

NORTH CAROLINA STATE BAR
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



NORTH CAROLINA STATE BAR

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NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2022

The following is a discussion and analysis of the financial performance of the North Carolina State Bar for the year ended December 31, 2022. 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, 2022; and the Client Security Fund of the North Carolina State Bar ("CSF") as of and for the year ended September 30, 2022, 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 \$19,044,189 at December 31, 2022 compared to \$16,689,204 at December 31, 2021, an increase of \$2,354,985 for the year ended December 31, 2022. The Client Security Fund's net position was \$3,293,573 at September 30, 2022, compared to \$2,902,880 at September 30, 2021, an increase of \$390,693 for the year ended September 30, 2022.

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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For the Fiscal Year Ended December 31, 2022

The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2022, and CSF as of and for the year ended September 30, 2022:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 26,465,150	\$ 3,309,151	\$ 29,774,301
Capital assets, net	12,369,895	-	12,369,895
Right-of-use leased assets, net	51,922	-	51,922
Noncurrent assets	70,999	-	70,999
Total assets	<u>38,957,966</u>	<u>3,309,151</u>	<u>42,267,117</u>
Current liabilities	11,989,910	15,578	12,005,488
Long-term liabilities	7,923,867	-	7,923,867
Total liabilities	<u>19,913,777</u>	<u>15,578</u>	<u>19,929,355</u>
Net position:			
Net investment in capital assets	4,063,003	-	4,063,003
Restricted	70,999	-	70,999
Unrestricted	14,910,187	3,293,573	18,203,760
Total net position	<u>\$ 19,044,189</u>	<u>\$ 3,293,573</u>	<u>\$ 22,337,762</u>
Operating revenues	\$ 19,303,796	\$ 909,651	\$ 20,213,447
Operating expenses	16,856,762	522,691	17,379,453
Operating income	<u>2,447,034</u>	<u>386,960</u>	<u>2,833,994</u>
Nonoperating revenues (expenses):			
Interest income	172,194	3,733	175,927
Interest expense	(264,243)	-	(264,243)
Total nonoperating revenues (expenses)	<u>(92,049)</u>	<u>3,733</u>	<u>(88,316)</u>
Changes in net position	<u>\$ 2,354,985</u>	<u>\$ 390,693</u>	<u>\$ 2,745,678</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, 2021, and CSF as of and for the year ended September 30, 2021:

	State Bar (excluding CSF)	CSF	Restated Total
Current assets	\$ 19,838,039	\$ 2,917,543	\$ 22,755,582
Capital assets, net	12,928,047	-	12,928,047
Right-of-use leased assets, net	88,954	-	88,954
Noncurrent assets	70,999	-	70,999
Total assets	<u>32,926,039</u>	<u>2,917,543</u>	<u>35,843,582</u>
Current liabilities	7,932,581	14,663	7,947,244
Long-term liabilities	8,304,254	-	8,304,254
Total liabilities	<u>16,236,835</u>	<u>14,663</u>	<u>16,251,498</u>
Net position:			
Net investment in capital assets	4,288,998	-	4,288,998
Restricted	70,999	-	70,999
Unrestricted	12,329,207	2,902,880	15,232,087
Total net position	<u>\$ 16,689,204</u>	<u>\$ 2,902,880</u>	<u>\$ 19,592,084</u>
Operating revenues	\$ 16,947,539	\$ 933,485	\$ 17,881,024
Operating expenses	14,337,921	346,451	14,684,372
Operating income	<u>2,609,618</u>	<u>587,034</u>	<u>3,196,652</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>\$ 2,349,015</u>	<u>\$ 589,142</u>	<u>\$ 2,938,157</u>

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For the Fiscal Year Ended December 31, 2022

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
Right-of-use leased assets, net	116,273	-	116,273
Noncurrent assets	71,241	-	71,241
Total assets	<u>33,128,907</u>	<u>2,336,977</u>	<u>35,465,884</u>
Current liabilities	10,082,644	23,239	10,105,883
Long-term liabilities	8,706,073	-	8,706,073
Total liabilities	<u>18,788,717</u>	<u>23,239</u>	<u>18,811,956</u>
Net position:			
Net investment in capital assets	4,164,105	-	4,164,105
Restricted	71,241	-	71,241
Unrestricted	10,104,844	2,313,738	12,418,582
Total net position	<u>\$ 14,340,190</u>	<u>\$ 2,313,738</u>	<u>\$ 16,653,928</u>
Operating revenues	\$ 15,605,117	\$ 889,294	\$ 16,494,411
Operating expenses	<u>13,475,759</u>	<u>742,413</u>	<u>14,218,172</u>
Operating income	<u>2,129,358</u>	<u>146,881</u>	<u>\$ 2,276,239</u>
Nonoperating revenues (expenses):			
Interest income	128,951	9,833	138,784
Interest expense	(288,176)	-	(288,176)
Loss on disposals of equipment	<u>(9,152)</u>	<u>-</u>	<u>(9,152)</u>
Total nonoperating revenues (expenses)	<u>(168,377)</u>	<u>9,833</u>	<u>(158,544)</u>
Changes in net position	<u>\$ 1,960,981</u>	<u>\$ 156,714</u>	<u>\$ 2,117,695</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.

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Management's Discussion and Analysis
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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 2022 and 2021. The total balance outstanding is presented on the accompanying statement of net position.

Events Affecting Future Operations

Affecting the Bar:

The financial consequences of COVID-19 for the State Bar in 2022 were minimal. 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 the virus. However, after the surge passed, operations for the State Bar returned to normal and the remainder of the year included the usual travel and three in-person meetings of the Council. Although this meant that the savings from cancelled activities would be less than in the prior two years, the State Bar was pleased to return to normal operations.

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 State Bar program's total liabilities were \$13,526,719 at December 31, 2022. This is an increase from 2021 when the liabilities were \$11,808,800 and a decrease from 2020 when the liabilities were \$14,088,548.

The State Bar program's assets exceeded liabilities (net position) by \$10,630,370 at December 31, 2022. This is an increase from 2021 when the net position was \$9,627,647 and an increase from 2020 when the net position was \$8,611,566. This improvement in net position can be attributed to the following three factors: (1) the reduction in expenses in 2020, 2021, and early 2022 because of the pandemic; (2) an uptick in the number of new members of the State Bar each year since 2020 resulting in an increase in membership fee revenue; and (3) the absence of substantial legal fees paid to outside counsel after the last large case against the State Bar was finally adjudicated in 2019. Minimal anticipated expense for outside legal services in 2023 will further help to stabilize our net position.

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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 2022 exceeded the budgeted expectation. It is anticipated that this will also occur in 2023. 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, the bill has been pending in the General Assembly for four 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 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 early summer 2023, the RMS project will result in greater efficiency and savings across the organization.

Overall, management is pleased to report that 2022 was a good year financially. 2022 net income was \$1,002,720. 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 \$7,407,669 (net position) at December 31, 2022. This is an increase from 2021 when assets exceeded liabilities by \$6,090,506, and an increase from 2020 when assets exceeded liabilities by \$4,886,863.

IOLTA's total liabilities were \$6,261,153 at December 31, 2022. This is an increase from 2021 when total liabilities were \$4,312,896 and an increase from 2020 when total liabilities were \$4,481,837.

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:

	2022	2021	2020	Current Year Amount Change	Current Year % Change
Current assets	\$ 13,595,817	\$ 10,327,389	\$9,289,437	\$ 3,268,428	31.6%
Capital assets, net	2,006	5,014	8,022	(3,008)	-60.0%
Noncurrent assets	70,999	70,999	71,241	-	0.0%
Total assets	13,668,822	10,403,402	9,368,700	3,265,420	31.4%
Current liabilities	6,261,153	4,312,896	4,481,837	1,948,257	45.2%
Total liabilities	6,261,153	4,312,896	4,481,837	1,948,257	45.2%
Net position:					
Investment in capital assets	2,006	5,014	8,022	(3,008)	-60.0%
Restricted	70,999	70,999	71,241	-	0.0%
Unrestricted	7,334,664	6,014,493	4,807,600	1,320,171	21.9%
Total net position	\$ 7,407,669	\$ 6,090,506	\$ 4,886,863	\$ 1,317,163	21.6%
Operating revenues	\$ 7,829,338	\$ 5,841,847	\$4,874,408	\$ 1,987,491	34.0%
Operating expenses	6,601,158	4,653,476	3,370,565	1,947,682	41.9%
Operating income	1,228,180	1,188,371	1,503,843	39,809	3.3%
Non-operating revenue	88,983	15,272	92,032	73,711	482.7%
Income over expenses	1,317,163	1,203,643	1,595,875	113,520	9.4%
BofA grants	-	-	454,090	-	0.0%
Changes in net position	\$ 1,317,163	\$ 1,203,643	\$ 1,141,785	\$ 113,520	-9.4%

The original, primary revenue source for IOLTA is participant income. Participant income in 2022 increased by 39.3% compared to 2021. Participant income in 2021 increased by 16.1% compared to 2020. The increases in income in 2022 as a result of the improved interest rates significantly bolstered participant income.

Interest rates rose steadily in 2022. The Federal Reserve raised rates eight times, increasing the rates from 0.00% - 0.25% at year end 2021 to 4.50% - 4.75% at the close of 2022. In March 2023, the Federal Reserve approved a 0.25% rate increase that will bring the rate into a range of 4.75% - 5.0%.

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In 2022, Cy Pres funds were \$17,212 while in 2021 and 2020, IOLTA received \$142,098 and \$41,591 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:

	2022	2021	2020	Current Year Amount Change	Current Year % Change
IOLTA Funds	\$ 6,101,864	\$ 4,254,500	\$ 2,985,700	\$ 1,847,364	43.4%
BofA Funds	-	-	454,090	-	0.0%
Grant awards	\$ 6,101,864	\$ 4,254,500	\$ 3,439,790	\$ 1,847,364	43.4%

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, 2022 was \$4,770,518. The purpose of this designation is so IOLTA will have the ability to maintain grant award levels in times of economic downturn.

In addition, the IOLTA Board of Trustees has designated \$500,000 as of December 31, 2022 for potential out-of-cycle grants anticipated for 2023. The amounts designated by the board may be made available for general operations with the board's consent.

IOLTA disbursed \$938,043 in state funds in 2022. IOLTA expenses include the cost of administering these funds as no state funds may be used for administration.

In light of recent bank failures, it is important for lawyers and law firms to understand how FDIC insurance applies to trust accounts, particularly IOLTA accounts holding funds for multiple clients.

Per the FDIC, trust accounts, including IOLTA accounts, are treated as fiduciary accounts, "deposit accounts owned by one party but held in a fiduciary capacity by another party."

For purposes of FDIC insurance, the FDIC requires (1) "the fiduciary nature of the account...be disclosed in the bank's deposit account records" and (2) "name and ownership interest of each owner must be ascertainable from the deposit account records of the insured bank or from records maintained by the agent".

As long as FDIC requirements are met, each client is protected up to the standard deposit insurance limits, currently \$250,000 per client per financial institution. If a client has funds in other accounts with the bank where the lawyer holds entrusted funds, that may affect whether the funds the lawyer holds for the client are insured to the deposit insurance limit.

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Affecting the Client Security Fund:

The North Carolina 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. Due to the large amount accumulated in the reserve fund as of December 31, 2022, however, the Supreme Court did not issue an assessment for 2023.

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. 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 over the last two years to rethink and simplify the current regulatory scheme. Amendments to the administrative rules for the CLE program will be considered for adoption by the State Bar Council at its meeting on April 21, 2023, and thereafter by the Chief Justice of the North Carolina Supreme Court. If the rule amendments are ultimately approved, the program will convert to a two-year compliance and reporting period for State Bar members. In addition, a standard annual CLE assessment 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 fourteen areas of specialty, the program is less reliant upon application fees from lawyers seeking certification (averaging 75-100 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 2022, the program had net income of approximately \$16,000. The budget for 2023, on the other hand, projects a net loss of \$25,506. It is anticipated that the specialization program has experienced increased efficiency from the implementation of the specialization module of the RMS in December 2021. The cost savings from the increased efficiency are already helping to reduce expenses.

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Management's Discussion and Analysis
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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 2023, there are approximately 3700 certified paralegals (CPs). Although the program averages 230 to 300 applications for certification each year, attrition among existing CPs usually offsets new certifications. Nevertheless, in recent years the switch to remote proctored exams, which makes the exam more accessible to paralegals in rural communities, has resulted in an increase in applications (305 in 2021; 298 in 2022). In addition, the implementation of the paralegal module of RMS in December 2021 has already resulted in increased efficiency and cost savings for the program. If the total number of CPs holds steady, the program should not have difficulty remaining financially self-sufficient.

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, 2022 and 2021, 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, 2022 and 2021, 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 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, 2022 and 2021, 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 18, 2023

NORTH CAROLINA STATE BAR
Statements of Net Position
December 31, 2022 and 2021

	2022	Restated 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 27,499,667	\$ 21,282,972
Restricted cash, current portion	621,524	579,225
Receivables from related entities	650	-
Fees receivable, net	394,656	325,408
Other receivables	37,306	19,069
Interest receivable	1,149,213	460,376
Prepaid expenses	71,285	88,532
Total current assets	<u>29,774,301</u>	<u>22,755,582</u>
Capital assets, net	<u>12,369,895</u>	<u>12,928,047</u>
Noncurrent assets:		
Right-of-use leased assets, net of amortization	51,922	88,954
Restricted cash, noncurrent portion	70,999	70,999
Total noncurrent assets	<u>122,921</u>	<u>159,953</u>
Total assets	<u>42,267,117</u>	<u>35,843,582</u>
LIABILITIES:		
Current liabilities:		
Current portion of long-term debt	395,273	383,339
Accounts payable	188,119	109,040
Other accrued expenses	159,084	164,872
Payable as Agent for the State	116,506	64,197
Accrued vacation	254,792	246,401
Pension contribution payable	600,183	587,532
Amounts held for escheatment	505,018	515,028
Grants approved and unpaid	6,101,864	4,214,500
Unearned revenue	3,644,975	1,621,925
Lease liabilities, current portion	39,674	40,410
Total current liabilities	<u>12,005,488</u>	<u>7,947,244</u>
Noncurrent liabilities:		
Long-term debt	7,908,347	8,251,374
Lease liabilities, noncurrent portion	15,520	52,880
Total noncurrent liabilities	<u>7,923,867</u>	<u>8,304,254</u>
Total liabilities	<u>19,929,355</u>	<u>16,251,498</u>
NET POSITION:		
Net investment in capital assets	4,063,003	4,288,998
Restricted	70,999	70,999
Unrestricted	18,203,760	15,232,087
Total net position	<u>\$ 22,337,762</u>	<u>\$ 19,592,084</u>

See Notes to Financial Statements

NORTH CAROLINA STATE BAR
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Membership fees	\$ 9,368,830	\$ 9,110,611
Assessments	776,675	760,930
Reimbursements of claim awards	102,364	153,792
Sponsor and attendee fees	500,677	485,136
Renewal, registration and examination fees	446,420	452,215
Professional corporations	132,320	131,686
Interstate law firms	154,500	140,500
Reinstatement fees	17,750	7,500
Penalty fees	436,796	465,488
EAJC processing fees	98,857	94,920
DHC reimbursable costs and grievance fees	69,319	96,231
Foundation contributions	50,000	52,185
Bar magazine income	34,750	27,631
Convenience fees	123,700	-
Interest from participants - IOLTA	7,577,606	5,438,280
Cy pres receipts - IOLTA	17,212	142,098
Settlement agent accounts - IOLTA	189,444	223,124
Professional and administrative services - IOLTA	45,076	38,345
Other	71,151	60,352
Total operating revenues	<u>20,213,447</u>	<u>17,881,024</u>
Operating expenses:		
Salaries and wages	6,668,329	6,581,774
Pension plan contributions	599,676	588,841
Other employee benefits	847,681	796,544
Grant awards - IOLTA	6,101,864	4,254,500
Claim awards	349,723	170,020
Professional fees	117,914	94,504
Council and committee meetings, including officers' travel	446,438	249,536
Publications, postage, and printing	208,105	221,812
Depreciation	595,244	541,971
Lease amortization expense	40,476	44,744
Equipment rental and maintenance	312,102	228,009
Travel and automotive	52,649	14,414
Community outreach	7,910	1,240
Test administration	20,448	20,141
Rent expense	1,772	-
Disciplinary proceedings	106,153	101,287
Building maintenance and utilities	211,657	190,701
Bank service charges	263,302	210,999
Bad debt expense	47,050	68,265
Other office expense	245,194	219,216
Telephone	24,144	21,916
Insurance and bonds	52,182	48,950
Debt issuance expense	-	9,870
Other	56,110	-
Interest expense on lease liabilities	3,330	5,118
Total operating expenses	<u>17,379,453</u>	<u>14,684,372</u>
Operating income	<u>2,833,994</u>	<u>3,196,652</u>
Nonoperating revenues (expenses):		
Interest income	175,927	20,989
Interest expense	(264,243)	(276,001)
Loss on disposals of equipment	-	(3,483)
Net nonoperating expenses	<u>(88,316)</u>	<u>(258,495)</u>
Changes in net position	<u>2,745,678</u>	<u>2,938,157</u>
Net position - beginning of year - as originally reported	19,592,084	16,657,152
Restatement of beginning net position	-	(3,225)
Net position - beginning of year - as restated	<u>19,592,084</u>	<u>16,653,927</u>
Net position - end of year	<u>\$ 22,337,762</u>	<u>\$ 19,592,084</u>

See Notes to Financial Statements

NORTH CAROLINA STATE BAR
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from attorneys for membership fees	\$ 11,379,830	\$ 7,105,890
Cash received from program participants - IOLTA	6,888,769	5,496,369
Cash received from other fees	1,876,794	1,827,146
Cash received from Cy Pres - IOLTA	17,212	142,098
Cash received from settlement agent accounts - IOLTA	189,444	223,124
Cash received from other services - IOLTA	45,076	38,345
Cash received from assessments and reimbursements	871,689	933,842
Other cash received	693,595	627,481
Payments for IOLTA grants	(4,162,191)	(4,421,136)
Payments to claimants	(349,723)	(172,824)
Payments to employees for services	(8,094,644)	(8,012,109)
Payments to suppliers of goods and services	(1,452,728)	(1,283,358)
Payments for interest on leased liabilities	(3,330)	(5,118)
Payments for other operating expenses	(1,142,758)	(837,184)
Net cash provided by operating activities	<u>6,757,035</u>	<u>1,662,566</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(37,092)	(306,800)
Payments on lease liabilities	(41,540)	(43,633)
Interest paid	(264,243)	(276,001)
Principal payments on bank borrowings	(331,093)	(364,659)
Net cash used in capital and related financing activities	<u>(673,968)</u>	<u>(991,093)</u>
Cash flows from investing activities:		
Interest received	175,927	20,989
Net cash provided by investing activities	<u>175,927</u>	<u>20,989</u>
Net increase in cash and cash equivalents	6,258,994	692,462
Cash and cash equivalents - beginning of year	21,933,196	21,240,734
Cash and cash equivalents - end of year	<u>\$ 28,192,190</u>	<u>\$ 21,933,196</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,833,994	\$ 3,196,652
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	595,244	541,971
Amortization, leased assets	40,476	44,744
Changes in assets and liabilities:		
Receivables	(781,513)	63,316
Prepaid expenses and other assets	17,247	(13,530)
Accounts payable and accrued expenses	130,141	50,376
Accrued vacation and pension	21,042	(44,950)
Grants approved and unpaid	1,887,364	(180,540)
Amount held for escheatment	(10,010)	(7,873)
Claims payable	-	(2,804)
Unearned revenue	2,023,050	(1,984,796)
Total adjustments	<u>3,923,041</u>	<u>(1,534,086)</u>
Net cash provided by operating activities	<u>\$ 6,757,035</u>	<u>\$ 1,662,566</u>

See Notes to Financial Statements

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

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

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

Financial Reporting Entity

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

For financial reporting purposes, the State Bar is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's 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

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

Changes in Financial Accounting and Reporting

For the fiscal year ended December 31, 2022, the State Bar implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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 \$300, respectively, in 2022 and 2021. 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.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

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

Right-of-Use Leased Assets and Lease Liabilities

Leases that provide the State Bar the right to use an asset for a period of more than one year are considered a capital asset. Right-of-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-of-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the State Bar's financial obligation to make lease payments during the term of the lease and are measured at the present value of future lease payments.

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.

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.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

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, and right-of-use leased assets net of related lease liabilities and accumulated amortization.

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 \$4,770,518 and \$4,232,207 of its net position without donor restrictions at December 31, 2022 and 2021, respectively, to be reserved for future program awards. In addition, at December 31, 2022, the IOLTA Board of Trustees has designated \$500,000 for potential out-of-cycle grants anticipated for 2023. The amounts designated by the board 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 2022 and 2021, 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.
- 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.
- 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 2022 and 2021. 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. CSF elected not to assess dues for 2023.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

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

Revenue Recognition (Continued)

- 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 \$818,444 and \$541,876 in 2022 and 2021, 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 2022 and 2021, respectively, such cy pres funds in the amount of \$17,212 and \$142,098 were received and included in funds available for 2022 and 2021 grants, respectively.

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.

Grant awards are recognized as expense in the period of award. The current portion of grants approved but unpaid as of December 31, 2022 is expected to be funded in 2023.

Grant awards subject to matching requirements are recognized upon the grantee's satisfaction of the required match. There were \$40,000 and \$0 of unpaid match awards at December 31, 2022 and 2021, respectively.

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.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

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

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:

	2022	2021
Truist, checking account	\$ 5,269,754	\$ 2,687,293
Truist, money market account	8,579,435	7,400,769
Wells Fargo, checking account - IOLTA	1,000	1,000
STIF account (with NC State Treasurer)	13,649,478	11,193,910
	<u>\$27,499,667</u>	<u>\$21,282,972</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 \$15.1 million as of December 31, 2022.

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:

	2022	2021
Bar (with First Citizen's Trust fund)	\$ 505,018	\$ 515,028
IOLTA - cash held in agency (with NC State Treasurer)	116,506	64,197
IOLTA - settlement funds (with NC State Treasurer)	70,999	70,999
	<u>\$ 692,523</u>	<u>\$ 650,224</u>

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

NOTE 3 - RESTRICTED CASH (Continued)

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:

	2022	2021
Legal Aid of North Carolina, Inc. (LANC)	\$ 792,191	\$ 702,464
Pisgah Legal Services	45,852	42,785
Pisgah Legal Services - Appropriations paid	150,000	-
	<u>\$ 988,043</u>	<u>\$ 745,249</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 \$116,506 and \$64,197 at December 31, 2022 and 2021, respectively.

NOTE 5 - FEES RECEIVABLE

Fees receivable consist of the following at December 31:

	2022	2021
Bar membership fees	\$ 84,065	\$ 37,050
CSF assessments	9,600	3,965
	93,665	41,015
Less: Allowance for doubtful accounts	(20,355)	(20,355)
	73,310	20,660
Bar fees from CLE processing	44,441	42,713
Bar DHC fees	471,837	446,263
Less: Allowance for doubtful accounts - DHC fees	(401,930)	(382,792)
	69,907	63,471
CLE fees	221,998	213,564
Less: Allowance for doubtful accounts	(15,000)	(15,000)
	206,998	198,564
Total fees receivable, net	<u>\$ 394,656</u>	<u>\$ 325,408</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 6 - CLE ASSESSMENTS

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

	2022	2021
Chief Justice's Commission on Professionalism	\$ 386,438	\$ 356,593
North Carolina Equal Access to Justice Commission	386,438	356,593
North Carolina State Bar	96,576	89,117
	<u>\$ 869,452</u>	<u>\$ 802,303</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, 2022:

	Cost 12/31/2021	Additions	Retirements	Cost 12/31/2022
Building costs	\$17,111,627	\$ -	\$ -	\$17,111,627
Computer equipment and software	791,903	26,736	(18,843)	799,796
Artwork	417,165	-	-	417,165
Furniture and office equipment	1,588,622	10,356	-	1,598,978
Automobile	19,407	-	-	19,407
Total cost	<u>19,928,724</u>	<u>37,092</u>	<u>(18,843)</u>	<u>19,946,973</u>
Less accumulated depreciation:				
Building costs	(5,054,477)	(502,936)	-	(5,557,413)
Computer equipment and software	(476,559)	(75,775)	18,843	(533,491)
Furniture and office equipment	(1,450,234)	(16,533)	-	(1,466,767)
Automobile	(19,407)	-	-	(19,407)
Total depreciation	<u>(7,000,677)</u>	<u>(595,244)</u>	<u>18,843</u>	<u>(7,577,078)</u>
Total capital assets, net	<u>\$12,928,047</u>	<u>\$ (558,152)</u>	<u>\$ -</u>	<u>\$12,369,895</u>

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
Automobiles	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)

Continued - changes in capital assets for the year ended December 31, 2021:

	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)
Automobiles	(19,407)	-	-	(19,407)
	<u>(6,639,891)</u>	<u>(541,971)</u>	<u>181,185</u>	<u>(7,000,677)</u>
Total capital assets, net	<u>\$13,166,701</u>	<u>\$ (235,171)</u>	<u>\$ (3,483)</u>	<u>\$12,928,047</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, 2022:

A mortgage loan (Truist) 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%.

	\$ 8,303,620
Less current portion	<u>(395,273)</u>
Long-term debt	<u>\$ 7,908,347</u>

Principal maturities and interest payments of long-term debt are as follows at December 31, 2022:

	Principal	Interest
2023	\$ 395,273	\$ 252,861
2024	407,581	241,052
2025	420,273	227,517
2026	433,363	214,250
2027	446,854	200,570
Thereafter	<u>6,200,276</u>	<u>1,174,614</u>
	<u>\$ 8,303,620</u>	<u>\$ 2,310,864</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, 2022, the State Bar had \$10,984,339 of unrestricted cash and \$8,303,620 of funded debt, a liquidity ratio of approximately 132%. The loan is secured by the building. Management is aware of no violations of these covenants as of December 31, 2022 or subsequent thereto.

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

NOTE 9 - CHANGE IN LIABILITIES AND ACCRUED VACATION

The change in long-term liabilities is as follows at December 31, 2022 and 2021:

	Balance 12/31/2021	Increases	Decreases	Balance 12/31/2022	Current Portion of Balance
Grants approved and unpaid	<u>\$ 4,214,500</u>	<u>\$ 6,101,864</u>	<u>\$ (4,214,500)</u>	<u>\$ 6,101,864</u>	<u>\$ 6,101,864</u>
Note payable	<u>\$ 8,634,713</u>	<u>\$ -</u>	<u>\$ (331,093)</u>	<u>\$ 8,303,620</u>	<u>\$ 395,273</u>

	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>

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

	2022	2021
Beginning balance	<u>\$ 246,401</u>	<u>\$ 275,118</u>
Increases	<u>440,295</u>	<u>444,370</u>
Decreases	<u>(431,904)</u>	<u>(473,087)</u>
Ending balance	<u>\$ 254,792</u>	<u>\$ 246,401</u>

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 \$599,676 and \$588,841 in 2022 and 2021, respectively.

There were no pension forfeitures used to offset pension contributions for the years ended December 31, 2022 and 2021.

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 \$782,005 and \$720,914 in 2022 and 2021, 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.

NORTH CAROLINA STATE BAR**Notes to Financial Statements****NOTE 12 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES****Lessee**

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 also leases office equipment under operating leases with varying expirations through 2024.

Lease expenses were comprised of the following:

	2022	2021
Amortization expense by class of underlying asset:		
Facilities	\$ 28,147	\$ 28,147
Equipment	12,329	16,597
Interest on lease liabilities	3,330	5,118
Total lease expense	<u>\$ 43,806</u>	<u>\$ 49,862</u>

Right-of-use leased assets activity:

	12/31/2021	Additions	Subtractions	12/31/2022
Facilities	\$ 126,659	\$ -	\$ -	\$ 126,659
Equipment	28,841	3,444	(11,416)	20,869
Less: Accumulated amortization	(66,546)	(40,476)	11,416	(95,606)
Right-of-use assets, net	<u>\$ 88,954</u>	<u>\$ (37,032)</u>	<u>\$ -</u>	<u>\$ 51,922</u>

	12/31/2020	Additions	Subtractions	12/31/2021
Facilities	\$ 126,659	\$ -	\$ -	\$ 126,659
Equipment	33,250	17,425	(21,834)	28,841
Less: Accumulated amortization	(43,636)	(44,744)	21,834	(66,546)
Right-of-use assets, net	<u>\$ 116,273</u>	<u>\$ (27,319)</u>	<u>\$ -</u>	<u>\$ 88,954</u>

Lease liabilities were comprised of the following:

	12/31/2021	Additions	Subtractions	12/31/2022
Total lease liabilities	<u>\$ 93,290</u>	<u>\$ 3,144</u>	<u>\$ (41,240)</u>	<u>\$ 55,194</u>

	12/31/2020	Additions	Subtractions	12/31/2021
Total lease liabilities	<u>\$ 119,498</u>	<u>\$ 16,787</u>	<u>\$ (42,995)</u>	<u>\$ 93,290</u>

Future lease payments required under operating leases having an initial term of more than one year are as follows at December 31, 2022:

	Principal	Interest	Total Payments
2023	\$ 39,674	\$ 1,673	\$ 41,347
2024	15,520	193	15,713
	<u>\$ 55,194</u>	<u>\$ 1,866</u>	<u>\$ 57,060</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 13 - RESTRICTED NET POSITION - IOLTA

IOLTA received \$12,084,737 and \$842,972 in 2016 and 2015, respectively, in accordance with the terms in a settlement agreement ("Settlement Agreement") between the United States and Bank of America Corporation ("the Bank"), whereby the Bank was required to distribute \$30 million to IOLTA programs nationwide from the funds set aside for consumer relief. These settlement proceeds are restricted for the purpose of providing funds to legal aid organizations in the State of North Carolina for foreclosure prevention legal assistance and community redevelopment legal assistance. No portion of the surplus distribution may be used for any other purpose, including for its general overhead expenses. Unspent funds of \$70,999 and \$70,999 were included in IOLTA's restricted net position as of December 31, 2022 and 2021, respectively. There were no grants funded from settlement proceeds in 2022 or 2021.

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 2022 of \$397,054. The Bar recognized related support from CLE in 2021 of \$334,845.

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, 2022:

	Overhead	Computer	Copying	Total
CLE	\$ 40,634	\$ 19,570	\$ 194	\$ 60,398
Legal Specialization	17,998	3,195	556	21,749
Paralegal	17,998	3,258	48	21,304
IOLTA	-	-	80	80
CSF	19,012	-	36	19,048
Total	<u>\$ 95,642</u>	<u>\$ 26,023</u>	<u>\$ 914</u>	<u>\$ 122,579</u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 14 - INTER-PROGRAM TRANSACTIONS (Continued)

Bar Overhead, Computer Usage and Copier Charges

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

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 2022 and 2021.

Other Accrued Expenses

Included in other accrued expenses in the accompanying Statement of Net Position at December 31, 2022 are amounts payable to CSF totaling \$25. This amount is not eliminated since CSF has a year end of September 30.

NOTE 15 - RELATED PARTY TRANSACTIONS

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

The Chief Justice's Commission on Professionalism ("CJCP"), was created by order of the Supreme Court of North Carolina on September 22, 1998, to enhance professionalism among North Carolina's lawyers. The North Carolina Equal Access to Justice Commission ("EAJC"), was created by order of the Supreme Court of North Carolina on November 3, 2005, to expand access to civil legal representation for people of low income and modest means in North Carolina. Attorneys and CLE program sponsors pay fees to the Bar for each hour of CLE credit taken by North Carolina's attorneys to support the administration of the CLE program. Portions of these fees charged are allocated to CJCP and EAJC to support these commissions and a portion is allocated to the Bar to cover the cost of administering these funds for the commissions (see Note 6 - CLE Assessments). CLE had accounts payable of \$164 to CJCP and \$164 to EAJC at December 31, 2022. CJCP and EAJC are independent entities separate from the State Bar and are not included in this report.

The North Carolina State Bar Foundation

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

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 15 - RELATED PARTY TRANSACTIONS (Continued)

The North Carolina State Bar Foundation (Continued)

These funds were previously donated by Paralegal and were restricted for use in construction of the State Bar's new building. The Foundation provided assistance to the Bar in 2013 and 2014 by purchasing capital assets with an aggregate cost of approximately \$1,024,000, intended for the State Bar's use. The Foundation also made contributions to the Bar in 2022 and 2021 of \$50,000 and \$52,185, respectively, to cover certain building-related costs.

NOTE 16 - RESTATEMENT

The adoption of GASB Statement No. 87 changed the manner in which the Bar accounts for leases which provide the Bar the right-of-use. Under GASB Statement No. 87, a lessee is required to recognize an intangible right-of-use lease asset and a lease liability.

Right-of-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. Right-of-use leased assets are amortized over the term of the lease contracts. Lease payments are separated into interest expense and a reduction of the lease liabilities.

The effects of the changes as of and for the year ended December 31, 2021 are as follows:

	As Originally Reported	As Adjusted	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position:			
Equipment rental and maintenance	\$ 245,620	\$ 228,009	\$ (17,611)
Rent expense	31,140	-	(31,140)
Lease amortization expense	-	44,744	44,744
Lease interest expense	-	5,118	5,118
Net position - beginning of year	16,657,152	16,653,927	(3,225)
Statement of Net Position:			
Right-of-use leased assets, net of amortization	-	88,954	88,954
Current portion of lease liabilities	-	40,410	40,410
Noncurrent portion of lease liabilities	-	52,880	52,880

NOTE 17 - 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.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 17 - COMMITMENTS (Continued)

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. Annual support and maintenance fees of \$75,000 were paid in 2022, but the remaining portion of the development fees were not paid because the Office of Counsel's case management/enforcement module was not yet completed. The remaining development fees of \$132,500 will be paid in 2023 when the Office of Counsel's case-management/enforcement system goes live. Ongoing 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. However, the State Bar anticipates paying the annual maintenance and support fees to Thoughtspan for the foreseeable future.

Agreement with Technology Associates

The State Bar has a month to month technology service agreement with Technology Associates providing for monthly payments of approximately \$10,230 which may be terminated by either party with thirty days written notice.

NOTE 18 - SUBSEQUENT EVENTS

Management of the State Bar evaluated subsequent events through April 18, 2023, 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 \$52,445.

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2022

ASSETS:

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 10,984,339	\$ 226,174	\$ 199,240	\$ 475,589
Restricted cash, current portion	505,018	-	-	-
Receivables from related entities	5,318	-	-	-
Fees receivable, net	179,483	206,998	-	-
Other receivables	8,581	-	28,400	325
Interest receivable	-	-	-	-
Prepaid expenses and other assets	54,536	-	-	-
Total current assets	11,737,275	433,172	227,640	475,914
Capital assets:				
Property and equipment	19,635,438	142,382	60,609	27,003
Less accumulated depreciation	(7,267,549)	(142,382)	(60,609)	(27,003)
Capital assets, net	12,367,889	-	-	-
Noncurrent assets:				
Right-of-use leased assets, net of amortization	51,922	-	-	-
Restricted cash, noncurrent portion	-	-	-	-
Total noncurrent assets	51,922	-	-	-
Total assets	24,157,086	433,172	227,640	475,914

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	395,273	-	-	-
Accounts payable	183,416	369	-	-
Other accrued expenses	159,084	-	-	-
Payable to the Bar	-	845	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	222,678	9,764	4,107	7,038
Pension contribution payable	512,609	26,418	9,533	12,624
Amounts held for escheatment	505,018	-	-	-
Grants approved but unpaid	-	-	-	-
Unearned revenue	3,585,100	-	-	59,875
Lease liabilities, current portion	39,674	-	-	-
Total current liabilities	5,602,852	37,396	13,640	79,537
Noncurrent liabilities:				
Long-term debt	7,908,347	-	-	-
Lease liabilities, noncurrent portion	15,520	-	-	-
Total noncurrent liabilities	7,923,867	-	-	-
Total liabilities	13,526,719	37,396	13,640	79,537

NET POSITION:

Net investment in capital assets	4,060,997	-	-	-
Restricted	-	-	-	-
Unrestricted	6,569,370	395,776	214,000	396,377
Total net position	\$ 10,630,367	\$ 395,776	\$ 214,000	\$ 396,377

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2022

ASSETS:

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 12,313,349	\$ 3,300,976	\$ -	\$ 27,499,667
Restricted cash, current portion	116,506	-	-	621,524
Receivables from related entities	-	-	(4,668)	650
Fees receivable, net	-	8,175	-	394,656
Other receivables	-	-	-	37,306
Interest receivable	1,149,213	-	-	1,149,213
Prepaid expenses and other assets	16,749	-	-	71,285
Total current assets	13,595,817	3,309,151	(4,668)	29,774,301
Capital assets:				
Property and equipment	30,655	50,886	-	19,946,973
Less accumulated depreciation	(28,649)	(50,886)	-	(7,577,078)
Capital assets, net	2,006	-	-	12,369,895
Noncurrent assets:				
Right-of-use leased assets, net of amortization	-	-	-	51,922
Restricted cash, noncurrent portion	70,999	-	-	70,999
Total noncurrent assets	70,999	-	-	122,921
Total assets	13,668,822	3,309,151	(4,668)	42,267,117

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	-	-	-	395,273
Accounts payable	1,845	2,489	-	188,119
Other accrued expenses	-	-	-	159,084
Payable to the Bar	3,823	-	(4,668)	-
Payable as Agent for the State	116,506	-	-	116,506
Accrued vacation	9,191	2,014	-	254,792
Pension contribution payable	27,924	11,075	-	600,183
Amounts held for escheatment	-	-	-	505,018
Grants approved but unpaid	6,101,864	-	-	6,101,864
Unearned revenue	-	-	-	3,644,975
Lease liabilities, current portion	-	-	-	39,674
Total current liabilities	6,261,153	15,578	(4,668)	12,005,488
Noncurrent liabilities:				
Long-term debt	-	-	-	7,908,347
Lease liabilities, noncurrent portion	-	-	-	15,520
Total noncurrent liabilities	-	-	-	7,923,867
Total liabilities	6,261,153	15,578	(4,668)	19,929,355

NET POSITION:

Net investment in capital assets	2,006	-	-	4,063,003
Restricted	70,999	-	-	70,999
Unrestricted	7,334,664	3,293,573	-	18,203,760
Total net position	\$ 7,407,669	\$ 3,293,573	\$ -	\$ 22,337,762

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2022

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 9,368,830	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	500,677	-	-
Renewal, registration and examination fees	-	-	209,350	237,070
Professional corporations	132,320	-	-	-
Interstate law firms	154,500	-	-	-
Reinstatement fees	17,750	-	-	-
Penalty fees	43,750	389,131	90	3,825
EAJC processing fees	98,857	-	-	-
DHC reimbursable costs and grievance fees	69,319	-	-	-
Foundation contributions	50,000	-	-	-
Support from Continuing Legal Education	397,054	-	-	-
Bar magazine income	34,750	-	-	-
State Bar overhead and computer usage and copier charges	122,579	-	-	-
Rental income	29,264	-	-	-
Other	40,539	-	-	-
Convenience fees	97,502	18,513	3,761	3,924
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Settlement agent accounts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Total operating revenues	10,657,014	908,321	213,201	244,819
Operating expenses:				
Salaries and wages	5,731,453	282,156	101,498	136,169
Pension plan contributions	512,609	26,418	9,533	12,624
Other employee benefits	708,984	44,871	19,890	22,188
Grant awards - IOLTA	-	-	-	-
Claim awards	-	-	-	-
Professional fees	45,781	4,650	3,500	3,400
Council and committee meetings	417,558	4,989	4,189	5,689
Publications, postage, and printing	181,223	22,383	2,535	1,903
Depreciation	592,236	-	-	-
Lease amortization expense	40,476	-	-	-
Equipment rental and maintenance	283,416	-	-	-
LAP support provided by CLE	-	397,054	-	-
State Bar overhead, computer usage and copier charges	-	60,398	21,749	21,304
Travel and automotive	42,511	1,559	739	2,129
Community outreach	-	-	7,205	705
Test administration	-	-	11,448	9,000
Rent expense	1,772	14,984	2,940	2,940
Disciplinary proceedings	105,410	-	-	-
Building maintenance and utilities	211,657	-	-	-
Bank service charges	228,113	20,823	4,786	6,014
Bad debt expense	39,757	5,578	-	-
Other office expense	210,426	11,143	5,437	5,887
Telephone	23,147	968	9	11
Insurance and bonds	41,157	4,786	1,529	1,529
Other	52,246	-	-	-
Interest expense on lease liabilities	3,330	-	-	-
Total operating expenses	9,473,262	902,760	196,987	231,492
Operating income	1,183,752	5,561	16,214	13,327
Nonoperating revenues (expenses):				
Interest income	83,211	-	-	-
Interest expense	(264,243)	-	-	-
Total nonoperating revenues (expenses)	(181,032)	-	-	-
Changes in net position	1,002,720	5,561	16,214	13,327
Net position - beginning of year	9,627,647	390,215	197,786	383,050
Net position - end of year	\$ 10,630,367	\$ 395,776	\$ 214,000	\$ 396,377

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2022

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 9,368,830
Assessments	-	776,675	-	776,675
Reimbursements of claim awards	-	102,364	-	102,364
Sponsor and attendee fees	-	-	-	500,677
Renewal, registration and examination fees	-	-	-	446,420
Professional corporations	-	-	-	132,320
Interstate law firms	-	-	-	154,500
Reinstatement fees	-	-	-	17,750
Penalty fees	-	-	-	436,796
EAJC processing fees	-	-	-	98,857
DHC reimbursable costs and grievance fees	-	-	-	69,319
Foundation contributions	-	-	-	50,000
Support from Continuing Legal Education	-	-	(397,054)	-
Bar magazine income	-	-	-	34,750
State Bar overhead and computer usage and copier charges	-	-	(122,579)	-
Rental income	-	-	(29,264)	-
Other	-	30,612	-	71,151
Convenience fees	-	-	-	123,700
Interest from participants - IOLTA	7,577,606	-	-	7,577,606
Cy pres receipts - IOLTA	17,212	-	-	17,212
Settlement agent accounts - IOLTA	189,444	-	-	189,444
Professional and administrative services - IOLTA	45,076	-	-	45,076
Total operating revenues	7,829,338	909,651	(548,897)	20,213,447
Operating expenses:				
Salaries and wages	305,055	111,998	-	6,668,329
Pension plan contributions	27,924	10,568	-	599,676
Other employee benefits	44,943	6,805	-	847,681
Grant awards - IOLTA	6,101,864	-	-	6,101,864
Claim awards	-	349,723	-	349,723
Professional fees	45,763	14,820	-	117,914
Council and committee meetings	13,909	104	-	446,438
Publications, postage, and printing	-	61	-	208,105
Depreciation	3,008	-	-	595,244
Lease amortization expense	-	-	-	40,476
Equipment rental and maintenance	28,686	-	-	312,102
LAP support provided by CLE	-	-	(397,054)	-
State Bar overhead, computer usage and copier charges	80	19,048	(122,579)	-
Travel and automotive	5,650	61	-	52,649
Community outreach	-	-	-	7,910
Test administration	-	-	-	20,448
Rent expense	8,400	-	(29,264)	1,772
Disciplinary proceedings	-	743	-	106,153
Building maintenance and utilities	-	-	-	211,657
Bank service charges	3,566	-	-	263,302
Bad debt expense	-	1,715	-	47,050
Other office expense	12,301	-	-	245,194
Telephone	9	-	-	24,144
Insurance and bonds	-	3,181	-	52,182
Other	-	3,864	-	56,110
Interest expense on lease liabilities	-	-	-	3,330
Total operating expenses	6,601,158	522,691	(548,897)	17,379,453
Operating income	1,228,180	386,960	-	2,833,994
Nonoperating revenues (expenses):				
Interest income	88,983	3,733	-	175,927
Interest expense	-	-	-	(264,243)
Total nonoperating revenues (expenses)	88,983	3,733	-	(88,316)
Changes in net position	1,317,163	390,693	-	2,745,678
Net position - beginning of year	6,090,506	2,902,880	-	19,592,084
Net position - end of year	\$ 7,407,669	\$ 3,293,573	\$ -	\$ 22,337,762

See Independent Auditor's Report on the Supplementary Information

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2022

	Bar	Continuing Legal	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 11,379,830	\$ -	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	519,062	899,887	201,001	256,844
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	662,983	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(6,940,710)	(353,112)	(130,477)	(169,715)
Payments to suppliers of goods and services	(1,181,832)	(76,868)	(29,244)	(24,670)
Payments for interest on leased liabilities	(3,330)	-	-	-
Payments for other operating expenses	(577,249)	(468,733)	(36,822)	(35,841)
Net cash provided by operating activities	<u>3,858,754</u>	<u>1,174</u>	<u>4,458</u>	<u>26,618</u>
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(37,092)	-	-	-
Payments on lease liabilities	(41,540)	-	-	-
Interest paid	(264,243)	-	-	-
Principal payments on bank borrowings	(331,093)	-	-	-
Net cash used in capital and related financing activities	<u>(673,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	83,211	-	-	-
Net cash provided by investing activities	<u>83,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	3,267,997	1,174	4,458	26,618
Cash and cash equivalents - beginning of year	<u>8,221,360</u>	<u>225,000</u>	<u>194,782</u>	<u>448,971</u>
Cash and cash equivalents - end of year	<u>\$ 11,489,357</u>	<u>\$ 226,174</u>	<u>\$ 199,240</u>	<u>\$ 475,589</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,183,752	\$ 5,561	\$ 16,214	\$ 13,327
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	592,236	-	-	-
Amortization, leased assets	40,476	-	-	-
Changes in assets and liabilities:				
Receivables	(66,382)	(8,434)	(11,950)	(275)
Prepaid expenses and other assets	21,564	2,500	-	-
Accounts payable and accrued expenses	73,782	1,214	-	-
Accrued vacation and pension	12,336	333	444	1,266
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	(10,010)	-	-	-
Claims payable	-	-	-	-
Unearned revenue	2,011,000	-	(250)	12,300
Total adjustments	<u>2,675,002</u>	<u>(4,387)</u>	<u>(11,756)</u>	<u>13,291</u>
Net cash provided by operating activities	<u>\$ 3,858,754</u>	<u>\$ 1,174</u>	<u>\$ 4,458</u>	<u>\$ 26,618</u>

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NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2022

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 11,379,830
Cash received from program participants - IOLTA	6,888,769	-	6,888,769
Cash received from other fees	-	-	1,876,794
Cash received from Cy Pres - IOLTA	17,212	-	17,212
Cash received from settlement agent accounts - IOLTA	189,444	-	189,444
Cash received from other services - IOLTA	45,076	-	45,076
Cash received from assessments and reimbursements	-	871,689	871,689
Other cash received	-	30,612	693,595
Payments for IOLTA grants	(4,162,191)	-	(4,162,191)
Payments to claimants	-	(349,723)	(349,723)
Payments to employees for services	(369,710)	(130,920)	(8,094,644)
Payments to suppliers of goods and services	(101,604)	(38,510)	(1,452,728)
Payments for interest on leased liabilities	-	-	(3,330)
Payments for other operating expenses	(23,205)	(908)	(1,142,758)
Net cash provided by operating activities	<u>2,483,791</u>	<u>382,240</u>	<u>6,757,035</u>
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(37,092)
Payments on lease liabilities	-	-	(41,540)
Interest paid	-	-	(264,243)
Principal payments on bank borrowings	-	-	(331,093)
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(673,968)</u>
Cash flows from investing activities:			
Interest received	<u>88,983</u>	<u>3,733</u>	<u>175,927</u>
Net cash provided by investing activities	<u>88,983</u>	<u>3,733</u>	<u>175,927</u>
Net increase in cash and cash equivalents	2,572,774	385,973	6,258,994
Cash and cash equivalents - beginning of year	<u>9,928,080</u>	<u>2,915,003</u>	<u>21,933,196</u>
Cash and cash equivalents - end of year	<u>\$ 12,500,854</u>	<u>\$ 3,300,976</u>	<u>\$ 28,192,190</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 1,228,180</u>	<u>\$ 386,960</u>	<u>\$ 2,833,994</u>
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,008	-	595,244
Amortization, leased assets	-	-	40,476
Changes in assets and liabilities:			
Receivables	(688,837)	(5,635)	(781,513)
Prepaid expenses and other assets	(6,817)	-	17,247
Accounts payable and accrued expenses	52,681	2,464	130,141
Accrued vacation and pension	8,212	(1,549)	21,042
Grants approved and unpaid	1,887,364	-	1,887,364
Amount held for escheatment	-	-	(10,010)
Claims payable	-	-	-
Unearned revenue	-	-	2,023,050
Total adjustments	<u>1,255,611</u>	<u>(4,720)</u>	<u>3,923,041</u>
Net cash provided by operating activities	<u>\$ 2,483,791</u>	<u>\$ 382,240</u>	<u>\$ 6,757,035</u>

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	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:				
Right-of-use leased assets, net of amortization	88,954	-	-	-
Restricted cash, noncurrent portion	-	-	-	-
Total noncurrent liabilities	88,954	-	-	-
Total assets	21,436,447	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	-	-	-	-
Claims payable	-	-	-	-
Unearned revenue	1,574,100	-	250	47,575
Lease liabilities, current portion	40,410	-	-	-
Total current liabilities	3,504,546	35,849	13,446	65,971
Noncurrent liabilities:				
Long-term debt	8,251,374	-	-	-
Lease liabilities, noncurrent portion	52,880	-	-	-
Total noncurrent liabilities	8,304,254	-	-	-
Total liabilities	11,808,800	35,849	13,446	65,971

NET POSITION:

Net investment in capital assets	4,283,984	-	-	-
Restricted	-	-	-	-
Unrestricted	5,343,663	390,215	197,786	383,050
Total net position	\$ 9,627,647	\$ 390,215	\$ 197,786	\$ 383,050

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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	9,932	-	-	88,532
Total current assets	10,327,389	2,917,543	(127)	22,755,582
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	5,014	-	-	12,928,047
Noncurrent assets:				
Right-of-use leased assets, net of amortization	-	-	-	88,954
Restricted cash, noncurrent portion	70,999	-	-	70,999
Total noncurrent liabilities	70,999	-	-	159,953
Total assets	10,403,402	2,917,543	(127)	35,843,582

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
Claims payable	-	-	-	-
Unearned revenue	-	-	-	1,621,925
Lease liabilities, current portion	-	-	-	40,410
Total current liabilities	4,312,896	14,663	(127)	7,947,244
Noncurrent liabilities:				
Long-term debt	-	-	-	8,251,374
Lease liabilities, noncurrent portion	-	-	-	52,880
Total noncurrent liabilities	-	-	-	8,304,254
Total liabilities	4,312,896	14,663	(127)	16,251,498

NET POSITION:

Net investment in capital assets	5,014	-	-	4,288,998
Restricted	70,999	-	-	70,999
Unrestricted	6,014,493	2,902,880	-	15,232,087
Total net position	\$ 6,090,506	\$ 2,902,880	\$ -	\$ 19,592,084

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	-	-	-
Lease amortization expense	44,744	-	-	-
Equipment rental and maintenance	200,642	-	-	-
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	-	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
Debt issuance expense	7,103	-	-	-
Interest expense on lease liabilities	5,118	-	-	-
Total operating expenses	8,937,317	852,272	168,673	212,403
Operating income	1,295,181	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	1,019,306	45,307	32,327	48,432
Net position - beginning of year - as originally reported	8,611,566	344,908	165,459	334,618
Restatement of beginning net position	(3,225)	-	-	-
Net position - beginning of year - as restated	8,608,341	344,908	165,459	334,618
Net position - end of year	\$ 9,627,647	\$ 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
Lease amortization expense	-	-	-	44,744
Equipment rental and maintenance	27,367	-	-	228,009
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)	-
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
Debt issuance expense	-	2,767	-	9,870
Interest expense on lease liabilities	-	-	-	5,118
Total operating expenses	4,653,476	346,451	(486,220)	14,684,372
Operating income	1,188,371	587,034	-	3,196,652
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	-	2,938,157
Net position - beginning of year - as originally reported	4,886,863	2,313,738	-	16,657,152
Restatement of beginning net position	-	-	-	(3,225)
Net position - beginning of year - as restated	4,886,863	2,313,738	-	16,653,927
Net position - end of year	\$ 6,090,506	\$ 2,902,880	\$ -	\$ 19,592,084

See Independent Auditor's Report on the Supplementary Information

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	(1,028,068)	(89,663)	(21,489)	(25,152)
Payments for interest on leased liabilities	(5,118)	-	-	-
Payments for other operating expenses	(364,851)	(414,850)	(24,859)	(23,050)
Net cash provided by (used in) operating activities	(137,531)	23,624	28,235	68,995
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(306,800)	-	-	-
Payments on lease liabilities	(43,633)	-	-	-
Interest paid	(276,001)	-	-	-
Principal payments on bank borrowings	(364,659)	-	-	-
Net cash used in capital and related financing activities	(991,093)	-	-	-
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	\$ 1,295,181	\$ 45,307	\$ 32,327	\$ 48,432
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	538,963	-	-	-
Amortization, leased assets	44,744	-	-	-
Changes in assets and liabilities:				
Receivables	5,454	(15,472)	(5,000)	(50)
Prepaid expenses	(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	(1,432,712)	(21,683)	(4,092)	20,563
Net cash provided by (used in) operating activities	\$ (137,531)	\$ 23,624	\$ 28,235	\$ 68,995

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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)	(1,283,358)
Payments for interest on leased liabilities	-	-	(5,118)
Payments for other operating expenses	(9,036)	(538)	(837,184)
Net cash provided by (used in) operating activities	1,080,490	598,753	1,662,566
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(306,800)
Payments on lease liabilities	-	-	(43,633)
Interest paid	-	-	(276,001)
Principal payments on bank borrowings	-	-	(364,659)
Net cash used in capital and related financing activities	-	-	(991,093)
Cash flows from investing activities:			
Interest received	15,272	2,108	20,989
Net cash provided by investing activities	15,272	2,108	20,989
Net increase (decrease) in cash and cash equivalents	1,095,762	600,861	692,462
Cash and cash equivalents - beginning of year	8,832,318	2,314,142	21,240,734
Cash and cash equivalents - end of year	\$ 9,928,080	\$ 2,915,003	\$ 21,933,196
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 1,188,371	\$ 587,034	\$ 3,196,652
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	3,008	-	541,971
Amortization, leased assets	-	-	44,744
Changes in assets and liabilities:			
Receivables	58,089	20,295	63,316
Prepaid expenses	(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	(107,881)	11,719	(1,534,086)
Net cash provided by (used in) operating activities	\$ 1,080,490	\$ 598,753	\$ 1,662,566