

NORTH CAROLINA STATE BAR  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020



# NORTH CAROLINA STATE BAR

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**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2021**

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The following is a discussion and analysis of the financial performance of the North Carolina State Bar for the year ended December 31, 2021. 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, 2021; and the Client Security Fund of the North Carolina State Bar ("CSF") as of and for the year ended September 30, 2021, 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 \$16,693,540 at December 31, 2021 compared to \$14,343,414 at December 31, 2020, an increase of \$2,350,126 for the year ended December 31, 2021. The Client Security Fund's net position was \$2,902,880 at September 30, 2021, compared to \$2,313,738 at September 30, 2020, an increase of \$589,142 for the year ended September 30, 2021.

**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.

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The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2021, and CSF as of and for the year ended September 30, 2021:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 19,838,039	\$ 2,917,543	\$ 22,755,582
Capital assets, net	12,928,047	-	12,928,047
Noncurrent assets	70,999	-	70,999
Total assets	<u>32,837,085</u>	<u>2,917,543</u>	<u>35,754,628</u>
Current liabilities	7,892,171	14,663	7,906,834
Long-term liabilities	8,251,374	-	8,251,374
Total liabilities	<u>16,143,545</u>	<u>14,663</u>	<u>16,158,208</u>
Net position:			
Net investment in capital assets	4,293,334	-	4,293,334
Restricted	70,999	-	70,999
Unrestricted	12,329,207	2,902,880	15,232,087
Total net position	<u>\$ 16,693,540</u>	<u>\$ 2,902,880</u>	<u>\$ 19,596,420</u>
Operating revenues	\$ 16,947,539	\$ 933,485	\$ 17,881,024
Operating expenses	14,336,810	346,451	14,683,261
Operating income	<u>2,610,729</u>	<u>587,034</u>	<u>3,197,763</u>
Nonoperating revenues (expenses):			
Interest income	18,881	2,108	20,989
Interest expense	(276,001)	-	(276,001)
Loss on disposals of equipment	(3,483)	-	(3,483)
Total nonoperating revenues (expenses)	<u>(260,603)</u>	<u>2,108</u>	<u>(258,495)</u>
Changes in net position	<u>\$ 2,350,126</u>	<u>\$ 589,142</u>	<u>\$ 2,939,268</u>

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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>

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**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2021**

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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>

**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 2021 and 2020. The total balance outstanding is presented on the accompanying statement of net position.

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**Events Affecting Future Operations**

*Affecting the Bar:*

The global pandemic had less of an impact on State Bar operations in 2021 than in 2020, in part because management and staff had adjusted to the remote work and remote meetings necessitated by public health protocols, and in part because, during periods of low infection rate (July 2021 and October 2021), quarterly meetings of the State Bar Council were held in-person, thus creating some semblance of normalcy. Based upon this experience, the State Bar is well situated to “weather” pandemic-required protocols, including remote work for most staff, should there be another surge in the infection rate from COVID-19 in 2022.

The delay in dues collection and deposits of other revenues that we experienced in 2020 due to remote work was substantially less in 2021. In 2021, we continued to experience reduced costs in some categories because of remote work and the cancellation of some in-person meetings and travel. The reductions in travel and in-person meeting expenses continued into the first two months of 2022 when the January Quarterly Meeting of the State Bar Council was converted to a virtual event and travel to conferences was cancelled due to the surge in infections from the Omicron variant of COVID-19. It remains to be seen whether the quarterly meetings scheduled for later in 2022 must be converted to virtual events. When this occurs, the silver-lining is reduced expenses as noted above.

As of the first of 2022, the State Bar staff is 100% vaccinated. This was accomplished without a mandate. Early in 2022, after the surge from the Omicron variant passed, most staff members started “hybrid” work schedules combining remote work and in-office work on a weekly basis. There was substantial staff turnover in both 2020 and 2021 due to retirements and job mobility. However, through careful recruitment and candidate selection, new hires have proven to be not only competent and productive members of the State Bar team but also, generally, compensated at a lower rate than their predecessors. Two years after the World Health Organization declared a global pandemic, we can confidently state that financial consequences of COVID-19 for the State Bar in 2021 were and remain minimal.

The Bar uses the accrual method of accounting to measure revenues and control expenses. The primary revenue source for the 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. Due to the reliability of dues collections, State Bar revenue in 2021 exceeded the budgeted expectation. It is anticipated that this will also occur in 2022.

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 total liabilities were \$11,751,510 at December 31, 2021. This is a substantial decrease from 2020 when the liabilities were \$14,088,549 and a decrease from 2019 when the liabilities were \$14,345,854. The long-term debt was refinanced in 2019, as noted above.

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The Bar program's assets exceeded liabilities (net position) by \$9,631,983 at December 31, 2021. This is an increase from both 2020 when the net position was \$8,611,566 and from 2019 when the net position was \$7,747,953. Much of this improvement in net position can be attributed to the reduction in expenses in both 2020 and 2021 because of the pandemic, as noted above. Stagnation in membership fee revenue in prior years contributed to a previous decline in our net position as did the substantial annual legal fees paid to outside counsel from 2017 to 2019, for representation in several significant court cases. However, in 2020 and 2021, we experienced modest increases in membership.

After the resolution of the last remaining significant lawsuit at the end of 2019, legal fees decreased to approximately \$10,574 in 2020 and \$10,631 in 2021. There are currently no large cases in litigation. Minimal anticipated expense for outside legal services in 2022 will further help to stabilize our net position. Finally, a bill is 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, however, that the bill has been pending in the General Assembly for three years.

In 2021, the State Bar initiated a project with software vendor ThoughtSpan Technology to install and customize regulatory management software (the RMS project) for all departments of the State Bar. The RMS project will continue into 2022. The agency-wide software solution to antiquated databases is already improving and simplifying data entry and processing in addition to facilitating automation and online services. It is anticipated that once fully implemented in late 2022, the RMS will result in greater efficiency and savings across the organization.

Overall, management is pleased to report that 2021 was a good year financially. Our net income before capital expenses and mortgage payments was over a million dollar as compared to net income in 2020 of approximately \$863,000. We continue to look for ways to function more efficiently and economically while fulfilling our statutory mandate to regulate the legal profession in the best interests of the public.

*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 \$6,090,506 (net position) at December 31, 2020. This is an increase from 2020 when assets exceeded liabilities by \$4,886,863, and an increase from 2019 when assets exceeded liabilities by \$3,745,078.

IOLTA's total liabilities were \$4,312,896 at December 31, 2021. This is a decrease from 2020 when total liabilities were \$4,481,837 and a decrease from 2019 when total liabilities were \$6,390,292.

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.



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

	2021	2020	2019	Current Year Amount Change	Current Year % Change
Current assets	<b>\$ 10,327,389</b>	\$ 9,289,437	\$7,449,027	\$ 1,037,952	11.2%
Capital assets, net	<b>5,014</b>	8,022	-	(3,008)	-37.5%
Noncurrent assets	<b>70,999</b>	71,241	2,686,343	(242)	-0.3%
Total assets	<b>10,403,402</b>	9,368,700	10,135,370	1,034,702	11.0%
Current liabilities	<b>4,312,896</b>	4,481,837	5,155,292	(168,941)	-3.8%
Noncurrent liabilities	-	-	1,235,000	-	0.0%
Total liabilities	<b>4,312,896</b>	4,481,837	6,390,292	(168,941)	-3.8%
Net position:					
Investment in					
capital assets	<b>5,014</b>	8,022	-	(3,008)	-37.5%
Restricted	<b>70,999</b>	71,241	525,332	(242)	-0.3%
Unrestricted	<b>6,014,493</b>	4,807,600	3,219,746	1,206,893	25.1%
Total net position	<b>\$ 6,090,506</b>	\$ 4,886,863	\$ 3,745,078	\$ 1,203,643	24.6%
Operating revenues	<b>\$ 5,841,847</b>	\$ 4,874,408	\$5,481,774	\$ 967,439	19.8%
Operating expenses	<b>4,653,476</b>	3,370,565	3,784,702	1,282,911	38.1%
Operating income (loss)	<b>1,188,371</b>	1,503,843	1,697,072	(315,472)	-21.0%
Non-operating revenue	<b>15,272</b>	92,032	166,127	(76,760)	-83.4%
Income over expenses	<b>1,203,643</b>	1,595,875	1,863,199	(392,232)	-24.6%
BofA grants	-	454,090	3,472,669	(454,090.00)	-100.0%
Changes in net position	<b>\$ 1,203,643</b>	\$ 1,141,785	\$ (1,609,470)	\$ 61,858	-5.4%

The original, primary revenue source for IOLTA is participant income. Participant income in 2021 increased by 16.1% compared to 2020. Participant income in 2020 decreased by 8.5% compared to 2019. A strong real estate market in North Carolina and previous comparability reviews helped sustain income in 2021. However, the monthly comparison of participant income began to decrease in September with the last quarter of 2021 reflecting a 6.4% decrease compared to the last quarter of 2020.

This decrease was a result of several banks revising their IOLTA Compliance Statements which resulted in lower rates being paid on their IOLTA accounts. Those rate changes are expected to negatively impact participant income in 2022. Although the housing market is still strong, the impact of rising inflation on the market is unknown.

On Wednesday, March 16, the Federal Reserve approved a 0.25 percentage point rate increase that will bring the rate into a range of 0.25% - 0.50%, the first increase since December 2018. The Federal Reserve anticipates further rate increases in 2022. While interest rate increases are typically good for IOLTA revenue, the impact is generally not realized for many months.

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In 2021, Cy Pres funds were \$142,098, while in 2020 and 2019, IOLTA received \$41,591 and \$232,530, 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:

Grant Awards:

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>Current Year Amount Change</b>	<b>Current Year % Change</b>
IOLTA Funds	<b>\$ 4,254,500</b>	\$ 2,985,700	\$ 3,422,647	\$ 1,268,800	42.5%
BofA Funds	-	454,090	3,472,669	(454,090)	-100.0%
Grant awards	<b>\$ 4,254,500</b>	<b>\$ 3,439,790</b>	<b>\$ 6,895,316</b>	<b>\$ 814,710</b>	<b>23.7%</b>

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, 2021 was \$4,232,207. 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 \$745,249 in state funds in 2021. 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 remained stable at \$25 for 2019 - 2022. 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.

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*Affecting the Board of Continuing Legal Education:*

The Continuing Legal Education (CLE) program is financially self-sufficient. Over the years, its costs have remained constant and its revenue more than sufficient to sustain its regulatory activities. In fact, the program's excess revenue has been used to subsidize the operations of the State Bar's Lawyer Assistance Program for many years. Nevertheless, a regulatory program based upon annual reporting by every active member of the State Bar and fees charged per CLE credit hour (attendee fees) is cumbersome and inefficient to administer. Consequently, management has worked with the Board of Continuing Legal Education to rethink and simplify the current regulatory scheme. Amendments to the administrative rules for the CLE program proposed by the board will be considered by the State Bar Council at its meeting on April 22, 2022. If the rule amendments are ultimately approved by the Council and the Chief Justice, the program will convert to a three-year compliance and reporting period for State Bar members. In addition, a standard annual CLE fee for State Bar members, plus a course accreditation fee charged to CLE program sponsors, will replace the attendee fee as the primary sources of revenue for the program. These changes should result in the production of revenue comparable to current revenue and significant savings from the reduction in administrative work. The objective is to retain the CLE program's financial position in which its revenues are more than sufficient to sustain its regulatory activities.

*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 is less reliant upon application fees from lawyers seeking certification (averaging 90-100 applicants a year) than on the reliable sums generated each year from the annual fee required to maintain certification and the recertification application fee required every five years. However, the margin between revenues and expenses for this program remains slim. In 2021, the program had a net income of approximately \$32,000, largely because of the savings from remote work and cancelled in-person events. The budget for 2022, on the other hand, projects a net loss of \$25,000 if in-person events and in-office work continue throughout the year. Nevertheless, it is anticipated that the Specialization program will experience increased efficiency from the recent implementation of the specialization module of the RMS and, at the end of the year, will see cost savings from that increased efficiency that help to offset the projected deficit.

*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 2022, there are approximately 3,700 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 paralegal module of the new agency-wide database software should result in increased efficiency and cost savings for the program.

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**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

### ***Opinion***

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the State Bar and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Bar's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***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, 2021 and 2020, 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed on the table of contents is presented for purposes of additional analysis and is 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 audit 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 10, 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 20, 2022

**NORTH CAROLINA STATE BAR**  
**Statements of Net Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 21,282,972	\$ 19,216,197
Restricted cash, current portion	579,225	1,953,296
Fees receivable, net	325,408	334,592
Other receivables	19,069	14,117
Interest receivable	460,376	518,465
Prepaid expenses	88,532	75,002
Total current assets	<u>22,755,582</u>	<u>22,111,669</u>
Capital assets, net	<u>12,928,047</u>	<u>13,166,701</u>
Noncurrent assets:		
Restricted cash, noncurrent portion	<u>70,999</u>	<u>71,241</u>
Total assets	<u>35,754,628</u>	<u>35,349,611</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Current portion of long-term debt	383,339	371,760
Accounts payable	109,040	94,440
Other accrued expenses	164,872	142,005
Payable as Agent for the State	64,197	50,293
Accrued vacation	246,401	275,118
Pension contribution payable	587,532	603,765
Amounts held for escheatment	515,028	522,901
Grants approved and unpaid	4,214,500	4,395,040
Claims payable	-	2,804
Unearned revenue	1,621,925	3,606,721
Total current liabilities	<u>7,906,834</u>	<u>10,064,847</u>
Noncurrent liabilities:		
Long-term debt	<u>8,251,374</u>	<u>8,627,612</u>
Total liabilities	<u>16,158,208</u>	<u>18,692,459</u>
<b>NET POSITION:</b>		
Net investment in capital assets	4,293,334	4,167,329
Restricted	70,999	71,241
Unrestricted	15,232,087	12,418,582
Total net position	<u>\$ 19,596,420</u>	<u>\$ 16,657,152</u>



**NORTH CAROLINA STATE BAR**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
Operating revenues:		
Membership fees	\$ 9,110,611	\$ 8,894,700
Assessments	760,930	741,360
Reimbursements of claim awards	153,792	130,827
Sponsor and attendee fees	485,136	455,118
Renewal, registration and examination fees	452,215	420,485
Professional corporations	131,686	125,345
Interstate law firms	140,500	119,000
Reinstatement fees	7,500	8,625
Penalty fees	465,488	437,708
EAJC processing fees	94,920	89,851
DHC reimbursable costs and grievance fees	96,231	53,253
Foundation contributions	52,185	50,000
Bar magazine income	27,631	31,900
Interest from participants - IOLTA	5,438,280	4,685,417
Cy pres receipts - IOLTA	142,098	41,591
Settlement agent accounts - IOLTA	223,124	127,400
Professional and administrative services - IOLTA	38,345	20,000
Other	60,352	61,831
Total operating revenues	<u>17,881,024</u>	<u>16,494,411</u>
Operating expenses:		
Salaries and wages	6,581,774	6,602,102
Pension plan contributions	588,841	603,829
Other employee benefits	796,544	787,590
Grant awards - IOLTA	4,254,500	2,985,700
Grants funded from settlement proceeds - IOLTA	-	454,090
Claim awards	170,020	514,792
Professional fees	94,504	76,338
Council and committee meetings, including officers' travel	249,536	82,477
Publications, postage, and printing	221,812	212,454
Depreciation	541,971	627,210
Equipment rental and maintenance	245,620	232,828
Coordinator fee and expenses	-	966
Travel and automotive	14,414	22,200
Community outreach	1,240	7,499
Exam analysis	-	23,820
Test administration	20,141	3,496
Rent expense	31,140	30,233
Disciplinary proceedings	101,287	93,230
Building maintenance and utilities	190,701	183,042
Bank service charges	210,999	236,656
Bad debt expense	68,265	93,231
Other office expense	219,216	261,409
Telephone	21,916	27,957
Insurance and bonds	48,950	44,697
Debt issuance expense	-	7,101
Other	9,870	-
Total operating expenses	<u>14,683,261</u>	<u>14,214,947</u>
Operating income	<u>3,197,763</u>	<u>2,279,464</u>
Nonoperating revenues (expenses):		
Interest income	20,989	138,784
Interest expense	(276,001)	(288,176)
Loss on disposals of equipment	(3,483)	(9,152)
Net nonoperating expenses	<u>(258,495)</u>	<u>(158,544)</u>
Changes in net position	2,939,268	2,120,920
Net position - beginning of year	<u>16,657,152</u>	<u>14,536,232</u>
Net position - end of year	<u>\$ 19,596,420</u>	<u>\$ 16,657,152</u>

*See Notes to Financial Statements*

**NORTH CAROLINA STATE BAR**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from attorneys for membership fees	\$ 7,105,890	\$ 8,902,023
Cash received from program participants - IOLTA	5,496,369	4,640,199
Cash received from other fees	1,827,146	1,635,911
Cash received from Cy Pres - IOLTA	142,098	41,591
Cash received from settlement agent accounts - IOLTA	223,124	127,400
Cash received from other services - IOLTA	38,345	20,000
Cash received from assessments and reimbursements	933,842	850,793
Other cash received	627,481	680,411
Payments for IOLTA grants	(4,421,136)	(5,358,180)
Payments to claimants	(172,824)	(523,733)
Payments to employees for services	(8,012,109)	(7,924,683)
Payments to suppliers of goods and services	(1,331,906)	(1,390,175)
Payments for other operating expenses	(837,387)	(683,119)
Net cash provided by operating activities	<u>1,618,933</u>	<u>1,018,438</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(306,800)	(15,270)
Interest paid	(276,001)	(288,176)
Principal payments on bank borrowings	(364,659)	(353,093)
Net cash used in capital and related financing activities	<u>(947,460)</u>	<u>(656,539)</u>
Cash flows from investing activities:		
Interest received	20,989	138,784
Net cash provided by investing activities	<u>20,989</u>	<u>138,784</u>
Net increase in cash and cash equivalents	692,462	500,683
Cash and cash equivalents - beginning of year	21,240,734	20,740,051
Cash and cash equivalents - end of year	<u>\$ 21,933,196</u>	<u>\$ 21,240,734</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,197,763	\$ 2,279,464
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	541,971	627,210
Changes in assets and liabilities:		
Receivables	63,316	(61,431)
Prepaid expenses and other assets	(13,530)	(9,791)
Accounts payable and accrued expenses	50,376	1,109
Accrued vacation and pension	(44,950)	68,838
Grants approved and unpaid	(180,540)	(1,887,457)
Amount held for escheatment	(7,873)	6,814
Claims payable	(2,804)	(8,941)
Unearned revenue	(1,984,796)	2,623
Total adjustments	<u>(1,578,830)</u>	<u>(1,261,026)</u>
Net cash provided by operating activities	<u>\$ 1,618,933</u>	<u>\$ 1,018,438</u>

## **NORTH CAROLINA STATE BAR**

### **Notes to Financial Statements**

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#### **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**

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#### **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 Annual Comprehensive Financial Report (ACFR). 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**

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#### **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 include 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 2021 and 2020. 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 primarily 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 which 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**

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#### **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 - Custodial 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 \$4,232,207 and \$2,476,739 of its unrestricted net position at December 31, 2021 and 2020, 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 2021 and 2020, 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**

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**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 \$541,876 and \$368,663 in 2021 and 2020, 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 2021 and 2020, respectively, such cy pres funds in the amount of \$142,098 and \$41,591 were received and included in funds available for 2021 and 2020 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 2021 and 2020. 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**

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**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, 2021 is expected to be funded in 2022.

Grant awards subject to matching requirements are recognized upon the grantee's satisfaction of the required match. There were no unpaid match awards at December 31, 2021. Grant awards totaling \$29,000 in 2020 met the matching requirements at December 31, 2020, and were paid in 2021.

**Claim Awards - CSF**

Claim awards are recognized upon authorization by the Board of Trustees of the Client Security Fund ("Board"). 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:

	2021	2020
BB&T, checking account	\$ 2,687,293	\$ 2,605,039
BB&T, money market account	7,400,769	7,895,830
Wells Fargo, checking account	1,000	112
STIF account (with NC State Treasurer)	11,193,910	8,715,216
	<u>\$21,282,972</u>	<u>\$19,216,197</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 \$11.5 million as of December 31, 2021.



**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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**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:

	2021	2020
Bar (with First Citizen's Trust fund)	\$ 515,028	\$ 522,901
IOLTA - cash held in agency (with NC State Treasurer)	64,197	50,293
IOLTA - settlement funds (with NC State Treasurer)	70,999	1,451,343
	<u>\$ 650,224</u>	<u>\$ 2,024,537</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 - Custodial 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).

**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:

	2021	2020
Legal Aid of North Carolina, Inc. (LANC)	\$ 702,464	\$ 685,239
Pisgah Legal Services	42,785	43,819
	<u>\$ 745,249</u>	<u>\$ 729,058</u>

Funds received by IOLTA associated with these custodial 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 \$64,197 and \$50,293 at December 31, 2021 and 2020, respectively.

**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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**NOTE 5 - FEES RECEIVABLE**

Fees receivable consist of the following at December 31:

	2021	2020
Bar membership fees	\$ 37,050	\$ 58,055
CSF assessments	3,965	24,260
	41,015	82,315
Less: Allowance for doubtful accounts	(20,355)	(20,355)
	20,660	61,960
Bar fees from CLE processing	42,713	39,627
Bar DHC fees	446,263	409,571
Less: Allowance for doubtful accounts - DHC fees	(382,792)	(359,658)
	63,471	49,913
CLE fees	213,564	198,092
Less: Allowance for doubtful accounts	(15,000)	(15,000)
	198,564	183,092
Total fees receivable, net	<u>\$ 325,408</u>	<u>\$ 334,592</u>

**NOTE 6 - CLE ASSESSMENTS**

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

	2021	2020
Chief Justice's Commission on Professionalism	\$ 356,593	\$ 337,926
North Carolina Equal Access to Justice Commission	356,593	337,926
North Carolina State Bar	89,117	84,452
	<u>\$ 802,303</u>	<u>\$ 760,304</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, 2021:

	Cost 12/31/2020	Additions	Retirements	Cost 12/31/2021
Building costs	\$17,111,627	\$ -	\$ -	\$17,111,627
Computer equipment and software	667,780	304,000	(179,877)	791,903
Artwork	414,365	2,800	-	417,165
Furniture and office equipment	1,593,413	-	(4,791)	1,588,622
Automobile	19,407	-	-	19,407
Total cost	<u>19,806,592</u>	<u>306,800</u>	<u>(184,668)</u>	<u>19,928,724</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, 2021 (Continued):

	Cost 12/31/2020	Additions	Retirements	Cost 12/31/2021
Less accumulated depreciation:				
Building costs	(4,551,541)	(502,936)	-	(5,054,477)
Computer equipment and software	(629,462)	(23,491)	176,394	(476,559)
Furniture and office equipment	(1,439,481)	(15,544)	4,791	(1,450,234)
Automobile	(19,407)	-	-	(19,407)
Total depreciation	(6,639,891)	(541,971)	181,185	(7,000,677)
Total capital assets, net	<u>\$13,166,701</u>	<u>\$ (235,171)</u>	<u>\$ (3,483)</u>	<u>\$12,928,047</u>

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
Automobiles	19,407	-	-	19,407
Total cost	<u>19,840,077</u>	<u>15,270</u>	<u>(48,755)</u>	<u>19,806,592</u>
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)
Automobiles	(19,407)	-	-	(19,407)
	<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>

**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, 2021:

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%.

\$ 8,634,713

Less current portion (383,339)

Long-term debt \$ 8,251,374

**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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NOTE 8 - LONG-TERM DEBT (Continued)

Principal maturities and interest payments of long-term debt are as follows at December 31, 2021:

	Principal	Interest
2022	\$ 383,339	\$ 264,962
2023	395,273	252,861
2024	407,581	241,052
2025	420,273	227,517
2026	433,363	214,250
Thereafter	6,594,884	1,375,184
	<u>\$ 8,634,713</u>	<u>\$ 2,575,826</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, 2021, the State Bar had \$7,706,332 of unrestricted cash and \$8,634,713 of funded debt, a liquidity ratio of approximately 89%. The loan is secured by the building. Management is aware of no violations of these covenants as of December 31, 2021 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, 2021 and 2020:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021	Current Portion of Balance
Grants approved and unpaid	<u>\$ 4,395,040</u>	<u>\$ 4,254,500</u>	<u>\$ (4,435,040)</u>	<u>\$ 4,214,500</u>	<u>\$ 4,214,500</u>
Note payable	<u>\$ 8,999,372</u>	<u>\$ -</u>	<u>\$ (364,659)</u>	<u>\$ 8,634,713</u>	<u>\$ 383,339</u>

  

	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>

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

	2021	2020
Beginning balance	\$ 275,118	\$ 223,830
Increases	444,370	428,404
Decreases	(473,087)	(377,116)
Ending balance	<u>\$ 246,401</u>	<u>\$ 275,118</u>

**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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**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 \$588,841 and \$603,829 in 2021 and 2020, respectively.

There were no pension forfeitures used to offset pension contributions for the years ended December 31, 2021 and 2020.

**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 \$720,914 and \$655,285 in 2021 and 2020, 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 an additional term of three years beginning July 1, 2021. The renewed lease agreement expires June 30, 2024. 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 \$31,140 and \$30,233 for 2021 and 2020, respectively.

*Equipment*

The Bar leases office equipment under operating leases with varying expirations through 2024. Lease expense for office equipment was approximately \$18,000 for 2021 and 2020.

The minimum lease payments required under operating leases having an initial term of more than one year are as follows at December 31, 2021:

2022	\$ 43,461
2023	40,148
2024	14,514
	<u>\$ 98,123</u>

**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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**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 \$70,999 and \$71,241 were included in IOLTA's restricted net position as of December 31, 2021 and 2020, respectively. Grants funded from settlement proceeds and released from restriction totaled \$0 and \$454,090 in 2021 and 2020, 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:

**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 and received related support from CLE in 2021 of \$334,845. The Bar recognized related support from CLE in 2020 of \$285,355 of which \$607 was received in 2021.

**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, 2021:

	Overhead	Computer	Copying	Total
CLE	\$ 39,837	\$ 19,186	\$ 2,027	\$ 61,050
Legal Specialization	17,645	3,194	267	21,106
Paralegal	17,645	3,194	284	21,123
IOLTA	-	-	175	175
CSF	18,639	-	18	18,657
Total	<u>\$ 93,766</u>	<u>\$ 25,574</u>	<u>\$ 2,771</u>	<u>\$ 122,111</u>

**NORTH CAROLINA STATE BAR**  
**Notes to Financial Statements**

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NOTE 14 - INTER-PROGRAM TRANSACTIONS (Continued)

**Bar Overhead, Computer Usage and Copier Charges**

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>

**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 2021 and 2020.

**Other Accrued Expenses**

Included in other accrued expenses in the accompanying Statement of Net Position at December 31, 2021 are amounts payable to CSF totaling \$22,700. 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 no accounts payable to CJCP or EAJC at December 31, 2021. 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**

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#### **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 2021 and 2020 of \$52,185 and \$50,000, 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. 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**

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#### 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 - SUBSEQUENT EVENTS

Management of the State Bar evaluated subsequent events through April 20, 2022, 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 300 hours at a cost of \$49,700.

## **SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA STATE BAR**  
**Schedule of Net Position - State Bar Programs**  
**December 31, 2021**

**ASSETS:**

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 7,706,332	\$ 225,000	\$ 194,782	\$ 448,971
Restricted cash, current portion	515,028	-	-	-
Receivables from related entities	127	-	-	-
Fees receivable, net	124,304	198,564	-	-
Other receivables	2,569	-	16,450	50
Interest receivable	-	-	-	-
Prepaid expenses and other assets	76,100	2,500	-	-
Total current assets	8,424,460	426,064	211,232	449,021
Capital assets:				
Property and equipment	19,617,189	142,382	60,609	27,003
Less accumulated depreciation	(6,694,156)	(142,382)	(60,609)	(27,003)
Capital assets, net	12,923,033	-	-	-
Noncurrent assets:				
Restricted cash, noncurrent portion	-	-	-	-
Total assets	21,347,493	426,064	211,232	449,021

**LIABILITIES:**

Current liabilities:				
Current portion of long-term debt	383,339	-	-	-
Accounts payable	103,846	-	-	-
Other accrued expenses	164,872	-	-	-
Payable to the Bar	-	-	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	212,350	11,367	3,941	6,246
Pension contribution payable	510,601	24,482	9,255	12,150
Amounts held for escheatment	515,028	-	-	-
Grants approved but unpaid	-	-	-	-
Unearned revenue	1,574,100	-	250	47,575
Total current liabilities	3,464,136	35,849	13,446	65,971
Noncurrent liabilities:				
Long-term debt	8,251,374	-	-	-
Total noncurrent liabilities	8,251,374	-	-	-
Total liabilities	11,715,510	35,849	13,446	65,971

**NET POSITION:**

Net investment in capital assets	4,288,320	-	-	-
Restricted	-	-	-	-
Unrestricted	5,343,663	390,215	197,786	383,050
Total net position	\$ 9,631,983	\$ 390,215	\$ 197,786	\$ 383,050

*Continued on next page*

**NORTH CAROLINA STATE BAR**  
**Schedule of Net Position - State Bar Programs**  
**December 31, 2021**

**ASSETS:**

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 9,792,884	\$ 2,915,003	\$ -	\$ 21,282,972
Restricted cash, current portion	64,197	-	-	579,225
Receivables from related entities	-	-	(127)	-
Fees receivable, net	-	2,540	-	325,408
Other receivables	-	-	-	19,069
Interest receivable	460,376	-	-	460,376
Prepaid expenses and other assets	9,932	-	-	88,532
Total current assets	<u>10,327,389</u>	<u>2,917,543</u>	<u>(127)</u>	<u>22,755,582</u>
Capital assets:				
Property and equipment	30,655	50,886	-	19,928,724
Less accumulated depreciation	(25,641)	(50,886)	-	(7,000,677)
Capital assets, net	<u>5,014</u>	<u>-</u>	<u>-</u>	<u>12,928,047</u>
Noncurrent assets:				
Restricted cash, noncurrent portion	70,999	-	-	70,999
Total assets	<u>10,403,402</u>	<u>2,917,543</u>	<u>(127)</u>	<u>35,754,628</u>

**LIABILITIES:**

Current liabilities:				
Current portion of long-term debt	-	-	-	383,339
Accounts payable	5,169	25	-	109,040
Other accrued expenses	-	-	-	164,872
Payable to the Bar	127	-	(127)	-
Payable as Agent for the State	64,197	-	-	64,197
Accrued vacation	8,809	3,688	-	246,401
Pension contribution payable	20,094	10,950	-	587,532
Amounts held for escheatment	-	-	-	515,028
Grants approved but unpaid	4,214,500	-	-	4,214,500
Unearned revenue	-	-	-	1,621,925
Total current liabilities	<u>4,312,896</u>	<u>14,663</u>	<u>(127)</u>	<u>7,906,834</u>
Noncurrent liabilities:				
Long-term debt	-	-	-	8,251,374
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,251,374</u>
Total liabilities	<u>4,312,896</u>	<u>14,663</u>	<u>(127)</u>	<u>16,158,208</u>

**NET POSITION:**

Net investment in capital assets	5,014	-	-	4,293,334
Restricted	70,999	-	-	70,999
Unrestricted	<u>6,014,493</u>	<u>2,902,880</u>	<u>-</u>	<u>15,232,087</u>
Total net position	<u>\$ 6,090,506</u>	<u>\$ 2,902,880</u>	<u>\$ -</u>	<u>\$ 19,596,420</u>

**NORTH CAROLINA STATE BAR**  
**Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs**  
**Year Ended December 31, 2021**

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 9,110,611	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	485,136	-	-
Renewal, registration and examination fees	-	-	200,000	252,215
Professional corporations	131,686	-	-	-
Interstate law firms	140,500	-	-	-
Reinstatement fees	7,500	-	-	-
Penalty fees	43,425	412,443	1,000	8,620
EAJC processing fees	94,920	-	-	-
DHC reimbursable costs and grievance fees	96,231	-	-	-
Foundation contributions	52,185	-	-	-
Support from Continuing Legal Education	334,845	-	-	-
Bar magazine income	27,631	-	-	-
State Bar overhead and computer usage and copier charges	122,111	-	-	-
Rental income	29,264	-	-	-
Other	41,589	-	-	-
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Settlement agent accounts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Total operating revenues	10,232,498	897,579	201,000	260,835
Operating expenses:				
Salaries and wages	5,704,177	281,082	97,749	130,785
Pension plan contributions	510,601	24,482	9,255	12,150
Other employee benefits	673,574	43,942	15,321	21,266
Grant awards - IOLTA	-	-	-	-
Claim awards	-	-	-	-
Professional fees	39,649	5,101	3,813	3,716
Council and committee meetings	244,661	-	193	121
Publications, postage, and printing	180,260	35,328	3,515	2,589
Depreciation	538,963	-	-	-
Equipment rental and maintenance	218,253	-	-	-
LAP support provided by CLE	-	334,845	-	-
State Bar overhead, computer usage and copier charges	-	61,050	21,106	21,123
Travel and automotive	12,308	1,177	-	-
Community outreach	-	-	620	620
Test administration	-	-	10,073	10,068
Rent expense	31,140	14,984	2,940	2,940
Disciplinary proceedings	100,982	-	-	-
Building maintenance and utilities	190,701	-	-	-
Bank service charges	181,401	24,801	7	1,186
Bad debt expense	50,294	16,796	-	-
Other office expense	192,654	3,420	2,517	4,251
Telephone	20,819	851	94	118
Insurance and bonds	38,666	4,413	1,470	1,470
Other	7,103	-	-	-
Total operating expenses	8,936,206	852,272	168,673	212,403
Operating income	1,296,292	45,307	32,327	48,432
Nonoperating revenues (expenses):				
Interest income	3,609	-	-	-
Interest expense	(276,001)	-	-	-
Loss on disposals of equipment	(3,483)	-	-	-
Total nonoperating revenues (expenses)	(275,875)	-	-	-
Changes in net position	1,020,417	45,307	32,327	48,432
Net position - beginning of year	8,611,566	344,908	165,459	334,618
Net position - end of year	\$ 9,631,983	\$ 390,215	\$ 197,786	\$ 383,050

Continued on next page

**NORTH CAROLINA STATE BAR**  
**Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs**  
**Year Ended December 31, 2021**

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 9,110,611
Assessments	-	760,930	-	760,930
Reimbursements of claim awards	-	153,792	-	153,792
Sponsor and attendee fees	-	-	-	485,136
Renewal, registration and examination fees	-	-	-	452,215
Professional corporations	-	-	-	131,686
Interstate law firms	-	-	-	140,500
Reinstatement fees	-	-	-	7,500
Penalty fees	-	-	-	465,488
EAJC processing fees	-	-	-	94,920
DHC reimbursable costs and grievance fees	-	-	-	96,231
Foundation contributions	-	-	-	52,185
Support from Continuing Legal Education	-	-	(334,845)	-
Bar magazine income	-	-	-	27,631
State Bar overhead and computer usage and copier charges	-	-	(122,111)	-
Rental income	-	-	(29,264)	-
Other	-	18,763	-	60,352
Interest from participants - IOLTA	5,438,280	-	-	5,438,280
Cy pres receipts - IOLTA	142,098	-	-	142,098
Settlement agent accounts - IOLTA	223,124	-	-	223,124
Professional and administrative services - IOLTA	38,345	-	-	38,345
Total operating revenues	5,841,847	933,485	(486,220)	17,881,024
Operating expenses:				
Salaries and wages	246,716	121,265	-	6,581,774
Pension plan contributions	20,093	12,260	-	588,841
Other employee benefits	30,528	11,913	-	796,544
Grant awards - IOLTA	4,254,500	-	-	4,254,500
Claim awards	-	170,020	-	170,020
Professional fees	37,420	4,805	-	94,504
Council and committee meetings	4,353	208	-	249,536
Publications, postage, and printing	-	120	-	221,812
Depreciation	3,008	-	-	541,971
Equipment rental and maintenance	27,367	-	-	245,620
LAP support provided by CLE	-	-	(334,845)	-
State Bar overhead, computer usage and copier charges	175	18,657	(122,111)	-
Travel and automotive	904	25	-	14,414
Community outreach	-	-	-	1,240
Test administration	-	-	-	20,141
Rent expense	8,400	-	(29,264)	31,140
Disciplinary proceedings	-	305	-	101,287
Building maintenance and utilities	-	-	-	190,701
Bank service charges	3,604	-	-	210,999
Bad debt expense	-	1,175	-	68,265
Other office expense	16,374	-	-	219,216
Telephone	34	-	-	21,916
Insurance and bonds	-	2,931	-	48,950
Other	-	2,767	-	9,870
Total operating expenses	4,653,476	346,451	(486,220)	14,683,261
Operating income	1,188,371	587,034	-	3,197,763
Nonoperating revenues (expenses):				
Interest income	15,272	2,108	-	20,989
Interest expense	-	-	-	(276,001)
Loss on disposals of equipment	-	-	-	(3,483)
Total nonoperating revenues (expenses)	15,272	2,108	-	(258,495)
Changes in net position	1,203,643	589,142	-	2,939,268
Net position - beginning of year	4,886,863	2,313,738	-	16,657,152
Net position - end of year	\$ 6,090,506	\$ 2,902,880	\$ -	\$ 19,596,420

**NORTH CAROLINA STATE BAR**  
**Schedule of Cash Flows - State Bar Programs**  
**Year Ended December 31, 2021**

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 7,105,890	\$ -	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	468,329	882,107	196,250	280,460
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	608,718	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(6,922,431)	(353,970)	(121,667)	(163,263)
Payments to suppliers of goods and services	(1,076,616)	(89,663)	(21,489)	(25,152)
Payments for other operating expenses	(365,054)	(414,850)	(24,859)	(23,050)
Net cash provided by (used in) operating activities	(181,164)	23,624	28,235	68,995
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(306,800)	-	-	-
Interest paid	(276,001)	-	-	-
Principal payments on bank borrowings	(364,659)	-	-	-
Net cash used in capital and related financing activities	(947,460)	-	-	-
Cash flows from investing activities:				
Interest received	3,609	-	-	-
Net cash provided by investing activities	3,609	-	-	-
Net increase (decrease) in cash and cash equivalents	(1,125,015)	23,624	28,235	68,995
Cash and cash equivalents - beginning of year	9,346,375	201,376	166,547	379,976
Cash and cash equivalents - end of year	\$ 8,221,360	\$ 225,000	\$ 194,782	\$ 448,971
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 1,296,292	\$ 45,307	\$ 32,327	\$ 48,432
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	538,963	-	-	-
Changes in assets and liabilities:				
Receivables	5,454	(15,472)	(5,000)	(50)
Prepaid expenses and other assets	(13,493)	-	-	-
Accounts payable and accrued expenses	38,293	(1,747)	-	-
Accrued vacation and pension	(34,079)	(4,464)	658	938
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	(7,873)	-	-	-
Claims payable	-	-	-	-
Unearned revenue	(2,004,721)	-	250	19,675
Total adjustments	(1,477,456)	(21,683)	(4,092)	20,563
Net cash provided by (used in) operating activities	\$ (181,164)	\$ 23,624	\$ 28,235	\$ 68,995

*Continued on next page*

**NORTH CAROLINA STATE BAR**  
**Schedule of Cash Flows - State Bar Programs**  
**Year Ended December 31, 2021**

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 7,105,890
Cash received from program participants - IOLTA	5,496,369	-	5,496,369
Cash received from other fees	-	-	1,827,146
Cash received from Cy Pres - IOLTA	142,098	-	142,098
Cash received from settlement agent accounts - IOLTA	223,124	-	223,124
Cash received from other services - IOLTA	38,345	-	38,345
Cash received from assessments and reimbursements	-	933,842	933,842
Other cash received	-	18,763	627,481
Payments for IOLTA grants	(4,421,136)	-	(4,421,136)
Payments to claimants	-	(172,824)	(172,824)
Payments to employees for services	(299,543)	(151,235)	(8,012,109)
Payments to suppliers of goods and services	(89,731)	(29,255)	(1,331,906)
Payments for other operating expenses	(9,036)	(538)	(837,387)
Net cash provided by (used in) operating activities	<u>1,080,490</u>	<u>598,753</u>	<u>1,618,933</u>
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(306,800)
Interest paid	-	-	(276,001)
Principal payments on bank borrowings	-	-	(364,659)
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(947,460)</u>
Cash flows from investing activities:			
Interest received	<u>15,272</u>	<u>2,108</u>	<u>20,989</u>
Net cash provided by investing activities	<u>15,272</u>	<u>2,108</u>	<u>20,989</u>
Net increase (decrease) in cash and cash equivalents	1,095,762	600,861	692,462
Cash and cash equivalents - beginning of year	<u>8,832,318</u>	<u>2,314,142</u>	<u>21,240,734</u>
Cash and cash equivalents - end of year	<u>\$ 9,928,080</u>	<u>\$ 2,915,003</u>	<u>\$ 21,933,196</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	<u>\$ 1,188,371</u>	<u>\$ 587,034</u>	<u>\$ 3,197,763</u>
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	3,008	-	541,971
Changes in assets and liabilities:			
Receivables	58,089	20,295	63,316
Prepaid expenses and other assets	(37)	-	(13,530)
Accounts payable and accrued expenses	13,805	25	50,376
Accrued vacation and pension	(2,206)	(5,797)	(44,950)
Grants approved and unpaid	(180,540)	-	(180,540)
Amount held for escheatment	-	-	(7,873)
Claims payable	-	(2,804)	(2,804)
Unearned revenue	-	-	(1,984,796)
Total adjustments	<u>(107,881)</u>	<u>11,719</u>	<u>(1,578,830)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,080,490</u>	<u>\$ 598,753</u>	<u>\$ 1,618,933</u>



**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	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	9,895	-	-	75,002
Total current assets	9,289,437	2,336,977	(1,122)	22,111,669
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	8,022	-	-	13,166,701
Noncurrent assets:				
Restricted cash, noncurrent portion	71,241	-	-	71,241
Total assets	9,368,700	2,336,977	(1,122)	35,349,611

**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	4,481,837	23,239	(1,122)	10,064,847
Noncurrent liabilities:				
Long-term debt	-	-	-	8,627,612
Total noncurrent liabilities	-	-	-	8,627,612
Total liabilities	4,481,837	23,239	(1,122)	18,692,459

**NET POSITION:**

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

**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	<u>10,018,904</u>	<u>814,236</u>	<u>199,485</u>	<u>233,960</u>
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
Debt issuance expense	7,101	-	-	-
Total operating expenses	<u>8,894,882</u>	<u>857,302</u>	<u>181,286</u>	<u>250,285</u>
Operating income (loss)	<u>1,124,022</u>	<u>(43,066)</u>	<u>18,199</u>	<u>(16,325)</u>
Nonoperating revenues (expenses):				
Interest income	36,919	-	-	-
Interest expense	(288,176)	-	-	-
Loss on disposals of equipment	(9,152)	-	-	-
Total nonoperating revenues (expenses)	<u>(260,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	863,613	(43,066)	18,199	(16,325)
Net position - beginning of year	<u>7,747,953</u>	<u>387,974</u>	<u>147,260</u>	<u>350,943</u>
Net position - end of year	<u>\$ 8,611,566</u>	<u>\$ 344,908</u>	<u>\$ 165,459</u>	<u>\$ 334,618</u>

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**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
Settlement proceeds - IOLTA	-	-	-	-
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
Debt issuance expense	-	-	-	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	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	(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