1.3 %

State Bar of Michigan

Historical Financial Summaries – Administrative Fund

	FY 2018*	FY 2019*	FY 2020*	FY 2021*	FY 2022
Operating revenue:					
License Fees, Section Dues, and Affiliate Dues	$ 7,732,039	$ 7,750,310	$ 7,732,165	$ 7,764,197	$ 7,675,680
Other operating revenue	1,632,613	1,601,165	1,390,427	1,409,807	1,517,858
Total operating revenue	9,364,652	9,351,475	9,122,592	9,174,004	9,193,538
Operating expenses:					
Salaries	4,819,766	5,051,419	5,281,014	5,089,955	5,418,000
Employee benefits and payroll taxes	1,775,841	1,833,191	1,776,147	1,694,812	1,540,619
Other operating expenses	3,657,474	3,680,777	3,211,185	3,073,735	3,040,859
Total operating expenses	10,253,081	10,565,387	10,268,346	9,858,502	9,999,478
Operating income (loss)	(888,429)	(1,213,912)	(1,145,754)	(684,498)	(805,940)
Nonoperating revenue					
Investment income	179,640	249,731	199,067	70,185	62,582
Investment income (loss) – retiree healthcare trust, net**	202,417	384,630	318,946	824,417	(1,216,661)
Loss on disposal of capital assets	(34,963)	(4,000)	(17,570)	(8,793)	(78)
Total nonoperating revenue	347,094	630,361	500,443	885,809	(1,154,157)
Change in net position	(541,335)	(583,551)	(645,311)	201,311	(1,960,097)
Net position at beginning of fiscal year	12,277,875	12,800,771	12,217,220	11,571,909	11,773,220
Cumulative effect of change in accounting principle	(1,706,947)	-	-	-	-
Restatement for beginning of year OPEB trust net position	2,771,178	-	-	-	-
Net position at end of fiscal year	$ 12,800,771	$ 12,217,220	$ 11,571,909	$ 11,773,220	$ 9,813,123
Net position as a % of total operating expenses	124.8%	115.6%	112.7%	119.4%	98.1%
Unrestricted net position as a % of total operating expenses	71.1%	61.2%	54.8%	51.5%	42.5%
Number of State Bar of Michigan attorney members in good standing as of September 30	45,715	46,092	46,320	46,523	46,773

** Before any restatement of prior year's data*

*** For FY 2020, FY 2021, and FY 2022, investment income (loss) – retiree healthcare trusts is presented net of investment expenses. FY 2018 and FY 2019 presentation is not net of investment expenses.*

State Bar of Michigan

Historical Financial Summaries – Client Protection Fund

	FY 2018*	FY 2019*	FY 2020*	FY 2021	FY 2022
Operating revenue:					
License Fees	$ 644,411	$ 649,286	$ 645,814	$ 645,566	$ 645,784
Pro Hac Vice fees	11,700	13,410	13,425	12,990	11,970
Other operating revenue	226,235	51,860	107,357	37,159	43,576
Total operating revenue	882,346	714,556	766,596	695,715	701,330
Operating expenses:					
Claims payments	913,427	541,410	576,159	338,293	238,106
Other operating expenses	217,544	211,833	172,476	162,866	187,870
Total operating expenses	1,130,971	753,243	748,635	501,159	425,976
Operating income (loss)	(248,625)	(38,687)	17,961	194,556	275,354
Nonoperating revenue – investment income	18,797	25,724	16,958	3,845	12,318
Change in net position	(229,828)	(12,963)	34,919	198,401	287,672
Net position at beginning of fiscal year	2,239,582	2,009,754	1,996,791	2,031,710	1,834,119
Cumulative effect of change in accounting principle	-	-	-	(395,992)	-
Net position at end of fiscal year	$ 2,009,754	$ 1,996,791	$ 2,031,710	$ 1,834,119	$ 2,121,791
Net position as a % of total operating expenses	177.7%	265.1%	271.4%	366.0%	498.1%

** Before any restatement of prior year's data*