

FY 2025

ANNUAL FINANCIAL REPORT



SBM

STATE BAR OF MICHIGAN

AUDITED FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2025
WITH REPORT OF INDEPENDENT AUDITORS

Audited Financial Statements
and Other Supplementary Information

State Bar of Michigan

*Year Ended September 30, 2025
with Report of Independent Auditors*

State Bar of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2025

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State Bar of Michigan

Audited Financial Statements
and Other Supplementary Information

Year Ended September 30, 2025

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Introductory Section



STATE BAR OF MICHIGAN

December 9, 2025

Honorable Megan Cavanagh
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 2025 Annual Financial Report, which covers the fiscal year that ended on September 30, 2025. 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 2025 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.

A handwritten signature in black ink, reading 'Lisa J. Hamameh'.

Lisa J. Hamameh
President

A handwritten signature in black ink, reading 'Peter Cunningham'.

Peter Cunningham
Executive Director

A handwritten signature in black ink, reading 'David C. Anderson'.

David C. Anderson
Treasurer

A handwritten signature in black ink, reading 'Tatiana Goodkin'.

Tatiana Goodkin
Chief Financial Officer



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MICHAEL FRANCK BUILDING | 306 TOWNSEND STREET | LANSING, MI 48933-2083

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 2024-2025



JOSEPH P. MCGILL
PRESIDENT



LISA J. HAMAMEH
PRESIDENT-ELECT



ERIKA L. BRYANT
VICE PRESIDENT



THOMAS H. HOWLETT
TREASURER



DAVID C. ANDERSON
SECRETARY



Aaron V. Burrell
District H



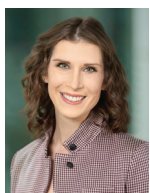
Hon. B. Chris Christenson
District B



Alena M. Clark
Representative Assembly
Clerk



Ponce D. Clay
District H



Tanya N. Cripps-Serra
Young Lawyers Section
Immediate Past Chair



Patrick J. Crowley
Commissioner at Large



Sherrie L. Detzler
District D



Robert A. Easterly
District E



Jacob G. Eccleson
Young Lawyers Section
Vice Chair



Nicole A. Evans
Representative Assembly
Vice Chair



Claudnyse D. Holloman
Commissioner at Large



Elizabeth A. Kitchen-Troop
Commissioner at Large



Suzanne C. Larsen
District A



Joshua A. Lerner
District I



James L. Liggins Jr
District F



James W. Low
District I



Ashley E. Lowe
District I



Elizabeth L. Lukenbach
District I



Sylvia A. Mansoor
Young Lawyers Section
Chair Elect



Gerard V. Mantese
District I



Gerry Mason
Commissioner-at-Large



Thomas P. Murray Jr.
District C



Takura N. Nyamfukudza
Commissioner-at-Large



Nicholas M. Ohanesian
District C



Hon. David A. Perkins
District H



John W. Reiser III
Representative Assembly
Chair



Douglas B. Shapiro
District G



Hon. Kristen D. Simmons
District E



Danielle Walton
District I

REPRESENTATIVE ASSEMBLY 2024-2025

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.



John W. Reiser III
Chair



Nicole A. Evans
Vice Chair



Alend M. Ckark
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 are also 21 standing and special committees of the State Bar, created to advance the work of the State Bar as defined by court rule. Over 420 attorneys served on State Bar of Michigan committees in FY 2025. The State Bar's 43 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 41 sections are funded through membership dues and section-generated revenues.

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 budgeted for 75.5 full-time equivalent employees (FTEs) in FY 2025.



47,222

TOTAL ATTORNEY MEMBERS

41,430 ACTIVE MEMBERS

1,195 INACTIVE MEMBERS

4,597 EMERITUS MEMBERS

34

**MEMBERS OF THE
BOARD OF COMMISSIONERS**

150

**MEMBERS OF THE
REPRESENTATIVE ASSEMBLY**

420

**APPLICANTS APPOINTED TO
FY25 SBM COMMITTEES**

21

**SBM COMMITTEES, WORK
GROUPS, TASK FORCES**

43

SECTIONS

75.5

EMPLOYEES (BUDGETED)

FY 2025 HIGHLIGHTS

PROMOTING THE PROFESSIONALISM OF LAWYERS

BAR ADMISSIONS AND LICENSING

The State Bar of Michigan administers the annual license renewal process for more than 46,000 member attorneys. It also distributes funds as directed by the Michigan Supreme Court to the State Bar of Michigan, the Attorney Discipline System, and the Client Protection Fund. In addition, the State Bar collects and distributes section dues as well as voluntary contributions to the Access to Justice Campaign, Lawyers and Justice Assistance Program Fund, and Michigan Hall of Justice Learning Center Fund. The State Bar uses an online license renewal system to make the process quick and easy for Michigan attorneys. License renewal includes mandatory disclosures, including interim administrator planning, IOLTA and non-IOLTA funds, other licensing jurisdictions, malpractice insurance, and any undisclosed criminal convictions, as well as payment of fees.

Character & Fitness: The State Bar processed 895 character and fitness applications for the February 2025 and July 2025 bar exams and conducted district committee interviews for 29 applicants. In addition, two matters were referred, with interviews or recommendations pending, and 60 matters are expected to be referred upon completion of the investigation. There were 13 formal Character & Fitness Standing Committee hearings and six formal Board of Law Examiners hearings.

Pro Hac Vice: The State Bar received 982 online applications for out-of-state and foreign lawyers seeking to appear before a Michigan court, administrative tribunal or agency, or arbitration proceeding.

CLIENT PROTECTION FUND

Attorneys pay an annual fee to the Client Protection Fund as part of their annual license renewal. The fund reimburses clients who have been victimized by lawyers who violate the profession's ethical standards. The State Bar investigated 169 claims, 28 of which were approved by the Board of Commissioners, totaling \$367,675 in reimbursements. The State Bar also successfully recouped \$24,626 through its subrogation efforts.

EDUCATING THE PUBLIC

The State Bar of Michigan's efforts to educate the public about the legal profession include significant support for statewide programs, such as the Michigan Center for Civic Education, Michigan Hall of Justice Learning Center, Law Day and Constitution Day activities, and Michigan Legal Help. A variety of materials are also available through SBM's website.

Awards: The State Bar of Michigan, through the Board of Commissioners and the Representative Assembly, honors

outstanding service to the legal profession to help educate the public. This year's award winners were:

- Roberts P. Hudson: Valerie Newman
- Frank J. Kelley Distinguished Public Service: Retired Judge Elizabeth Pollard Hines
- Champion of Justice: Keeley Blanchard, Zenell B. Brown, Marla Linderman Richelew, Roshundra Graham-Simmons
- John W. Reed Michigan Lawyer Legacy: Professor John E. Mogk
- John W. Cumiskey Pro Bono: Kathaleen Smith
- Kimberly M. Cahill Bar Leadership Award: Tanisha Davis
- Liberty Bell: Officer Robert Gaiser
- Michael Franck Award: Janet Welch
- Unsung Hero: Kamau W. Sandiford

ETHICS OPINIONS

The Professional Ethics Committee and Judicial Ethics Committee published a total of two ethics opinions and one guidebook in FY 2024–2025:

- JI-158 Judicial Officer's Membership in Fraternal or Advocacy Organizations
- JI-159 Judicial Officer Communicating with Referees
- Quick Guide to Escheats/Unclaimed Property for Michigan Lawyers
- Recommended Amendments to MRPC 1.10 to the Representative Assembly
- Recommended Amendments to MRPC 4.1 to the Representative Assembly

The Committee also published referral fees, coaching witnesses, and general attorney FAQs and oversaw 10 subcommittees that assisted in the drafting and publication of resources.

JUDICIAL QUALIFICATIONS

The State Bar of Michigan Judicial Qualifications Committee assists the governor's office in evaluating candidates for possible appointment to judicial office when vacancies arise. In FY 2024–2025, the committee met nine times and reviewed 56 candidates for possible appointment, as requested by the governor's office.

PROFESSIONALISM & CIVILITY

The State Bar of Michigan's Special Committee on Professionalism & Civility develops and maintains materials intended to teach lawyers and judges the concepts that support the Michigan Supreme Court's "Professionalism Principles for Lawyers and Judges" (AO 2020–2023). The committee volunteers delivered 14 presentations to law schools, law firms, State Bar sections, courts, and bar associations through

the Professionalism and Civility Speakers Bureau, which launched last year.

UNAUTHORIZED PRACTICE OF LAW

As part of its duties to protect the public, the State Bar of Michigan is empowered to prosecute the unauthorized practice of law and conduct outreach to educate the public about the unauthorized practice of law. The State Bar received 98 complaints alleging the unauthorized practice of law in FY 2024–2025. Of these complaints, 43 were closed after investigation, either due to the State Bar obtaining voluntary

compliance or because there was insufficient evidence of UPL. The remaining 55 matters remain under investigation. Of those, six are pending UPL Standing Committee review after investigation, and two are pending litigation approval by the Board of Commissioners. One injunctive order was enforced where the court held the respondent in civil contempt in the 2024–2025 bar year. There are no cases currently in active litigation. The Bar provided outreach on the unlicensed practice of law by giving presentations to the Organization of Bar Investigators and the the Washtenaw County Office of Public Defender.

ADVOCATING FOR AN OPEN, FAIR, AND ACCESSIBLE JUSTICE SYSTEM

ACCESS TO JUSTICE CAMPAIGN

The Access to Justice Campaign seeks to ensure access and fairness for all in the justice system. The ATJ Campaign is a collaborative, centralized campaign, administered by the Michigan State Bar Foundation in partnership with the State Bar of Michigan, to increase resources for 14 regional and statewide civil legal aid programs in the state. The Foundation administers several grants through IOLTA, filing fees, and funding from state agencies. The Access to Justice Campaign collected \$1.23 million in revenue from 2024 to 2025, including approximately \$457,533 in cy pres awards. In the 2024 calendar year, 44 firms gave at the Leadership Firm level of \$300 or more per attorney, and 56 firms, corporate legal departments, and SBM sections gave at tiered levels between \$1,000 and \$100,000.

DIVERSITY AND INCLUSION

The State Bar of Michigan's Face of Justice program prioritized working with many different schools in Michigan this year. The focus is to provide mentoring opportunities to high school students, law students, pre-law undergraduates, and students in paralegal programs. These sessions offer jet-mentoring opportunities for students to build connections with judges and attorneys and discuss pathways to the profession.

The programs included 377 students and 234 mentors in total, as well as tours of the Hall of Justice, the 36th District Court, and the 43rd District Court, Hazel Park. Programs were held at MSU College of Law, Wayne State University Law School, University of Detroit Mercy Law School, Thomas M. Cooley Law School, and Oakland Community College. The State Bar also presented a Face of Justice program at the Northern Michigan MCCE Mock Trial Regionals.

The Bar also hosted its annual Brunch for Bars to encourage networking and engagement among and between members of Michigan's recognized bar associations. Approximately 108 registered and over 80 attended this year's event.

LAWYER REFERRAL SERVICE

The Lawyer Referral Service is a telephone-based referral system that matches people who are seeking legal assistance with an attorney in the practice area and location that they need. Consumers pay a \$25 administrative fee to receive a

25-minute consultation from the attorney to whom they are referred. The call center also screens callers to determine if they are eligible for free or low-cost legal services. Then, it refers them (at no cost) to the appropriate services. If callers decline to pay the administrative fee, the call center connects them with alternate resources, including information on legal clinics, self-help centers, Michigan Legal Help, nonprofit organizations, and the online lawyer directory, so that they can find their own attorneys.

The Lawyer Referral Service in FY 2024–2025 provided 2,555 paid referrals and 1,650 waived-fee referrals to nine participating attorneys. LRS also processed 1,128 applications for a reduced-cost service called Modest Means and referred 164 applicants to 15 participating attorneys. In total, LRS received 32,659 calls and responded to 2,350 online referral requests in FY 2024–2025.

ONLINE DIRECTORY

The State Bar of Michigan hosts two online directories: The classic directory provides basic member contact information, and ReliaGuide offers enhanced profile options that help attorneys showcase their experience, detail areas of practice, and reach potential clients. The online directories remain the most popular online service offered by the State Bar of Michigan.

PRO BONO INITIATIVES

The State Bar of Michigan published the Pro Bono Honor Roll to recognize attorneys, law firms, and corporations that provide a significant amount of pro bono service, encouraging others to do so as well. The Honor Roll tallied more than 34,500 pro bono service hours from more than 800 Michigan-licensed attorneys in the 2024 calendar year. The State Bar continued to provide Michigan attorneys with an easily accessible online calendar of upcoming legal clinics, events, and other pro bono opportunities. The State Bar continued to provide Michigan attorneys with an easily accessible online calendar of upcoming legal clinics, events, and other pro bono opportunities. The Bar also hosted the 16th Annual Spring Pro Bono Workshop in May, bringing together members of Michigan's access-to-justice community.

The State Bar continued its work toward establishing an Appellate Pro Bono Program that will provide appellate-level pro bono assistance and continued to offer the following programs:

- **Malpractice Insurance for Pro Bono Program:** Provided professional liability malpractice insurance to 26 Michigan attorneys working on pro bono cases.
- **Patent Pro Bono Project:** In partnership with the Intellectual Property Law Section, received 46 requests for pro bono patent legal assistance from low-income Michigan inventors, along with 30 additional telephone and email inquiries seeking general information about patent-related support.
- **Qualified Domestic Relations Order Referral Program:** In partnership with the Family Law Section, received 23 referrals from legal aid programs for the preparation of QDROs for low-income Michiganders.
- **Tax Pro Bono Program:** In partnership with the Taxation Section, continued its efforts to assist low-income taxpayers at the Michigan Tax Tribunal (MTT), following a substantive property tax law training on applying for poverty, disabled veteran, and principal residence exemptions before the MTT. More than 20 Michigan

attorneys and law students attended the training held at the Michigan State University College of Law.

PUBLIC POLICY

The State Bar of Michigan engages in public policy that involves the regulation of the legal profession and improving the quality of legal services. Pursuant to AO 2004-1, all advocacy is reported on the State Bar of Michigan Public Policy Resource Center webpage. The State Bar also publishes a weekly Public Policy Update newsletter sent to approximately 3,100 subscribers.

The State Bar fully reviewed 32 public policy items—including legislation, court rules, and administrative rules—and adopted 32 unique public policy positions. Highlights include leading advocacy efforts to protect the personal identifying information of judicial officers and their families, to authorize the Michigan Indigent Defense Commission to develop and implement minimum standards for juvenile indigent defense, and to reform Michigan's pro bono standard.

PROVIDING SERVICES TO MEMBERS THAT ENABLE THEM TO BEST SERVE CLIENTS

ADMINISTRATIVE SUPPORT FOR SECTIONS

The State Bar of Michigan supports 43 sections, which 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. In FY 2024–2025, SBM's sections tallied 48,880 total memberships, including 33,127 paid section memberships. A total of 24,750 individuals were members of at least one section, and 18,091 were paid members. Non-attorney section memberships totaled 441. Free section memberships are typically extended to law students, first-year licensees, and those who qualify for the Young Lawyers and Judicial Sections.

The State Bar of Michigan provides infrastructure, information, communication tools, and consultation to all sections—including maintaining the financial accounts, membership databases, demographic profiles, and individual websites of the sections. The State Bar also provides robust support for section events and programs through low-cost services.

All public policy advocacy by sections is financed entirely by voluntary section dues and is limited to the subject matter jurisdiction of the section.

ETHICS HELPLINE AND SEMINARS

The State Bar of Michigan staff responded to more than 1,286 inquiries from attorneys and judges seeking informal advice through the Ethics Helpline (877-558-4760), 106 email inquiries, and numerous direct contacts to staff. The questions ranged from simple advice to complex scenarios requiring extensive research. Staff also provided two Tips and Tools Webinars with 26 attendees, three Lawyer Trust Account Webinars with 73 attendees, several "Ethical Perspectives" columns for the *Michigan Bar Journal*, and numerous direct contacts to staff.

The questions ranged from simple advice to complex scenarios requiring extensive research.

GREAT LAKES LEGAL CONFERENCE

The Great Lakes Legal Conference continued into its third year in June 2025. The event combines the best of the former Bar Leadership Forum and the Upper Michigan Legal Institute into one impactful event. The two-day conference included four learning tracks—Leadership, Legal Updates, Litigation, and Practice Management. Attendees could mix and match sessions from the tracks to fully personalize their experience. The event featured keynote speaker Sateesh Nori of Just Tech, LLC, and New York University School of Law, who spoke about "AI and the Future of the Legal Profession." A total of 164 attorneys attended the event and gave it exceptionally high reviews. Attendees especially noted their appreciation for the speakers, topics, and well-designed sessions.

INTERIM ADMINISTRATOR PROGRAM

The State Bar of Michigan Interim Administrator Program helps to administer the regulations outlined in State Bar Rule 21 and the Michigan Court Rules and helps attorneys fulfill their obligations under the rules. In this year of operation, the results were:

- 16,452 attorneys designated an attorney or law firm as their interim administrator.
- 3,482 attorneys enrolled in the SBM's Interim Administrator Program, which includes auto-enrolled attorneys.
- 1,914 attorneys joined or remained on the List of Attorneys Willing to Serve as Interim Administrator.
- The State Bar of Michigan actively served as interim administrator in five cases.
- The program received 52 reports of potentially affected attorneys. Reports were reviewed and evaluated to determine the possible need for an interim administrator. These 52 reports resulted in:

- 31 designated interim administrators acting. In these cases, the interim administrator appointed was specifically chosen by the affected attorney to act as interim administrator if needed.
- 2 matched interim administrators acting. Matched interim administrators are matched to the affected attorney by the IAP.
- 1 new SBM appointment as interim administrator.
- 18 reports either under review or closed due to an interim administrator not being necessary at this time.

The State Bar of Michigan continued outreach and education efforts by offering one-on-one assistance to any Michigan attorney with concerns and giving presentations to the National Organization of Bar Counsel, and it continued to grow the education and resources for Michigan's interim administrators. In addition, the Interim Administrator Program offered assistance to any attorney, judicial staff, or member of the public reporting a potential need for an interim administrator appointment.

LAWYERS & 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 works to improve the overall well-being of those in the legal profession in order to maximize their professional competency.

In FY 2024–2025, the LJAP reached more than 5,000 law students, lawyers, and judges through professional presentations on topics related to well-being in the legal profession. This effort included 60 presentations to law schools, employers, local and affinity bars, regulators, and other stakeholders. LJAP clinical staff also opened 48 new participant files and completed 37 biopsychosocial evaluations for members of the legal community seeking mental health or wellness-related services. In FY 2024–2025, the LJAP received 130 requests for confidential services. LJAP staff also offered weekly virtual support groups, with a continued increase in attendance and participation and group members relaying significant benefit derived from the group experience. LJAP provided a monthly “Practicing Wellness” column for the *Michigan Bar Journal* and co-produced the On Balance podcast, which was downloaded more than 9,000 times. LJAP continued to offer two virtual wellness events this year, hosting Jordana A. Confino on “The Paradox of Perfectionism” in October 2024 and Katy Goshtasbi on “Emotional Resonance Factor” in May 2025. The events were free and open to all members.

PRACTICE MANAGEMENT RESOURCE CENTER

The Practice Management Resource Center provides resources to attorneys and their staff to help them build and maintain professional competence. PMRC offers online resources and one-on-one support through the PMRC Helpline (800-341-9715). PMRC gave presentations on billing software as part of SBM's three Lawyer Trust Accounts Seminars and two presentations for the American Bar Association, focusing on the Legal Tech Revolution: Practice Management and Accounting Software Reimagined and Cyber Guardians of the Legal Galaxy. PMRC also provided practice management recommendations as part of one on-site consultation provided as part of an AGC/ADB request. PMRC also provides the monthly “Law Practice Solutions” column for the *Michigan Bar Journal*, works with the Lawyers & Judges Assistance Program to produce the monthly On Balance podcast, and worked with the Limited Scope Representation Committee and ATJ department on planning a series of webinars focusing on limited scope to be released in 2026.

PUBLICATIONS

eJournal: The eJournal provides summaries of Supreme Court, Court of Appeals, and 6th Circuit Court opinions. To better promote the Bar's services and keep Michigan attorneys up to date, the eJournal expanded to include additional news and information last year. Publishing five days a week except holidays, the eJournal provided nearly 2,900 opinion summaries to more than 16,000 subscribers (a 15% increase over last year). The online version draws a massive readership and ranks only behind the online directory in page views.

Michigan Bar Journal: Written by attorneys for attorneys, the *Michigan Bar Journal* is the State Bar of Michigan's flagship publication. The magazine is delivered 11 times per year. About half of subscribers receive the printed magazine, and the other half of Michigan attorneys receive the email version. The *Michigan Bar Journal* includes feature articles based on themes developed and edited by the *Michigan Bar Journal* Committee. The publication also contains columns, articles, and news written by staff and other expert contributors. The Bar Journal is required to publish certain notices under the Rules Concerning the State Bar of Michigan and is also used to advertise SBM events and resources.

Newsletters: The State Bar of Michigan produces multiple newsletters, including a weekly Public Policy Update as well as SBM Today, a monthly publication that features news from both SBM and the Michigan Supreme Court.

As part of its mission, the State Bar of Michigan also is proud to actively support and serve on commissions established by the Michigan Supreme Court.

Justice for All Commission

Committed to 100% access to Michigan's Civil Justice System

Commission on Diversity, Equity, and Inclusion

Working to eliminate disparities within the Michigan judiciary and justice system

Commission on Well-Being in the Law

Improving the mental health of attorneys, increasing well-being, and eliminating stigmas associated with getting help

FINANCIAL & MEMBERSHIP SUMMARY

FY 2025 FINANCIAL SUMMARY

As of September 30, 2025, the State Bar of Michigan's Administrative Fund net position totaled \$18,394,135, an increase of \$2,327,290, or 14.5% from FY 2024. Excluding the net restricted assets associated with the retiree healthcare trust, the Administrative Fund net position totaled \$13,831,959, an increase of \$1,667,951, or 13.7% from FY 2024. The Administrative Fund net position increase was driven by positive operating income and non-operating revenues. The Client Protection Fund net position totaled \$3,297,330, an increase of \$171,703, or 5.5% from FY 2024. The sections' net position, calculated separately because it consists of voluntary section dues and other section funds, totaled \$2,842,214, a decrease of \$32,469, or 1.1% from FY 2024. The State Bar operates with no outstanding debt.

FY 2025 MEMBERSHIP STATISTICS

In FY 2025, the total number of State Bar of Michigan attorney members increased by 288, or 0.6%. The number of active fee-paying attorneys decreased by 243, or 0.6% due to increases in the number of emeritus (352) and non-fee-paying attorneys (179). In FY 2025, 938 new attorneys joined SBM, an increase of 165 compared to FY 2024. Below are the statistics for each type of member as well as affiliate members for the year that ended September 30, 2025:

SBM MEMBERS IN GOOD STANDING

	2024	2025
PAYING		
ACTIVE	39,399	39,222
INACTIVE	1,217	2,208
TOTAL PAYING	40,616	41,430
NON PAYING		
50-YEAR ACTIVE	2,028	1,151
50-YEAR INACTIVE	45	44
EMERITUS	4,245	4,597
TOTAL NONPAYING	6,318	6,849
TOTAL	46,934	47,222

APPROVED FY 2026 BUDGET

The State Bar of Michigan Board of Commissioners approved the FY 2026 Administrative Fund expense budget of \$13,354,237, which is projected to generate a decrease in net position of \$208,924. The budget is aligned with the State Bar's strategic plan and activities. A summary of the FY 2025 approved budget can be found on the State Bar's website at michbar.org/generalinfo.

Financial Section

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, 2025, 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, 2025, 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, 2025 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, 2025 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, 2025, 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, 2025.

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, 2021 through 2024 (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 2021 through 2024 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, 2021 through 2024, 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 9, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

DESCRIPTION OF THE FINANCIAL STATEMENTS

This annual report contains State Bar of Michigan financial statements and notes for those statements. The statements detail the financial position of the State Bar of Michigan overall as well as each of the Bar's funds. Included in this report are:

- Report of Independent Auditors, which expresses the audit opinion of the independent accounting firm
- Management's Discussion and Analysis, which discusses the operations of the State Bar and provides expanded financial information and related analysis
- Basic Financial Statements:
 - Statement of Net Position (Balance Sheet), which provides the financial position of the State Bar and each fund.
 - Statement of Revenue, Expenses, and Changes in Net Position (Income Statement), which provides the sources of revenue, the various expenses, and impact on net position for the State Bar and each fund.
 - Statement of Cash Flows, which shows the sources and uses of cash for the State Bar and each fund.
- Notes to the Financial Statements, which provide integral information to explain the basis for the numbers used within the basic financial statements.
- Required Supplementary Information, which provides additional information about the State Bar's participation in the State Employees' Retirement System for pension and other postemployment benefits
- Other Supplementary Information, which provides additional information to better understand the financial position of the State Bar.

SUMMARY OF FY 2025 FINANCIAL INFORMATION NET POSITION: FY 2025 COMPARED TO FY 2024

ADMINISTRATIVE FUND

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024*	CHANGE	%
Current assets	10,700,167	\$11,114,822	\$(414,655)	(3.7)%
Noncurrent assets (net)	11,724,686	9,431,914	2,292,772	24.3%
Total assets	22,424,853	20,546,736	1,878,117	9.1%
Deferred outflows of resources	893,562	1,033,617	(140,055)	(13.5)%
Current liabilities	3,418,089	3,390,102	27,987	0.8%
Noncurrent liabilities	285,616	888,362	(602,746)	(67.8)%
Total liabilities	3,703,705	4,278,464	(574,759)	(13.4)%
Deferred inflows of resources	1,220,575	1,235,044	(14,469)	(1.2)%
Net position – net investment in capital assets	2,987,545	3,140,551	(153,006)	(4.9)%
Net position – restricted for retiree health care	4,562,176	3,902,837	659,339	16.9%
Net position – unrestricted	10,844,414	9,023,457	1,820,957	20.2%
Net position	\$18,394,135	\$16,066,845	\$2,327,290	14.5%

*Before any restatement of prior year's data. Certain amounts have been reclassified to conform with the 2025 presentation

Current assets decreased by \$414,655, or 3.7%, primarily due to lower short-term investments, lower balances due to other funds and prepaid expenses, and higher cash and accounts receivable.

Noncurrent assets increased by \$2,292,772, or 24.3%, due to the higher long-term investments, lower net carrying value of capital assets, and increased value of the retiree health care trust investments.

Deferred outflows of resources decreased by \$140,055, or 13.5%, primarily due to adjustments related to changes in assumptions, proportions, and projected earnings for valuation of OPEB healthcare liability.

Current liabilities increased by \$27,987, or 0.8% primarily due to higher accounts payable and accrued expenses, and lower deferred revenue.

Noncurrent liabilities decreased by \$602,746, or 67.8%, primarily due to lower net pension and OPEB healthcare liabilities

Deferred inflows of resources decreased by \$14,469, or 1.2%, mainly due to changes in assumptions, proportion, experience, and expected vs actual earnings for OPEB.

Net position increased by \$2,327,290, or 14.5% during FY 2025.

CLIENT PROTECTION FUND

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024	CHANGE	%
Assets	\$3,412,711	\$3,599,845	\$(187,134)	(5.2)%
Liabilities	115,381	474,218	(358,837)	(75.7)%
Net Position	\$3,297,330	\$3,125,627	\$171,703	5.5%

Assets decreased by \$187,134, or 5.2%, primarily due to lower cash and investments.

Liabilities decreased by \$358,837, or 75.7%, primarily due to no outstanding claims payable in FY 2025.

Net position increased by \$171,703, or 5.5%, during FY 2025.

SECTIONS

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024	CHANGE	%
Assets	\$3,123,812	\$3,116,272	\$7,540	0.2%
Liabilities	281,598	241,589	40,009	16.6%
Net Position	\$2,842,214	\$2,874,683	\$(32,469)	(1.1)%

Section assets and liabilities not specifically included on the Sections statement of net position are held by the Administrative fund and are shown as "due from (to) other funds."

Net position decreased by \$32,469, or 1.1%, as a result of section expenses exceeding section revenues during FY 2025.

REVENUE, EXPENSES, AND CHANGES IN NET POSITION: FY 2025 COMPARED TO FY 2024

ADMINISTRATIVE FUND

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024*	CHANGE	%
Total operating revenue	\$12,860,726	\$12,988,393	(\$127,667)	(1.0)%
Operating expenses				
Labor	7,969,329	7,822,953	146,376	1.9%
Nonlabor	3,791,129	3,401,732	389,397	11.4%
Total operating expenses	11,760,458	11,224,685	535,773	4.8%
Net operating income	1,100,268	1,763,708	(663,440)	(37.6)%
Nonoperating revenue	1,236,128	1,552,012	(315,884)	(20.4)%
Transfers in	10,084	-	10,084	-
Change in net position	\$2,346,480	\$ 3,315,720	\$(969,240)	(29.2)%

*Before any restatement of prior year's data. Certain amounts have been reclassified to conform with the 2025 presentation

Net operating income decreased by \$663,440, or 37.6%, due to a decrease in operating revenues of \$127,667, or 1.0% and an increase in operating expenses of \$535,773, or 4.8%.

Operating revenue decreased by \$127,667, or 1.0%, primarily due to lower license fees, lawyer referral fees, and partner program revenues, offset by higher Interim Administrator Program revenues, administration fees for Client Protection Fund and Attorney Discipline System, and advertising revenues.

Operating expenses increased by \$535,773, or 4.8%, due to higher labor expenses of \$146,376, or 1.9%, and higher nonlabor expenses of \$389,397, or 11.4%. Labor expenses were higher primarily due to budgeted salary increases and higher insurance costs offset by lower retiree healthcare and pension benefit expenses per GASB 75 and 68. Nonlabor expenses were higher due to higher operating costs in IT, Financial Services, Bar Journal, Facilities, Client Protection Fund, depreciation, Lawyers and Judges Assistance Program, Human Resources, Board of Commissioners, General Counsel, Executive Office, Outreach, and other teams.

Nonoperating revenue Nonoperating revenue decreased by \$315,884, or 20.4%, due to lower change in market value of retiree health care trust investments and lower interest income.

Net position increased by \$2,346,480 in FY 2025 compared to an increase of \$3,315,720 in FY 2024, the difference of \$969,240, or 29.2%.

CLIENT PROTECTION FUND

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024	CHANGE	%
Operating revenue	\$700,864	\$815,610	\$(114,746)	(14.1)%
Operating expenses	673,940	377,718	296,222	78.4%
Operating income	26,924	437,892	(410,968)	(93.9)%
Nonoperating revenue	144,779	165,742	(20,963)	(12.6)%
Change in net position	\$171,703	\$603,634	\$(431,931)	(71.6)%

Net position increased by \$171,703 in FY 2025 compared to an increase of \$603,634 in FY 2024, resulting in a year-over-year change of \$431,931, or 71.6%.

Operating revenue decreased by \$114,746, or 14.1%, due to lower claim recovery and lower contributions received.

Operating expenses increased by \$296,222, or 78.4% primarily due to higher claims payments and administrative costs.

Nonoperating revenue decreased by \$20,963, or 12.6%, due to lower investment balances and lower interest rates.

SECTIONS

	SEPTEMBER 30, 2025	SEPTEMBER 30, 2024	CHANGE	%
Operating revenue	\$1,969,182	\$1,916,212	\$52,970	2.8%
Operating expenses	1,991,567	1,925,370	66,197	3.4%
Operating income	(22,385)	(9,158)	(13,227)	144.4%
Change in net position	\$(32,469)	\$ (9,158)	\$(23,311)	254.5%

Operating revenue increased by \$52,970, or 2.8%, due to higher event revenue, offset by lower section dues.

Operating expenses increased by \$66,197, or 3.4%, due to higher event expenses.

Net position decreased by \$32,469 in FY 2025.

REVENUE, EXPENSES, AND CHANGES IN NET POSITION: FY 2025 COMPARED TO APPROVED BUDGET

ADMINISTRATIVE FUND

	FY 2025 ACTUAL	FY 2025 BUDGETED	DIFFERENCE	%
Operating revenue	\$12,860,726	\$12,492,915	\$367,811	2.9%
Operating expenses				
Labor	7,969,329	8,714,277	(744,948)	(8.5)%
Nonlabor	3,791,129	4,257,856	(466,727)	(11.0)%
Total operating expenses	11,760,458	12,972,133	(1,211,675)	(9.3)%
Operating income	1,100,268	(479,218)	1,579,486	329.6%
Nonoperating revenue	1,236,128	680,000	556,128	81.8%
Transfers in	10,084	-	10,084	-
Change in net position	\$2,346,480	\$200,782	\$2,145,698	1,068.7%

Operating income was favorable to budget by \$1,579,486, or 329.6%, due to a favorable variance in operating revenues of \$367,811, or 2.9%, and a favorable variance in operating expenses of \$1,211,675, or 9.3%.

Operating revenue was favorable to budget by \$367,811, or 2.9%, primarily due to higher revenues in Interim Administration Program, license fees and related revenues, pro hac vice revenues, Character and Fitness, Lawyers and Judges Assistance Program, Lawyer Referral services revenues, as well as revenue from advertising, events, and administration fees for Attorney Discipline System and Client Protection Fund, and lower partner program revenues.

Operating expenses were favorable to budget by \$1,211,675, or 9.3%, due to a favorable variance in labor expenses of \$744,948, or 8.5%, and a favorable variance in nonlabor expenses of \$466,727, or 11.0%. **Labor expenses** were mainly lower than budget due to lower retiree healthcare expense per GASB 75, lower pension expense per GASB 68, employee health insurance expenses and lower salaries and payroll taxes. **Nonlabor** expenses were lower than budget across majority of teams due to a combination of lower program spending (e.g. Interim Administrator Program, IT, Finance and Administration, Character and Fitness, depreciation, Research and Development, Lawyer Services, Outreach, and others), lower travel and meeting expenses (e.g., Executive Office, Board of Commissioners, Representative Assembly, and Great Lakes Legal Conference), lower expenses in Bar Journal, Digital, Print and Design, and General Communications due to lower than budgeted paper, printing, design, contractor, and website maintenance expenses. Client Protection Fund team and Lawyers and Judges Assistance Program expenses were higher due to legal, consulting and seminar expenses.

Nonoperating revenue was favorable to budget by \$556,128, or 81.8%, primarily due to higher market value of investments of the retiree health care trust, which was not budgeted, and higher interest income due to higher than expected interest rates.

Change in net position in FY 2025 was favorable to budget by \$2,145,698, or 1,068.7%, due to an increase in net position of \$2,346,480 compared to a budgeted increase of \$200,782. In summary, the larger than budgeted growth in net position was due to favorable variances in operating revenues of \$367,811, operating expenses of \$1,211,675 and nonoperating revenue of \$556,128.

CAPITAL ASSETS

Capital assets (net of accumulated depreciation) consisting of land, building, furniture and equipment, computer equipment/software (including work in progress), and GASB 96 subscription software decreased by \$162,630 during FY 2025. This increase is primarily due to a difference between fixed asset additions of \$329,017, depreciation expense of \$487,181, and disposal of \$4,466. More detailed information about the State Bar's capital assets is presented in Note 5 to the financial statements.

RISKS AND UNCERTAINTIES

The Michigan Supreme Court approved \$80 fee increase for active licensed attorneys for the 2022-2023 fiscal year. The fee increase enabled the State Bar of Michigan to sustain its current operations and to stay in compliance with the financial safety policy adopted by the Board of Commissioners. In July 2025, the Board adopted the FY 2026 budget aligning it with the goals defined in the SBM Strategic Plan.

The State Bar's financial position will continue to be affected by uncertainties in several areas, including the future number of active attorneys, labor market, interest rates, and inflation. Mandatory license fees paid by Michigan attorneys account for 82% of SBM's operating revenues. However, the number of paying attorneys has decreased in the last three years, and we expect this trend will continue. The State Bar continues to look for opportunities to increase other operating revenues by expanding member programs and partnerships to help offset the loss in license fees. Increases in labor and nonlabor costs, especially in information technology and software, facilities, events, legal, and consulting expenses in FY 2025 were expected and budgeted. SBM will continue to adapt to challenges by embracing innovation, monitoring trends, and using its strategic plan to effectively serve the public and Michigan attorneys.

Basic Financial Statements

State Bar of Michigan

Statement of Net Position

September 30, 2025

	Administrative Fund	Client Protection Fund	Sections	Total
Assets				
Current assets:				
Cash for operations	\$ 1,536,471	\$ 96,508	\$ -	\$ 1,632,979
Investments	11,491,365	2,042,712	-	13,534,077
Accounts receivable:				
Trade	221,662	24,758	-	246,420
Due from (to) other funds	(2,919,549)	(14,118)	2,933,667	-
Prepaid expenses	370,218	-	190,145	560,363
Total current assets	10,700,167	2,149,860	3,123,812	15,973,839
Long-term investments	3,604,264	1,262,851	-	4,867,115
Retiree healthcare trust investments	5,009,841	-	-	5,009,841
Capital assets, net	3,110,581	-	-	3,110,581
Total assets	22,424,853	3,412,711	3,123,812	28,961,376
Deferred outflows of resources				
Deferred outflows related to pensions	14,807	-	-	14,807
Deferred outflows related to OPEB	878,755	-	-	878,755
Total deferred outflows of resources	893,562	-	-	893,562
Liabilities				
Current liabilities:				
Accounts payable	520,342	-	-	520,342
Accrued expenses	848,383	-	-	848,383
Due to Attorney Discipline System	43,520	-	-	43,520
Unearned revenue	1,959,429	115,381	281,598	2,356,408
Subscription liability – current	46,415	-	-	46,415
Total current liabilities	3,418,089	115,381	281,598	3,815,068
Subscription liability – noncurrent	76,621	-	-	76,621
Net pension liability	82,698	-	-	82,698
Net OPEB liability	126,297	-	-	126,297
Total liabilities	3,703,705	115,381	281,598	4,100,684
Deferred inflows of resources				
Deferred inflows related to pensions	20,452	-	-	20,452
Deferred inflows related to OPEB	1,200,123	-	-	1,200,123
Total deferred inflows of resources	1,220,575	-	-	1,220,575
Net position				
Net investment in capital assets	2,987,545	-	-	2,987,545
Restricted for retiree health care	4,562,176	-	-	4,562,176
Unrestricted	10,844,414	3,297,330	2,842,214	16,983,958
Total net position	\$ 18,394,135	\$ 3,297,330	\$ 2,842,214	\$ 24,533,679

State Bar of Michigan

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2025

	Administrative Fund	Client Protection Fund	Sections	Total
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 10,608,925	\$ 632,411	\$ 1,243,870	\$ 12,485,206
Character and Fitness	367,305	-	-	367,305
Client Protection Fund administration fee	305,845	-	-	305,845
Interim Administrator Program	213,060	-	-	213,060
Lawyer Services	207,474	-	-	207,474
Bar Journal	205,025	-	-	205,025
Lawyer Referral Service	173,212	-	-	173,212
Attorney Discipline System fee	135,023	-	-	135,023
Lawyers and Judges Assistance	77,739	-	-	77,739
Digital	45,667	-	-	45,667
Michigan State Bar Foundation rent	45,025	-	-	45,025
e-Journal	42,384	-	-	42,384
Great Lakes Legal Conference	42,180	-	-	42,180
Print and Design	33,326	-	-	33,326
Inaugural and Awards Luncheon	25,075	-	-	25,075
50 Year Honoree Celebration	6,915	-	-	6,915
Ethics	3,525	-	-	3,525
Diversity	1,590	-	-	1,590
Practice Management Resource Center	586	-	-	586
Other revenue	320,845	68,453	725,312	1,114,610
Total operating revenue	12,860,726	700,864	1,969,182	15,530,772
Operating expenses				
Labor expenses:				
Salaries	6,318,512	-	-	6,318,512
Employee benefits and payroll taxes	1,650,817	-	-	1,650,817
Total labor expenses	7,969,329	-	-	7,969,329
Nonlabor expenses:				
Division 1	418,933	-	-	418,933
Division 2	1,978,405	-	-	1,978,405
Division 3	1,393,791	-	-	1,393,791
Claims payments	-	367,675	-	367,675
Client Protection Fund administrative expenses	-	306,265	-	306,265
Sections expenses	-	-	1,991,567	1,991,567
Total nonlabor expenses	3,791,129	673,940	1,991,567	6,456,636
Total operating expenses	11,760,458	673,940	1,991,567	14,425,965
Operating income (loss)	1,100,268	26,924	(22,385)	1,104,807
Nonoperating revenue				
Investment income	753,304	144,779	-	898,083
Investment income – retiree healthcare trust, net	487,290	-	-	487,290
Loss on disposal of capital assets	(4,466)	-	-	(4,466)
Total nonoperating revenue	1,236,128	144,779	-	1,380,907
Income before transfers	2,336,396	171,703	(22,385)	2,485,714
Transfers in	10,084	-	-	10,084
Transfers out	-	-	(10,084)	(10,084)
Change in net position	2,346,480	171,703	(32,469)	2,485,714
Net position at beginning of year	16,066,845	3,125,627	2,874,683	22,067,155
Cumulative effect of change in accounting principle	(19,190)	-	-	(19,190)
Net position at end of year	\$ 18,394,135	\$ 3,297,330	\$ 2,842,214	\$ 24,533,679

See accompanying notes.

State Bar of Michigan

Statement of Cash Flows

Year Ended September 30, 2025

	Administrative Fund	Client Protection Fund	Sections	Total
Cash flows from operating activities				
License Fees, Section Dues, and Affiliate Dues	\$ 10,450,111	\$ 623,427	\$ 1,283,879	\$ 12,357,417
Other receipts	2,045,591	-	715,228	2,760,819
Payments to employees	(8,351,277)	(306,265)	-	(8,657,542)
Payments to suppliers and others	(3,025,328)	(353,994)	(1,999,107)	(5,378,429)
Payments for claims	-	(367,860)	-	(367,860)
Net cash from operating activities	1,119,097	(404,692)	-	714,405
Cash flows from capital and related financing activities				
Purchase of capital assets	(272,707)	-	-	(272,707)
Subscription payments	(76,011)	-	-	(76,011)
Net cash from capital and related financing activities	(348,718)	-	-	(348,718)
Cash flows from investing activities				
Sales (purchases) of investments – net	(635,349)	426,307	-	(209,042)
Sales of retiree healthcare trust investments – net	178,726	-	-	178,726
Investment income	273,981	13,104	-	287,085
Net cash from investing activities	(182,642)	439,411	-	256,769
Net change in cash	587,737	34,719	-	622,456
Cash at beginning of year	948,734	61,789	-	1,010,523
Cash at end of year	\$ 1,536,471	\$ 96,508	\$ -	\$ 1,632,979

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

Operating income (loss)	\$ 1,100,268	\$ 26,924	\$ (22,385)	\$ 1,104,807
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	487,181	-	-	487,181
Pension expense	(105,883)	-	-	(105,883)
OPEB expense	(169,405)	-	-	(169,405)
Investment expenses paid (netted against investment income)	(11,734)	-	-	(11,734)
Subscription payments representing interest	10,077	-	-	10,077
Other reconciling items	(3,274)	-	-	(3,274)
Deferred outflows of resources related to pension – contributions subsequent to the measurement date	(14,807)	-	-	(14,807)
Deferred outflows of resources related to OPEB – contributions subsequent to the measurement date	(167,100)	-	-	(167,100)
Transfer in (out)	10,084		(10,084)	
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(63,761)	(21,822)	-	(85,583)
Prepaid expenses	177,369	-	(190,145)	(12,776)
Accounts payable	102,908	(185)	-	102,723
Accrued expenses	78,521	-	-	78,521
Due (to) from other funds	(131,648)	(50,957)	182,605	-
Due to Attorney Discipline System	8,616	-	-	8,616
Unearned revenue	(188,315)	(8,984)	40,009	(157,290)
Interpleader funds	-	(349,668)	-	(349,668)
Net cash from operating activities	\$ 1,119,097	\$ (404,692)	\$ -	\$ 714,405

Noncash investing and financing activities

Cost of right-to-use subscription assets acquisitions financed by subscriptions	\$ 56,310	\$ -	\$ -	\$ 56,310
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State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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, 2025, 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 CDARS and certificates of deposit which are recorded at cost.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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, 2025, the Administrative Fund's allowance for doubtful accounts was \$545.

Subscriptions – Liabilities related to subscription-based information technology arrangements (SBITAs) are recognized at the commencement of the subscription term and are measured based on the present value of payments expected to be made during subscription term, discounted based on the interest rate specified in the contract or the implicit rate. Subscription assets are recognized at the commencement of the subscription term and are measured based on the initial measurement of the subscription liability plus payments made to the SBITA vendor at or before the commencement of the subscription term and capitalizable initial implementation costs.

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 \$10,000 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).

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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

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 and Restatement

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which replaces GASB Statement No. 16, *Accounting for Compensated Absences* to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The provisions of this statement are effective for the State Bar's financial statements for the year ending September 30, 2025. As a result of the adoption of this guidance, the State Bar has restated beginning net position by \$(19,190).

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

1. Summary of Significant Accounting Policies (continued)

D. Change in Accounting Principles and Restatement (continued)

The implementation of GASB Statement No. 101 had the following effect on net position reported as of September 30, 2024:

	September 30, 2024	Restatement	September 30, 2024 (Restated)
Total net position	\$ 16,066,845	\$ (19,190)	\$ 16,047,655

2. Deposits and Investments

The State Bar of Michigan has designated a total of nine financial institutions for the deposit of its cash and investments as of September 30, 2025. 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 CDARS, certificates of deposit, U.S. Government Money Market Funds, U.S. Treasury Notes, 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 \$7,583,510 of bank deposits in checking, savings, CDARS, and certificates of deposit accounts, and of that balance 51.0% was insured.

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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

2. Deposits and Investments (continued)

Custodial Credit Risk of Investments (continued)

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, 2025, 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. 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, 2025, the fair values and the weighted average maturities for the State Bar's investments and the fixed income securities in the retiree health care trust are as follows:

	Investment Maturities (in Years)				
	Balance as of September 30, 2025	Less Than or Equal to 1	Greater Than 1 to 5	Greater Than 5 to 10	More Than 10
Investments:					
Government securities	\$ 11,372,794	\$ 8,123,762	\$ 3,249,032	\$ -	\$ -
Government money market fund	862,449	862,449	-	-	-
Certificates of deposit and CDARS	6,165,949	4,547,867	1,618,082	-	-
Retiree healthcare trust investments:					
Government securities	744,411	744,411	-	-	-
Mutual funds	998,653	-	-	998,653	-
Government money market fund	285,198	285,198	-	-	-
Total	\$ 20,429,454	\$ 14,563,687	\$ 4,867,114	\$ 998,653	\$ -

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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

2. Deposits and Investments (continued)

Credit Risk (continued)

Mutual funds 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.

The State Bar has the following recurring fair value measurements as of September 30, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Government securities	\$ 11,372,794	\$ 11,372,794	\$ -	\$ -
Government money market fund	862,449	862,449	-	-
Retiree healthcare trust investments:				
Government securities	744,411	744,411	-	-
Mutual funds	3,970,373	3,970,373	-	-
Government money market fund	285,198	285,198	-	-
Cash	9,859	N/A	N/A	N/A
Total	<u>\$ 17,245,084</u>	<u>\$ 17,235,225</u>	<u>\$ -</u>	<u>\$ -</u>

The State Bar's investments in certificates of deposit and CDARS totaling \$6,165,949 as of September 30, 2025 meet the criteria to be valued at cost.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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, 2025 was \$135,023.

4. Leases and Subscriptions

State Bar as Lessor

As of September 30, 2025, 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 is classified as a short-term lease as it can be cancelled by either party at any time upon providing a 180-day notice.

Subscriptions

The State Bar entered into four subscription-based information technology arrangements (SBITAs) for a cloud accounting system, a cloud budgeting and planning tool, a legal case management platform, and a board management software. The total of the State Bar's subscription assets is recorded at cost of \$284,323, less accumulated amortization of \$91,218.

The future subscription payments under SBITA arrangements are as follows:

Year Ended September 30	Principal	Interest	Total
2026	\$ 46,415	\$ 7,965	\$ 54,380
2027	50,041	4,339	54,380
2028	26,580	1,070	27,650
Total	<u>\$ 123,036</u>	<u>\$ 13,374</u>	<u>\$ 136,410</u>

In addition to the amounts presented above, the State Bar also had outflows of resources during the fiscal year totaling \$16,750 that were not included in the measurement of the subscription liability. This total consists of ongoing support services from the vendor of the four SBITAs.

State Bar of Michigan

Notes to Financial Statements

September 30, 2025

5. Capital Assets

A summary of capital assets as of September 30, 2025 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	40,001	272,707	-	(272,707)	40,001	-
Capital assets being depreciated:						
Building	8,305,324	-	-	-	8,305,324	10-50
Furniture and equipment	1,988,073	-	(147,652)	43,027	1,883,448	5-20
Computer equipment/software	2,011,838	-	(5,469)	229,680	2,236,049	3-5
Right-to-use subscription software	228,013	56,310	-	-	284,323	Subscription Term
Total capital assets	12,953,794	329,017	(153,121)	-	13,129,690	
Less accumulated depreciation:						
Building	6,290,629	172,569	-	-	6,463,198	
Furniture and equipment	1,805,155	47,484	(147,652)	-	1,704,987	
Computer equipment/software	1,549,738	210,971	(1,003)	-	1,759,706	
Right-to-use subscription software	35,061	56,157	-	-	91,218	
Total accumulated depreciation	9,680,583	487,181	(148,655)	-	10,019,109	
Total net capital assets	\$ 3,273,211	\$ (158,164)	\$ (4,466)	\$ -	3,110,581	
Depreciation expense					\$ 487,181	

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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 legal issues pending for the State Bar of Michigan; however, management believes the likelihood of an unfavorable outcome is remote.

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, 2025, there was one active employee 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% of each employee's pay with a match of up to 3.0% 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, 2025 were \$427,636.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

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.

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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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 4.0% of their annual compensation to the pension fund until they terminate state employment. The 4.0% contribution began on April 1, 2012. As of September 30, 2025, the State Bar of Michigan has one eligible active employee who selected this option.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4.0% 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 4.0% 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 4.0% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4.0% employer contribution to their DC account and are eligible for an additional dollar-for-dollar employer match of up to 3.0% 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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 2.0% of their compensation to a 401(k) or 457 account, earning a matching 2.0% 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.

Regular Retirement – The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% 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% 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% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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.

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 layoffs 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.

State Bar of Michigan

Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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 100.0%, 75.0%, or 50.0% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows.

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.

100.0% Survivor Pension – Under this option, after the retiree's death, the beneficiary will receive 100.0% 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.

75.0% Survivor Pension – Under this option, after the retiree's death, the beneficiary will receive 75.0% 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 100.0% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

50.0% Survivor Pension – Under this option, after the retiree's death, the beneficiary will receive 50.0% 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 100.0% or 75.0% 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, 100.0%, 75.0%, or 50.0% 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

B. Benefits Provided (continued)

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.

Post Retirement Adjustments – One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3.0% 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 8.0% 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 3.0% 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 4.0% 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 2025, the State Bar of Michigan's contribution rate was 23.74% of the defined benefit employee wages. The State Bar of Michigan's contribution to the System for the fiscal year ending September 30, 2025 was \$14,807.

D. Actuarial Assumptions

The State Bar's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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%
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.0%, net of investment expenses
Cost-of-Living Pension Adjustment	3.0% Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible

Mortality rates for retirees were based on PubG-2010 Male and Female Retiree Mortality Tables scaled by 104.0% for males and 115.0% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Mortality rates for disabled retirees were based on PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled by 100.0% for males and 100.0% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Mortality rates for active employees were based on PubG-2010 Male and Female Employee Mortality Tables scaled by 100.0% for males and 100.0% for females adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the determination of the total pension liability beginning with the September 30, 2022 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

8. Retirement Plans (continued)

D. Actuarial Assumptions (continued)

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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0	9.0%
International equity pools	15.0	6.5%
Fixed income pools	13.0	2.2%
Real estate and infrastructure pools	10.0	7.1%
Absolute return pools	9.0	5.2%
Real return and opportunistic pools	10.0	6.9%
Short term investment pools	2.0	1.4%
Total	100.0%	

*Long term rates of return are net of administrative expenses and 2.3% inflation.

E. Discount Rate

A discount rate of 6.0% was used to measure the total pension liability for the September 30, 2023 valuation. A discount rate of 6.0% was used to measure the total pension liability for the September 30, 2022 valuation. This discount rate for the September 30, 2023 valuation was based on the long-term expected rate of return on pension plan investments of 6.0%. 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.

State Bar of Michigan
Notes to Financial Statements
September 30, 2025

8. Retirement Plans (continued)

F. Net Pension Liability

As of September 30, 2025, the State Bar of Michigan reported a liability of \$82,698 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures.

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, 2023 through September 30, 2024, relative to the total required employer contributions from all of the System's participating employers. As of September 30, 2024, the State Bar of Michigan's proportion was 0.0020314%.

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 6.0% 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:

	1.0% Decrease 5.0%	Current Discount 6.0%	1.0% Increase 7.0%
State Bar of Michigan's proportionate share of net pension liability	\$ 118,698	\$ 82,698	\$ 51,860

H. Pension Plan Fiduciary Net Position

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

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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, 2025, the State Bar of Michigan recognized pension credit of \$105,883. As of September 30, 2025, 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	-	20,452
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
State Bar of Michigan contributions subsequent to the measurement date	14,807	-
Total	<u>\$ 14,807</u>	<u>\$ 20,452</u>

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, 2026. 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
2026	\$ (9,545)
2027	\$ 243
2028	\$ (6,170)
2029	\$ (4,980)

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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. 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 Retirement System's other postemployment benefits (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 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 20.0% 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 30.0% subsidy with 10 years of service, with an additional 3.0% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80.0%. 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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 OPEB 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, 2025 was \$167,100. 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, 2025, the State Bar's assets in the trust amounted to \$5,009,841 which has been presented as a component of restricted net position as of September 30, 2025. 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:

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

9. Postemployment Benefits (continued)

C. Contributions (continued)

Assets in OPEB trust	\$ 5,009,841
Net OPEB liability	(126,297)
Deferred outflows of resources related to OPEB	878,755
Deferred inflows of resources related to OPEB	(1,200,123)
Net position restricted for retiree health care	<u>\$ 4,562,176</u>

D. Actuarial Assumptions

The State Bar's SERS net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2023 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%
Investment Rate of Return	6.20%, net of investment expenses
Projected Salary Increases	2.75 - 11.75%, including wage inflation at 2.75%
Health Care Cost Trend Rate	Pre-65: 7.25% year 1 graded to 3.0% year 15 Post-65: 6.25% year 1 graded to 3.5% year 15
Mortality	PubG-2010 Male and Female Mortality Table used for retirees (scaled by 104.0% for males and 115.0% for females) and active employees (scaled by 100.0% for males and females); PubNS-2010 Male and Female Disabled Retiree Mortality Table used for disabled retirees (scaled by 100.0% for males and females); adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study covering the period 2017 through 2022 have been adopted by the System for use in the determination of the SERS total OPEB liability beginning with the September 30, 2022 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

9. Postemployment Benefits (continued)

D. Actuarial Assumptions (continued)

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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.3%
Private equity pools	16.0	9.0%
International equity pools	15.0	6.5%
Fixed income pools	13.0	2.2%
Real estate and infrastructure pools	10.0	7.1%
Absolute return pools	9.0	5.2%
Real return and opportunistic pools	10.0	6.9%
Short term investment pools	2.0	1.4%
Total	<u>100.0%</u>	

*Long term rates of return are net of administrative expenses and 2.3% inflation.

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on SERS OPEB plan investment, net of SERS OPEB plan investment expense, was 15.22%. 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 6.2% was used to measure the total SERS OPEB liability for the September 30, 2023 valuation. A discount rate of 6.2% was used to measure the total SERS OPEB liability for the September 30, 2022 valuation. This single discount rate for the September 30, 2023 valuation was based on the expected rate of return on SERS OPEB plan investments of 6.2%. 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.

State Bar of Michigan

Notes to Financial Statements

September 30, 2025

9. Postemployment Benefits (continued)

F. SERS Net OPEB Liability

As of September 30, 2025, the State Bar reported a liability of \$126,297 for its proportionate share of SERS net OPEB liability. The SERS net OPEB liability was measured as of September 30, 2024, and the SERS total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2023 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, 2023, through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers. As of September 30, 2024, the State Bar's proportion was 0.03722725%.

For the proportionate share calculation, the sum of the retiree premiums invoiced to the State Bar during the measurement period October 1, 2023, through September 30, 2024, 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 retiree health care trust.

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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 6.2%, 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 1.0% lower or 1.0% higher:

	1.0% Decrease 5.2%	Current Discount 6.2%	1.0% Increase 7.2%
State Bar's proportionate share of SERS net OPEB liability	\$ 416,596	\$ 126,297	\$ (120,533)

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 1.0% lower or 1.0% higher:

	1.0% Decrease	Current Healthcare Cost Trend	1.0% Increase
State Bar's proportionate share of SERS net OPEB liability	\$ (132,262)	\$ 126,297	\$ 420,311

H. OPEB Plan Fiduciary Net Position

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

State Bar of Michigan
Notes to Financial Statements

September 30, 2025

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, 2025, the State Bar recognized OPEB credit of \$169,405. As of September 30, 2025, 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	\$ -	\$ 1,012,032
Changes of assumptions	203,910	34,294
Net difference between projected and actual earnings on investments	-	135,531
Changes in proportion and differences between actual contributions and proportionate share of contributions	507,745	18,266
State Bar's contributions subsequent to the measurement date	167,100	-
Total	<u>\$ 878,755</u>	<u>\$ 1,200,123</u>

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, 2026. 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
2026	\$ (205,812)
2027	\$ (71,313)
2028	\$ (107,979)
2029	\$ (93,166)
2030	\$ (10,198)

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
The State Bar's proportionate share of the net pension liability:										
As a percentage	0.00203%	0.00382%	0.00572%	0.00597%	0.00546%	0.00547%	0.00508%	0.00509%	0.00498%	0.00486%
Amount	\$ 82,698	\$ 216,283	\$ 365,770	\$ 232,483	\$ 402,467	\$ 364,363	\$ 330,798	\$ 263,680	\$ 269,288	\$ 274,261
The State Bar's covered payroll	\$ 61,249	\$ 116,236	\$ 162,350	\$ 157,164	\$ 152,533	\$ 154,442	\$ 145,438	\$ 139,598	\$ 134,080	\$ 130,515
The State Bar's proportionate share of the net pension liability, as a percentage of its covered payroll	135.02%	186.07%	225.30%	147.92%	263.86%	235.92%	227.45%	188.89%	200.84%	210.14%
Plan fiduciary net position as a percentage of total pension liability	78.16%	70.24%	66.92%	78.08%	64.07%	64.71%	67.22%	69.45%	67.48%	66.11%

Schedule of the State Bar's Pension Contributions (amounts determined as of the current fiscal year)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 14,807	\$ 14,627	\$ 24,225	\$ 38,227	\$ 37,617	\$ 36,627	\$ 34,117	\$ 35,778	\$ 36,226	\$ 36,351
Contributions in relation to the actuarially determined statutorily required contributions	14,807	14,627	24,225	38,227	37,617	36,627	34,117	35,778	36,226	36,351
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 64,432	\$ 61,249	\$ 116,236	\$ 162,350	\$ 157,164	\$ 152,533	\$ 154,442	\$ 145,438	\$ 141,100	\$ 139,597
Contributions as a percentage of covered payroll	22.98%	23.88%	20.84%	23.55%	23.93%	24.01%	22.09%	24.60%	25.67%	26.04%

State Bar of Michigan

Required Supplementary Information

State Employees' Retirement System – Pension

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 2025 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025

Valuation Date	September 30, 2021
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	13 years, as of October 1, 2023, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.25%
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.00% net of investment 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, 93.0% of the table rates for males and 98.0% of the table rates for females were used. For active and disabled retirees, 100.0% 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)

	2025	2024	2023	2022	2021	2020	2019	2018
The State Bar's proportionate share of the net OPEB liability:								
As a percentage	0.03723%	0.03444%	0.02973%	0.02287%	0.02366%	0.02008%	0.02020%	0.01982%
Amount	\$ 126,297	\$ 578,767	\$ 1,157,170	\$ 872,429	\$ 1,381,131	\$ 1,581,433	\$ 1,603,186	\$ 1,634,710
The State Bar's covered payroll	\$ 438,296	\$ 487,639	\$ 620,387	\$ 734,917	\$ 774,642	\$ 778,563	\$ 896,804	\$ 896,804
The State Bar's proportionate share of the net OPEB liability, as a percentage of its covered payroll	28.82%	118.69%	186.52%	118.71%	178.29%	203.12%	178.77%	182.28%
Plan fiduciary net position as a percentage of total OPEB liability	95.23%	77.36%	56.64%	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)

	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 167,100	\$ 167,521	\$ 174,444	\$ 177,708	\$ 176,165	\$ 164,771	\$ 153,421	\$ 139,752
Contributions in relation to the actuarially determined statutorily required contributions	167,100	167,521	174,444	177,708	176,165	164,771	153,421	139,752
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 456,201	\$ 438,296	\$ 487,639	\$ 620,387	\$ 734,917	\$ 774,642	\$ 778,563	\$ 793,265
Contributions as a percentage of covered payroll	36.63%	38.22%	35.77%	28.64%	23.97%	21.27%	19.71%	17.62%

State Bar of Michigan

Required Supplementary Information

State Employees' Retirement System – OPEB

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 2025 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025

Valuation Date	September 30, 2021
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	13 years, as of October 1, 2023, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.25%
Projected Salary Increases	2.75 – 11.75%, including wage inflation at 2.75%
Investment Rate of Return	6.00% net of investment expenses
Health Care Cost Trend Rate	Pre-65: 7.50% year 1 graded to 3.50% year 15; 3.00% year 120 Post-65: 6.25% year 1 graded to 3.50% year 15; 3.00% year 120
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, 93.0% of the table rates for males and 98.0% of the table rates for females were used. For active and disabled retirees, 100.0% of the table rates were used.

Other Supplementary Information

State Bar of Michigan

Schedule of Revenue and Expenses – Sections

	Balance October 1, 2024	Revenue	Expenses	Transfers out	Balance September 30, 2025
Administrative & Regulatory Law	\$ 108,840	\$ 12,385	\$ 5,475	\$ -	\$ 115,750
Agricultural Law	22,276	4,100	803	-	25,573
Alternative Dispute Resolution	74,163	51,270	65,062	-	60,371
American Indian Law	14,568	4,200	12,278	-	6,490
Animal Law	18,785	4,506	1,479	-	21,812
Antitrust, Franchising, & Trade Regulation	37,798	5,660	3,719	-	39,739
Appellate Practice	108,703	23,535	20,697	-	111,541
Arts, Communication, Entertainment, and Sports	13,320	5,708	6,491	-	12,537
Aviation Law	54,887	3,150	281	-	57,756
Business Law	165,985	154,045	164,836	-	155,194
Cannabis Law	3,597	30,290	17,370	-	16,517
Children's Law	33,181	18,040	13,029	-	38,192
Consumer Law	37,393	6,630	3,960	-	40,063
Criminal Law	146,166	51,085	38,622	-	158,629
Elder Law and Disability Rights	92,460	97,760	118,107	-	72,113
Environmental Law	120,823	22,404	8,133	-	135,094
Family Law	195,535	310,787	376,399	-	129,923
Government Law	82,753	38,235	48,995	-	71,993
Health Care Law	61,407	31,855	33,884	-	59,378
Information Technology Law	102,605	17,200	14,615	-	105,190
Immigration Law	38,385	13,860	6,721	-	45,524
Insurance and Indemnity Law	43,549	36,335	31,371	-	48,513
Intellectual Property Law	4,805	33,945	25,399	-	13,351
International Law	58,796	9,450	14,982	-	53,264
Judicial	-	28,776	28,776	-	-
Labor and Employment Law	155,303	89,976	114,333	-	130,946
Latin American Bar Activities	10,084	-	-	(10,084)	-
Law Student	28,632	1,755	38	-	30,349
Legal Administrators	50,340	7,170	10,578	-	46,932
LGBTQ+ Law	34,002	9,855	3,090	-	40,767
Litigation	79,637	65,260	77,578	-	67,319
Military and Veterans' Law	32,490	4,825	2,059	-	35,256
Negligence Law	15,972	214,794	183,589	-	47,177
Paralegal/Legal Assistant	8,927	6,535	5,449	-	10,013
Prisons and Corrections	21,285	4,190	1,522	-	23,953
Probate and Estate Planning	204,051	116,092	129,582	-	190,561
Real Property Law	282,326	247,188	213,731	-	315,783
Religious Liberty Law	21,471	6,590	11,437	-	16,624
Senior Lawyers	35,372	6,950	3,957	-	38,365
Social Security Law	21,793	14,810	13,749	-	22,854
Solo and Small Firm	102,558	21,690	24,260	-	99,988
Taxation	59,822	32,912	38,545	-	54,189
Workers' Compensation Law	53,804	26,479	25,681	-	54,602
Young Lawyers	16,034	76,900	70,905	-	22,029
Total	\$ 2,874,683	\$ 1,969,182	\$ 1,991,567	\$ (10,084)	\$ 2,842,214

State Bar of Michigan

Comparative Statement of Net Position – Administrative Fund

	September 30		Increase (Decrease)	
	2025	2024*	Amount	%
Assets				
Current assets:				
Cash for operations	\$ 1,536,471	\$ 948,734	\$ 587,737	61.9 %
Investments	11,491,365	12,511,797	(1,020,432)	(8.2)%
Accounts receivable:				
Trade	221,662	157,901	63,761	40.4 %
Due to other funds	(2,919,549)	(3,051,197)	131,648	4.3 %
Prepaid expenses	370,218	547,587	(177,369)	(32.4)%
Total current assets	10,700,167	11,114,822	(414,655)	(3.7)%
Long-term investments	3,604,264	1,469,159	2,135,105	145.3 %
Retiree healthcare trust investments	5,009,841	4,689,544	320,297	6.8 %
Capital assets, net	3,110,581	3,273,211	(162,630)	(5.0)%
Total assets	22,424,853	20,546,736	1,878,117	9.1 %
Deferred outflows of resources				
Deferred outflows related to pensions	14,807	14,627	180	1.2 %
Deferred outflows related to OPEB	878,755	1,018,990	(140,235)	(13.8)%
Total deferred outflows of resources	893,562	1,033,617	(140,055)	(13.5)%
Liabilities				
Current liabilities:				
Accounts payable	520,342	417,434	102,908	24.7 %
Accrued expenses	848,383	750,672	97,711	13.0 %
Due to Attorney Discipline System	43,520	34,904	8,616	24.7 %
Unearned revenue	1,959,429	2,147,744	(188,315)	(8.8)%
Subscription liability – current	46,415	39,348	7,067	18.0 %
Total current liabilities	3,418,089	3,390,102	27,987	0.8 %
Subscription liability – noncurrent	76,621	93,312	(16,691)	(17.9)%
Net pension liability	82,698	216,283	(133,585)	(61.8)%
Net OPEB liability	126,297	578,767	(452,470)	(78.2)%
Total liabilities	3,703,705	4,278,464	(574,759)	(13.4)%
Deferred inflows of resources				
Deferred inflows related to pensions	20,452	8,114	12,338	152.1 %
Deferred inflows related to OPEB	1,200,123	1,226,930	(26,807)	(2.2)%
Total deferred inflows of resources	1,220,575	1,235,044	(14,469)	(1.2)%
Net position				
Net investment in capital assets	2,987,545	3,140,551	(153,006)	(4.9)%
Restricted for retiree health care	4,562,176	3,902,837	659,339	16.9 %
Unrestricted	10,844,414	9,023,457	1,820,957	20.2 %
Total net position	\$ 18,394,135	\$ 16,066,845	\$ 2,327,290	14.5 %

*Before any restatement of prior year's data. Certain amounts have been reclassified to conform with the 2025 presentation.

State Bar of Michigan

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

	Year Ended September 30		Variance	
	2025	2024*	Increase (Decrease) Amount	%
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 10,608,925	10,633,675	\$ (24,750)	(0.2)%
Character and Fitness	367,305	367,885	(580)	(0.2)%
Client Protection Fund administration fee	305,845	270,928	34,917	12.9 %
Interim Administrator Program	213,060	192,960	20,100	10.4 %
Lawyer Services	207,474	223,943	(16,469)	(7.4)%
Bar Journal	205,025	169,381	35,644	21.0 %
Lawyer Referral Service	173,212	351,748	(178,536)	(50.8)%
Attorney Discipline System fee	135,023	127,955	7,068	5.5 %
Lawyers and Judges Assistance	77,739	71,823	5,916	8.2 %
Digital	45,667	54,169	(8,502)	(15.7)%
Michigan State Bar Foundation rent	45,025	43,561	1,464	3.4 %
e-Journal	42,384	31,578	10,806	34.2 %
Great Lakes Legal Conference	42,180	41,735	445	1.1 %
Print and Design	33,326	34,076	(750)	(2.2)%
Inaugural and Awards Luncheon	25,075	22,175	2,900	13.1 %
50 Year Honoree Celebration	6,915	7,660	(745)	(9.7)%
Ethics	3,525	3,535	(10)	(0.3)%
Diversity	1,590	980	610	62.2 %
Practice Management Resource Center	586	1,771	(1,185)	(66.9)%
Other revenue	320,845	336,855	(16,010)	(4.8)%
Total operating revenue	12,860,726	12,988,393	(127,667)	(1.0)%
Operating expenses				
Labor expenses:				
Salaries	6,318,512	6,084,679	233,833	3.8 %
Employee benefits and payroll taxes	1,650,817	1,738,274	(87,457)	(5.0)%
Total labor expenses	7,969,329	7,822,953	146,376	1.9 %
Nonlabor expenses:				
Division 1:				
Justice Initiatives	134,342	143,175	(8,833)	(6.2)%
Outreach	116,203	106,898	9,305	8.7 %
Client Protection Fund	68,822	34,838	33,984	97.5 %
Diversity	35,645	28,155	7,490	26.6 %
Character and Fitness	33,822	39,179	(5,357)	(13.7)%
Interim Administrator Program	10,072	11,113	(1,041)	(9.4)%
Lawyer Referral Service	8,008	5,547	2,461	44.4 %
Ethics	6,170	3,697	2,473	66.9 %
Unauthorized Practice of Law	5,849	4,508	1,341	29.7 %
Total Division 1	418,933	377,110	41,823	11.1 %
Division 2:				
Technical Services	740,314	647,450	92,864	14.3 %
Facilities Services	435,133	400,037	35,096	8.8 %
Bar Journal	373,141	329,282	43,859	13.3 %
Digital	112,605	113,423	(818)	(0.7)%
Great Lakes Legal Conference	60,533	60,754	(221)	(0.4)%
Lawyers and Judges Assistance	57,506	38,749	18,757	48.4 %
Inaugural and Awards Luncheon	47,401	43,979	3,422	7.8 %
Print and Design	47,032	40,235	6,797	16.9 %
50 Year Honoree Celebration	40,117	34,673	5,444	15.7 %
e-Journal	18,535	15,908	2,627	16.5 %
General Communications	18,281	10,740	7,541	70.2 %
Lawyer Services	17,408	27,735	(10,327)	(37.2)%
Research and Development	9,291	3,225	6,066	188.1 %
Practice Management Resource Center	1,108	4,539	(3,431)	(75.6)%
Total Division 2	1,978,405	1,770,729	207,676	11.7 %

*Before any restatement of prior year's data. Certain amounts have been reclassified to conform with the 2025 presentation.

State Bar of Michigan

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

	Year Ended September 30		Variance	
	2025	2024*	Increase (Decrease) Amount	%
Operating expenses (continued)				
Nonlabor expenses (continued)				
Division 3:				
Financial Services	\$ 464,912	\$ 385,463	\$ 79,449	20.6 %
Depreciation	431,024	408,981	22,043	5.4 %
Board of Commissioners	125,936	110,005	15,931	14.5 %
Human Resources	94,586	77,043	17,543	22.8 %
Administration	75,654	108,820	(33,166)	(30.5)%
Governmental Relations	72,633	67,875	4,758	7.0 %
Executive Office	45,686	33,161	12,525	37.8 %
General Counsel	43,050	27,750	15,300	55.1 %
Representative Assembly	40,310	34,795	5,515	15.8 %
Total Division 3	1,393,791	1,253,893	139,898	11.2 %
Total nonlabor expenses	3,791,129	3,401,732	389,397	11.4 %
Total operating expenses	11,760,458	11,224,685	535,773	4.8 %
Operating income (loss)	1,100,268	1,763,708	(663,440)	(37.6)%
Nonoperating revenue (expenses)				
Investment income	753,304	819,982	(66,678)	(8.1)%
Investment income (loss) – retiree healthcare trust, net	487,290	746,477	(259,187)	(34.7)%
Loss on disposal of capital assets	(4,466)	(14,447)	9,981	69.1 %
Total nonoperating revenue (expenses)	1,236,128	1,552,012	(315,884)	(20.4)%
Income before transfers	2,336,396	3,315,720	(979,324)	(29.5)%
Transfers in	10,084	-	10,084	N/A
Change in net position	2,346,480	3,315,720	(969,240)	(29.2)%
Net position at beginning of year	16,066,845	12,751,125	3,315,720	26.0 %
Cumulative effect of change in accounting principle	(19,190)	-	(19,190)	N/A
Net position at end of year	\$ 18,394,135	\$ 16,066,845	\$ 2,327,290	14.5 %

*Before any restatement of prior year's data. Certain amounts have been reclassified to conform with the 2025 presentation.

State Bar of Michigan

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

	Year Ended September 30		Variance Over	
	2025	2025	(Under) Budget	
	Actual	Budget	Amount	%
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 10,608,925	\$ 10,540,900	\$ 68,025	0.6 %
Character and Fitness	367,305	334,310	32,995	9.9 %
Client Protection Fund administration fee	305,845	262,800	43,045	16.4 %
Interim Administrator Program	213,060	125,000	88,060	70.4 %
Lawyer Services	207,474	225,000	(17,526)	(7.8)%
Bar Journal	205,025	151,500	53,525	35.3 %
Lawyer Referral Service	173,212	160,000	13,212	8.3 %
Attorney Discipline System fee	135,023	131,000	4,023	3.1 %
Lawyers and Judges Assistance	77,739	62,500	15,239	24.4 %
Digital	45,667	40,000	5,667	14.2 %
Michigan State Bar Foundation rent	45,025	45,405	(380)	(0.8)%
e-Journal	42,384	27,000	15,384	57.0 %
Great Lakes Legal Conference	42,180	40,000	2,180	5.5 %
Print and Design	33,326	30,500	2,826	9.3 %
Inaugural and Awards Luncheon	25,075	18,000	7,075	39.3 %
50 Year Honoree Celebration	6,915	6,000	915	15.3 %
Ethics	3,525	2,500	1,025	41.0 %
Diversity	1,590	600	990	165.0 %
Practice Management Resource Center	586	1,400	(814)	(58.1)%
Other revenue	320,845	288,500	32,345	11.2 %
Total operating revenue	12,860,726	12,492,915	367,811	2.9 %
Operating expenses				
Labor expenses:				
Salaries	6,318,512	6,498,432	(179,920)	(2.8)%
Employee benefits and payroll taxes	1,650,817	2,215,845	(565,028)	(25.5)%
Total labor expenses	7,969,329	8,714,277	(744,948)	(8.5)%
Nonlabor expenses:				
Division 1:				
Justice Initiatives	134,342	137,425	(3,083)	(2.2)%
Outreach	116,203	133,750	(17,547)	(13.1)%
Client Protection Fund	68,822	24,410	44,412	181.9 %
Diversity	35,645	38,800	(3,155)	(8.1)%
Character and Fitness	33,822	57,300	(23,478)	(41.0)%
Interim Administrator Program	10,072	82,060	(71,988)	(87.7)%
Lawyer Referral Service	8,008	6,950	1,058	15.2 %
Ethics	6,170	11,510	(5,340)	(46.4)%
Unauthorized Practice of Law	5,849	14,450	(8,601)	(59.5)%
Total Legal	418,933	506,655	(87,722)	(17.3)%
Division 2:				
Technical Services	740,314	797,386	(57,072)	(7.2)%
Facilities Services	435,133	433,950	1,183	0.3 %
Bar Journal	373,141	392,350	(19,209)	(4.9)%
Digital	112,605	177,000	(64,395)	(36.4)%
Great Lakes Legal Conference	60,533	111,900	(51,367)	(45.9)%
Lawyers and Judges Assistance	57,506	37,000	20,506	55.4 %
Inaugural and Awards Luncheon	47,401	55,300	(7,899)	(14.3)%
Print and Design	47,032	53,900	(6,868)	(12.7)%
50 Year Honoree Celebration	40,117	43,500	(3,383)	(7.8)%
e-Journal	18,535	16,380	2,155	13.2 %
General Communications	18,281	29,850	(11,569)	(38.8)%
Lawyer Services	17,408	36,650	(19,242)	(52.5)%
Research and Development	9,291	28,595	(19,304)	(67.5)%
Practice Management Resource Center	1,108	8,340	(7,232)	(86.7)%
Total Public and Bar Services	1,978,405	2,222,101	(243,696)	(11.0)%

State Bar of Michigan

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

	Year Ended September 30		Budget Variance Over	
	2025	2025	(Under) Budget	
	Actual	Budget	Amount	%
Operating expenses (continued)				
Nonlabor expenses (continued)				
Division 3:				
Financial Services	\$ 464,912	\$ 500,350	\$ (35,438)	(7.1)%
Depreciation	431,024	451,000	(19,976)	(4.4)%
Board of Commissioners	125,936	156,300	(30,364)	(19.4)%
Human Resources	94,586	97,700	(3,114)	(3.2)%
Administration	75,654	86,980	(11,326)	(13.0)%
Governmental Relations	72,633	70,720	1,913	2.7 %
Executive Office	45,686	69,850	(24,164)	(34.6)%
General Counsel	43,050	44,400	(1,350)	(3.0)%
Representative Assembly	40,310	51,800	(11,490)	(22.2)%
Total Operations and Policy	1,393,791	1,529,100	(135,309)	(8.8)%
Total nonlabor expenses	3,791,129	4,257,856	(466,727)	(11.0)%
Total operating expenses	11,760,458	12,972,133	(1,211,675)	(9.3)%
Operating income	1,100,268	(479,218)	1,579,486	329.6 %
Nonoperating revenue (expenses)				
Investment income	753,304	680,000	73,304	10.8 %
Investment income – retiree healthcare trust, net	487,290	-	487,290	N/A
Loss on disposal of capital assets	(4,466)	-	(4,466)	N/A
Total nonoperating revenue (expenses)	1,236,128	680,000	556,128	81.8 %
Income before transfers	2,336,396	200,782	2,135,614	1063.6 %
Transfers in	10,084	-	10,084	N/A
Change in net position	2,346,480	200,782	2,145,698	1068.7 %
Net position at beginning of year	16,066,845	16,066,845	-	0.0 %
Cumulative effect of change in accounting principle	(19,190)	-	(19,190)	N/A
Net position at end of year	\$ 18,394,135	\$ 16,267,627	\$ 2,126,508	13.1 %

State Bar of Michigan

Historical Financial Summaries – Administrative Fund

	FY 2021*	FY 2022*	FY 2023*	FY 2024*	FY 2025
Operating revenue					
License Fees, Section Dues, and Affiliate Dues	\$ 7,764,197	\$ 7,675,680	\$ 10,830,970	\$ 10,633,675	\$ 10,608,925
Other operating revenue	1,409,807	1,517,858	1,828,111	2,354,718	2,251,801
Total operating revenue	9,174,004	9,193,538	12,659,081	12,988,393	12,860,726
Operating expenses					
Salaries	5,089,955	5,418,000	5,789,720	6,084,679	6,318,512
Employee benefits and payroll taxes	1,694,812	1,540,619	1,847,302	1,738,274	1,650,817
Other operating expenses	3,073,735	3,040,859	3,238,700	3,401,732	3,791,129
Total operating expenses	9,858,502	9,999,478	10,875,722	11,224,685	11,760,458
Operating income (loss)	(684,498)	(805,940)	1,783,359	1,763,708	1,100,268
Nonoperating revenue					
Investment income	70,185	62,582	579,659	819,982	753,304
Investment income (loss) – retiree healthcare trust, net	824,417	(1,216,661)	574,984	746,477	487,290
Loss on disposal of capital assets	(8,793)	(78)	-	(14,447)	(4,466)
Total nonoperating revenue	885,809	(1,154,157)	1,154,643	1,552,012	1,236,128
Income before transfers	201,311	(1,960,097)	2,938,002	3,315,720	2,336,396
Transfers in	-	-	-	-	10,084
Change in net position	201,311	(1,960,097)	2,938,002	3,315,720	2,346,480
Net position at beginning of fiscal year	11,571,909	11,773,220	9,813,123	12,751,125	16,066,845
Cumulative effect of change in accounting principle	-	-	-	-	(19,190)
Net position at end of fiscal year	\$ 11,773,220	\$ 9,813,123	\$ 12,751,125	\$ 16,066,845	\$ 18,394,135
Net position as a % of total operating expenses	119.4%	98.1%	117.2%	143.1%	156.4%
Unrestricted net position as a % of total operating expenses	51.5%	42.5%	59.1%	80.4%	92.2%
Number of State Bar of Michigan attorney members in good standing as of September 30	46,523	46,773	46,824	46,934	47,222

**Before any restatement of prior year's data. Certain amounts in 2024 have been reclassified to conform with the 2025 presentation.*

State Bar of Michigan

Historical Financial Summaries – Client Protection Fund

	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
Operating revenue					
License Fees	\$ 645,566	\$ 645,784	\$ 641,066	\$ 632,426	\$ 632,411
Pro Hac Vice fees	12,990	11,970	12,330	-	-
Other operating revenue	37,159	43,576	161,615	183,184	68,453
Total operating revenue	695,715	701,330	815,011	815,610	700,864
Operating expenses					
Claims payments	338,293	238,106	312,369	106,355	367,675
Other operating expenses	162,866	187,870	210,655	271,363	306,265
Total operating expenses	501,159	425,976	523,024	377,718	673,940
Operating income	194,556	275,354	291,987	437,892	26,924
Nonoperating revenue – investment income	3,845	12,318	108,215	165,742	144,779
Change in net position	198,401	287,672	400,202	603,634	171,703
Net position at beginning of fiscal year	2,031,710	1,834,119	2,121,791	2,521,993	3,125,627
Cumulative effect of change in accounting principle	(395,992)	-	-	-	-
Net position at end of fiscal year	\$ 1,834,119	\$ 2,121,791	\$ 2,521,993	\$ 3,125,627	\$ 3,297,330
Net position as a % of total operating expenses	366.0%	498.1%	482.2%	827.5%	489.3%

* Before any restatement of prior year's data