

NORTH CAROLINA STATE BAR
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



NORTH CAROLINA STATE BAR

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1 - 9
Independent Auditor's Report	10 - 11
<i>Financial Statements</i>	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15 - 29
<i>Supplementary Information</i>	
Independent Auditor's Report on the Supplementary Information	30
Schedule of Net Position - State Bar Programs - December 31, 2020	31 - 32
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2020	33 - 34
Schedule of Cash Flows - State Bar Programs - December 31, 2020	35 - 36
Schedule of Net Position - State Bar Programs - December 31, 2019	37 - 38
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2019	39 - 40
Schedule of Cash Flows - State Bar Programs - December 31, 2019	41 - 42

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The following is a discussion and analysis of the financial performance of the North Carolina State Bar for the year ended December 31, 2020. The accompanying financial statements and footnotes comprise our complete set of financial information. The financial statements of the North Carolina State Bar include the net position and revenues, expenses and changes in net position of the North Carolina State Bar programs which are comprised of: North Carolina State Bar ("Bar"); the North Carolina State Bar Boards of Continuing Legal Education ("CLE"), Legal Specialization, Paralegal Certification ("Paralegal"); and the Plan for Interest on Lawyers' Trust Accounts ("IOLTA"), as of and for the year ended December 31, 2020; and the Client Security Fund of the North Carolina State Bar ("CSF") as of and for the year ended September 30, 2020, collectively "State Bar". The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current and the previous two years are presented in the analysis.

Financial Highlights

- The State Bar's net position (excluding CSF) was \$14,343,414 at December 31, 2020 compared to \$12,379,208 at December 31, 2019, an increase of \$1,964,206 for the year ended December 31, 2020. The Client Security Fund's net position was \$2,313,738 at September 30, 2020, compared to \$2,157,024 at September 30, 2019, an increase of \$156,714 for the year ended September 30, 2020.

Overview of the Basic Financial Statements

The basic financial statements of the State Bar report information about the State Bar using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the State Bar.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

The Statements of Revenues, Expenses and Changes in Net Position present information on how the State Bar's assets changed as a result of the years' operations.

The Statements of Cash Flows present information on how the State Bar's cash changed as a result of the years' activity.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2020, and CSF as of and for the year ended September 30, 2020:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 19,774,692	\$ 2,336,977	\$ 22,111,669
Capital assets, net	13,166,701	-	13,166,701
Noncurrent assets	71,241	-	71,241
Total assets	<u>33,012,634</u>	<u>2,336,977</u>	<u>35,349,611</u>
Current liabilities	10,041,608	23,239	10,064,847
Long-term liabilities	8,627,612	-	8,627,612
Total liabilities	<u>18,669,220</u>	<u>23,239</u>	<u>18,692,459</u>
Net position:			
Net investment in capital assets	4,167,329	-	4,167,329
Restricted	71,241	-	71,241
Unrestricted	10,104,844	2,313,738	12,418,582
Total net position	<u>\$ 14,343,414</u>	<u>\$ 2,313,738</u>	<u>\$ 16,657,152</u>
Operating revenues	\$ 15,605,117	\$ 889,294	\$ 16,494,411
Operating expenses	13,472,534	742,413	14,214,947
Operating income	<u>2,132,583</u>	<u>146,881</u>	<u>2,279,464</u>
Nonoperating revenues (expenses):			
Interest income	128,951	9,833	138,784
Interest expense	(288,176)	-	(288,176)
Loss on disposals of equipment	(9,152)	-	(9,152)
Total nonoperating revenues (expenses)	<u>(168,377)</u>	<u>9,833</u>	<u>(158,544)</u>
Changes in net position	<u>\$ 1,964,206</u>	<u>\$ 156,714</u>	<u>\$ 2,120,920</u>

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2019, and CSF as of and for the year ended September 30, 2019:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 16,735,807	\$ 2,189,937	\$ 18,925,744
Capital assets, net	13,787,793	-	13,787,793
Noncurrent assets	2,686,343	-	2,686,343
Total assets	<u>33,209,943</u>	<u>2,189,937</u>	<u>35,399,880</u>
Current liabilities	10,603,464	32,913	10,636,377
Long-term liabilities	10,227,271	-	10,227,271
Total liabilities	<u>20,830,735</u>	<u>32,913</u>	<u>20,863,648</u>
Net position:			
Net investment in capital assets	4,435,328	-	4,435,328
Restricted	525,332	-	525,332
Unrestricted	7,418,548	2,157,024	9,575,572
Total net position	<u>\$ 12,379,208</u>	<u>\$ 2,157,024</u>	<u>\$ 14,536,232</u>
Operating revenues	\$ 16,159,072	\$ 1,069,147	\$ 17,228,219
Operating expenses	17,814,197	314,238	18,128,435
Operating income (loss)	<u>(1,655,125)</u>	<u>754,909</u>	<u>(900,216)</u>
Nonoperating revenues (expenses):			
Interest income	179,279	152	179,431
Interest expense	(307,248)	-	(307,248)
Total nonoperating revenues (expenses)	<u>(127,969)</u>	<u>152</u>	<u>(127,817)</u>
Changes in net position	<u>\$ (1,783,094)</u>	<u>\$ 755,061</u>	<u>\$ (1,028,033)</u>

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2018, and CSF as of and for the year ended September 30, 2018:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$15,417,731	\$1,433,203	\$16,850,934
Capital assets, net	14,676,595	-	14,676,595
Noncurrent assets	4,130,212	-	4,130,212
Total assets	<u>34,224,538</u>	<u>1,433,203</u>	<u>35,657,741</u>
Current liabilities	10,862,486	31,240	10,893,726
Long-term liabilities	9,199,750	-	9,199,750
Total liabilities	<u>20,062,236</u>	<u>31,240</u>	<u>20,093,476</u>
Net position:			
Net investment in capital assets	4,975,657	-	4,975,657
Restricted	4,035,501	-	4,035,501
Unrestricted	5,151,144	1,401,963	6,553,107
Total net position	<u>\$ 14,162,302</u>	<u>\$ 1,401,963</u>	<u>\$ 15,564,265</u>
Operating revenues	\$ 13,509,328	\$ 914,342	\$ 14,423,670
Operating expenses	13,708,446	917,299	14,625,745
Operating loss	<u>(199,118)</u>	<u>(2,957)</u>	<u>(202,075)</u>
Nonoperating revenues (expenses):			
Interest income	142,388	111	142,499
Interest expense	(342,647)	-	(342,647)
Total nonoperating revenues (expenses)	<u>(200,259)</u>	<u>111</u>	<u>(200,148)</u>
Changes in net position	<u>\$ (399,377)</u>	<u>\$ (2,846)</u>	<u>\$ (402,223)</u>

Budgetary Highlights

The North Carolina State Bar uses budgetary tools internally to measure and control revenues and expenses. Significant categorical variances are reviewed on a quarterly basis and any adjustments to the budget are approved by the State Bar's Council (board of directors) and its Finance and Audit Committee on an as-needed basis.

Long-Term Debt

With the completion of the new State Bar Headquarters in 2013, the State Bar incurred a twelve million dollar loan. The loan was refinanced in 2019 with Branch Banking and Trust as a 10-year tax-exempt bond, amortized over 20 years. The interest rate is fixed at 3.07% for the entire term. Principal and interest payments were made throughout 2020 and 2019. The total balance outstanding is presented on the accompanying statement of net position.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

Events Affecting Future Operations

Affecting the Bar:

At the time of writing of this MDA, the State Bar building is closed to visitors and most State Bar employees continue to work remotely because of the public health protocols implemented in spring 2020 in response to the COVID-19 global pandemic. The speed with which approved vaccines are administered in North Carolina and the country at large will determine when the State Bar building can be re-opened and employees can return to work in the building. However, a year after the World Health Organization declared a global pandemic, we can confidently state that financial consequences of COVID-19 for the State Bar in 2020 were minimal. Although dues collection and deposits of other revenues were delayed, primarily because of the increased processing time caused by remote work, the State Bar's revenue stream from mandatory dues remained steady throughout the year. The imposition of late fees for delinquent payment of dues was delayed two months to provide lawyers who lost income because of the pandemic additional time to pay their dues; nevertheless, more lawyers were delinquent than in 2019 and other typical years, resulting in more income in this category than anticipated. Expenses for 2020 were substantially reduced because of the cancellation of in-person meetings and travel, and the reduction in costs associated with building maintenance. Although no employees were furloughed or laid off, there were increased technology costs associated with the move to remote work. At the end of the year, it was clear that the State Bar had weathered a year of the coronavirus storm well.

The Bar uses the accrual method of accounting to measure revenues and control expenses. The primary revenue source for State Bar is annual membership dues. Other sources of income include fees from the annual registration of professional corporations and interstate law firms, as well as fees charged to respondents in grievance and DHC cases.

The Finance and Audit Committee reviews and approves the Bar's financial statements at the Committee's quarterly meetings. At these meetings, budget to actual variances are examined and reported by the Executive Director to the committee. The Finance and Audit Committee subsequently reports to the Executive Committee of the State Bar Council and to the Council itself at each quarterly meeting of the Council.

The Bar program's assets exceeded liabilities (net position) by \$8,611,566 at December 31, 2020. This is an increase from both 2019 when the net position was \$7,747,953 and from 2018 when the net position was \$7,984,569. Much of this improvement in net position can be attributed to the reduction in expenses because of the pandemic, as noted above. Stagnation in membership fee revenue in prior years had contributed to the decline in our net position, along with legal fees paid to outside counsel which were substantial in 2017 (approximately \$316,000), and the two years thereafter, due to several large cases in litigation. However, in 2020, a slight increase in active membership resulted in more dues revenue than anticipated and, because of the resolution of our last remaining significant lawsuit at the end of 2019, legal fees decreased to approximately \$10,574 in 2020. There are currently no large cases in litigation and minimal anticipated expense for outside legal services in 2021 will help to stabilize our net position. In addition, the mortgage on the State Bar building was refinanced in May 2019 with Branch Banking and Trust (now Truist Bank) via a 10-year tax-exempt bond. The annual debt service on the refinanced mortgage loan is substantially less than the debt service on the previous mortgage loan. Finally, a bill is currently pending in the General Assembly which, if successful, will increase the current cap on membership fees from \$300 to \$400. This will enable the collection of additional membership fee revenue in future years. It should be noted the bill has been pending in the General Assembly for two years.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The Bar program's total liabilities were \$14,088,549 at December 31, 2020. This is a decrease from 2019 when the liabilities were \$14,345,854 and a decrease from 2018 when the liabilities were \$15,684,418. The long-term debt was refinanced in 2019, as noted above.

Expenses for technology in 2021 and 2022, will increase for the Bar as a consequence of entering into a contract with ThoughtSpan Technology for the installation and customization of its regulatory management software. This agency-wide software solution to antiquated databases will improve and simplify data entry and processing in addition to facilitating automation and online services for all departments. This should result in greater efficiency and savings across the organization. In 2020, the Continuing Legal Education program, the Legal Specialization program, and the Paralegal Certification program contributed a combined total of \$100,000 to the expense for the regulatory management software.

Affecting IOLTA:

IOLTA uses the accrual method of accounting and budgetary tools internally to measure and control revenues and expenses. Budget to actual variances are examined by the Finance Committee and the Board of Trustees on a monthly basis. Variances are reviewed at board meetings and any adjustments to budgets are approved by the IOLTA Board.

IOLTA's assets exceeded its liabilities by \$4,886,863 (net position) at December 31, 2020. This is an increase from 2019 when assets exceeded liabilities by \$3,745,078, and a decrease from 2018 when assets exceeded liabilities by \$5,354,548.

IOLTA's total liabilities were \$4,481,837 at December 31, 2020. This is a decrease from 2019 when total liabilities were \$6,390,292 and a increase from 2018 when total liabilities were \$4,271,482.

The original and primary revenue source for IOLTA is interest earned on general attorney trust accounts. Other sources of income include interest from settlement agent accounts; funds from Cy Pres awards, national settlements and interest on investments.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

The following presents condensed financial information for IOLTA as of and for the year ended December 31:

	2020	2019	2018	Current Year Amount Change	Current Year % Change
Current assets	\$ 9,289,437	\$ 7,449,027	\$ 5,495,818	\$ 1,840,410	25%
Capital assets, net	8,022	-	-	8,022	0%
Noncurrent assets	71,241	2,686,343	4,130,212	(2,615,102)	-97%
Total assets	9,368,700	10,135,370	9,626,030	(766,670)	-8%
Current liabilities	4,481,837	5,155,292	4,271,482	(673,455)	-13%
Noncurrent liabilities	-	1,235,000	-	(1,235,000)	100%
Total liabilities	4,481,837	6,390,292	4,271,482	(1,908,455)	-30%
Net position:					
Investment in capital assets	8,022	-	-	8,022	0%
Restricted	71,241	525,332	4,035,501	(454,091)	-86%
Unrestricted	4,807,600	3,219,746	1,319,047	1,587,854	49%
Total net position	\$ 4,886,863	\$ 3,745,078	\$ 5,354,548	\$ 1,141,785	30%
Operating revenues	\$ 4,874,408	\$ 5,481,774	\$ 3,149,242	\$ (607,366)	-11%
Operating expenses	3,370,565	3,784,702	2,290,610	(414,137)	-11%
Operating income (loss)	1,503,843	1,697,072	858,632	(193,229)	-11%
Non-operating revenue	92,032	166,127	141,015	(74,095)	-45%
Income over expenses	1,595,875	1,863,199	999,647	(267,324)	-14%
BofA grants	454,090	3,472,669	1,174,600	(3,018,579)	-87%
Changes in net position	\$ 1,141,785	\$ (1,609,470)	\$ (174,953)	\$ 2,751,255	171%

The original, primary revenue source for IOLTA is participant income. Participant income in 2020 decreased by 8.5% compared to 2019. Participant income in 2019 increased by 69.7% compared to 2018. In 2018, IOLTA pursued comparability studies to seek out higher interest rates at current banks. The changes can also be attributed to favorable market conditions which influence interest rates and larger average balances held in IOLTA accounts.

In 2020 Cy Pres funds were \$41,591, while in 2019 and 2018, IOLTA received \$232,530 and \$2,400, respectively, from Cy Pres Awards.

The funds received are used for funding grants to providers of civil legal services for the indigent and for funding programs concerned with the improvement of the administration of justice. The following table provides a summary of IOLTA grant awards for the years ended December 31:

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

Grant Awards:

	2020	2019	2018	Current Year Amount Change	Current Year % Change
IOLTA Funds	\$ 2,985,700	\$ 3,422,647	\$ 1,934,500	\$ (436,947)	-13%
BofA Funds	454,090	3,472,669	1,174,600	(3,018,579)	-87%
Grant awards	<u>\$ 3,439,790</u>	<u>\$ 6,895,316</u>	<u>\$ 3,109,100</u>	<u>\$ (3,455,526)</u>	<u>-50%</u>

IOLTA received distributions of \$842,972 and \$12,084,737 in 2015 and 2016, respectively, from the funds set aside for tax relief according to the terms in the settlement agreement effective August 2014 between the United States and Bank of America Corporation. These settlement proceeds are restricted solely for the purpose of providing funds to legal aid organizations in North Carolina for foreclosure prevention legal assistance and community redevelopment legal assistance and no portion of the surplus distribution may be used for any other purpose, including general overhead expense.

The balance in the designated unrestricted net position as of December 31, 2020 was \$2,476,739. The purpose of this designation is so IOLTA will have the ability to maintain grant award levels in times of economic downturn.

Lastly, IOLTA disbursed \$729,058 in state funds in 2020. IOLTA expenses include the cost of administering these funds as no state funds may be used for administration.

Affecting the Client Security Fund:

The Supreme Court's order establishing the Client Security Fund requires that the Fund be operated in such a way as to maintain a cash reserve of at least \$1,000,000. The Supreme Court's annual assessment of the membership in support of the Fund has remained stable at \$25 for 2019, 2020, and 2021. It is hoped that continuing assessment at that level will be adequate in the future, although the Fund's rather unpredictable claims experience will ultimately be determinative.

Affecting the Board of Continuing Legal Education:

The Continuing Legal Education (CLE) program is financially self-sufficient. Its costs are constant and its revenues more than sufficient to sustain its regulatory activities. Indeed, because North Carolina lawyers tend to take more CLE than is strictly required, 14 to 15 credit hours per year on average as opposed to the 12 hours mandated by the rules, additional revenue is generally available to subsidize the operations of the State Bar's Lawyer Assistance Program. Revenue is also boosted by the imposition and collection of substantial penalties related to noncompliance. The program's expenses will be moderated in the next few years as it begins to leverage technology more effectively. Management is working with the Board of Continuing Legal Education to evaluate whether the current regulatory scheme for accounting for and recording CLE credits might be simplified with resulting savings in projected labor costs.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020

Affecting the Board of Legal Specialization:

The Legal Specialization program is financially self-sufficient with revenues that have generally exceeded expenses in recent years, albeit by relatively modest amounts. With over one thousand lawyers certified in thirteen areas of specialty, the program has become reliant not so much upon the application fees of those seeking certification, between 90 to 100 each year on average, but upon reliable sums generated each year from the imposition of an annual fee to maintain certification. This annual fee was raised in 2016 and should provide a stable income stream in support of the program's administration for several years to come. The new agency-wide database software, once implemented, should result in increased efficiency and cost savings for the program.

Affecting the Board of Paralegal Certification:

The Paralegal Certification program is financially viable. Its income, in most years, exceeds its expenses. It also maintains a substantial cash reserve. As of March 2020, there are approximately 3700 certified paralegals (CPs). Although the program averages 250 to 300 applications for certification each year, attrition among existing CPs usually offsets new certifications. Nevertheless, if the pool of CPs holds steady, the program should not have difficulty remaining financially self-sufficient. Over time, the implementation of the new agency-wide database software should result in increased efficiency and cost savings for the program.

Contacting the State Bar's Financial Management

This financial report is designed to provide a general overview of the State Bar's finances and to demonstrate the State Bar's accountability for the funds it receives and expends. If you have questions or require additional information, please contact the North Carolina State Bar, 217 East Edenton Street, Raleigh, North Carolina 27601.



Independent Auditor's Report

Members of the State Bar Council
North Carolina State Bar
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Bar ("State Bar") which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State Bar's preparation and fair presentation of the basic 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 State Bar'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 basic financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the North Carolina State Bar as of December 31, 2020 and 2019, and the changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the State Bar and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 2020 and 2019, nor the changes in its net position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 9, be presented to supplement the basic financial statements. Such information, although not a 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.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
April 16, 2021

NORTH CAROLINA STATE BAR
Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 19,216,197	\$ 16,757,796
Restricted cash, current portion	1,953,296	1,295,912
Fees receivable, net	334,592	327,725
Other receivables	14,117	5,853
Interest receivable	518,465	473,247
Prepaid expenses	75,002	65,211
Total current assets	<u>22,111,669</u>	<u>18,925,744</u>
Capital assets, net	<u>13,166,701</u>	<u>13,787,793</u>
Noncurrent assets:		
Restricted cash, noncurrent portion	<u>71,241</u>	<u>2,686,343</u>
Total assets	<u>35,349,611</u>	<u>35,399,880</u>
LIABILITIES:		
Current liabilities:		
Current portion of long-term debt	371,760	360,194
Accounts payable	94,440	75,191
Other accrued expenses	142,005	130,294
Payable as Agent for the State	50,293	81,226
Accrued vacation	275,118	223,830
Pension contribution payable	603,765	586,215
Amounts held for escheatment	522,901	516,087
Grants approved and unpaid	4,395,040	5,047,497
Claims payable	2,804	11,745
Unearned revenue	3,606,721	3,604,098
Total current liabilities	<u>10,064,847</u>	<u>10,636,377</u>
Noncurrent liabilities:		
Grants approved and unpaid	-	1,235,000
Long-term debt	8,627,612	8,992,271
Total noncurrent liabilities	<u>8,627,612</u>	<u>10,227,271</u>
Total liabilities	<u>18,692,459</u>	<u>20,863,648</u>
NET POSITION:		
Net investment in capital assets	4,167,329	4,435,328
Restricted	71,241	525,332
Unrestricted	12,418,582	9,575,572
Total net position	<u>\$ 16,657,152</u>	<u>\$ 14,536,232</u>

NORTH CAROLINA STATE BAR
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Membership fees	\$ 8,894,700	\$ 8,689,115
Assessments	741,360	719,570
Reimbursements of claim awards	130,827	89,295
Sponsor and attendee fees	455,118	513,377
Renewal, registration and examination fees	420,485	419,150
Professional corporations	125,345	125,166
Interstate law firms	119,000	115,500
Reinstatement fees	8,625	8,500
Penalty fees	437,708	423,795
EAJC processing fees	89,851	100,304
DHC reimbursable costs and grievance fees	53,253	112,605
Foundation contributions	50,000	53,984
Bar magazine income	31,900	38,525
Interest from participants - IOLTA	4,685,417	5,119,918
Cy pres receipts - IOLTA	41,591	232,530
Settlement agent accounts - IOLTA	127,400	111,326
Professional and administrative services - IOLTA	20,000	18,000
Other	61,831	337,559
Total operating revenues	16,494,411	17,228,219
Operating expenses:		
Salaries and wages	6,602,102	6,515,170
Pension plan contributions	603,829	586,688
Other employee benefits	787,590	750,280
Grant awards - IOLTA	2,985,700	3,422,647
Grants funded from settlement proceeds - IOLTA	454,090	3,472,669
Other grant awards	-	10,000
Claim awards	514,792	92,061
Professional fees	76,338	132,415
Council and committee meetings, including officers' travel	82,477	531,413
Publications, postage, and printing	212,454	251,914
Depreciation	627,210	819,505
Equipment rental and maintenance	232,828	254,332
Coordinator fee and expenses	966	813
Travel and automotive	22,200	131,142
Community outreach	7,499	19,268
Exam analysis	23,820	24,567
Test administration	3,496	15,809
Rent expense	30,233	29,353
Disciplinary proceedings	93,230	166,005
Building maintenance and utilities	183,042	210,076
Bank service charges	236,656	163,924
Bad debt expense	93,231	125,056
Other office expense	261,409	240,431
Telephone	27,957	30,370
Insurance and bonds	44,697	38,895
Debt issuance expense	-	93,632
Other	7,101	-
Total operating expenses	14,214,947	18,128,435
Operating income (loss)	2,279,464	(900,216)
Nonoperating revenues (expenses):		
Interest income	138,784	179,431
Interest expense	(288,176)	(307,248)
Loss on disposals of equipment	(9,152)	-
Net nonoperating expenses	(158,544)	(127,817)
Changes in net position	2,120,920	(1,028,033)
Net position - beginning of year	14,536,232	15,564,265
Net position - end of year	\$ 16,657,152	\$ 14,536,232

See Notes to Financial Statements

NORTH CAROLINA STATE BAR
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from attorneys for membership fees	\$ 8,902,023	\$ 7,759,298
Cash received from program participants - IOLTA	4,640,199	5,073,018
Cash received from other fees	1,635,911	1,739,966
Cash received from Cy Pres - IOLTA	41,591	232,530
Cash received from settlement agent accounts - IOLTA	127,400	111,326
Cash received from other services - IOLTA	20,000	18,000
Cash received from assessments and reimbursements	850,793	808,504
Other cash received	680,411	924,065
Payments for IOLTA grants	(5,358,180)	(4,774,149)
Payments to claimants	(523,733)	(90,787)
Payments to employees for services	(7,924,683)	(7,847,434)
Payments to suppliers of goods and services	(1,390,175)	(1,501,027)
Payments for other operating expenses	(683,119)	(1,313,035)
Net cash provided by operating activities	<u>1,018,438</u>	<u>1,140,275</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(15,270)	(19,773)
Interest paid	(288,176)	(307,248)
Principal payments on bank borrowings	(353,093)	(348,473)
Net cash used in capital and related financing activities	<u>(656,539)</u>	<u>(675,494)</u>
Cash flows from investing activities:		
Interest received	138,784	179,431
Net cash provided by investing activities	<u>138,784</u>	<u>179,431</u>
Net increase in cash and cash equivalents	500,683	644,212
Cash and cash equivalents - beginning of year	20,740,051	20,095,839
Cash and cash equivalents - end of year	<u>\$ 21,240,734</u>	<u>\$ 20,740,051</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,279,464	\$ (900,216)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	627,210	819,505
Other	-	89,070
Changes in assets and liabilities:		
Receivables	(61,431)	9,144
Prepaid expenses and other assets	(9,791)	14,449
Accounts payable and accrued expenses	1,109	(331,930)
Accrued vacation and pension	68,838	4,704
Grants approved and unpaid	(1,887,457)	2,385,832
Amount held for escheatment	6,814	(26,115)
Claims payable	(8,941)	1,274
Unearned revenue	2,623	(925,442)
Total adjustments	<u>(1,261,026)</u>	<u>2,040,491</u>
Net cash provided by operating activities	<u>\$ 1,018,438</u>	<u>\$ 1,140,275</u>

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina State Bar ("State Bar") is comprised of the following North Carolina State Bar programs: North Carolina State Bar; North Carolina State Bar Board of Continuing Legal Education; North Carolina State Bar Board of Legal Specialization; North Carolina State Bar Board of Paralegal Certification; North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts; and the Client Security Fund of the North Carolina State Bar. The State Bar's programs are organized as standing committees under the governance of the North Carolina State Bar Council (the "Council"). The Council is composed of a variable number of councilors equal to the number of judicial districts plus 16, the officers of the Bar, and each retiring president of the Bar, who is a councilor for one year from the date of the expiration of his term as president. The North Carolina State Bar is also affiliated with the Chief Justice's Commission on Professionalism; the North Carolina Equal Access to Justice Commission ("EAJC"); and the North Carolina State Bar Foundation as further discussed in Note 15, Related Party Transactions.

- The North Carolina State Bar *program* (the "Bar") was created by the direction of the North Carolina Legislature in 1933 and is considered an agency of the State of North Carolina. All attorneys licensed to practice in North Carolina must become members of the Bar.
- The North Carolina State Bar Board of Continuing Legal Education ("CLE") was established by order of the North Carolina Supreme Court on October 7, 1987. CLE was given the responsibility for administering the continuing legal education program for attorneys licensed to practice law in North Carolina.
- The North Carolina State Bar Board of Legal Specialization ("Legal Specialization") was established in 1987 as a separate program to certify attorneys as legal specialists.
- The North Carolina State Bar Board of Paralegal Certification ("Paralegal") was approved by the Bar and adopted by the North Carolina Supreme Court in 2004 to assist in the development of paralegal standards, raise the profile of the paralegal profession, and standardize the expectations of the public and other legal professionals.
- The North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts ("IOLTA") was approved by the North Carolina Supreme Court on June 23, 1983, and was implemented by the State Bar in January 1984. Interest earned on general trust accounts, net of allowable service charges, is transferred to IOLTA. The funds received are used for funding grants to providers of civil legal services for the indigent and for funding programs concerned with the improvement of the administration of justice. On October 11, 2007, the Supreme Court delivered an order to the State Bar to implement a mandatory IOLTA program, effective January 1, 2008.
- The Client Security Fund of the North Carolina State Bar ("CSF" or "Client Security Fund") was created by direction of the Supreme Court in 1984 and became operational on January 1, 1985. The Supreme Court has the discretion to assess attorneys in order to provide funds which are used to reimburse clients who have been embezzled of their monies by their attorneys. These funds are segregated and administered by the CSF Board of Trustees. CSF has a fiscal year end of September 30.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the State Bar is responsible.

For financial reporting purposes, the State Bar is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the State Bar are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying 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").

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the State Bar are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license periods begin.

The State Bar classifies its revenues as operating or non-operating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the State Bar's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of membership dues and assessments, reimbursements of claim awards, CLE fees, renewal, registration and examination fees and interest from IOLTA participants. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing and financing type activities.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the State Bar considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fees Receivable

Fees receivable includes of Bar membership fees and CSF assessments in arrears and late fees assessed thereon. Each active member of the Bar is required to pay annual membership fees to support the Bar plus an assessment to support CSF. Annual membership fees and assessments were \$300 and \$25, respectively in 2020 and 2019. Membership fees and assessments for the calendar year are due January 1, with a \$30 late fee assessed for dues paid after June 30. Attorneys may be suspended for non-payment. Fees receivable also includes Bar Disciplinary Hearing Committee ("DHC") and grievance fees billed and unpaid as of year end and CLE attendee and sponsor fees receivable. CLE attendee fees receivable are based on fees billed in March following year end related to CLE taken in the current fiscal year. The Bar provides an allowance for doubtful accounts for amounts estimated to be uncollectible based on management's review of accounts.

Other Receivables

Other receivables consists of amounts due from advertising revenue, council meeting charges and reimbursement of conservator fees.

Interest Receivable

Interest receivable consists of amounts due from various financial institutions holding deposits of IOLTA participating lawyers' trust accounts and is received in January following year end.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The State Bar capitalizes assets that have a cost of \$5,000 or greater at the date of acquisition and an expected useful life in excess of two years. Artwork is not depreciated since it does not have a determinable useful life. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	3 - 39 years
Computer equipment and software	3 - 5 years
Furniture and office equipment	5 - 7 years
Automobiles	3 - 5 years
Artwork (not depreciable)	N/A

Unearned Revenue

Unearned revenue consists of Bar dues received in advance and Paralegal renewal fees received prior to the certification renewal period. Bar dues notices are mailed prior to January 1 of the year for which they are due. Amounts collected prior to January 1 represent unearned revenues as of December 31. The payment period for Paralegal calendar year renewals is from October 1 through the following February 15. Amounts collected prior to January 1 represent unearned revenue as of December 31.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payable as Agent for the State

Payable as Agent for the State consists of funds held by IOLTA acting as a custodian on behalf of the State of North Carolina. These funds are included in restricted cash at December 31. See also Note 4 - Agency Transactions.

Amounts Held for Escheatment

Amounts held for escheatment represent amounts held by the Bar for the beneficiaries of attorney trust accounts assumed by the Bar. These funds are included in restricted cash in the Statements of Net Position.

Accrued Vacation

The State Bar provides for the accumulation of up to 105 hours of earned vacation leave with such leave being fully vested when earned. Sick leave is accumulated up to 910 hours; however, no payments are made for accrued and unused sick leave at the end of the calendar year or in the event an employee separates from employment.

Net Position

The State Bar's net position is classified as follows:

Investment in capital assets - This represents the State Bar's investment in capital assets net of related debt and accumulated depreciation.

Restricted - This represents the State Bar's portion of net position restricted externally as to use by creditors, grantors, contributors or laws or regulations of other governments, net of related liabilities.

Unrestricted net position - This represents the State Bar's portion of net position which is not subject to externally imposed stipulations pertaining to its use. Unrestricted net position is used for the general operations of the State Bar and may be used at the discretion of the governing board to meet current expenses for any purpose.

The IOLTA Board of Trustees has designated \$2,476,739 and \$2,449,133 of its unrestricted net position at December 31, 2020 and 2019, respectively, to be reserved for future program awards. The designated unrestricted net position may be made available for general operations with the Board's consent.

Revenue Recognition

- Bar revenues are generated primarily from annual membership fees and are recognized when earned.
- Legal Specialization revenues relate primarily to certification, application and examination fees charged to attorneys who are certified legal specialists and are recognized in the period earned.
- CLE revenues consist primarily of fees from attorneys or providers for each approved credit hour of continuing education and are recognized in the period in which the program is held. Penalties are charged for late filing and late compliance and are recognized as income in the period charged. The CLE program assessed a total of \$3.50 per credit hour in 2020 and 2019, of which \$1.25 per credit hour is earned by CLE and the remaining is distributed as follows: \$1.00 per credit hour to CJCP to provide financial support; \$1.00 per credit hour to the EAJC to provide financial support; and \$.25 per credit hour to the Bar as compensation for administering the funds distributed to the commissions.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Paralegal revenues from renewal fees are recognized when the certification period begins, which is January 1 for calendar year renewals and July 1 for mid-year renewals. Calendar year renewal fees collected prior to January 1 are deferred and recognized as revenue in the subsequent period. Paralegal application and examination fees are recognized when earned, which is generally when received.
- IOLTA's operating revenues are comprised primarily of interest from participant accounts, cy pres receipts and settlement proceeds. Interest from participant accounts is recognized as revenue when earned. IOLTA management is responsible for negotiating service charges assessed by financial institutions in connection with IOLTA participants' trust accounts. Certain service charges are based on a flat fee per account, while others are dependent upon the activity in the accounts. IOLTA, by law, is entitled only to the interest earned on participants' accounts, net of certain service charges. Interest income from IOLTA participants is reported net of reported service charges of approximately \$368,663 and \$369,928 in 2020 and 2019, respectively. Beginning in 2007, funds received and disbursed by IOLTA include cy pres funds for the provision of civil legal services for indigents. Per North Carolina statute, unpaid residual funds in class action litigation (unless otherwise ordered by the court) shall be divided and sent equally to the State Bar for the provision of civil legal services for indigents and to the Indigent Person's Attorney Fund. The Board policy is to distribute these funds to established legal services programs, non-profit organizations under Section 501(c)(3) of the Internal Revenue Code whose primary purpose is to provide civil legal assistance to low-income clients. . Distribution of class action residual funds or funds from other court action or settlements not governed by the NC statute will be determined by the IOLTA trustees with the guidance of the appropriate court order or other documentation directing the funds to NC IOLTA. In 2020 and 2019, respectively, such cy pres funds in the amount of \$41,591 and \$232,530 were received and included in funds available for 2020 and 2019 grants, respectively.
- CSF revenues are comprised of assessments and reimbursements of claim awards. Annual assessments to attorneys are made when the Board determines the reserves are low. Revenues are recognized in the period for which the assessments are due. An assessment of \$25 per attorney was ordered for 2020 and 2019. CSF may be entitled to reimbursements from named attorneys to the extent of the claims awarded. These reimbursements are typically recognized upon receipt or upon completion of the appeals process.

Grant Awards - IOLTA

Grants are awarded by the IOLTA Board of Trustees to organizations that carry out programs concerned with the improvements of the administration of justice. These programs may consist of:

- Providing civil legal services for indigents;
- Enhancement and improvement of grievance and disciplinary procedures to protect the public more fully from incompetent or unethical attorneys;
- Development and maintenance of a fund for student loans to enable meritorious persons to obtain a legal education when otherwise they would not have adequate funds for this purpose; and
- Such other programs designed to improve the administration of justice as may from time to time be proposed by the Board of Trustees and approved by the Supreme Court of North Carolina.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Awards - IOLTA (Continued)

Grant awards are recognized as expense in the period of award. The current portion of grants approved but unpaid as of December 31, 2020 is expected to be funded in 2021.

Grant awards subject to matching requirements are recognized upon the grantee's satisfaction of the required match. Grant awards totaling \$29,000 in 2020 met the matching requirements at December 31, 2020, and will be paid in 2021. Grants totaling \$24,000 in 2019 met the matching requirements in 2019 and were paid in 2020.

Claim Awards - CSF

Claim awards are recognized upon authorization by the Board of Trustees of the Client Security Fund ("Board"). Included in claims payable at September 30, 2020, are claims approved by the Board during fiscal year 2020 and unpaid as of September 30, 2020. Effective March 6, 1997, the North Carolina Supreme Court limited CSF claim awards to \$100,000 per claim.

Income Taxes

The State Bar is a governmental agency whose net income is exempt from federal income taxes under the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS AND CREDIT RISK

Cash and cash equivalents consist of the following at December 31:

	2020	2019
BB&T, checking account	\$ 2,605,039	\$ 3,031,904
BB&T, money market account	7,895,830	5,942,026
Wells Fargo, checking account	112	112
STIF account (with NC State Treasurer)	8,715,216	7,478,707
First Citizens Bank, money market account	-	304,067
PayPal	-	980
	<u>\$19,216,197</u>	<u>\$16,757,796</u>

Custodial credit risk is the risk that the State Bar's deposits may not be returned in the event of a bank failure. The State Bar's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits with financial institutions exceeded FDIC insured limits by approximately \$12 million as of December 31, 2020.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 2 - DEPOSITS AND CREDIT RISK (Continued)

The State Bar's investment policy states that the State Bar is required to make sure uninsured balances on deposit are fully collateralized. The State Bar's primary private depositories pledge securities for all deposits in excess of FDIC coverage so that accounts are fully collateralized. These collateralized deposits are pooled with the State Treasurer. Amounts held with the State Treasurer are insured by the State of North Carolina.

NOTE 3 - RESTRICTED CASH

Restricted cash consists of the following at December 31:

	2020	2019
Bar (with First Citizen's Trust fund)	\$ 522,901	\$ 516,087
IOLTA - cash held in agency (with NC State Treasurer)	50,293	81,226
IOLTA - settlement funds (with NC State Treasurer)	1,451,343	3,384,942
	<u>\$ 2,024,537</u>	<u>\$ 3,982,255</u>

Bar restricted cash represents amounts held for escheatment by the Bar for the beneficiaries of attorney trust accounts assumed by the Bar. IOLTA cash held in agency represents undisbursed State funds which are held in a separate STIF account. (See Note 4 - Agency Transactions). IOLTA settlement funds represent monies received from donations on behalf of Bank of America, N.A. The donations are restricted for the sole purpose of providing funds to legal aid organizations in the State of North Carolina for foreclosure prevention, legal assistance, and community redevelopment legal assistance (see Note 13 - Restricted Net Position - IOLTA). Settlement proceeds expected to be used in 2021 are classified as current assets.

NOTE 4 - CUSTODIAL TRANSACTIONS

In October 2004, IOLTA began receiving and disbursing certain cash awards on behalf of the State of North Carolina. This activity was taken over from the State Bar. These funds are not available for use by IOLTA, but instead are forwarded to the State-designated organizations upon receipt. Funds disbursed by IOLTA acting as a custodian of the State are as follows:

	2020	2019
Legal Aid of North Carolina, Inc. (LANC)	\$ 685,239	\$ 995,853
Pisgah Legal Services	43,819	66,117
Pisgah Legal Services - Appropriations paid	-	100,000
	<u>\$ 729,058</u>	<u>\$ 1,161,970</u>

Funds received by IOLTA associated with these agency transactions and undisbursed at year end are included in restricted cash and payable as agent for the State in the Statement of Net Position. These funds totaled \$50,293 and \$81,226 at December 31, 2020 and 2019, respectively.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 5 - FEES RECEIVABLE

Fees receivable consist of the following at December 31:

	2020	2019
Bar membership fees	\$ 58,055	\$ 30,740
CSF assessments	24,260	2,866
	82,315	33,606
Less: Allowance for doubtful accounts	(20,355)	(20,355)
	61,960	13,251
Bar fees from CLE processing	39,627	37,763
Bar DHC fees	409,571	408,500
Less: Allowance for doubtful accounts - DHC fees	(359,658)	(305,589)
	49,913	102,911
CLE fees	198,092	188,800
Less: Allowance for doubtful accounts	(15,000)	(15,000)
	183,092	173,800
Total fees receivable, net	<u>\$ 334,592</u>	<u>\$ 327,725</u>

NOTE 6 - CLE ASSESSMENTS

CLE collected and disbursed assessments as follows for the year ended December 31:

	2020	2019
Chief Justice's Commission on Professionalism	\$ 337,926	\$ 382,569
North Carolina Equal Access to Justice Commission	337,926	382,569
North Carolina State Bar	84,452	95,609
	<u>\$ 760,304</u>	<u>\$ 860,747</u>

These amounts are not included in CLE revenues and expenses but are passed on to the respective agencies. The Bar assessments are included in EAJC processing fees in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

NOTE 7 - CAPITAL ASSETS

Changes in capital assets are as follows for the year ended December 31, 2020:

	Cost 12/31/2019	Additions	Retirements	Cost 12/31/2020
Building costs	\$17,111,627	\$ -	\$ -	\$17,111,627
Computer equipment and software	705,265	11,270	(48,755)	667,780
Artwork	410,365	4,000	-	414,365
Furniture and office equipment	1,593,413	-	-	1,593,413
Automobile	19,407	-	-	19,407
Total cost	<u>19,840,077</u>	<u>15,270</u>	<u>(48,755)</u>	<u>19,806,592</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 7 - CAPITAL ASSETS (Continued)

Changes in capital assets are as follows for the year ended December 31, 2020 (Continued):

	Cost 12/31/2019	Additions	Retirements	Cost 12/31/2020
Less accumulated depreciation:				
Building costs	(4,020,373)	(531,168)	-	(4,551,541)
Computer equipment and software	(644,250)	(24,815)	39,603	(629,462)
Furniture and office equipment	(1,368,254)	(71,227)	-	(1,439,481)
Automobile	(19,407)	-	-	(19,407)
Total depreciation	<u>(6,052,284)</u>	<u>(627,210)</u>	<u>39,603</u>	<u>(6,639,891)</u>
Total capital assets, net	<u>\$13,787,793</u>	<u>\$ (611,940)</u>	<u>\$ (9,152)</u>	<u>\$13,166,701</u>

Changes in capital assets are as follows for the year ended December 31, 2019:

	Cost 12/31/2018	Additions	Retirements	Cost 12/31/2019
Building costs	\$17,216,773	\$ -	\$ (105,146)	\$ 17,111,627
Computer equipment and software	841,307	-	(136,042)	705,265
Artwork	400,865	9,500	-	410,365
Furniture and office equipment	1,583,140	10,273	-	1,593,413
Automobiles	19,407	-	-	19,407
Total cost	<u>20,061,492</u>	<u>19,773</u>	<u>(241,188)</u>	<u>19,840,077</u>
Less accumulated depreciation:				
Building costs	(3,457,746)	(578,803)	16,176	(4,020,373)
Computer equipment and software	(745,723)	(34,469)	135,942	(644,250)
Furniture and office equipment	(1,162,021)	(206,233)	-	(1,368,254)
Automobiles	(19,407)	-	-	(19,407)
	<u>(5,384,897)</u>	<u>(819,505)</u>	<u>152,118</u>	<u>(6,052,284)</u>
Total capital assets, net	<u>\$14,676,595</u>	<u>\$ (799,732)</u>	<u>\$ (89,070)</u>	<u>\$13,787,793</u>

NOTE 8 - LONG-TERM DEBT

In May 2019, The State Bar refinanced the original mortgage of the State Bar headquarters through a tax-exempt loan totaling \$9,625,000.

Long-term debt consists of the following at December 31, 2020:

A mortgage loan (BB&T) for \$9,625,000, used to refinance the original mortgage loan for construction of the State Bar headquarters, payable in 240 monthly payments of principal and interest beginning June 10, 2019, with payments amortized over 20 years at a fixed interest rate of 3.07%.	\$ 8,999,372
Less current portion	<u>(371,760)</u>
Long-term debt	<u>\$ 8,627,612</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

Principal maturities and interest payments of long-term debt are as follows at December 31, 2020:

	Principal	Interest
2021	\$ 371,760	\$ 276,698
2022	383,339	264,962
2023	395,273	363,861
2024	407,581	241,052
2025	420,273	227,517
Thereafter	7,021,146	1,589,435
	<u>\$ 8,999,372</u>	<u>\$ 2,963,525</u>

The loan agreement requires the State Bar to maintain a liquidity ratio (unrestricted cash and cash equivalents/funded debt) of no less than 25% at each fiscal year end. At December 31, 2020, the State Bar had \$8,823,475 of unrestricted cash and \$8,999,372 of funded debt, a liquidity ratio of approximately 98%. The loan is secured by the building. Management is aware of no violations of these covenants as of December 31, 2020 or subsequent thereto.

NOTE 9 - CHANGE IN LONG-TERM LIABILITIES AND ACCRUED VACATION

The change in long-term liabilities is as follows at December 31, 2020 and 2019:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020	Current Portion of Balance
Grants approved and unpaid	<u>\$ 6,282,497</u>	<u>\$ 3,439,790</u>	<u>\$ (5,327,247)</u>	<u>\$ 4,395,040</u>	<u>\$ 4,395,040</u>
Note payable	<u>\$ 9,352,465</u>	<u>\$ -</u>	<u>\$ (353,093)</u>	<u>\$ 8,999,372</u>	<u>\$ 371,760</u>

	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019	Current Portion of Balance
Grants approved and unpaid	<u>\$ 3,896,665</u>	<u>\$ 2,385,832</u>	<u>\$ -</u>	<u>\$ 6,282,497</u>	<u>\$ 5,047,497</u>
Note payable	<u>\$ 9,700,938</u>	<u>\$ 9,625,000</u>	<u>\$ (9,973,473)</u>	<u>\$ 9,352,465</u>	<u>\$ 360,194</u>

The changes in accrued vacation are as follows at December 31:

	2020	2019
Beginning balance	\$ 223,830	\$ 231,198
Increases	428,404	439,283
Decreases	(377,116)	(446,651)
Ending balance	<u>\$ 275,118</u>	<u>\$ 223,830</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 10 - PENSION PLAN

Employees who have completed a year of service and attained age eighteen are eligible to participate in the State Bar's money purchase pension plan ("the Plan"). Participants who have completed a year of service during the Plan year (at least 1,000 hours of service during the Plan year) are eligible to share in the allocation of contributions and forfeitures for that Plan year. On behalf of each participant eligible to share in allocations, the State Bar contributes 10% of such participant's annual compensation to the Plan. Pension costs under the Plan totaled \$603,829 and \$586,688 in 2020 and 2019, respectively.

There were no pension forfeitures used to offset pension contributions for the years ended December 31, 2020 and 2019.

NOTE 11 - LAWYERS' ASSISTANCE PROGRAM

Lawyers' Assistance Program ("LAP") is a program sponsored by the Bar that provides help to lawyers in need of assistance in dealing with substance abuse or mental health issues. LAP program expenses of \$655,285 and \$699,955 in 2020 and 2019, respectively, are reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position by natural category. The majority of program expenses pertain to salaries and benefits. Program expenses also include travel, computer support, and other administrative costs.

NOTE 12 - LEASES

Lessee

Facilities

The Bar leases facilities for its Lawyers' Assistance Program in Charlotte, North Carolina. The lease agreement was renewed for one additional term of three years beginning July 1, 2018. The renewed lease agreement expires July 1, 2021. Monthly rent expense under the lease agreement will increase by 3% per year. The Bar's lease expense for the leased LAP office space was \$30,233 and \$29,353 for 2020 and 2019, respectively.

Equipment

The Bar leases office equipment under operating leases with varying expirations through 2022. Lease expense for office equipment was approximately \$18,000 and \$21,000 for 2020 and 2019, respectively.

The minimum lease payments required under operating leases having an initial term of more than one year are as follows at December 31, 2020:

2021	\$ 47,532
2022	35,809
2023	33,037
2024	13,934
	<u>\$ 130,312</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 13 - RESTRICTED NET POSITION - IOLTA

IOLTA received \$12,084,737 and \$842,972 in 2016 and 2015, respectively, in accordance with the terms in a settlement agreement ("Settlement Agreement") between the United States and Bank of America Corporation ("the Bank"), whereby the Bank was required to distribute \$30 million to IOLTA programs nationwide from the funds set aside for consumer relief. These settlement proceeds are restricted for the purpose of providing funds to legal aid organizations in the State of North Carolina for foreclosure prevention legal assistance and community redevelopment legal assistance. No portion of the surplus distribution may be used for any other purpose, including for its general overhead expenses. Unspent funds of \$71,241 and \$525,332 were included in IOLTA's restricted net position as of December 31, 2020 and 2019, respectively. Grants funded from settlement proceeds and released from restriction totaled \$454,090 and \$3,472,669 in 2020 and 2019, respectively.

NOTE 14 - INTER-PROGRAM TRANSACTIONS

The State Bar's programs entered into the following transactions which have been eliminated in the accompanying Statements of Net Position and Statement of Revenues, Expenses and Changes in Net Position:

Contributions

CLE, Legal Specialization, and Paralegal Certification contributed \$50,000, \$25,000 and \$25,000, respectively, to the Bar in support of a new software licensing agreement entered into in 2020 (see Note 16 - Commitments).

LAP Support Provided by CLE

CLE annually pays the Bar an amount from its excess revenues to subsidize the Lawyer's Assistance Program. The subsidy is based on actual expenses incurred by CLE and the transfer involves only those funds in excess of a cash reserve of \$200,000 at year end. The Bar recognized related support from CLE in 2020 of \$285,355 of which \$607 was received in 2021. The Bar recognized related support from CLE in 2019 of \$323,099 of which \$40 was received in 2020.

Bar Overhead, Computer Usage and Copier Charges

The Bar charges its affiliates an overhead fee for various costs incurred by the Bar in support of its affiliates. These costs include human resources, accounting and reception services. The annual charge is based on the number of people employed by the respective affiliates. The Bar also charges its affiliates for other support services including staffing and use of the Bar's computer, postage meter, copy machine and fax machine. These charges are as follows for the year ended December 31, 2020:

	Overhead	Computer	Copying	Total
CLE	\$ 39,056	\$ 18,810	\$ 2,537	\$ 60,403
Legal Specialization	17,299	-	434	17,733
Paralegal	17,299	6,263	383	23,945
IOLTA	-	-	757	757
CSF	18,215	-	204	18,419
Total	<u>\$ 91,869</u>	<u>\$ 25,073</u>	<u>\$ 4,315</u>	<u>\$ 121,257</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 14 - INTER-PROGRAM TRANSACTIONS (Continued)

Bar Overhead, Computer Usage and Copier Charges

These charges are as follows for the year ended December 31, 2019:

	Overhead	Computer	Copying	Total
CLE	\$ 38,290	\$ 18,441	\$ 3,341	\$ 60,072
Legal Specialization	16,960	-	858	17,818
Paralegal	16,960	6,140	1,072	24,172
IOLTA	-	-	352	352
CSF	17,915	-	242	18,157
Total	<u>\$ 90,125</u>	<u>\$ 24,581</u>	<u>\$ 5,865</u>	<u>\$ 120,571</u>

Rent

The Bar leases office space to CLE, Legal Specialization, Paralegal, and IOLTA. These leases operate on a month-to-month basis. Inter-program rental income recognized by the Bar totaled \$29,264 for 2020 and 2019.

Other Accrued Expenses

Included in other accrued expenses in the accompanying Statement of Net Position at December 31, 2020 are amounts payable to CSF totaling \$11,175. This amount is not eliminated since CSF has a year end of September 30.

NOTE 15 - RELATED PARTY TRANSACTIONS

The Chief Justice's Commission on Professionalism and The North Carolina Equal Access to Justice Commission

The Chief Justice's Commission on Professionalism ("CJCP"), was created by order of the Supreme Court of North Carolina on September 22, 1998, to enhance professionalism among North Carolina's lawyers. The North Carolina Equal Access to Justice Commission ("EAJC"), was created by order of the Supreme Court of North Carolina on November 3, 2005, to expand access to civil legal representation for people of low income and modest means in North Carolina. Attorneys and CLE program sponsors pay fees to the Bar for each hour of CLE credit taken by North Carolina's attorneys to support the administration of the CLE program. Portions of these fees charged are allocated to CJCP and EAJC to support these commissions and a portion is allocated to the Bar to cover the cost of administering these funds for the commissions (see Note 6 - CLE Assessments). CLE had accounts payable to CJCP of \$46 and accounts payable to EAJC of \$35 at December 31, 2020. CJCP and EAJC are independent entities separate from the State Bar and are not included in this report.

The North Carolina State Bar Foundation

In December 2009, the North Carolina State Bar Foundation ("Foundation"), was established to raise money to assist in the construction and maintenance of a new office building for the State Bar which was erected on state-owned property leased to the State Bar. The Foundation is a 501(c)(3) tax exempt entity with a separate Board of Trustees and is autonomous from the State Bar. In March 2012, the Bar transferred \$500,124 of restricted cash to the Foundation.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 15 - RELATED PARTY TRANSACTIONS (Continued)

The North Carolina State Bar Foundation (Continued)

These funds were previously donated by Paralegal and were restricted for use in construction of the State Bar's new building. The Foundation provided assistance to the Bar in 2013 and 2014 by purchasing capital assets with an aggregate cost of approximately \$1,024,000, intended for the State Bar's use. The Foundation also made contributions to the Bar in 2020 and 2019 of \$50,000 and \$53,984, respectively, to cover certain building-related costs.

NOTE 16 - COMMITMENTS

Risk Management

The State Bar is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of State Bar Council members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the State Bar under the State's public officers' and employees' liability insurance contract with a private insurance company. The State Bar also protects itself from exposures to loss through the purchase of commercial insurance.

Contracts

Ground Lease with the State of North Carolina

In January 2009, the Council approved the State Bar's acquisition by lease of property owned by the State of North Carolina. The parcel of land of approximately 22,000 square feet is located at the intersection of Blount and Edenton Streets in the State Government Complex in the City of Raleigh. The leased property accommodates a "Class A" office building that was constructed to house the State Bar. The lease was executed on May 17, 2011 for a term of ninety-nine (99) years, commencing on the first day of July 2011 and expiring on July 1, 2110 for the consideration of one (\$1) dollar. In addition, parking facilities currently located on the leased land and the adjacent areas were relocated and reengineered at a cost of \$203,279 paid by the Bar. At the end of the lease, all improvements to the land become property of the State of North Carolina. After thirty (30) years and prior to ninety-eight (98) years into the lease, the State of North Carolina has the right to terminate the lease provided that any outstanding mortgage is paid off by the State of North Carolina and adequate compensation is paid to the Bar for its equity in the building and improvements. The Bar must be given one year's notice prior to termination.

License Agreement with Thoughtspan Technology, LLC

In October 2020, the State Bar entered into a software license agreement with Thoughtspan Technology, LLC ("Thoughtspan"), whereby Thoughtspan grants to the State Bar a perpetual, non-transferable and non-exclusive license for the State Bar and its users to use, install, operate and maintain software developed and distributed by Thoughtspan. Of the total license fee of \$250,000, \$125,000 is due the later of January 1, 2021 or effective date; \$125,000 is due upon the initial (membership) go-live date. Support and maintenance fees through 2022 totaling \$170,000 are due upon the final (enforcement) go-live date. Subsequent to 2022, support and maintenance fees are optional and the State Bar may exercise its option to continue support and maintenance services by providing written notice to Thoughtspan at least 30 days prior to the end of the prior support year.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 16 - COMMITMENTS (Continued)

Cloud Services Agreement

The State Bar has a one-year renewable cloud services agreement providing for monthly payments of approximately \$8,500 which may be terminated upon written notice by either party at least 30 days prior to the beginning of the new one-year term.

NOTE 17 - RISKS AND UNCERTAINTIES

The State Bar's operations have been adversely affected by the ongoing outbreak of the coronavirus disease (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate impact that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the State Bar's financial position, operations and cash flows in future periods.

NOTE 18 - SUBSEQUENT EVENTS

Management of the State Bar evaluated subsequent events through April 16, 2021, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 370 hours at a cost of \$54,780.

SUPPLEMENTARY INFORMATION



Bernard Robinson & Company, L.L.P.

**Independent Auditor's Report
on the Supplementary Information**

Members of the State Bar Council
North Carolina State Bar

We have audited the financial statements of the North Carolina State Bar as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated April 16, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Net Position - State Bar Programs, Schedules of Revenues, Expenses and Changes in Net Position - State Bar Programs and Schedules of Cash Flows - State Bar Programs as of and for the years ended December 31, 2020 and 2019 are presented for the purposes of additional analyses and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
April 16, 2021

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2020

ASSETS:

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 8,823,474	\$ 201,376	\$ 166,547	\$ 379,976
Restricted cash, current portion	522,901	-	-	-
Receivables from related entities	1,122	-	-	-
Fees receivable, net	128,665	183,092	-	-
Other receivables	2,667	-	11,450	-
Interest receivable	-	-	-	-
Prepaid expenses and other assets	62,607	2,500	-	-
Total current assets	9,541,436	386,968	177,997	379,976
Capital assets:				
Property and equipment	19,495,057	142,382	60,609	27,003
Less accumulated depreciation	(6,336,378)	(142,382)	(60,609)	(27,003)
Capital assets, net	13,158,679	-	-	-
Noncurrent assets:				
Restricted cash, noncurrent portion	-	-	-	-
Total assets	22,700,115	386,968	177,997	379,976

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	371,760	-	-	-
Accounts payable	88,420	765	-	-
Other accrued expenses	142,005	-	-	-
Payable to the Bar	-	982	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	236,332	14,417	4,222	5,694
Pension contribution payable	520,698	25,896	8,316	11,764
Amounts held for escheatment	522,901	-	-	-
Grants approved but unpaid	-	-	-	-
Claims payable	-	-	-	-
Unearned revenue	3,578,821	-	-	27,900
Total current liabilities	5,460,937	42,060	12,538	45,358
Noncurrent liabilities:				
Long-term debt	8,627,612	-	-	-
Total noncurrent liabilities	8,627,612	-	-	-
Total liabilities	14,088,549	42,060	12,538	45,358

NET POSITION:

Net investment in capital assets	4,159,307	-	-	-
Restricted	-	-	-	-
Unrestricted	4,452,259	344,908	165,459	334,618
Total net position	\$ 8,611,566	\$ 344,908	\$ 165,459	\$ 334,618

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2020

ASSETS:

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 7,330,682	\$ 2,314,142	\$ -	\$ 19,216,197
Restricted cash, current portion	1,430,395	-	-	1,953,296
Receivables from related entities	-	-	(1,122)	-
Fees receivable, net	-	22,835	-	334,592
Other receivables	-	-	-	14,117
Interest receivable	518,465	-	-	518,465
Prepaid expenses and other assets	9,895	-	-	75,002
Total current assets	<u>9,289,437</u>	<u>2,336,977</u>	<u>(1,122)</u>	<u>22,111,669</u>
Capital assets:				
Property and equipment	30,655	50,886	-	19,806,592
Less accumulated depreciation	(22,633)	(50,886)	-	(6,639,891)
Capital assets, net	<u>8,022</u>	<u>-</u>	<u>-</u>	<u>13,166,701</u>
Noncurrent assets:				
Restricted cash, noncurrent portion	71,241	-	-	71,241
Total assets	<u>9,368,700</u>	<u>2,336,977</u>	<u>(1,122)</u>	<u>35,349,611</u>

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	-	-	-	371,760
Accounts payable	5,255	-	-	94,440
Other accrued expenses	-	-	-	142,005
Payable to the Bar	140	-	(1,122)	-
Payable as Agent for the State	50,293	-	-	50,293
Accrued vacation	8,382	6,071	-	275,118
Pension contribution payable	22,727	14,364	-	603,765
Amounts held for escheatment	-	-	-	522,901
Grants approved but unpaid	4,395,040	-	-	4,395,040
Claims payable	-	2,804	-	2,804
Unearned revenue	-	-	-	3,606,721
Total current liabilities	<u>4,481,837</u>	<u>23,239</u>	<u>(1,122)</u>	<u>10,064,847</u>
Noncurrent liabilities:				
Long-term debt	-	-	-	8,627,612
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,627,612</u>
Total liabilities	<u>4,481,837</u>	<u>23,239</u>	<u>(1,122)</u>	<u>18,692,459</u>

NET POSITION:

Net investment in capital assets	8,022	-	-	4,167,329
Restricted	71,241	-	-	71,241
Unrestricted	<u>4,807,600</u>	<u>2,313,738</u>	<u>-</u>	<u>12,418,582</u>
Total net position	<u>\$ 4,886,863</u>	<u>\$ 2,313,738</u>	<u>\$ -</u>	<u>\$ 16,657,152</u>

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2020

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 8,894,700	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	455,118	-	-
Renewal, registration and examination fees	-	-	198,200	222,285
Professional corporations	125,345	-	-	-
Interstate law firms	119,000	-	-	-
Reinstatement fees	8,625	-	-	-
Penalty fees	65,630	359,118	1,285	11,675
EAJC processing fees	89,851	-	-	-
DHC reimbursable costs and grievance fees	53,253	-	-	-
Foundation contributions	50,000	-	-	-
Support from Continuing Legal Education	285,355	-	-	-
Database contributions	100,000	-	-	-
Bar magazine income	31,900	-	-	-
State Bar overhead and computer usage and copier charges	121,257	-	-	-
Rental income	29,264	-	-	-
Other	44,724	-	-	-
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Settlement agent accounts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Total operating revenues	10,018,904	814,236	199,485	233,960
Operating expenses:				
Salaries and wages	5,684,037	281,695	91,116	131,079
Pension plan contributions	520,697	25,896	8,316	11,764
Other employee benefits	660,527	42,707	11,145	20,248
Grant awards - IOLTA	-	-	-	-
Grants funded from settlement proceeds - IOLTA	-	-	-	-
Other grant awards	-	-	-	-
Claim awards	-	-	-	-
Professional fees	40,929	5,215	3,758	3,858
Council and committee meetings	72,310	970	659	4,018
Publications, postage, and printing	174,401	32,457	2,570	2,476
Depreciation	626,207	-	-	-
Equipment rental and maintenance	206,603	-	-	-
LAP support provided by CLE	-	335,355	-	-
State Bar overhead, computer usage and copier charges	-	60,403	17,733	23,945
Coordinator fee and expenses	-	-	-	-
Travel and automotive	19,236	1,312	-	-
Community outreach	-	-	5,405	2,094
Exam analysis	-	-	6,000	17,820
Test administration	-	-	1,496	2,000
Rent expense	30,233	14,984	2,940	2,940
Disciplinary proceedings	92,830	-	-	-
Building maintenance and utilities	183,042	-	-	-
Bank service charges	210,627	22,654	-	-
Bad debt expense	73,151	20,080	-	-
Other office expense	232,078	8,150	28,450	26,413
Telephone	25,594	1,382	352	284
Insurance and bonds	35,279	4,042	1,346	1,346
Other	7,101	-	-	-
Total operating expenses	8,894,882	857,302	181,286	250,285
Operating income (loss)	1,124,022	(43,066)	18,199	(16,325)
Nonoperating revenues (expenses):				
Interest income	36,919	-	-	-
Interest expense	(288,176)	-	-	-
Loss on disposals of equipment	(9,152)	-	-	-
Total nonoperating revenues (expenses)	(260,409)	-	-	-
Changes in net position	863,613	(43,066)	18,199	(16,325)
Net position - beginning of year	7,747,953	387,974	147,260	350,943
Net position - end of year	\$ 8,611,566	\$ 344,908	\$ 165,459	\$ 334,618

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2020

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 8,894,700
Assessments	-	741,360	-	741,360
Reimbursements of claim awards	-	130,827	-	130,827
Sponsor and attendee fees	-	-	-	455,118
Renewal, registration and examination fees	-	-	-	420,485
Professional corporations	-	-	-	125,345
Interstate law firms	-	-	-	119,000
Reinstatement fees	-	-	-	8,625
Penalty fees	-	-	-	437,708
EAJC processing fees	-	-	-	89,851
DHC reimbursable costs and grievance fees	-	-	-	53,253
Foundation contributions	-	-	-	50,000
Support from Continuing Legal Education	-	-	(285,355)	-
Database contributions	-	-	(100,000)	-
Bar magazine income	-	-	-	31,900
State Bar overhead and computer usage and copier charges	-	-	(121,257)	-
Rental income	-	-	(29,264)	-
Other	-	17,107	-	61,831
Interest from participants - IOLTA	4,685,417	-	-	4,685,417
Cy pres receipts - IOLTA	41,591	-	-	41,591
Settlement agent accounts - IOLTA	127,400	-	-	127,400
Professional and administrative services - IOLTA	20,000	-	-	20,000
Total operating revenues	4,874,408	889,294	(535,876)	16,494,411
Operating expenses:				
Salaries and wages	243,771	170,404	-	6,602,102
Pension plan contributions	22,728	14,428	-	603,829
Other employee benefits	41,063	11,900	-	787,590
Grant awards - IOLTA	2,985,700	-	-	2,985,700
Grants funded from settlement proceeds - IOLTA	454,090	-	-	454,090
Other grant awards	-	-	-	-
Claim awards	-	514,792	-	514,792
Professional fees	17,732	4,846	-	76,338
Council and committee meetings	2,280	2,240	-	82,477
Publications, postage, and printing	-	550	-	212,454
Depreciation	1,003	-	-	627,210
Equipment rental and maintenance	26,225	-	-	232,828
LAP support provided by CLE	-	-	(335,355)	-
State Bar overhead, computer usage and copier charges	757	18,419	(121,257)	-
Coordinator fee and expenses	-	966	-	966
Travel and automotive	1,652	-	-	22,200
Community outreach	-	-	-	7,499
Exam analysis	-	-	-	23,820
Test administration	-	-	-	3,496
Rent expense	8,400	-	(29,264)	30,233
Disciplinary proceedings	-	400	-	93,230
Building maintenance and utilities	-	-	-	183,042
Bank service charges	3,375	-	-	236,656
Bad debt expense	-	-	-	93,231
Other office expense	15,582	736	(50,000)	261,409
Telephone	297	48	-	27,957
Insurance and bonds	-	2,684	-	44,697
Other	-	-	-	7,101
Total operating expenses	3,824,655	742,413	(535,876)	14,214,947
Operating income (loss)	1,049,753	146,881	-	2,279,464
Nonoperating revenues (expenses):				
Interest income	92,032	9,833	-	138,784
Interest expense	-	-	-	(288,176)
Loss on disposals of equipment	-	-	-	(9,152)
Total nonoperating revenues (expenses)	92,032	9,833	-	(158,544)
Changes in net position	1,141,785	156,714	-	2,120,920
Net position - beginning of year	3,745,078	2,157,024	-	14,536,232
Net position - end of year	\$ 4,886,863	\$ 2,313,738	\$ -	\$ 16,657,152

See Independent Auditor's Report on the Supplementary Information

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2020

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 8,902,023	\$ -	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	412,372	804,944	189,335	229,260
Cash received from Cy Pres - IOLTA	-	-	-	-
Cash received from settlement agent accounts - IOLTA	-	-	-	-
Cash received from other services - IOLTA	-	-	-	-
Cash received from assessments and reimbursements	-	-	-	-
Other cash received	663,304	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(6,809,501)	(345,637)	(109,371)	(160,495)
Payments to suppliers of goods and services	(1,103,839)	(90,762)	(37,972)	(57,137)
Payments for other operating expenses	(191,477)	(417,178)	(32,737)	(30,057)
Net cash provided by (used in) operating activities	<u>1,872,882</u>	<u>(48,633)</u>	<u>9,255</u>	<u>(18,429)</u>
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(6,245)	-	-	-
Interest paid	(288,176)	-	-	-
Principal payments on bank borrowings	(353,093)	-	-	-
Net cash used in capital and related financing activities	<u>(647,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	36,919	-	-	-
Net cash provided by investing activities	<u>36,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,262,287	(48,633)	9,255	(18,429)
Cash and cash equivalents - beginning of year	8,084,088	250,009	157,292	398,405
Cash and cash equivalents - end of year	<u>\$ 9,346,375</u>	<u>\$ 201,376</u>	<u>\$ 166,547</u>	<u>\$ 379,976</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,124,022	\$ (43,066)	\$ 18,199	\$ (16,325)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	626,207	-	-	-
Changes in assets and liabilities:				
Receivables	24,623	(9,292)	(10,150)	-
Prepaid expenses and other assets	2,242	(2,500)	-	-
Accounts payable and accrued expenses	25,891	1,564	-	-
Accrued vacation and pension	55,760	4,661	1,206	2,596
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	6,814	-	-	-
Claims payable	-	-	-	-
Unearned revenue	7,323	-	-	(4,700)
Total adjustments	<u>748,860</u>	<u>(5,567)</u>	<u>(8,944)</u>	<u>(2,104)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,872,882</u>	<u>\$ (48,633)</u>	<u>\$ 9,255</u>	<u>\$ (18,429)</u>

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2020

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 8,902,023
Cash received from program participants - IOLTA	4,640,199	-	4,640,199
Cash received from other fees	-	-	1,635,911
Cash received from Cy Pres - IOLTA	41,591	-	41,591
Cash received from settlement agent accounts - IOLTA	127,400	-	127,400
Cash received from other services - IOLTA	20,000	-	20,000
Cash received from assessments and reimbursements	-	850,793	850,793
Other cash received	-	17,107	680,411
Payments for IOLTA grants	(5,358,180)	-	(5,358,180)
Payments to claimants	-	(523,733)	(523,733)
Payments to employees for services	(302,214)	(197,465)	(7,924,683)
Payments to suppliers of goods and services	(73,182)	(27,283)	(1,390,175)
Payments for other operating expenses	(8,064)	(3,606)	(683,119)
Net cash provided by (used in) operating activities	(912,450)	115,813	1,018,438
Cash flows from capital and related financing activities:			
Purchases of property and equipment	(9,025)	-	(15,270)
Interest paid	-	-	(288,176)
Principal payments on bank borrowings	-	-	(353,093)
Net cash used in capital and related financing activities	(9,025)	-	(656,539)
Cash flows from investing activities:			
Interest received	92,032	9,833	138,784
Net cash provided by investing activities	92,032	9,833	138,784
Net increase (decrease) in cash and cash equivalents	(829,443)	125,646	500,683
Cash and cash equivalents - beginning of year	9,661,761	2,188,496	20,740,051
Cash and cash equivalents - end of year	\$ 8,832,318	\$ 2,314,142	\$ 21,240,734
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,049,753	\$ 146,881	\$ 2,279,464
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,003	-	627,210
Changes in assets and liabilities:			
Receivables	(45,218)	(21,394)	(61,431)
Prepaid expenses and other assets	(9,533)	-	(9,791)
Accounts payable and accrued expenses	(26,346)	-	1,109
Accrued vacation and pension	5,348	(733)	68,838
Grants approved and unpaid	(1,887,457)	-	(1,887,457)
Amount held for escheatment	-	-	6,814
Claims payable	-	(8,941)	(8,941)
Unearned revenue	-	-	2,623
Total adjustments	(1,962,203)	(31,068)	(1,261,026)
Net cash provided by (used in) operating activities	\$ (912,450)	\$ 115,813	\$ 1,018,438

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2019

ASSETS:

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 7,568,001	\$ 250,009	\$ 157,292	\$ 398,405
Restricted cash, current portion	516,087	-	-	-
Receivables from related entities	40	-	-	-
Fees receivable, net	152,484	173,800	-	-
Other receivables	4,553	-	1,300	-
Interest receivable	-	-	-	-
Prepaid expenses	64,849	-	-	-
Total current assets	8,306,014	423,809	158,592	398,405
Capital assets:				
Property and equipment	19,537,567	142,382	60,609	27,003
Less accumulated depreciation	(5,749,774)	(142,382)	(60,609)	(27,003)
Capital assets, net	13,787,793	-	-	-
Noncurrent assets:				
Restricted cash, noncurrent portion	-	-	-	-
Total assets	22,093,807	423,809	158,592	398,405

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	360,194	-	-	-
Accounts payable	74,240	143	-	-
Other accrued expenses	130,294	-	-	-
Payable to the Bar	-	40	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	194,936	10,532	4,064	3,855
Pension contribution payable	506,334	25,120	7,268	11,007
Amounts held for escheatment	516,087	-	-	-
Grants approved but unpaid	-	-	-	-
Claims payable	-	-	-	-
Unearned revenue	3,571,498	-	-	32,600
Total current liabilities	5,353,583	35,835	11,332	47,462
Noncurrent liabilities:				
Grants approved but unpaid	-	-	-	-
Long-term debt	8,992,271	-	-	-
Total noncurrent liabilities	8,992,271	-	-	-
Total liabilities	14,345,854	35,835	11,332	47,462

NET POSITION:

Net investment in capital assets	4,435,328	-	-	-
Restricted	-	-	-	-
Unrestricted	3,312,625	387,974	147,260	350,943
Total net position	\$ 7,747,953	\$ 387,974	\$ 147,260	\$ 350,943

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2019

ASSETS:

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 6,195,593	\$ 2,188,496	\$ -	\$ 16,757,796
Restricted cash, current portion	779,825	-	-	1,295,912
Receivables from related entities	-	-	(40)	-
Fees receivable, net	-	1,441	-	327,725
Other receivables	-	-	-	5,853
Interest receivable	473,247	-	-	473,247
Prepaid expenses	362	-	-	65,211
Total current assets	7,449,027	2,189,937	(40)	18,925,744
Capital assets:				
Property and equipment	21,630	50,886	-	19,840,077
Less accumulated depreciation	(21,630)	(50,886)	-	(6,052,284)
Capital assets, net	-	-	-	13,787,793
Noncurrent assets:				
Restricted cash, noncurrent portion	2,686,343	-	-	2,686,343
Total assets	10,135,370	2,189,937	(40)	35,399,880

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	-	-	-	360,194
Accounts payable	808	-	-	75,191
Other accrued expenses	-	-	-	130,294
Payable to the Bar	-	-	(40)	-
Payable as Agent for the State	81,226	-	-	81,226
Accrued vacation	4,662	5,781	-	223,830
Pension contribution payable	21,099	15,387	-	586,215
Amounts held for escheatment	-	-	-	516,087
Grants approved but unpaid	5,047,497	-	-	5,047,497
Claims payable	-	11,745	-	11,745
Unearned revenue	-	-	-	3,604,098
Total current liabilities	5,155,292	32,913	(40)	10,636,377
Noncurrent liabilities:				
Grants approved but unpaid	1,235,000	-	-	1,235,000
Long-term debt	-	-	-	8,992,271
Total noncurrent liabilities	1,235,000	-	-	10,227,271
Total liabilities	6,390,292	32,913	(40)	20,863,648

NET POSITION:

Net investment in capital assets	-	-	-	4,435,328
Restricted	525,332	-	-	525,332
Unrestricted	3,219,746	2,157,024	-	9,575,572
Total net position	\$ 3,745,078	\$ 2,157,024	\$ -	\$ 14,536,232

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2019

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 8,689,115	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	513,377	-	-
Renewal, registration and examination fees	-	-	185,850	233,300
Professional corporations	125,166	-	-	-
Interstate law firms	115,500	-	-	-
Reinstatement fees	8,500	-	-	-
Penalty fees	35,490	378,534	1,536	8,235
EAJC processing fees	100,304	-	-	-
DHC reimbursable costs and grievance fees	112,605	-	-	-
Foundation contributions	53,984	-	-	-
Support from Continuing Legal Education	323,099	-	-	-
Bar magazine income	38,525	-	-	-
State Bar overhead and computer usage and copier charges	120,571	-	-	-
Rental income	29,264	-	-	-
Other	77,277	-	-	-
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Settlement agent accounts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Total operating revenues	9,829,400	891,911	187,386	241,535
Operating expenses:				
Salaries and wages	5,642,578	269,067	85,543	127,624
Pension plan contributions	506,334	25,120	7,268	11,007
Other employee benefits	628,069	41,607	11,970	19,760
Grant awards - IOLTA	-	-	-	-
Grants funded from settlement proceeds - IOLTA	-	-	-	-
Other grant awards	-	-	-	10,000
Claim awards	-	-	-	-
Professional fees	97,051	5,300	3,750	3,850
Council and committee meetings	489,345	4,304	14,643	6,680
Publications, postage, and printing	199,103	37,486	6,223	8,297
Depreciation	817,565	672	443	825
Equipment rental and maintenance	239,133	-	-	-
LAP support provided by CLE	-	323,099	-	-
State Bar overhead, computer usage and copier charges	-	60,072	17,818	24,172
Coordinator fee and expenses	-	-	-	-
Travel and automotive	118,758	2,748	1,601	709
Community outreach	-	-	16,150	3,118
Exam analysis	-	-	6,567	18,000
Test administration	-	-	4,361	11,448
Rent expense	29,353	14,984	2,940	2,940
Disciplinary proceedings	165,925	-	-	-
Building maintenance and utilities	210,076	-	-	-
Bank service charges	148,667	15,257	-	-
Bad debt expense	118,148	6,908	-	-
Other office expense	209,416	5,485	6,120	4,099
Telephone	27,472	1,438	482	476
Insurance and bonds	31,295	3,245	1,082	1,082
Debt issuance expense	93,632	-	-	-
Total operating expenses	9,771,920	816,792	186,961	254,087
Operating income (loss)	57,480	75,119	425	(12,552)
Nonoperating revenues (expenses):				
Interest income	13,152	-	-	-
Interest expense	(307,248)	-	-	-
Total nonoperating revenues (expenses)	(294,096)	-	-	-
Changes in net position	(236,616)	75,119	425	(12,552)
Net position - beginning of year	7,984,569	312,855	146,835	363,495
Net position - end of year	\$ 7,747,953	\$ 387,974	\$ 147,260	\$ 350,943

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2019

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 8,689,115
Assessments	-	719,570	-	719,570
Reimbursements of claim awards	-	89,295	-	89,295
Sponsor and attendee fees	-	-	-	513,377
Renewal, registration and examination fees	-	-	-	419,150
Professional corporations	-	-	-	125,166
Interstate law firms	-	-	-	115,500
Reinstatement fees	-	-	-	8,500
Penalty fees	-	-	-	423,795
EAJC processing fees	-	-	-	100,304
DHC reimbursable costs and grievance fees	-	-	-	112,605
Foundation contributions	-	-	-	53,984
Support from Continuing Legal Education	-	-	(323,099)	-
Bar magazine income	-	-	-	38,525
State Bar overhead and computer usage and copier charges	-	-	(120,571)	-
Rental income	-	-	(29,264)	-
Other	-	260,282	-	337,559
Interest from participants - IOLTA	5,119,918	-	-	5,119,918
Settlement proceeds - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	232,530	-	-	232,530
Settlement agent accounts - IOLTA	111,326	-	-	111,326
Professional and administrative services - IOLTA	18,000	-	-	18,000
Total operating revenues	<u>5,481,774</u>	<u>1,069,147</u>	<u>(472,934)</u>	<u>17,228,219</u>
Operating expenses:				
Salaries and wages	226,103	164,255	-	6,515,170
Pension plan contributions	21,100	15,859	-	586,688
Other employee benefits	42,528	6,346	-	750,280
Grant awards - IOLTA	3,422,647	-	-	3,422,647
Grants funded from settlement proceeds - IOLTA	3,472,669	-	-	3,472,669
Other grant awards	-	-	-	10,000
Claim awards	-	92,061	-	92,061
Professional fees	17,690	4,774	-	132,415
Council and committee meetings	8,351	8,090	-	531,413
Publications, postage, and printing	-	805	-	251,914
Depreciation	-	-	-	819,505
Equipment rental and maintenance	15,199	-	-	254,332
LAP support provided by CLE	-	-	(323,099)	-
State Bar overhead, computer usage and copier charges	352	18,157	(120,571)	-
Coordinator fee and expenses	-	813	-	813
Travel and automotive	7,326	-	-	131,142
Community outreach	-	-	-	19,268
Exam analysis	-	-	-	24,567
Test administration	-	-	-	15,809
Rent expense	8,400	-	(29,264)	29,353
Disciplinary proceedings	-	80	-	166,005
Building maintenance and utilities	-	-	-	210,076
Bank service charges	-	-	-	163,924
Bad debt expense	-	-	-	125,056
Other office expense	14,596	715	-	240,431
Telephone	410	92	-	30,370
Insurance and bonds	-	2,191	-	38,895
Debt issuance expense	-	-	-	93,632
Total operating expenses	<u>7,257,371</u>	<u>314,238</u>	<u>(472,934)</u>	<u>18,128,435</u>
Operating income (loss)	<u>(1,775,597)</u>	<u>754,909</u>	<u>-</u>	<u>(900,216)</u>
Nonoperating revenues (expenses):				
Interest income	166,127	152	-	179,431
Interest expense	-	-	-	(307,248)
Total nonoperating revenues (expenses)	<u>166,127</u>	<u>152</u>	<u>-</u>	<u>(127,817)</u>
Changes in net position	<u>(1,609,470)</u>	<u>755,061</u>	<u>-</u>	<u>(1,028,033)</u>
Net position - beginning of year	<u>5,354,548</u>	<u>1,401,963</u>	<u>-</u>	<u>15,564,265</u>
Net position - end of year	<u>\$ 3,745,078</u>	<u>\$ 2,157,024</u>	<u>\$ -</u>	<u>\$ 14,536,232</u>

See Independent Auditor's Report on the Supplementary Information

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2019

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 7,759,298	\$ -	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	439,265	868,705	186,086	245,910
Cash received from Cy Pres - IOLTA	-	-	-	-
Cash received from settlement agent accounts - IOLTA	-	-	-	-
Cash received from other services - IOLTA	-	-	-	-
Cash received from assessments and reimbursements	-	-	-	-
Other cash received	663,783	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(6,768,873)	(338,512)	(105,487)	(159,383)
Payments to suppliers of goods and services	(1,245,137)	(97,319)	(22,018)	(50,192)
Payments for other operating expenses	(778,590)	(405,035)	(59,719)	(44,679)
Net cash provided by (used in) operating activities	<u>69,746</u>	<u>27,839</u>	<u>(1,138)</u>	<u>(8,344)</u>
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(19,773)	-	-	-
Interest paid	(307,248)	-	-	-
Principal payments on bank borrowings	(348,473)	-	-	-
Net cash used in capital and related financing activities	<u>(675,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	13,152	-	-	-
Net cash provided by investing activities	<u>13,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(592,596)	27,839	(1,138)	(8,344)
Cash and cash equivalents - beginning of year	8,676,684	222,170	158,430	406,749
Cash and cash equivalents - end of year	<u>\$ 8,084,088</u>	<u>\$ 250,009</u>	<u>\$ 157,292</u>	<u>\$ 398,405</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 57,480	\$ 75,119	\$ 425	\$ (12,552)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	817,565	672	443	825
Other	89,070	-	-	-
Changes in assets and liabilities:				
Receivables	80,911	(23,206)	(1,300)	-
Prepaid expenses	14,811	-	-	-
Accounts payable and accrued expenses	(42,267)	(22,028)	-	-
Accrued vacation and pension	8,108	(2,718)	(706)	(992)
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	(26,115)	-	-	-
Claims payable	-	-	-	-
Unearned revenue	(929,817)	-	-	4,375
Total adjustments	<u>12,266</u>	<u>(47,280)</u>	<u>(1,563)</u>	<u>4,208</u>
Net cash provided by (used in) operating activities	<u>\$ 69,746</u>	<u>\$ 27,839</u>	<u>\$ (1,138)</u>	<u>\$ (8,344)</u>

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2019

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 7,759,298
Cash received from program participants - IOLTA	5,073,018	-	5,073,018
Cash received from other fees	-	-	1,739,966
Cash received from Cy Pres - IOLTA	232,530	-	232,530
Cash received from settlement agent accounts - IOLTA	111,326	-	111,326
Cash received from other services - IOLTA	18,000	-	18,000
Cash received from assessments and reimbursements	-	808,504	808,504
Other cash received	-	260,282	924,065
Payments for IOLTA grants	(4,774,149)	-	(4,774,149)
Payments to claimants	-	(90,787)	(90,787)
Payments to employees for services	(289,118)	(186,061)	(7,847,434)
Payments to suppliers of goods and services	(59,627)	(26,734)	(1,501,027)
Payments for other operating expenses	(16,029)	(8,983)	(1,313,035)
Net cash provided by (used in) operating activities	295,951	756,221	1,140,275
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(19,773)
Interest paid	-	-	(307,248)
Principal payments on bank borrowings	-	-	(348,473)
Net cash used in capital and related financing activities	-	-	(675,494)
Cash flows from investing activities:			
Interest received	166,127	152	179,431
Net cash provided by investing activities	166,127	152	179,431
Net increase (decrease) in cash and cash equivalents	462,078	756,373	644,212
Cash and cash equivalents - beginning of year	9,199,683	1,432,123	20,095,839
Cash and cash equivalents - end of year	\$ 9,661,761	\$ 2,188,496	\$ 20,740,051
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,775,597)	\$ 754,909	\$ (900,216)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	819,505
Other	-	-	89,070
Changes in assets and liabilities:			
Receivables	(46,900)	(361)	9,144
Prepaid expenses	(362)	-	14,449
Accounts payable and accrued expenses	(267,635)	-	(331,930)
Accrued vacation and pension	613	399	4,704
Grants approved and unpaid	2,385,832	-	2,385,832
Amount held for escheatment	-	-	(26,115)
Claims payable	-	1,274	1,274
Unearned revenue	-	-	(925,442)
Total adjustments	2,071,548	1,312	2,040,491
Net cash provided by (used in) operating activities	\$ 295,951	\$ 756,221	\$ 1,140,275