

FY 2021

STATE BAR OF MICHIGAN ANNUAL FINANCIAL REPORT



AUDITED FINANCIAL STATEMENTS & SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021
WITH REPORT OF INDEPENDENT AUDITORS



Audited Financial Statements
and Other Supplementary Information

State Bar of Michigan

*Year Ended September 30, 2021
with Report of Independent Auditors*

State Bar of Michigan
Audited Financial Statements
and Other Supplementary Information
Year Ended September 30, 2021

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State Bar of Michigan
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Introductory Section

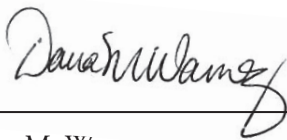
December 8, 2021

Honorable Bridget Mary McCormack
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 FY 2021 Annual Financial Report of the State Bar of Michigan. The Annual Financial Report covers the fiscal year that ended on September 30, 2021 and contains the audited financial statements and other information required by accounting standards or useful to understanding the operations and effectiveness of the State Bar of Michigan 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 2021 Annual Financial Report. The basic financial statements and related notes are audited by the independent accounting firm of Andrews Hooper Pavlik PLC in accordance with auditing standards generally accepted in the United States of America, and their opinion is provided as part of this report. Questions or comments on this report should be directed to the executive director of the State Bar of Michigan.

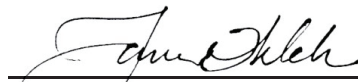
Ordinarily this report is transmitted without further comment, but, as was the case last year, we want to note that the State Bar is especially proud of what it has been able to accomplish for the benefit of the public and the legal profession under the continuing unprecedented circumstances of the pandemic, and to express gratitude to the Michigan lawyers who have generously volunteered their time, to the Supreme Court for your leadership, and to the stakeholders with whom we partnered in our efforts.



Dana M. Warnez
President



Lisa J. Hammeh
Treasurer



Janet K. Welch
Executive Director



Tatiana Goodkin
Chief Financial Officer

OVERVIEW OF THE STATE BAR OF MICHIGAN

The State Bar of Michigan was established in 1935 by public act and is regulated by the Michigan Supreme Court. The State Bar of Michigan exists to aid in promoting improvements in the administration of justice and advancements in jurisprudence, improving relations between the legal profession and the public, and promoting the interests of the legal profession in Michigan. By law, all persons licensed to practice law in Michigan constitute the State Bar of Michigan's membership. The State Bar of Michigan is a public body corporate, funded by licensing fees and revenue generated by bar activities. It receives no appropriations from the State of Michigan.

The State Bar of Michigan works to promote the professionalism of lawyers, advocates for an open, fair and accessible justice system, and provides services to members that enable them to best serve their clients.

GOVERNANCE

By integrating the bar into the regulatory structure of the legal profession, the State of Michigan adopted a modified form of the self-governance of the legal profession common to England and Commonwealth countries. Pursuant to Rule 5 of the Rules Concerning the State Bar of Michigan (State Bar Rules), the State Bar is governed by a Board of Commissioners. The president, president-elect, vice president, secretary, and treasurer are the officers of the State Bar, elected by the Board of Commissioners.

BOARD OF COMMISSIONERS 2020-2021



Robert J. Buchanan
President



Dana M. Warnez
President-Elect



James W. Heath
Vice President



Daniel D. Quick
Secretary



Joseph P. McGill
Treasurer



Danielle Mason Anderson
District F



David C. Anderson
District I



Kristina A. Bilowus
Vice Chair
Young Lawyers Section



Erika L. Bryant
District H



Hon. Clinton Canady III
District E



Hon. B. Chris Christenson
District B



Thomas P. Clement
Commissioner at Large



Josephine A. DeLorenzo
Commissioner at Large



Robert A. Easterly
District C



Lisa J. Hamameh
District I



Thomas H. Howlett
District I



Sarah E. Kuchon
District I



Suzanne C. Larsen
District A



James W. Low
District I



Gerrow D. (Gerry) Mason
Clerk, Representative
Assembly



E. Thomas McCarthy Jr.
District C



Valerie R. Newman
Commissioner-at-Large



Takura N. Nyamfukudza
Commissioner-at-Large



Nicholas M. Ohanesian
Vice Chair, Representative
Assembly



Samantha J. Orvis
Chair
Young Lawyers Section



Hon. David A. Perkins
District H



Barry R. Powers
Commissioner-at-Large



Chelsea M. Rebeck
Chair, Representative
Assembly



Thomas Sinas
District C



Hon. Erane C. Washington
District G



Mark A. Wisniewski
District H



Ryan Zemke
Immediate Past Chair,
Young Lawyers Section

REPRESENTATIVE ASSEMBLY 2020-2021

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.



Chelsea M. Rebeck
Chair



Nicholas M. Ohanesian
Vice Chair



Gerrow D. Mason
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 21 standing committees and one special committee of the State Bar created to advance the work of the State Bar as defined by court rule. Almost 450 attorneys served on State Bar of Michigan committees, task forces, and workgroups. The State Bar's 44 sections, each with its own bylaws approved by the Board of Commissioners, focused largely on excellence in specific practice areas. 42 of the sections are funded by voluntary dues from their membership. The work of the Young Lawyers Section and Judicial Section is funded by State Bar dues.

The State Bar of Michigan employs a paid staff to carry out its mission under the supervision of the executive director appointed by the Board of Commissioners. The State Bar of Michigan employed 72.5 full-time equivalent employees (FTEs) at the end of fiscal year 2021, a 0.5 FTE increase from fiscal year 2020.



46,523

TOTAL ATTORNEY MEMBERS

42,393 ACTIVE MEMBERS

1,097 INACTIVE MEMBERS

3,033 EMERITUS MEMBERS

32

COMMISSIONERS

150

REPRESENTATIVES

450

ATTORNEYS SERVED ON:

COMMITTEES

TASK FORCES

WORKGROUPS

21

STANDING COMMITTEES

44

SECTIONS

72.5

EMPLOYEES

KEY ACTIVITIES

ACTIVITIES MANDATED BY STATUTE OR COURT RULE

ADMINISTRATIVE ACTIVITIES

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

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

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

ACTIVITIES AUTHORIZED BY BOARD OF COMMISSIONERS TO CARRY OUT GOVERNMENTAL MANDATE

IMPROVEMENTS IN THE ADMINISTRATION OF JUSTICE AND ADVANCEMENTS IN JURISPRUDENCE

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

IMPROVEMENTS IN RELATIONS BETWEEN THE LEGAL PROFESSION AND THE PUBLIC

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

PROMOTION OF INTERESTS OF LEGAL PROFESSION

- Administrative support for sections
- Practice management support services
- Lawyers and judges assistance
- Ethics helpline
- Legal research tool
- Endorsed products & services
- Ethics seminars & resources
- E-Journal
- Practice management seminars
- Support for local and affinity bars

HIGHLIGHTS OF FY 2021

ANNUAL FISCAL REPORT UPDATE

ADMINISTRATIVE ACTIVITIES

Collection of license fees and administration of licensing requirements

The State Bar of Michigan has implemented further upgrades of the member portal and e-commerce site to improve attorney experience with mandatory disclosures and payments. Improvements include adding the ability to upload an order of admission for new attorneys, integrating the online renewal process for suspended attorneys, and creating payment pages for processing reinstatement and status change payments.

Governance

Court rules define the self-governing features of the State Bar of Michigan as an integrated bar. A task force reviewed and examined ways to modernize the governance structure of the State Bar for the purpose of making governance more cost-effective and timely. Its work will be presented to the Representative Assembly and Board of Commissioners.

Conversion of State Bar activities to remote work and virtual proceedings

Consistent with executive orders and public safety, the State Bar converted the bulk of its operations to remote work and assisted Michigan lawyers and the Supreme Court in adapting legal practices to adhere to COVID-19 restrictions and safe practices.

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

Bar Admissions

The State Bar processed 957 character and fitness (C&F) applications for the February 2021 and July 2021 bar exams and conducted interviews for 35 applicants. Thirteen additional matters were referred, with interviews or recommendations pending. Thirty matters are expected to be referred to C&F district committees upon completion of the investigation. There were 42 formal hearings completed via Zoom, due to COVID-19. Seven formal BLE hearings were via Zoom.

Annual Meeting

The State Bar satisfied court rule requirements by successfully conducting the 2021 Annual Meeting and associated business functions by Zoom.

Unauthorized Practice of Law administration

The State Bar received 62 complaints alleging the unauthorized practice of law (UPL) during FY 2021. Of these complaints, 35 were closed after investigation, either due to obtaining voluntary compliance or because there was no evidence of UPL found. Of the remaining 27 open matters, nine matters remain under investigation, seven matters are pending UPL Standing Committee review after investigation, and 11 matters were approved for litigation by the Board

of Commissioners and remain open for litigation review. Four injunctive orders were obtained by the UPL Department, and three cases remain in active litigation.

Client Protection Fund administration

The Board of Commissioners approved 35 Client Protection Fund claims filed by payees whose attorneys misappropriated client funds. These claims totaled \$338,293. State Bar made payments of \$275,981 which included \$178,925 approved by the Board of Commissioners in FY 2020. As of September 30, 2021, \$241,237 of claims remained to be paid pending the receipt of signed subrogation agreements.

Development of resources to respond to COVID-19 pandemic

In response to the profound, extensive emergency changes in the operations of the court system and the practice of law precipitated by the COVID-19 public health crisis, the State Bar refocused its communications and public services to meet the emerging needs of the public and Michigan lawyers. The State Bar developed new resources, including constantly updated resource pages addressing changes in court practices and remote work tools and tips. The State Bar and its sections worked collaboratively with the State Court Administrative Office, the Board of Law Examiners, the Attorney Discipline System, the Michigan Institute for Continuing Legal Education, and the executive and legislative branches, on necessary adaptations in the provision and regulation of legal services during the pandemic.

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

Administration of AO 2004-1 and Policy Development

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

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

remain good law.” Taylor filed a petition for certiorari in the United States Supreme Court.

Access to Justice Initiatives

Promotion of access to justice is a thread that winds through many State Bar activities. In addition to policy development, the State Bar supports a centralized fundraising campaign administered by the separate Michigan State Bar Foundation in partnership with the State Bar, to raise money for qualifying civil legal aid programs in Michigan. The Access to Justice Campaign revenue for FY 2021 was more than \$3,095,000 (unaudited), including approximately \$1,776,100 in cy pres awards. Approximately \$24.50 million has been received by the Access to Justice Fund in donations and pledges. During the 2020 calendar year, 51 firms gave at the Leadership Firm level of \$300+ per attorney, and 68 firms and corporate legal departments gave at tiered levels between \$1,000 and \$100,000.

Justice for All Commission

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

Diversity and Inclusion

In addition to its traditional work partnering with local and affinity bars on diversity and inclusion events, the State Bar developed a central repository of resources for Michigan lawyers on race and justice and convened an ongoing online Race and Justice Forum to discuss developments and foster bar collaboration. In partnership with General Motors Legal Staff, the State Bar offered virtual training sessions to all Michigan lawyers on how unconscious processes may affect individual decision-making.

Advocacy

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

IMPROVEMENTS IN RELATIONS BETWEEN THE LEGAL PROFESSION AND THE PUBLIC

Online Legal Resource Center and Access to Justice Initiatives

In FY 2018, the State Bar launched the country’s first full-service state bar online Legal Resource and Referral Center and advanced its offerings throughout FY 2019 and FY 2020. The new service is taking full advantage of online access, automated administration, consumer-centered business practices using data-driven marketing and feedback, and new standards of accountability based on best business practices and ethics.

The portal includes lawyer referral, the online attorney directory, and educational materials to help consumers with their legal needs. In FY 2021, the Lawyer Referral Service practice areas were updated to facilitate better, more targeted referral matches and expanded its Modest Means Program.

The Legal Resource and Referral Center portal allows call center staff to process referrals and attorney panel members to manage their panel membership online. Development of the Online Legal Resource Center is coordinated with and aided by Michigan Legal Help. FY 2021 saw continued expansion of automated data reporting, and of limited scope practice areas and modest means lawyer referral offerings, and the initiation of new collaborations with legal aid, law school clinics, and local bars.

In response to COVID-19, the \$25 administrative fee was waived for all matters beginning April 1, 2020. The fee was reinstated in April 2021.

In total, there were 165,095 unique visitors to the site who accessed 408,084 pages of information.

Civic Education and Public Outreach

The Public Outreach and Education Committee and the Diversity and Inclusion Advisory Committee continued to support law-related education programs across the state and assist partners and stakeholders in adapting public education offerings to a virtual environment.

Pro bono program and A Lawyer Helps

In addition to carrying out the traditional support functions for the pro bono activities of Michigan lawyers, including qualified domestic relation orders, federal and state income tax issues, patent, and new Clean Slate/expungement projects, the State Bar worked with FEMA, Lakeshore Legal Aid, Michigan Advocacy Program/Legal Services of South Central Michigan, State Bar Young Lawyers Section, Red Cross, National Disaster Legal Aid Online, Dykema, Bodman, Miller Canfield, and Honigman to assist Michiganders impacted by the flooding disaster in the metro-Detroit area. While there was a significant reduction in the volume of in-person legal clinics and pro bono events due to the COVID-19 crisis, the State Bar created and maintained new resources specifically targeted at legal needs arising from the crisis, such as the Spring Pro Bono Workshop that focused on issues related to the pandemic.

PROMOTION OF INTERESTS OF LEGAL PROFESSION

Administrative support for sections

The State Bar provides basic administrative support for the sections of the State Bar, primarily by collection of voluntary dues, maintenance of the sections’ membership databases, financial services, and website support. Any policy advocacy by sections is financed entirely by voluntary dues. The sections serve the profession with educational and networking events throughout the year specific to the legal interests of each section’s practice area.

In FY 2021, State Bar sections remained key players in helping develop and implement strategies necessary for maintaining legal and court services in a pandemic environment.

Membership in the State Bar's sections totaled 47,961, including 34,677 total paid section memberships purchased by 24,873 unique State Bar licensees. Free section memberships were available to law students, first-year licensees, and those who qualified for the Young Lawyers or Judicial sections. There are 44 sections of the State Bar.

Practice management support services

The Practice Management Resource Center (PMRC) focused on technology competency based on the recent update to the comments on Michigan Rule of Professional Conduct 1.1, unveiling a technology competency webpage that pulls together technology and ethics resources relevant to seven core technology competencies: (1) collaboration, (2) computer skills, (3) cyber security, (4) data security, (5) e-discovery, (6) e-filing, and (7) the internet. In addition, the PMRC continued to update and provide resources, trainings, and guidance through the State Bar website, one-on-one helpline, MJB articles, newsletters and social media. In continuation of its support for attorneys working in remote environments, the PMRC also provided training and tips concerning online meeting platforms. The State Bar's On Balance podcasts focused on the emerging needs and concerns of lawyers practicing in a pandemic environment.

Lawyers and Judges Assistance

The Lawyers and Judges Assistance Program (LJAP) helps to protect the public by its dedication to assisting legal professionals with mental health and substance use problems. The State Bar is devoted to the advancement of well-being in the legal profession, including offering services to those looking to optimize their overall wellness. Members' use of State Bar's LJAP resources were up substantially in 2021. In FY 2021 LJAP helped over 200 law students, bar applicants, lawyers and judges recover from mental illness and/or substance use disorders. LJAP provided 24 professional presentations to law schools, legal employers, local and affinity bars, regulators, and other stakeholders in the field of law, focusing on topics related to well-being in the legal profession.

Between new cases opened and referrals provided, 142 members received services, up 37% from FY 2020. LJAP clinical staff completed 29 biopsychosocial evaluations and maintained an average monthly caseload of 48 individuals. Free telephone consultations provided to law students, lawyers, judges, and their concerned parties increased by 175%. In March 2021, LJAP started a new, weekly virtual support group for Michigan lawyers.

LJAP staff continues to participate in providing On Balance podcasts on wellness topics in conjunction with the Practice Management Resource Center staff.

LJAP has been integral in the establishment of the SOLACE (Support of Lawyers/Legal Personnel – All Concern Encouraged) Program. Since the launch of SOLACE in July 2021, over 15,000 legal professionals have voluntarily joined the SOLACE Network with four requests for assistance submitted and answered by the goodwill of the members of Michigan's legal community.

Ethics helpline and seminars

The State Bar of Michigan staff counsel responded to approximately seven to eight inquiries daily from attorneys and judges seeking informal advice through the Ethics Helpline. The inquiries ranged from simple advice to complex scenarios requiring extensive thoughtful discussion. Staff counsel engaged in numerous presentations, including the Lawyer Trust Account Seminar three times and the Tips and Tools Seminar two times over the past year.

The Professional Ethics Committee published several FAQs, including FAQs focused on cybersecurity, drafted outlines concerning ethical issues in child protective proceedings and changing law firms for pending ethics guidebooks, and advised the Representative Assembly on proposal concerning remote lawyering. The Judicial Ethics Committee published FAQs concerning social media, judicial campaigns, and general judicial ethical issues and drafted a judicial ethics opinion concerning gifts (JL-146).

Interim Administrator Program

The State Bar has been working on creating a succession planning requirement to help ensure that clients are protected if their attorney dies or otherwise becomes unexpectedly unable to practice law. The need for succession planning in Michigan is great and growing based on data indicating that the number of small and solo practices is growing, and attorneys are waiting longer to retire from the practice of law. The State Bar of Michigan Representative Assembly voted in 2019 to approve an Interim Administrator Program and to recommend appropriate rule changes to implement the program. The program would provide education and resources for active Michigan attorneys in private practice regarding succession planning in the event that the attorney becomes unexpectedly unable to practice law due to death, disability, or discipline. Currently, the Attorney Grievance Commission is responsible for law practice receiverships under similar circumstances.

Under the new proposed program, all active attorneys in private practice would be required to designate a successor attorney or law firm or pay a fee to participate in the State Bar of Michigan Interim Administrator Program, which would act as, or nominate and assist, an interim administrator. The interim administrator would manage or wind up the attorney's practice depending on the circumstances. On September 22, 2021, the Court held a public administrative hearing to consider the proposed rules, and the rules are currently pending further consideration by the Michigan Supreme Court.

Support for local and affinity bars

The State Bar provides a variety of support services to Michigan's 120 State Bar-accredited voluntary bar associations, including staff advisory assistance, communications, and coordination. In a non-COVID-19 environment, these efforts are supplemented and advanced by in-person visits to voluntary bars by the State Bar president. The State Bar continues to explore the opportunities for virtual presidential involvement in voluntary bar activities.

FINANCIAL & MEMBERSHIP SUMMARY

FINANCIAL SUMMARY

As of September 30, 2021, the State Bar's net position in the Administrative Fund totaled \$11,773,220, an increase of \$201,311, or 2 percent, during FY 2021. Excluding the retiree health care trust assets net of associated liabilities and other financial impacts, the Administrative Fund totaled \$8,423,012, a decrease of \$759,641, or 8 percent during FY 2021. The Administrative Fund decrease was anticipated as a standard feature of the SBM budgeting at the end of an extended "fee cycle." The current 18-year cycle is over twice the normal bar fee cycle, and the longest in at least half a century. The Client Protection Fund's net position totaled \$1,834,119, an increase of \$198,401, or 12 percent as restated during FY 2021. The sections' net position, calculated separately as it consists of voluntary section dues and other section funds, totaled \$2,983,335, an increase of \$363,595 or 14 percent during FY 2021. The State Bar operates with no outstanding debt.

APPROVED FY 2022 BUDGET

The State Bar Board of Commissioners has approved a FY 2022 Administrative Fund budget totaling \$11,241,540, using \$2,087,690 of reserves, focused on continued accomplishment of the State Bar's strategic focus. A summary of the FY 2022 approved budget was published in the November 2021 Michigan Bar Journal and can also be found on the State Bar's website at www.michbar.org/generalinfo/.

MEMBERSHIP AND AFFILIATE STATISTICS

During FY 2021, the number of State Bar of Michigan attorney members increased by 203, or 0.4 percent over FY 2020; however, the number of paying attorneys decreased by 149 or 0.4 percent. Below are the statistics for each class of member and affiliate group for the year ended September 30, 2021:

Attorney Members

Active members	42,393
Inactive members	1,097
Emeritus members	<u>3,033</u>

Total Attorney Members 46,523

Affiliates

Legal administrators	5
Legal assistants	<u>219</u>

Total Affiliates 224

During FY 2021, 873 new members joined the State Bar of Michigan.

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

Financial Section

Report of Independent Auditors

To the Board of Commissioners
State Bar of Michigan
Lansing, Michigan

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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 20 and the Required Supplementary Information on pages 50 through 53, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information

Our audit for the year ended September 30, 2021 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, 2021 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, 2021, 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, 2021.

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, 2017 through 2020 (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 2017 through 2020 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, 2017 through 2020, as applicable.

The Introductory Section is presented for purposes of additional analysis and is not a required part of the financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Okemos, Michigan
December 8, 2021

Andrews Hooper Pavlik PLC

State Bar of Michigan

Management's Discussion and Analysis

September 30, 2021

Brief Description of the Financial Statements

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

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

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

Basic Financial Statements:

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

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

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

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

Summary of FY 2021 Financial Information

The audited financial statements, including the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows, are shown on pages 21-23.

The following is a financial analysis comparing FY 2021 with FY 2020 for the statement of net position and the statement of revenue, expenses, and changes in net position. Also shown is a financial analysis comparing FY 2021 actual with the FY 2021 budget for the statement of revenue, expenses, and changes in net position. The financial exhibits in the "Other Supplementary Information" section of this report shown on pages 54-61 are also helpful reference materials for this analysis.

State Bar of Michigan
Management's Discussion and Analysis
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Analysis of FY 2021 Statement of Net Position Compared to FY 2020

Administrative Fund	September 30		Increase (Decrease)	%
	2021	2020		
Current Assets	\$ 8,212,453	\$ 8,170,419	\$ 42,034	0.5 %
Noncurrent Assets (net)	8,074,501	7,404,823	669,678	9.0 %
Total Assets	16,286,954	15,575,242	711,712	4.6 %
Deferred Outflows of Resources	818,038	485,257	332,781	68.6 %
Current Liabilities	2,769,112	2,200,620	568,492	25.8 %
Noncurrent Liabilities	1,783,598	1,945,796	(162,198)	(8.3)%
Total Liabilities	4,552,710	4,146,416	406,294	9.8 %
Deferred Inflows of Resources	779,062	342,174	436,888	127.7 %
Net Position – Net Investment in Capital Assets	3,343,587	3,555,659	(212,072)	(6.0)%
Net Position – Restricted for Retiree Health Care	3,350,208	2,389,256	960,952	40.2 %
Net Position – Unrestricted	5,079,425	5,626,994	(547,569)	(9.7)%
Net Position	\$ 11,773,220	\$ 11,571,909	\$ 201,311	1.7 %

Current assets increased by \$42,034, or 0.5 percent, primarily due to higher cash and investments, prepaid expenses, and due to sections, offset by lower due from ADS and to CPF. Noncurrent assets increased by \$669,678, or 9.0 percent, due to an increase in the retiree health care trust fund, partially offset by a decrease in net capital assets. Deferred outflows of resources increased by \$332,781 or 68.6 percent, primarily due to OPEB adjustments related to changes in assumptions for valuation of OPEB healthcare liability.

Current liabilities increased by \$568,492, or 25.8 percent, primarily due to higher accrued expenses, accounts payable and higher deferred license fees and other revenue. Noncurrent liabilities decreased by \$162,198, or 8.3 percent, due to an increase in the net pension liability offset by a decrease in the OPEB liability. Deferred inflows of resources increased by \$436,888, or 127.7 percent, primarily related to OPEB adjustments. Overall, net position increased by \$201,311, or 1.7 percent during FY 2021.

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Client Protection Fund	September 30		Increase (Decrease)	%
	2021	2020		
Assets	\$ 2,207,281	\$ 1,994,923	\$ 212,358	10.6 %
Liabilities	373,162	359,205	13,957	3.9 %
Net Position	<u>\$ 1,834,119</u>	<u>\$ 1,635,718</u>	<u>\$ 198,401</u>	12.1 %

FY 2020 amounts are presented as restated due to the changes in accounting policy for claims revenue from an accrual basis to a cash basis and claim expenses being recorded when claims are approved by the Board versus when the signed subrogation agreements are received. The new policies allow for better transparency of financial results and business processes. Assets increased by \$212,358, or 10.6 percent, primarily due to higher cash for operations, net of lower due from other funds, investments, and no accounts receivable. Liabilities increased by \$13,957 or 3.9 percent, primarily due to higher unearned revenue offset by lower accounts payable. As a result, net position increased by \$198,401, or 12.1 percent, during FY 2021.

Sections	September 30		Increase (Decrease)	%
	2021	2020		
Total Assets	\$ 2,983,335	\$ 2,619,740	\$ 363,595	13.9 %
Net Position	<u>\$ 2,983,335</u>	<u>\$ 2,619,740</u>	<u>\$ 363,595</u>	13.9 %

All of the individual assets and liabilities of the sections are held within the Administrative Fund and are shown as assets in "due from (to) other funds." Both assets and net position increased by \$363,595 or 13.9 percent, as a result of section revenue being greater than section expenses during FY 2021 primarily due to lower meeting and seminar expenses, offset by lower non-section dues revenue.

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Analysis of FY 2021 Statement of Revenue, Expenses, and Changes in Net Position Compared to FY 2020

Administrative Fund	Year Ended September 30		Increase (Decrease)	%
	2021	2020		
Operating Revenue	\$ 9,174,004	\$ 9,122,592	\$ 51,412	0.6 %
Operating Expenses:				
Labor	6,784,767	7,057,161	(272,394)	(3.9)%
Nonlabor	3,073,735	3,211,185	(137,450)	(4.3)%
Total Operating Expenses	9,858,502	10,268,346	(409,844)	(4.0)%
Operating Loss	(684,498)	(1,145,754)	461,256	40.3 %
Nonoperating Revenue	885,809	500,443	385,366	77.0 %
Change in Net Position	\$ 201,311	\$ (645,311)	\$ 846,622	131.2 %

Retiree healthcare trust income is presented net of the trust advisor fees of \$19,439 for FY 2021 and \$9,815 for FY 2020.

The Administrative Fund's operating loss decreased by \$461,256, or 40.3 percent, due to a decrease in operating expenses of \$409,844, or 4.0 percent, and an increase in operating revenue of \$51,412, or 0.6 percent.

The Administrative Fund's operating revenue increased by \$51,412, or 0.6 percent, primarily due to higher license fees and related revenues, and higher revenues in Lawyer and Judges Assistance Program, Lawyer Referral Services, and Member Services, net of lower Character and Fitness fees and cancellation of the printed Bar Journal Directory.

The Administrative Fund's operating expenses decreased by \$409,844, or 4.0 percent, due to lower nonlabor expenses of \$137,450, or 4.3 percent, and lower labor expenses of \$272,394, or 3.9 percent. The lower nonlabor expenses were primarily due to lower operating expenses in Communications, e.g., Bar Journal, Bar Journal Directory, Digital and General Communications, Legal, and Facilities, offset by higher spending in IT and the cost of limited resumption of meetings and travel. Labor expenses were lower primarily due to staff vacancies and lower benefits expenses.

The Administrative Fund's nonoperating revenue increased by \$385,366, or 77.0 percent, due to higher retiree health care trust investment income and lower loss on disposal of capital assets, offset by lower interest income.

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As a result, the Administrative Fund's net position increased by \$201,311 in FY 2021 compared to a decrease of \$645,311 in FY 2020. The primary drivers for this increase were an increase in nonoperating revenue of \$385,366 and a decrease in operating loss of \$461,256.

Client Protection Fund	Year Ended September 30		Increase (Decrease)	%
	2021	2020		
Operating Revenue	\$ 695,715	\$ 709,405	\$ (13,690)	(1.9)%
Operating Expenses	501,159	876,336	(375,177)	(42.8)%
Operating Income (Loss)	194,556	(166,931)	361,487	216.5 %
Nonoperating Revenue	3,845	16,959	(13,114)	(77.3)%
Change in Net Position	\$ 198,401	\$ (149,972)	\$ 348,373	232.3 %

FY 2020 amounts are presented as restated due to the changes in accounting policy for claims revenue from an accrual basis to a cash basis and claim expenses being recorded when claims are approved by the Board of Commissioners versus when the signed subrogation agreements are received. The Client Protection Fund experienced an increase in net position of \$198,401 in FY 2021 compared to a decrease of \$149,972 in FY 2020, resulting in a year-over-year increase of \$348,373, or 232.3 percent. This was due primarily to lower claim expenses and a small decrease in operating revenue. Operating revenue decreased by \$13,690, or 1.9 percent, primarily due to lower claim recoveries which are recorded now on a cash basis versus accrual basis. Operating expenses decreased by \$375,177 or 42.8 percent, primarily due to lower claims payments and a small decrease in administrative expenses. Nonoperating revenue decreased by \$13,114, or 77.3 percent, due to lower investment income.

Sections	Year Ended September 30		Increase (Decrease)	%
	2021	2020		
Operating Revenue	\$ 1,438,308	\$ 1,628,123	\$ (189,815)	(11.7)%
Operating Expenses	1,074,713	1,258,899	(184,186)	(14.6)%
Operating Income	363,595	369,224	(5,629)	(1.5)%
Change in Net Position	\$ 363,595	\$ 369,224	\$ (5,629)	(1.5)%

The sections saw a decrease in operating income as well as a decrease in operating expense, with net operating income being consistent with FY 2020. Accordingly change in net position of \$363,595 in FY 2021 was comparable to \$369,224 in FY 2020.

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Analysis of FY 2021 Revenue, Expenses, and Changes in Net Position as Compared to FY 2021 Approved Budget - Administrative Fund

Administrative Fund	Year Ended September 30	2021 Actual	2021 Budget	Favorable/ (Unfavorable) Variance	%
Operating Revenue		\$ 9,174,004	\$ 9,135,890	\$ 38,114	0.4 %
Operating Expenses:					
Labor		6,784,767	7,246,257	461,490	6.4 %
Nonlabor		3,073,735	3,932,645	858,910	21.8 %
Total Operating Expenses		9,858,502	11,178,902	1,320,400	11.8 %
Operating Loss		(684,498)	(2,043,012)	1,358,514	66.5 %
Nonoperating Revenue		885,809	94,000	791,809	842.4 %
Change in Net Position		\$ 201,311	\$ (1,949,012)	\$2,150,323	110.3 %

The Administrative Fund's operating loss was favorable to budget by \$1,358,514 or 66.5 percent, due to a favorable variance in operating revenue of \$38,114, or 0.4 percent, and a favorable variance in operating expenses of \$1,320,400, or 11.8 percent.

The Administrative Fund's operating revenue was favorable to budget by \$38,114, or 0.4 percent, primarily due to higher revenues in license and related fees, offset by lower revenues in Character and Fitness bar exam applications, cancellation of the Annual Meeting, 50 Year Honoree Celebration, BLF, and UMLI, and printed Bar Journal Directory.

The Administrative Fund's operating expenses were favorable to budget by \$1,320,400, or 11.8 percent, due to a favorable variance in labor expenses of \$461,490, or 6.4 percent, due to vacancies and lower benefit expenses, and a favorable variance in nonlabor expenses of \$858,910, or 21.8 percent. Nonlabor expenses were lower than budget across all three divisions due to a combination of lower operating expenses because of the pandemic, cost savings, cancellation of in-person or adoption of virtual or hybrid model for meeting and events and limiting Board and staff travel. For example, in FY 2021 SBM cancelled the Annual Meeting, Upper Michigan Leadership Institute, Bar Leadership Forum, and 50 Year Honoree celebration events, and conducted virtual or hybrid meetings for the Representative Assembly, Board of Commissioners, and committees. Significant savings were realized in Communications, specifically for the Michigan Bar Journal and printed Michigan Bar Journal Directory, and in Facilities due to closure of the building. While most of the savings were a direct result of the pandemic, new cost-effective ways of operating programs will continue in the future.

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The Administrative Fund's nonoperating revenue was favorable to budget by \$791,809, or 842.4 percent, primarily due to investment income from the retiree health care trust which is not budgeted, net of lower interest income and a loss on disposal of capital assets.

The Administrative Fund's increase in net position in FY 2021 was favorable to budget by \$2,150,323 due to an increase in net position of \$201,311 compared to a budgeted loss of \$1,949,012. In summary, the primary reasons for this favorable variance were due to a favorable variance in budgeted operating loss of \$1,358,514 and a favorable variance in nonoperating revenue of \$791,809.

Analysis of Capital Assets

Capital assets (net of accumulated depreciation) consisting of land, building, furniture and equipment, and computer equipment/software (including work in progress) decreased by \$212,072 during FY 2021. This decrease is primarily due to a difference between fixed asset additions of \$326,763, depreciation expense of \$530,042 and a \$8,793 loss on a disposal of asset. More detailed information about the State Bar's capital assets is presented in Note 5 to the financial statements.

COVID-19 Pandemic

The State Bar of Michigan FY 2021 operations and financial results were affected by the COVID-19 pandemic. The State Bar transitioned to remote operations on March 16, 2020, and the SBM building continues to remain closed to the public as of the report date. In FY 2021, the Administrative Fund and Sections also experienced decreases in some operating revenues, mainly in meeting and seminars revenue. However, as a result of remote operations, limited meeting and travel expenses, cost savings, and vacancies, FY 2021 operating results were favorable to budget by \$1.36 million.

It is expected that the pandemic will continue to have an impact on the State Bar in FY 2022. State Bar derives 85% of its revenues from licensing fees which are mandatory and collected at the beginning of the fiscal year. Other operating revenues have been decreasing since 2016 and SBM is limited in opportunities to increase nonrevenue sources of income.

The FY 2022 budget was created using conservative assumptions for expected funding and expenses and to allow the State Bar to maintain its current level of services, as mandated by Supreme Court rule and statute. The duration of the pandemic and its continued impact on Michigan businesses, law practices, and the State Bar creates a concomitant degree of uncertainty for development of future SBM revenues and expenses.

On April 24, 2021 SBM Representative Assembly recommended a proposed \$80 fee increase to the Michigan Supreme Court for active licensed attorneys, effective October 1, 2022. If approved, the increase would enable SBM to sustain its current operations as currently defined and stay within the SBM financial safety reserve policy adopted by the Board of Commissioners in 2005.

Basic Financial Statements

State Bar of Michigan

Statement of Net Position

September 30, 2021

	Administrative Fund	Client Protection Fund	Sections	Total
Assets				
Current assets:				
Cash for operations	\$ 4,696,954	\$ 2,186,005	\$ -	\$ 6,882,959
Investments	5,979,540	-	-	5,979,540
Accounts receivable:				
Trade	70,430	-	-	70,430
Foundation	3,511	-	-	3,511
Due from (to) other funds	(3,004,611)	21,276	2,983,335	-
Prepaid expenses	466,629	-	-	466,629
Total current assets	8,212,453	2,207,281	2,983,335	13,403,069
Retiree healthcare trust investments	4,730,914	-	-	4,730,914
Capital assets, net	3,343,587	-	-	3,343,587
Total assets	16,286,954	2,207,281	2,983,335	21,477,570
Deferred outflows of resources				
Deferred outflows related to pensions	38,551	-	-	38,551
Deferred outflows related to OPEB	779,487	-	-	779,487
Total deferred outflows of resources	818,038	-	-	818,038
Liabilities				
Current liabilities:				
Accounts payable	299,587	241,237	-	540,824
Accrued expenses	629,109	-	-	629,109
Unearned revenue	1,840,416	131,925	-	1,972,341
Total current liabilities	2,769,112	373,162	-	3,142,274
Net pension liability	402,467	-	-	402,467
Net OPEB liability	1,381,131	-	-	1,381,131
Total liabilities	4,552,710	373,162	-	4,925,872
Deferred inflows of resources				
Deferred inflows related to OPEB	779,062	-	-	779,062
Total deferred inflows of resources	779,062	-	-	779,062
Net position				
Net investment in capital assets	3,343,587	-	-	3,343,587
Restricted for retiree health care	3,350,208	-	-	3,350,208
Unrestricted	5,079,425	1,834,119	2,983,335	9,896,879
Total net position	\$ 11,773,220	\$ 1,834,119	\$ 2,983,335	\$ 16,590,674

See accompanying notes.

State Bar of Michigan

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2021

	Administrative Fund	Client Protection Fund	Sections	Total
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 7,764,197	\$ 645,566	\$ 1,255,292	\$ 9,665,055
Character and Fitness	312,885	-	-	312,885
Lawyer Services	213,887	-	-	213,887
Client Protection Fund administration fee	162,439	-	-	162,439
Bar Journal	151,512	-	-	151,512
Lawyer Referral Service	137,775	-	-	137,775
Digital	70,659	-	-	70,659
Attorney Discipline System fee	63,045	-	-	63,045
Lawyers and Judges Assistance	51,876	-	-	51,876
Print and Design	48,944	-	-	48,944
Michigan State Bar Foundation rent	39,531	-	-	39,531
e-Journal	26,913	-	-	26,913
Bar Journal Directory	13,914	-	-	13,914
Ethics	7,325	-	-	7,325
Practice Management Resource Center	1,375	-	-	1,375
Other revenue	107,727	50,149	183,016	340,892
Total operating revenue	9,174,004	695,715	1,438,308	11,308,027
Operating expenses				
Labor expenses:				
Salaries	5,089,955	-	-	5,089,955
Employee benefits and payroll taxes	1,694,812	-	-	1,694,812
Total labor expenses	6,784,767	-	-	6,784,767
Nonlabor expenses:				
Legal	128,085	-	-	128,085
Public and Bar Services	778,525	-	-	778,525
Operations and Policy	2,167,125	-	-	2,167,125
Claims payments	-	338,293	-	338,293
Client Protection Fund administrative expenses	-	162,866	-	162,866
Sections expenses	-	-	1,074,713	1,074,713
Total nonlabor expenses	3,073,735	501,159	1,074,713	4,649,607
Total operating expenses	9,858,502	501,159	1,074,713	11,434,374
Operating income (loss)	(684,498)	194,556	363,595	(126,347)
Nonoperating revenue (expenses)				
Investment income	70,185	3,845	-	74,030
Investment income – retiree healthcare trust, net	824,417	-	-	824,417
Loss on disposal of capital assets	(8,793)	-	-	(8,793)
Total nonoperating revenue	885,809	3,845	-	889,654
Change in net position	201,311	198,401	363,595	763,307
Net position at beginning of year	11,571,909	2,031,710	2,619,740	16,223,359
Cumulative effect of change in accounting principle	-	(395,992)	-	(395,992)
Net position at end of year	\$ 11,773,220	\$ 1,834,119	\$ 2,983,335	\$ 16,590,674

See accompanying notes.

State Bar of Michigan

Statement of Cash Flows

Year Ended September 30, 2021

	Administrative Fund	Client Protection Fund	Sections	Total
Cash flows from operating activities				
License fees, section dues, and affiliate dues	\$ 8,287,660	\$ 679,459	\$ 1,255,292	\$ 10,222,411
Other receipts	1,965,384	75,714	183,016	2,224,114
Payments to employees	(6,773,405)	(162,866)	-	(6,936,271)
Payments to suppliers and others	(2,657,984)	-	(1,438,308)	(4,096,292)
Payments for claims	-	(358,229)	-	(358,229)
Net cash from operating activities	821,655	234,078	-	1,055,733
Cash flows from capital and related financing activities				
Purchase of capital assets	(326,763)	-	-	(326,763)
Cash flows from investing activities				
Proceeds from disposals of investments – net	1,613,988	1,000,000	-	2,613,988
Purchases of retiree healthcare trust investments – net	(37,894)	-	-	(37,894)
Investment income	70,185	3,845	-	74,030
Net cash from investing activities	1,646,279	1,003,845	-	2,650,124
Net change in cash	2,141,171	1,237,923	-	3,379,094
Cash at beginning of year	2,555,783	948,082	-	3,503,865
Cash at end of year	\$ 4,696,954	\$ 2,186,005	\$ -	\$ 6,882,959

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

Operating income (loss)	\$ (684,498)	\$ 194,556	\$ 363,595	\$ (126,347)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and work in progress write-off	530,042	-	-	530,042
Pension expense	58,329	-	-	58,329
OPEB expense	95,140	-	-	95,140
Investment expenses paid (netted against investment income)	(19,439)	-	-	(19,439)
Other reconciling items	2,222	-	-	2,222
Deferred outflows of resources related to pension – contributions subsequent to the measurement date	(37,617)	-	-	(37,617)
Deferred outflows of resources related to OPEB – contributions subsequent to the measurement date	(176,165)	-	-	(176,165)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	182,980	2,682	-	185,662
Prepaid expenses	(113,671)	-	-	(113,671)
Inventory	-	-	-	-
Accounts payable	18,819	(19,936)	-	(1,117)
Accrued expenses	69,453	-	-	69,453
Due (to) from other funds	340,712	22,883	(363,595)	-
Due from Attorney Discipline System	75,128	-	-	75,128
Unearned revenue	480,220	33,893	-	514,113
Net cash from operating activities	\$ 821,655	\$ 234,078	\$ -	\$ 1,055,733

During 2021, there were no noncash investing, capital, or financing activities.

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

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 only can be used for paying retiree health care premiums of eligible participants to the State of Michigan, formerly reported as a fiduciary fund prior to FY 2018.

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, 2021

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 are 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 provide 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, 2021, 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, 2021

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, 2021, the Administrative Fund's allowance for doubtful accounts was \$1,284.

Prepaid Expenses – Prepaid expenses reported in the Administrative Fund represent advance payment for future year expenses.

Capital Assets – All capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such capital assets is charged as an expense on a straight-line basis based on the appropriate depreciation schedule for each class of capital assets. It is the policy of the State Bar to capitalize all assets that have useful lives of two or more years with an acquisition cost of \$5,000 or more per item.

Unearned Revenue – Income is recognized as revenue as it is earned. Prepayments of annual license fees are recorded as unearned until the revenue is earned over the fiscal year.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The State Bar has two items that qualify for reporting in this category, which are deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits (OPEB).

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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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 State Employees' Retirement System (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 fiscal year 2021, the State Bar of Michigan Client Protection Fund (CPF) changed accounting for claims recoveries from accrual to cash basis. CPF no longer records expected recoveries, but records recoveries when payment is actually received. Accordingly, CPF no longer records accounts receivable and allowance for doubtful accounts. The change in the accounting policy resulted in a \$217,066 charge to the beginning net position.

In fiscal year 2021, CPF changed recognition of claim expenses to when claims are approved by the Board of Commissioners versus when signed subrogation agreements are received. Accordingly, beginning in fiscal year 2021, the amount of claims payable includes all approved claims regardless of return of the signed subrogation agreement. The change in the accounting policy resulted in \$178,926 charge to the beginning net position.

The new policies allow for better transparency of financial results and business processes.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

1. Summary of Significant Accounting Policies (continued)

D. Change in Accounting Principles and Restatement (continued)

The restated financial balances for CPF are as follows:

Statement of Net Position	2020 Previously Presented	Restatement	2020 Restated
Accounts receivable	\$ 219,748	\$ (217,066)	\$ 2,682
Total assets	\$ 2,211,989	\$ (217,066)	\$ 1,994,923
Accounts payable	\$ 82,247	\$ 178,926	\$ 261,173
Net position at end of year	\$ 2,031,710	\$ (395,992)	\$ 1,635,718

Statement of Revenue, Expenses, and Changes in Net Position	2020 Previously Presented	Restatement	2020 Restated
Other revenue	\$ 120,782	\$ (57,191)	\$ 63,591
Claim payments	\$ 576,159	\$ 127,701	\$ 703,860
Change in net position	\$ 34,919	\$ (184,892)	\$ (149,973)
Net position at beginning of year	\$ 1,996,791	\$ (211,100)	\$ 1,785,691
Net position at end of year	\$ 2,031,710	\$ (395,992)	\$ 1,635,718

E. Risk and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the world. COVID-19 has prompted many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary business closures, and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings for many businesses and industries. As a result, employees of the State Bar of Michigan are working remotely and eliminating non-essential business travel and in-person meetings and events. The extent of the ultimate impact of COVID-19 on the State Bar of Michigan's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on members, employees, and vendors, all of which cannot be reasonably predicted at this time.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

2. Deposits and Investments

The State Bar of Michigan has designated a total of 12 financial institutions for the deposit of its cash and investments as of September 30, 2021. 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 consisted solely of certificates of deposit.

The State Bar of Michigan's cash and investments are subject to custodial credit risk, which is explained in more detail below.

Custodial Credit Risk and 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 2018, 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. 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 and is aligned with principles of PA 149 of 1999, the Public Employee Health Care Fund Investment Act. At year end, the State Bar of Michigan had \$13,127,240 of bank deposits in checking, savings, certificates of deposit, and CDARS accounts and of that balance 39 percent was insured.

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's investments in certificates of deposit totaling \$5,979,540 as of September 30, 2021 meet the criteria to be valued at cost.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

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, 2021 was \$63,045.

4. Lease Obligations

During the year ended September 30, 2021, the State Bar of Michigan had rental agreements for telephone service and related equipment. Total equipment (including service) rent expense for the year ended September 30, 2021 was \$69,930. There are no future commitments on leases.

5. Capital Assets

A summary of capital assets as of September 30, 2021 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	89,132	326,763	-	(355,995)	59,900	-
Capital assets being depreciated:						
Building	8,166,645	-	-	37,669	8,204,314	10-50
Furniture and equipment	1,922,637	-	(680)	115,870	2,037,827	5-20
Computer equipment/software	1,247,338	-	(157,376)	193,663	1,283,625	3-5
Total capital assets	11,806,297	326,763	(158,056)	(8,793)	11,966,211	
Less accumulated depreciation:						
Building	5,556,422	185,661	-	-	5,742,083	
Furniture and equipment	1,830,232	70,860	(680)	-	1,900,412	
Computer equipment/software	863,984	273,521	(157,376)	-	980,129	
Total accumulated depreciation	8,250,638	530,042	(158,056)	-	8,622,624	
Total net capital assets	\$ 3,555,659	\$ (203,279)	\$ -	\$ (8,793)	\$ 3,343,587	
Depreciation expense					\$ 530,042	

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

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

On August 22, 2019, a lawsuit was filed in federal court against the State Bar of Michigan raising constitutional claims. The lawsuit does not seek monetary damages. This lawsuit is one of several cases pending against integrated state bars across the country that claim requiring membership and the payment of dues to an integrated bar violates First Amendment rights to free association and free speech.

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, 2021, there were two active employees in the defined benefit plan.

Employees not covered by the defined benefit plan (collectively known as Tier 2 employees) are covered by the State Bar of Michigan Retirement Plan (defined contribution plan) administered by the State Bar. The State Bar of Michigan contributes 4.0 percent of each employee's pay with a match of up to 3.0 percent of each employee's pay based on employee contributions, subject to plan limits. The State Bar of Michigan's contributions to the plan for the year ended September 30, 2021 were \$343,058.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

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, 2021

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 percent of their annual compensation to the pension fund until they terminate state employment. The 4 percent contribution began on April 1, 2012. As of September 30, 2021, the State Bar of Michigan has two eligible active employees who selected this option.
- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4 percent of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's Defined Contribution (DC) plan. The 4 percent contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first. The State Bar of Michigan has no active employees who selected this option.
- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4 percent and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant, they receive a 4 percent employer contribution to their DC account and are eligible for an additional dollar-for-dollar employer match of up to 3 percent of pay to the plan. The State Bar of Michigan has no active employees who selected this option.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan.

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

B. Benefits Provided (continued)

When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2 percent of their compensation to a 401(k) or 457 account, earning a matching 2 percent employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Regular Retirement – The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5 percent of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5 percent times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

State Bar of Michigan
Notes to Financial Statements
September 30, 2021

8. Retirement Plans (continued)

B. Benefits Provided (continued)

A member may retire and receive a monthly benefit after attaining:

1. age 60 with 10 or more years of credited service; or
2. age 55 with 30 or more years of credited service; or
3. age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5 percent for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. age 51 with 25 or more years in a covered position; or
2. age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position.

Deferred Retirement – Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force lay-offs by reason of deinstitutionalization.

Non-Duty Disability Benefit – A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a non-duty disability pension. The non-duty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

B. Benefits Provided (continued)

Duty Disability Benefit – A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension, is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of \$6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

Survivor Benefit – Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to \$6,000.

Pension Payment Options – When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100 percent, 75 percent, or 50 percent of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows.

Regular Pension – The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

100 Percent Survivor Pension – Under this option, after the retiree's death, the beneficiary will receive 100 percent of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

B. Benefits Provided (continued)

75 Percent Survivor Pension – Under this option, after the retiree’s death, the beneficiary will receive 75 percent of the pension for the remainder of the beneficiary’s lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent option previously described. If the beneficiary predeceases the retiree, the pension “pops-up” to the regular pension amount; another beneficiary cannot be named.

50 Percent Survivor Pension – Under this option, after the retiree’s death, the beneficiary will receive 50 percent of the pension for the remainder of the beneficiary’s lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100 percent or 75 percent option previously described. If the beneficiary predeceases the retiree, the pension “pops-up” to the regular pension amount; another beneficiary cannot be named.

Equated Pension – An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with Regular, 100 percent, 75 percent, or 50 percent option. At age 65 the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of social security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide the State of Michigan Office of Retirement Services with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Post Retirement Adjustments – One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977, and 1987. Beginning October 1, 1988, a 3 percent non-compounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8 percent annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year’s cumulative increases received after the implementation of the annual 3 percent increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987 are not eligible for the supplemental payment.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

C. Contributions

Member Contributions – Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4 percent of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Employer Contributions – The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles, so the contribution rates do not have to increase over time. For fiscal year 2021, the State Bar of Michigan's contribution rate was 23.90 percent of the defined benefit employee wages. The State Bar of Michigan's contribution to the System for the fiscal year ending September 30, 2021 was \$37,617.

D. Actuarial Assumptions

The State Bar's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and rolled-forward using generally accepted actuarial procedures.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75 percent
Projected Salary Increases	2.75 – 11.75 percent, including wage inflation at 2.75 percent
Investment Rate of Return	6.7 percent, net of investment expenses
Cost-of-Living Pension Adjustment	3 percent Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

D. Actuarial Assumptions (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0 %	5.6 %
Private equity pools	16.0	9.3 %
International equity pools	15.0	7.4 %
Fixed income pools	10.5	0.5 %
Real estate and infrastructure pools	10.0	4.9 %
Absolute return pools	9.0	3.2 %
Real return and opportunistic pools	12.5	6.6 %
Short term investment pools	2.0	(0.1) %
Total	100.0 %	

*Long term rates of return are net of administrative expenses and 2.1 percent inflation.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

E. Discount Rate

A discount rate of 6.7 percent was used to measure the total pension liability for the September 30, 2019 valuation. A discount rate of 6.7 percent was used to measure the total pension liability for the September 30, 2018 valuation. This discount rate for the September 30, 2019 valuation was based on the long-term expected rate of return on pension plan investments of 6.7 percent. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

As of September 30, 2021, the State Bar of Michigan reported a liability of \$402,467 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 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, 2019, through September 30, 2020, relative to the total required employer contributions from all of the System's participating employers. As of September 30, 2020, the State Bar of Michigan's proportion was 0.0059664 percent.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

G. Pension Liability Sensitivity

The following presents the State Bar of Michigan's proportionate share of the net pension liability, calculated using the discount rate of 6.7 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1 Percent Decrease 5.7 Percent	Current Discount 6.7 Percent	1 Percent Increase 7.7 Percent
State Bar of Michigan's proportionate share of net pension liability	\$ 513,626	\$ 402,467	\$ 307,819

H. Pension Plan Fiduciary Net Position

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

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the State Bar of Michigan recognized pension expense of \$58,329. As of September 30, 2021, 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	934	
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	-
State Bar of Michigan contributions subsequent to the measurement date	37,617	-
Total	<u>\$ 38,551</u>	<u>\$ -</u>

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

8. Retirement Plans (continued)

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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, 2022. 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:	<u>Pension Expense (Credit) Amount</u>
2022	\$ (6,525)
2023	111
2024	5,043
2025	2,305

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 System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act.

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

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September 30, 2021

9. Postemployment Benefits (continued)

B. Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health, prescription drug, dental, and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20 percent of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30 percent subsidy with ten years of service, with an additional 3 percent subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80 percent. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by the Michigan Department of Technology, Management, and Budget (DTMB) and the Civil Service Commission to make changes to retiree medical benefit plans.

Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

C. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. Effective January 1, 2004, pursuant to a settlement agreement with the State of Michigan, the State Bar of Michigan assumed responsibility for paying the actual cost of the postemployment benefits to the State of Michigan for eligible retirees instead of being assessed a fee each year by the State of Michigan based on the State Bar of Michigan's active payroll. The State Bar's contribution to SERS for the fiscal year ending September 30, 2021 was \$176,165. The State Bar is not required to contribute to SERS for postemployment benefits for active employees.

State Bar of Michigan

Notes to Financial Statements

September 30, 2021

9. Postemployment Benefits (continued)

C. Contributions (continued)

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 advance-fund these benefits as recommended by staff and approved by the State Bar Finance Committee. The State Bar has established an irrevocable trust for the purpose of advance funding OPEB benefits. 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, 2021, the assets in the trust amounted to \$4,730,914 which has been presented as a component of restricted net position as of September 30, 2021. 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:

Assets in OPEB trust	\$ 4,730,914
Net OPEB liability	(1,381,131)
Deferred outflows of resources related to OPEB	779,487
Deferred inflows of resources related to OPEB	(779,062)
Net position restricted for retiree health care	<u>\$ 3,350,208</u>

D. Actuarial Assumptions

The State Bar’s SERS net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2019 and rolled-forward using generally accepted actuarial procedures. The total SERS OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	2.75 percent
Investment Rate of Return	6.9 percent, net of investment expenses
Projected Salary Increases	2.75 - 11.75 percent, including wage inflation at 2.75 percent
Health Care Cost Trend Rate	7.5 percent year 1 graded to 3.5 percent year 15; 3.0 percent year 120
Mortality	RP-2014 Male and Female Annuitant Mortality Table used for retirees (scaled by 93% for males and 98% for females), active employees and disabled retirees, with adjustments for mortality improvements using projection scale MP-2017 from 2006.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

9. Postemployment Benefits (continued)

D. Actuarial Assumptions (continued)

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

The long-term expected rate of return on SERS OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of SERS OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the SERS OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic equity pools	25.0 %	5.6 %
Private equity pools	16.0	9.3 %
International equity pools	15.0	7.4 %
Fixed income pools	10.5	0.5 %
Real estate and infrastructure pools	10.0	4.9 %
Absolute return pools	9.0	3.2 %
Real return and opportunistic pools	12.5	6.6 %
Short term investment pools	2.0	(0.1) %
Total	<u>100.0 %</u>	

*Long term rates of return are net of administrative expenses and 2.1 percent inflation.

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on SERS OPEB plan investment, net of SERS OPEB plan investment expense, was 5.17 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

9. Postemployment Benefits (continued)

E. Discount Rate

A single discount rate of 6.9 percent was used to measure the total SERS OPEB liability for the September 30, 2019 valuation. A discount rate of 6.9 percent was used to measure the total SERS OPEB liability for the September 30, 2018 valuation. This single discount rate for the September 30, 2019 valuation was based on the expected rate of return on SERS OPEB plan investments of 6.9 percent. The projection of cash flows used to determine this single discount rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the SERS OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on SERS OPEB plan investments was applied to all periods of projected benefit payments to determine the total SERS OPEB liability.

F. SERS Net OPEB Liability

As of September 30, 2021, the State Bar reported a liability of \$1,381,131 for its proportionate share of SERS net OPEB liability. The SERS net OPEB liability was measured as of September 30, 2020, and the SERS total OPEB liability used to calculate the SERS net OPEB liability was determined by an actuarial valuation as of September 30, 2019 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, 2019, through September 30, 2020, relative to the total required employer contributions from all of SERS's participating employers. As of September 30, 2020, the State Bar's proportion was 0.02365567 percent.

For the proportionate share calculation, the sum of the retiree premiums invoiced to the State Bar during the measurement period October 1, 2019, through September 30, 2020, 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.

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

9. Postemployment Benefits (continued)

F. SERS Net OPEB Liability (continued)

The allocated SERS net OPEB liability is not fully representative of the amounts the State Bar will be required to pay the State of Michigan for the actual cost of postemployment benefits, due to the previously mentioned settlement agreement effective January 1, 2004. Also, per the settlement agreement, the State Bar's payments for the actual cost of postemployment benefits are not funded from the SERS OPEB fiduciary assets, although the State Bar is allocated SERS net OPEB liability which takes into consideration SERS OPEB investments. The State Bar will fund future premium payments from the assets of the State Bar of Michigan Retiree Health Care Trust.

G. Sensitivity of the SERS Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the State Bar's SERS net OPEB liability calculated using a single discount rate of 6.9 percent, as well as what the State Bar's SERS net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1 Percent Decrease 5.9 Percent	Current Discount 6.9 Percent	1 Percent Increase 7.9 Percent
State Bar's proportionate share of SERS net OPEB liability	\$ 1,644,625	\$ 1,381,131	\$ 1,159,867

The following presents the State Bar's SERS net OPEB liability calculated using the assumed trend rates, as well as what the State Bar's SERS net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1 Percent Decrease	Current Healthcare Cost Trend	1 Percent Increase
State Bar's proportionate share of SERS net OPEB liability	\$ 1,148,742	\$ 1,381,131	\$ 1,649,737

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

9. Postemployment Benefits (continued)

H. OPEB Plan Fiduciary Net Position

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

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the State Bar recognized OPEB expense of \$95,140. As of September 30, 2021, 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	\$ -	\$ 759,600
Changes of assumptions	344,247	-
Net difference between projected and actual earnings on investments	7,892	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	251,183	19,462
State Bar's contributions subsequent to the measurement date	176,165	-
Total	<u>\$ 779,487</u>	<u>\$ 779,062</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, 2022. 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:	<u>OPEB Expense (Credit) Amount</u>
2022	\$ (48,447)
2023	(44,152)
2024	(32,632)
2025	(31,037)
2026	(19,472)

State Bar of Michigan
Notes to Financial Statements

September 30, 2021

10. Line of Credit

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

11. Upcoming Accounting Pronouncements

GASB Statement No. 87, *Leases*

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The State Bar is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the State Bar's financial statements for the year ending September 30, 2022.

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)

	2021	2020	2019	2018	2017	2016	2015
The State Bar's proportionate share of the net pension liability:							
As a percentage	0.00597%	0.00546%	0.00547%	0.00508%	0.00509%	0.00498%	0.00486%
Amount	\$ 402,467	\$ 364,363	\$ 330,798	\$ 263,680	\$ 269,288	\$ 274,261	\$ 250,159
The State Bar's covered payroll	\$ 152,533	\$ 154,442	\$ 145,438	\$ 141,100	\$ 139,598	\$ 134,080	\$ 130,515
The State Bar's proportionate share of the net pension liability, as a percentage of its covered payroll	263.86%	235.92%	227.45%	186.87%	192.90%	204.55%	191.67%
Plan fiduciary net position as a percentage of total pension liability	64.07%	64.71%	67.22%	69.45%	67.48%	66.11%	68.07%

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 37,617	\$ 36,627	\$ 34,117	\$ 35,778	\$ 36,226	\$ 36,351	\$ 37,573
Contributions in relation to the actuarially determined statutorily required contributions	37,617	36,627	34,117	35,778	36,226	36,351	37,573
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 157,164	\$ 152,533	\$ 154,442	\$ 145,438	\$ 141,100	\$ 139,597	\$ 134,080
Contributions as a percentage of covered payroll	23.93%	24.01%	22.09%	24.60%	25.67%	26.04%	28.02%

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 2021 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2021

Valuation Date	September 30, 2017
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Dollar, Closed Period
Remaining Amortization Period	17 years, as of October 1, 2019, ending Sept. 30, 2036
Asset Valuation Method	5-Year Smoothed Fair Value
Price Inflation	2.50 percent
Projected Salary Increases	3.50 – 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.00 percent net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100 percent of the table rates were used. For active members, 50 percent 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)	2021	2020	2019	2018
The State Bar's proportionate share of the net OPEB liability:				
As a percentage	0.02366%	0.02008%	0.02020%	0.01982%
Amount	\$ 1,381,131	\$ 1,581,433	\$ 1,603,186	\$ 1,634,710
The State Bar's covered payroll	\$ 774,642	\$ 793,265	\$ 793,265	\$ 896,804
The State Bar's proportionate share of the net OPEB liability, as a percentage of its covered payroll	178.29%	199.36%	202.10%	182.28%
Plan fiduciary net position as a percentage of total OPEB liability	38.29%	27.88%	24.41%	19.89%

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

	2021	2020	2019	2018
Statutorily required contribution	\$ 176,165	\$ 164,771	\$ 153,421	\$ 139,752
Contributions in relation to the actuarially determined statutorily required contributions	176,165	164,771	153,421	139,752
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
The State Bar's covered payroll	\$ 734,917	\$ 774,642	\$ 778,562	\$ 793,265
Contributions as a percentage of covered payroll	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 2021 contributions reported in that schedule.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2021

Valuation Date	September 30, 2017
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed Period
Remaining Amortization Period	17 years, as of October 1, 2019, ending Sept. 30, 2036
Asset Valuation Method	Fair Value
Price Inflation	2.5 percent
Projected Salary Increases	3.50 – 12.5 percent, including wage inflation at 3.5 percent
Investment Rate of Return	7.35 percent net of investment and administrative expenses
Health Care Cost Trend Rate	8.25 percent year 1 graded to 3.50 percent year 9
Mortality	RP-2000 Combined Health Life Mortality Table adjusted for mortality improvements to 2015 (2030 for male MRP special duty officers) using projection scale BB. For retirees, 100 percent of the table rates were used. For active members, 50 percent of the table rates were used.

Other Supplementary Information

State Bar of Michigan

Schedule of Revenue and Expenses – Sections

	Balance October 1, 2020	Revenue	Expenses	Balance September 30, 2021
Administrative & Regulatory Law	\$ 65,633	\$ 11,467	\$ 1,600	\$ 75,500
Agricultural Law	11,104	3,825	327	14,602
Alternative Dispute Resolution	99,498	32,699	40,377	91,820
American Indian Law	13,744	4,188	2,908	15,024
Animal Law	16,356	5,210	3,546	18,020
Antitrust, Franchising, & Trade Regulation	26,563	5,745	377	31,931
Appellate Practice	56,274	21,890	6,549	71,615
Arts, Communication, Entertainment, and Sports	7,751	4,988	2,506	10,233
Aviation Law	43,449	2,963	48	46,364
Business Law	232,279	110,455	99,466	243,268
Cannabis Law	53,929	59,174	59,037	54,066
Children's Law	14,843	17,520	9,483	22,880
Consumer Law	23,434	6,945	2,464	27,915
Criminal Law	70,451	49,593	31,209	88,835
Elder Law and Disability Rights	109,191	39,720	43,964	104,947
Environmental Law	75,182	17,603	8,200	84,585
Family Law	209,634	158,434	126,137	241,931
Government Law	29,386	28,560	10,809	47,137
Health Care Law	63,233	41,760	14,493	90,500
Information Technology Law	74,430	13,775	916	87,289
Immigration Law	9,027	11,830	1,000	19,857
Insurance and Indemnity Law	32,748	32,060	16,223	48,585
Intellectual Property Law	74,364	39,076	53,388	60,052
International Law	36,352	11,655	2,876	45,131
Judicial	-	23,271	23,271	-
Labor and Employment Law	125,388	74,700	48,534	151,554
Latin American Bar Activities	8,812	750	13	9,549
Law Practice Management & Legal Administrators	33,897	7,290	535	40,652
Law Student	21,363	1,755	35	23,083
LGBTQA Law	18,859	7,020	6,054	19,825
Litigation	191,443	60,460	66,633	185,270
Military and Veterans' Law	13,962	4,600	85	18,477
Negligence Law	87,764	103,375	105,265	85,874
Paralegal/Legal Assistant	12,182	6,500	11,050	7,632
Prisons and Corrections	8,008	4,960	2,247	10,721
Probate and Estate Planning	201,232	118,365	83,690	235,907
Real Property Law	195,234	171,325	108,918	257,641
Religious Liberty Law	7,181	6,265	1,927	11,519
Senior Lawyers	6,644	8,800	151	15,293
Solo and Small Firm	40,894	24,660	4,581	60,973
Social Security Law	43,975	18,195	19,145	43,025
Taxation	99,020	36,230	28,754	106,496
Workers' Compensation Law	55,027	17,325	15,007	57,345
Young Lawyers	-	11,327	10,915	412
Total	\$ 2,619,740	\$ 1,438,308	\$ 1,074,713	\$ 2,983,335

State Bar of Michigan

Comparative Statement of Net Position – Administrative Fund

	September 30		Increase (Decrease)	
	2021	2020	Amount	%
Assets				
Current assets:				
Cash for operations	\$ 4,696,954	\$ 2,555,783	\$ 2,141,171	83.8 %
Investments	5,979,540	7,593,528	(1,613,988)	(21.3)%
Accounts receivable:				
Trade	70,430	253,077	(182,647)	(72.2)%
Foundation	3,511	3,844	(333)	(8.7)%
Due to other funds	(3,004,611)	(2,663,899)	(340,712)	12.8 %
Due from Attorney Discipline System	-	75,128	(75,128)	(100.0)%
Prepaid expenses	466,629	352,958	113,671	32.2 %
Total current assets	8,212,453	8,170,419	42,034	0.5 %
Retiree healthcare trust investments	4,730,914	3,849,164	881,750	22.9 %
Capital assets, net	3,343,587	3,555,659	(212,072)	(6.0)%
Total assets	16,286,954	15,575,242	711,712	4.6 %
Deferred outflows of resources				
Deferred outflows related to pensions	38,551	36,627	1,924	5.3 %
Deferred outflows related to OPEB	779,487	448,630	330,857	73.7 %
Total deferred outflows of resources	818,038	485,257	332,781	68.6 %
Liabilities				
Current liabilities:				
Accounts payable	299,587	280,768	18,819	6.7 %
Accrued expenses	629,109	559,656	69,453	12.4 %
Unearned revenue	1,840,416	1,360,196	480,220	35.3 %
Total current liabilities	2,769,112	2,200,620	568,492	25.8 %
Net pension liability	402,467	364,363	38,104	10.5 %
Net OPEB liability	1,381,131	1,581,433	(200,302)	(12.7)%
Total liabilities	4,552,710	4,146,416	406,294	9.8 %
Deferred inflows of resources				
Deferred inflows related to pensions	-	15,069	(15,069)	(100.0)%
Deferred inflows related to OPEB	779,062	327,105	451,957	138.2 %
Total deferred inflows of resources	779,062	342,174	436,888	127.7 %
Net position				
Net investment in capital assets	3,343,587	3,555,659	(212,072)	(6.0)%
Restricted for retiree health care	3,350,208	2,389,256	960,952	40.2 %
Unrestricted	5,079,425	5,626,994	(547,569)	(9.7)%
Total net position	\$ 11,773,220	\$ 11,571,909	\$ 201,311	1.7 %

State Bar of Michigan

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

	Year Ended September 30		Variance	
	2021	2020	Increase (Decrease) Amount	%
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 7,764,197	\$ 7,732,165	\$ 32,032	0.4 %
Character and Fitness	312,885	325,940	(13,055)	(4.0)%
Lawyer Services	213,887	195,734	18,153	9.3 %
Client Protection Fund administration fee	162,439	171,626	(9,187)	(5.4)%
Bar Journal	151,512	146,150	5,362	3.7 %
Lawyer Referral Service	137,775	127,560	10,215	8.0 %
Digital	70,659	51,610	19,049	36.9 %
Attorney Discipline System fee	63,045	61,507	1,538	2.5 %
Lawyers and Judges Assistance	51,876	41,315	10,561	25.6 %
Print and Design	48,944	50,219	(1,275)	(2.5)%
Michigan State Bar Foundation rent	39,531	36,049	3,482	9.7 %
e-Journal	26,913	24,022	2,891	12.0 %
Bar Journal Directory	13,914	39,645	(25,731)	(64.9)%
Ethics	7,325	6,090	1,235	20.3 %
Practice Management Resource Center	1,375	530	845	159.4 %
Bar Leadership Forum	-	946	(946)	(100.0)%
Upper Michigan Legal Institute	-	597	(597)	(100.0)%
Other revenue	107,727	110,887	(3,160)	(2.8)%
Total operating revenue	9,174,004	9,122,592	51,412	0.6 %
Operating expenses				
Labor expenses:				
Salaries	5,089,955	5,281,014	(191,059)	(3.6)%
Employee benefits and payroll taxes	1,694,812	1,776,147	(81,335)	(4.6)%
Total labor expenses	6,784,767	7,057,161	(272,394)	(3.9)%
Nonlabor expenses:				
Legal:				
Character and Fitness	49,705	40,663	9,042	22.2 %
Human Resources	41,213	52,639	(11,426)	(21.7)%
General Counsel	27,268	64,582	(37,314)	(57.8)%
Unauthorized Practice of Law	4,490	15,704	(11,214)	(71.4)%
Client Protection Fund	3,285	2,462	823	33.4 %
Ethics	2,124	7,204	(5,080)	(70.5)%
Total Legal	128,085	183,254	(55,169)	(30.1)%
Public and Bar Services:				
Technical Services	643,212	573,310	69,902	12.2 %
Outreach	59,246	41,715	17,531	42.0 %
Lawyer Services	32,464	77,518	(45,054)	(58.1)%
Diversity	20,462	5,918	14,544	245.8 %
Lawyer Referral Service	6,692	1,270	5,422	426.9 %
Lawyers and Judges Assistance	6,493	14,800	(8,307)	(56.1)%
Annual Meeting	4,124	21,187	(17,063)	(80.5)%
Practice Management Resource Center	3,041	5,119	(2,078)	(40.6)%
50 Year Honoree Celebration	2,791	1,643	1,148	69.9 %
Upper Michigan Legal Institute	-	3,394	(3,394)	(100.0)%
Bar Leadership Forum	-	846	(846)	(100.0)%
Total Public and Bar Services	778,525	746,720	31,805	4.3 %

State Bar of Michigan

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

	Year Ended September 30		Variance	
	2021	2020	Increase (Decrease) Amount	%
Operating expenses (continued)				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	\$ 530,042	\$ 528,855	\$ 1,187	0.2 %
Bar Journal	397,961	440,713	(42,752)	(9.7)%
Financial Services	385,922	352,278	33,644	9.6 %
Facilities Services	310,602	343,909	(33,307)	(9.7)%
Justice Initiatives	127,156	132,365	(5,209)	(3.9)%
Digital	89,476	105,381	(15,905)	(15.1)%
Administration	82,289	31,454	50,835	161.6 %
Governmental Relations	56,735	57,299	(564)	(1.0)%
Board of Commissioners	47,581	35,261	12,320	34.9 %
Print and Design	37,144	42,139	(4,995)	(11.9)%
e-Journal	31,342	36,227	(4,885)	(13.5)%
Executive Office	29,255	59,945	(30,690)	(51.2)%
Research and Development	14,584	29,774	(15,190)	(51.0)%
Representative Assembly	13,800	788	13,012	1651.3 %
General Communications	11,586	31,658	(20,072)	(63.4)%
Bar Journal Directory	1,650	53,165	(51,515)	(96.9)%
Total Operations and Policy	2,167,125	2,281,211	(114,086)	(5.0)%
Total nonlabor expenses	3,073,735	3,211,185	(137,450)	(4.3)%
Total operating expenses	9,858,502	10,268,346	(409,844)	(4.0)%
Operating loss	(684,498)	(1,145,754)	461,256	40.3 %
Nonoperating revenue (expenses)				
Investment income	70,185	199,067	(128,882)	(64.7)%
Investment income – retiree healthcare trust, net	824,417	318,946	505,471	158.5 %
Loss on disposal of capital assets	(8,793)	(17,570)	8,777	50.0 %
Total nonoperating revenue	885,809	500,443	385,366	77.0 %
Change in net position	201,311	(645,311)	846,622	131.2 %
Net position at beginning of year	11,571,909	12,217,220	(645,311)	(5.3)%
Net position at end of year	\$ 11,773,220	\$ 11,571,909	\$ 201,311	1.7 %

State Bar of Michigan

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

	Year Ended September 30		Budget Variance	
	2021	2021	Favorable (Unfavorable)	
	Actual	Budget	Amount	%
Operating revenue				
License Fees, Section Dues, and Affiliate Dues	\$ 7,764,197	\$ 7,641,000	\$ 123,197	1.6 %
Character and Fitness	312,885	358,625	(45,740)	(12.8)%
Lawyer Services	213,887	204,650	9,237	4.5 %
Client Protection Fund administration fee	162,439	169,000	(6,561)	(3.9)%
Bar Journal	151,512	148,400	3,112	2.1 %
Lawyer Referral Service	137,775	140,000	(2,225)	(1.6)%
Digital	70,659	49,000	21,659	44.2 %
Attorney Discipline System fee	63,045	63,000	45	0.1 %
Lawyers and Judges Assistance	51,876	51,990	(114)	(0.2)%
Print and Design	48,944	54,300	(5,356)	(9.9)%
Michigan State Bar Foundation rent	39,531	41,000	(1,469)	(3.6)%
e-Journal	26,913	25,000	1,913	7.7 %
Bar Journal Directory	13,914	32,750	(18,836)	(57.5)%
Ethics	7,325	6,700	625	9.3 %
Practice Management Resource Center	1,375	1,000	375	37.5 %
Annual Meeting	-	31,000	(31,000)	(100.0)%
Upper Michigan Legal Institute	-	12,500	(12,500)	(100.0)%
Bar Leadership Forum	-	11,725	(11,725)	(100.0)%
50 Year Honoree Celebration	-	2,350	(2,350)	(100.0)%
Other revenue	107,727	91,900	15,827	17.2 %
Total operating revenue	9,174,004	9,135,890	38,114	0.4 %
Operating expenses				
Labor expenses:				
Salaries	5,089,955	5,330,899	240,944	4.5 %
Employee benefits and payroll taxes	1,694,812	1,915,358	220,546	11.5 %
Total labor expenses	6,784,767	7,246,257	461,490	6.4 %
Nonlabor expenses:				
Legal:				
Character and Fitness	49,705	52,000	2,295	4.4 %
Human Resources	41,213	53,000	11,787	22.2 %
General Counsel	27,268	55,800	28,532	51.1 %
Unauthorized Practice of Law	4,490	12,750	8,260	64.8 %
Client Protection Fund	3,285	6,865	3,580	52.1 %
Ethics	2,124	7,005	4,881	69.7 %
Interim Administrator Program	-	4,500	4,500	100.0 %
Total Legal	128,085	191,920	63,835	33.3 %
Public and Bar Services:				
Technical Services	643,212	640,900	(2,312)	(0.4)%
Outreach	59,246	136,500	77,254	56.6 %
Lawyer Services	32,464	31,500	(964)	(3.1)%
Diversity	20,462	35,000	14,538	41.5 %
Lawyers and Judges Assistance	6,493	24,450	17,957	73.4 %
Lawyer Referral Service	6,692	7,750	1,058	13.7 %
Practice Management Resource Center	3,041	5,455	2,414	44.3 %
50 Year Honoree Celebration	2,791	27,225	24,434	89.7 %
Annual Meeting	4,124	56,400	52,276	92.7 %
Upper Michigan Legal Institute	-	28,900	28,900	100.0 %
Bar Leadership Forum	-	33,000	33,000	100.0 %
Total Public and Bar Services	778,525	1,027,080	248,555	24.2 %

State Bar of Michigan

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

	Year Ended September 30		Budget Variance	
	2021	2021	Favorable (Unfavorable)	
	Actual	Budget	Amount	%
Operating expenses (continued)				
Nonlabor expenses (continued)				
Operations and Policy:				
Depreciation	\$ 530,042	\$ 558,000	\$ 27,958	5.0 %
Bar Journal	397,961	510,550	112,589	22.1 %
Financial Services	385,922	402,295	16,373	4.1 %
Facilities Services	310,602	419,760	109,158	26.0 %
Justice Initiatives	127,156	135,250	8,094	6.0 %
Digital	89,476	147,500	58,024	39.3 %
Administration	82,289	82,800	511	0.6 %
Governmental Relations	56,735	68,830	12,095	17.6 %
Board of Commissioners	47,581	134,900	87,319	64.7 %
Print and Design	37,144	61,500	24,356	39.6 %
e-Journal	31,342	33,050	1,708	5.2 %
Executive Office	29,255	60,200	30,945	51.4 %
Research and Development	14,584	21,310	6,726	31.6 %
Representative Assembly	13,800	41,000	27,200	66.3 %
General Communications	11,586	30,700	19,114	62.3 %
Bar Journal Directory	1,650	6,000	4,350	72.5 %
Total Operations and Policy	2,167,125	2,713,645	546,520	20.1 %
Total nonlabor expenses	3,073,735	3,932,645	858,910	21.8 %
Total operating expenses	9,858,502	11,178,902	1,320,400	11.8 %
Operating loss	(684,498)	(2,043,012)	1,358,514	66.5 %
Nonoperating revenue (expense)				
Investment income	70,185	94,000	(23,815)	(25.3)%
Investment income – retiree healthcare trust, net	824,417	-	824,417	N/A
Loss on disposal of capital assets	(8,793)	-	(8,793)	N/A
Total nonoperating revenue	885,809	94,000	791,809	842.4 %
Change in net position	201,311	(1,949,012)	2,150,323	110.3 %
Net position at beginning of year	11,571,909	11,571,909	-	N/A
Net position at end of year	\$ 11,773,220	\$ 9,622,897	\$ 2,150,323	22.3 %

State Bar of Michigan

Historical Financial Summaries – Administrative Fund

	FY 2017*	FY 2018	FY 2019	FY 2020	FY 2021
Operating revenue:					
License Fees, Section Dues, and Affiliate Dues	\$ 7,754,415	\$ 7,732,039	\$ 7,750,310	\$ 7,732,165	\$ 7,764,197
Other operating revenue	1,635,365	1,632,613	1,601,165	1,390,427	1,409,807
Total operating revenue	9,389,780	9,364,652	9,351,475	9,122,592	9,174,004
Operating expenses:					
Salaries	4,625,399	4,819,766	5,051,419	5,281,014	5,089,955
Employee benefits and payroll taxes	1,670,745	1,775,841	1,833,191	1,776,147	1,694,812
Other operating expenses	3,534,234	3,657,474	3,680,777	3,211,185	3,073,735
Total operating expenses	9,830,378	10,253,081	10,565,387	10,268,346	9,858,502
Operating income (loss)	(440,598)	(888,429)	(1,213,912)	(1,145,754)	(684,498)
Nonoperating revenue					
Investment income	112,863	179,640	249,731	199,067	70,185
Investment income – retiree healthcare trust, net**	-	202,417	384,630	318,946	824,417
Loss on disposal of capital assets	-	(34,963)	(4,000)	(17,570)	(8,793)
Total nonoperating revenue	112,863	347,094	630,361	500,443	885,809
Gain (loss) before capital contributions	(327,735)	(541,335)	(583,551)	(645,311)	201,311
Capital contributions	8,836	-	-	-	-
Change in net position	(318,899)	(541,335)	(583,551)	(645,311)	201,311
Net position at beginning of fiscal year	12,596,774	12,277,875	12,800,771	12,217,220	11,571,909
Cumulative effect of change in accounting principle	-	(1,706,947)	-	-	-
Restatement for beginning of year OPEB trust net position	-	2,771,178	-	-	-
Net position at end of fiscal year	\$ 12,277,875	\$ 12,800,771	\$ 12,217,220	\$ 11,571,909	\$ 11,773,220
Net position as a % of total operating expenses	124.9%	124.8%	115.6%	112.7%	119.4%
Unrestricted net position as a % of total operating expenses	81.9%	71.1%	61.2%	54.8%	51.5%
Number of State Bar of Michigan attorney members in good standing as of September 30	45,316	45,715	46,092	46,320	46,523

* Before any restatement of prior year's data

** For FY 2020 and FY 2021, investment income – retiree healthcare trusts is presented net of investment expenses. FY 2017, FY 2018, and FY 2019 presentation is not net of investment expenses.

State Bar of Michigan

Historical Financial Summaries – Client Protection Fund

	FY 2017*	FY 2018*	FY 2019*	FY 2020*	FY 2021
Operating revenue:					
License Fees	\$ 642,371	\$ 644,411	\$ 649,286	\$ 645,814	\$ 645,566
Pro Hac Vice fees	13,215	11,700	13,410	13,425	12,990
Other operating revenue	48,121	226,235	51,860	107,357	37,159
Total operating revenue	703,707	882,346	714,556	766,596	695,715
Operating expenses:					
Claims payments	695,340	913,427	541,410	576,159	338,293
Other operating expenses	206,481	217,544	211,833	172,476	162,866
Total operating expenses	901,821	1,130,971	753,243	748,635	501,159
Operating income (loss)	(198,114)	(248,625)	(38,687)	17,961	194,556
Nonoperating revenue – investment income	12,995	18,797	25,724	16,958	3,845
Change in net position	(185,119)	(229,828)	(12,963)	34,919	198,401
Net position at beginning of fiscal year	2,424,701	2,239,582	2,009,754	1,996,791	2,031,710
Cumulative effect of change in accounting principle	-	-	-	-	(395,992)
Net position at end of fiscal year	\$ 2,239,582	\$ 2,009,754	\$ 1,996,791	\$ 2,031,710	\$ 1,834,119
Net position as a % of total operating expenses	248.3%	177.7%	265.1%	271.4%	366.0%

* Before any restatement of prior year's data