



**The Board of Law Examiners**  
of The  
**State of North Carolina**

October 25, 2023

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Ms. Virginia Barlow  
Joint Legislative Administrative Procedure Oversight Committee  
North Carolina General Assembly Research Division  
300 N. Salisbury Street, Room Suite 545  
Raleigh, NC 27603-5925

Re: Annual Report and Financial Report for the North Carolina  
Board of Law Examiners

Dear Ms. Barlow:

Please find enclosed the Annual Report for the year ending December 31, 2022, and the 2022-2023 Financial Report/Audit, including financial statements, for the Board of Law Examiners of the State of North Carolina.

As the Board has no jurisdiction over the supervision or discipline of attorneys, items (1a), (7a), (7b), 8 and 9 are inapplicable to the Board; the information requested by these items will need to be furnished by the North Carolina State Bar.

With best wishes, I am,

Very truly yours,

Lee A. Vlahos  
Executive Director

LAV/dc

Enclosures

cc: Mr. D. Clark Smith Jr., Chair



Financial Statements

for

**THE BOARD OF LAW EXAMINERS OF  
THE STATE OF NORTH CAROLINA**

June 30, 2023 and 2022

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THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Management's Discussion and Analysis  
June 30, 2023

The following is a discussion and analysis of The Board of Law Examiners of the State of North Carolina's (the "Board") financial statements for the fiscal year ended June 30, 2023. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous years are presented in the analysis.

**Financial Highlights**

The operating revenues of the Board increased by \$62,758, or 3.1%, primarily due to an increase in supplemental examination fees and comity fees, offset by a decrease in attorney examination fees.

The operating expenses of the Board increased by \$91,323, or 4.3%, primarily due to increases in bar examination expenses and salaries, payroll taxes, and employee benefits, and lease expense. These expenses increased due to greater venue and travel expenses and lease expense for office (due to expansion) and equipment leases held short-term.

**Overview of the Financial Statements**

This discussion and analysis is an introduction to the Board's financial statements, which comprise the following components: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements of cash flows, and 4) notes to financial statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**Basic Financial Statements**

The basic financial statements of the Board report information about the Board 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 Board.

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 Board's net position changed as a result of the years' operations.

The statements of cash flows present information on how the Board's cash changed as a result of the years' activity.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Management's Discussion and Analysis  
June 30, 2023

The following presents condensed financial information on the operations of the Board as of and for the years ended June 30:

	2023	2022	2021
Current assets	\$ 1,941,611	\$ 2,053,132	\$ 2,080,393
Capital assets - net of depreciation	1,222,959	74,090	258,395
Noncurrent assets	393	821	1,223
Total assets	<u>3,164,963</u>	<u>2,128,043</u>	<u>2,340,011</u>
Current liabilities	860,302	867,230	952,058
Noncurrent liabilities	1,169,629	37,526	90,531
Total liabilities	<u>2,029,931</u>	<u>904,756</u>	<u>1,042,589</u>
Net position:			
Unrestricted	1,130,999	1,204,574	1,039,027
Net Investment in Capital Assets	4,033	18,713	258,395
Total net position	<u>\$ 1,135,032</u>	<u>\$ 1,223,287</u>	<u>\$ 1,297,422</u>
Operating revenues	\$ 2,100,556	\$ 2,037,798	\$ 1,954,222
Operating expenses	2,206,934	2,115,611	1,957,657
Operating loss	<u>(106,378)</u>	<u>(77,813)</u>	<u>(3,435)</u>
Non-operating revenues	18,123	3,678	14,473
Change in net position	<u>\$ (88,255)</u>	<u>\$ (74,135)</u>	<u>\$ 11,038</u>

#### Events Affecting Future Operations

Based upon recent trends, the Board projects application revenue to remain similar to fiscal year 2022-2023 levels, with a slight increase in comity applications and transfer applications offset by a slight decrease in examination applications.

#### Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact:

The Board of Law Examiners of the State of North Carolina  
5510 Six Forks Road, Suite 300  
Raleigh, NC 27609



Members of the Board  
The Board of Law Examiners of the State of North Carolina  
Raleigh, North Carolina

## REPORT OF INDEPENDENT AUDITORS

### ***Opinion***

We have audited the financial statements of The Board of Law Examiners of the State of North Carolina (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and statement of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Board of Law Examiners of the State of North Carolina, as of June 30, 2023 and 2022, and the respective changes in financial 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Board of Law Examiners of the State of North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Board of Law Examiners of the State of North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Board of Law Examiners of the State of North Carolina'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 Board of Law Examiners of the State of North Carolina's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 2 be presented to supplement the basic financial statements. Such information, although not a part of the 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.

*Dean Dotson Allen Ford, PLLC*

Raleigh, North Carolina  
October 23, 2023

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Statements of Net Position  
June 30, 2023 and 2022

	2023	2022
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,070,168	\$ 1,160,641
Investments	802,148	790,473
Notes Receivable--Current Portion	428	402
Prepaid Expenses	68,867	101,616
Total Current Assets	<u>1,941,611</u>	<u>2,053,132</u>
 CAPITAL ASSETS, net of depreciation and amortization	 <u>1,222,959</u>	 <u>74,090</u>
 <b>NONCURRENT ASSETS:</b>		
Notes Receivable--Noncurrent Portion	<u>393</u>	<u>821</u>
 Total Assets	 <u><u>\$ 3,164,963</u></u>	 <u><u>\$ 2,128,043</u></u>
 <b>CURRENT LIABILITIES:</b>		
Advance Exam Fees	\$ 741,125	\$ 777,700
Pension Contribution Payable	23,672	25,246
Accounts Payable	6,715	8,453
Payroll Taxes Withheld	131	52
Notes Payable--Current Portion	428	402
Lease Liabilities--Current Portion	88,231	55,377
Total Current Liabilities	<u>860,302</u>	<u>867,230</u>
 <b>NONCURRENT LIABILITIES:</b>		
Notes Payable--Noncurrent Portion	393	821
Lease Liabilities--Noncurrent Portion	1,130,695	
Accrued Compensated Absences	38,541	36,705
Total Noncurrent Liabilities	<u>1,169,629</u>	<u>37,526</u>
 Total Liabilities	 <u><u>\$ 2,029,931</u></u>	 <u><u>\$ 904,756</u></u>
 <b>NET POSITION:</b>		
Unrestricted	\$ 1,130,999	\$ 1,204,574
Net Investment in Capital Assets	<u>4,033</u>	<u>18,713</u>
 Total Net Position	 <u><u>\$ 1,135,032</u></u>	 <u><u>\$ 1,223,287</u></u>

The accompanying notes are an integral part of the financial statements.



THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES:		
Non-Licensed Examination Fees	\$ 736,100	\$ 716,550
Attorney Examination Fees	206,250	227,700
Comity Fees	467,500	430,000
Transfer Application Fees	258,375	271,425
Supplemental Examination Fees	146,400	114,000
Late Application Fees	112,000	106,250
Laptop Fees	162,350	159,875
Miscellaneous Income	11,581	11,998
Total Operating Revenues	<u>2,100,556</u>	<u>2,037,798</u>
OPERATING EXPENSES:		
Salaries, Payroll Taxes, and Employee Benefits	845,272	805,517
Pension Plan Contributions and Expenses	57,205	54,739
Bar Examination Grading Expenses	236,695	241,738
Bar Examination Expenses	463,925	424,027
Board Meeting/Hearing Expenses	139,683	140,944
Investigation/Hearing Preparation	31,401	25,972
Bar Examination Fees Refunded	20,105	14,730
Postage	27,776	21,241
Depreciation and Amortization Expense	92,624	184,304
Office Supplies and Expense	138,289	130,710
Lease Expense - Office	57,527	
Lease Expense - Equipment	13,776	
Printing and Engraving	24,664	12,950
Equipment Repairs and Maintenance	17,773	12,991
Telephone	5,336	11,926
Professional Association, Meetings, Fees	4,093	3,139
Professional Fees	11,300	11,000
Insurance and Bonding	6,193	4,709
Publications and Subscriptions	3,049	3,879
Certification to the Supreme Court	1,185	1,140
Bank Fees	2,549	3,029
Interest	6,514	6,926
Total Operating Expenses	<u>2,206,934</u>	<u>2,115,611</u>
OPERATING LOSS	(106,378)	(77,813)
NONOPERATING REVENUES:		
Interest Income	<u>18,123</u>	<u>3,678</u>
CHANGE IN NET POSITION	(88,255)	(74,135)
NET POSITION--Beginning of Year, as previously reported	<u>1,223,287</u>	<u>1,297,422</u>
NET POSITION--End of Year	<u>\$ 1,135,032</u>	<u>\$ 1,223,287</u>

The accompanying notes are an integral part of the financial statements.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Fees	\$ 2,063,981	\$ 2,052,998
Cash Payments to Employees for Services	(902,136)	(857,045)
Cash Payments for Operating Expenses	<u>(1,180,822)</u>	<u>(1,143,856)</u>
Net Cash Provided (Used) by Operating Activities	<u>(18,977)</u>	<u>52,097</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(802,148)	(784,057)
Sales of Investments	790,471	781,488
Interest Received	<u>18,123</u>	<u>3,678</u>
Net Cash Provided by Investing Activities	<u>6,446</u>	<u>1,109</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of Note Payable	(402)	(377)
Repayments from Employees	402	377
Payments on Lease Liabilities	<u>(77,942)</u>	<u>(146,288)</u>
Net Cash Used by Financing Activities	<u>(77,942)</u>	<u>(146,288)</u>
<b>NET DECREASE IN CASH</b>	<b>(90,473)</b>	<b>(93,082)</b>
<b>CASH--Beginning of Year</b>	<b><u>1,160,641</u></b>	<b><u>1,253,723</u></b>
<b>CASH--End of Year</b>	<b><u>\$ 1,070,168</u></b>	<b><u>\$ 1,160,641</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (106,378)	\$ (77,813)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	92,624	184,304
Changes in Assets and Liabilities:		
Prepaid Expenses	32,749	(63,225)
Advance Exam Fees	(36,575)	15,200
Pension Contribution Payable	(1,574)	437
Accounts Payable	(1,738)	(9,580)
Payroll Taxes Withheld	79	
Accrued Compensated Absences	<u>1,836</u>	<u>2,774</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (18,977)</u>	<u>\$ 52,097</u>

The accompanying notes are an integral part of the financial statements.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Notes to Financial Statements  
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

A. Description of Organization:

The Board of Law Examiners of the State of North Carolina (the "Board") is an administrative State agency. It is an occupational licensing board authorized by Chapter 84 of the *North Carolina General Statutes*. The Board was created for the purpose of examining applicants and providing rules and regulations for admission to the Bar, including the issuance of licenses.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

B. 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 Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). These financial statements for the Board 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.

C. Basis of Presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by 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.

D. Basis of Accounting:

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource 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.

The Board classifies its revenues and expenses as operating or nonoperating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of fees charged for the North Carolina Bar Examination. Operating expenses are all expense transactions other than those related to capital and noncapital 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*.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Notes to Financial Statements  
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions and consist primarily of investment activities.

E. Cash and Cash Equivalents:

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of the statements of cash flows, the Board considers all investments with a maturity of three months or less when purchased as cash equivalents.

F. Investments:

Investments consist of non-negotiable certificates of deposit with original maturities of more than three months. Certificates of deposit maturing within one year are shown as current. The certificates of deposit are reported at fair market value, which is cost plus accrued interest to date.

G. Capital Assets:

Capital assets are recorded at cost at the date of the acquisition. The Board capitalizes assets that have a cost of \$2,000 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over useful lives between 3 to 10 years.

When a capital asset is disposed of, the cost and the related accumulated depreciation are removed from the financial records. Any gain or loss on disposition is reflected in nonoperating revenues for the period.

H. Advance Exam Fees:

Advance exam fees represent examination fees collected in current periods for exams to be given in the next fiscal year.

I. Accrued Compensated Absences:

The vacation leave policy allows employees to carry over a maximum of 13 days of paid vacation leave into the next calendar year. Upon separation from employment due to resignation, dismissal or death, an employee may be paid for accumulated vacation leave up to 26 days. The sick leave policy states that unlimited sick time may be accumulated with no loss of hours at year end. Accumulated sick leave is not recorded as a liability as it is not paid should the employee leave employment.

J. Net Position:

The Board's net position is classified as follows:

*Net Investment in Capital Assets* – This represents the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted* – This represents assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

K. Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP 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.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Notes to Financial Statements  
June 30, 2023 and 2022

2. Deposits and Investments

The Board's deposits include cash on deposit with commercial bank accounts, money market accounts, and certificates of deposit. At June 30, 2023, deposits in commercial financial institutions, with a carrying value of \$1,872,316 and a bank balance of \$1,870,701, consist of cash and investments, as shown on the Statements of Net Position. Included in the deposits in commercial financial institutions are certificates of deposit in the amount of \$802,148 reported as investments in the Statements of Net Position.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2023 and 2022, the uninsured balances were \$34,203 and \$34,564, respectively, of which \$0 and \$5,389 related to uninsured amounts in the Board's checking or money market accounts as of June 30, 2023 and 2022, respectively.

There are no legal limitations on the types of investments by the Board. The Board has adopted formal investment policies to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board.

The Board is subject to the following risks:

*Interest Rate Risk:* Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are limited to:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration and the United States Postal Service.
- Repurchase Agreements with respect to securities issued or guaranteed by the United States government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York.
- Obligations of the State of North Carolina.
- Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina.
- Certificates of deposit issued by banks organized under the laws of the State of North Carolina, or by any bank having FDIC Insurance.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Notes to Financial Statements  
June 30, 2023 and 2022

2. Deposits and Investments (Continued)

- Shares of, or deposits in, any savings and loan association organized under the laws of the State of North Carolina, or any federal savings and loan association having FDIC Insurance.
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service.
- Prime quality master notes, obligations of banks organized under the laws of the State of North Carolina, or any national bank having its principal office in North Carolina.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank.
- Asset backed securities (whether considered debt or equity) provided they bear the highest rating of at least one nationally recognized rating service.
- Corporate bonds and notes provided they bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

The Board's investments consist of certificates of deposit. The following table presents the fair value of investments subject to interest rate risk and credit risk at June 30, 2023:

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Certificates of Deposit	\$ 802,148	7.2 Months	N/A

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

THE BOARD OF LAW EXAMINERS OF THE STATE OF NORTH CAROLINA  
Notes to Financial Statements  
June 30, 2023 and 2022

2. Deposits and Investments (Continued)

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30 is as follows:

	2023	2022
Carrying amount of deposits with commercial financial institutions	\$ 314,355	\$ 281,284
Money market mutual funds	755,813	879,357
Investments in certificates of deposit	802,148	790,473
Total deposits and investments	<u>\$ 1,872,316</u>	<u>\$ 1,951,114</u>
Current:		
Cash	\$ 1,070,168	\$ 1,160,641
Short-term investments	802,148	790,473
Total deposits and investments	<u>\$ 1,872,316</u>	<u>\$ 1,951,114</u>

3. Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	Cost 6/30/22	Additions	Retirements	Cost 6/30/23
Capital Assets:				
Furniture/Equipment	\$ 269,713	\$	\$	\$ 269,713
Less Accumulated Depreciation	248,903	15,101		264,004
Total Capital Assets, net	<u>20,810</u>	<u>(15,101)</u>		<u>5,709</u>
Leased Assets:				
Buildings	256,587	1,152,051	256,587	1,152,051
Furniture/Equipment	93,460	89,442	93,460	89,442
Total Leased Assets	<u>350,047</u>	<u>1,241,493</u>	<u>350,047</u>	<u>1,241,493</u>
Less Accumulated Amortization	296,767	77,523	350,047	24,243
Total Leased Assets, net	<u>53,280</u>	<u>1,163,970</u>		<u>1,217,250</u>
Total Capital Assets, net	<u>\$ 74,090</u>	<u>\$ 1,148,869</u>	<u>\$</u>	<u>\$ 1,222,959</u>

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3. Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Cost 6/30/21, as restated	Additions	Retirements	Cost 6/30/22
Capital Assets:				
Furniture/Equipment	\$ 311,642	\$	\$ 41,929	\$ 269,713
Less Accumulated Depreciation	254,911	35,920	41,928	248,903
Total Capital Assets, net	<u>56,731</u>	<u>(35,920)</u>	<u>1</u>	<u>20,810</u>
Leased Assets:				
Buildings	256,587			256,587
Furniture/Equipment	93,460			93,460
Total Leased Assets	<u>350,047</u>			<u>350,047</u>
Less Accumulated Amortization	148,383	148,384		296,767
Total Leased Assets, net	<u>201,664</u>	<u>(148,384)</u>		<u>53,280</u>
Total Capital Assets, net	<u>\$ 258,395</u>	<u>\$ (184,304)</u>	<u>\$</u>	<u>\$ 74,090</u>

4. Advance Exam Fees

The Board defers revenue recognition in connection with resources that have been received, but not yet earned. Exam fees are collected in advance and recorded as unearned revenue at year-end to be recognized as revenue when the exam takes place in the next fiscal year. Advance exam fee revenue reported was \$741,125 and \$777,700 for the years ended June 30, 2023 and 2022, respectively.

5. Related Party Note Receivable and Note Payable

On November 26, 2019, the Board advanced an employee \$2,000 and concurrently received proceeds from the employee's retirement account for \$2,000. The note was payable by the employee in monthly payroll deductions of \$39, including interest at 6.25%, and payments were remitted by the Board to the employee's retirement account on a monthly basis. The note receivable and related payable had a balance of \$821 and \$1,223 at June 30, 2023 and 2022, respectively.

6. Note Payable and Compensated Absences

Changes in the current and noncurrent portions of liabilities for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Note payable	\$ 1,223	\$	\$ (402)	\$ 821	\$ 428
Compensated absences	36,705	40,161	(38,325)	38,541	
	<u>\$ 37,928</u>	<u>\$ 40,161</u>	<u>\$ (38,727)</u>	<u>\$ 39,362</u>	<u>\$ 428</u>



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6. Note Payable and Compensated Absences (Continued)

Changes in the current and noncurrent portions of liabilities for the year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Note payable	\$ 1,600	\$	\$ (377)	\$ 1,223	\$ 402
Compensated absences	33,931	46,549	(43,775)	36,705	
	<u>\$ 35,531</u>	<u>\$ 46,549</u>	<u>\$ (44,152)</u>	<u>\$ 37,928</u>	<u>\$ 402</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 428	\$ 39	\$ 467
2025	393	11	404
	<u>\$ 821</u>	<u>\$ 50</u>	<u>\$ 871</u>

7. Leases

The Board has entered into lease agreements for right-of-use for office space and equipment with terms ranging from 36 months to 120 months, and interest rate of 6.00%. The Board's finance leases do not contain material restrictive covenants or residual value guarantees. The total of the Board's leased assets is recorded at cost of \$1,241,493, less accumulated amortization of \$24,243.

Some leases include one or more options to renew, generally at the Board's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either the Board, the lessor, or both parties.

The components of lease expense for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Finance lease cost:		
Amortization of ROU assets	\$ 77,523	\$ 148,384
Interest on lease liabilities	6,514	6,926
Total finance lease cost	<u>\$ 84,037</u>	<u>\$ 155,310</u>

The weighted average remaining lease term for the finance leases as of June 30, 2023 and 2022 was 9.37 and 0.37 years, respectively.

The weighted average discount rate as of June 30, 2023 and 2022 was 6.00% and 2.15%, respectively.

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7. Leases (Continued)

Maturities of lease liabilities as of June 30, 2023 were as follows:

Years Ending June 30	Leases		Total
	Principal	Interest	
2024	\$ 88,231	\$ 70,722	\$ 158,953
2025	97,640	65,172	162,812
2026	116,322	58,737	175,059
2027	107,079	52,110	159,189
2028	112,072	45,544	157,616
Thereafter	697,582	109,573	807,155
	<u>\$ 1,218,926</u>	<u>\$ 401,858</u>	<u>\$ 1,620,784</u>

8. Retirement Plans

The Board maintains a defined contribution pension plan for its employees. Pension plan costs consist of employer contributions and administrative fees. Employer contributions to the plan were 10% of qualified wages for eligible and participating employees and totaled \$57,205 and \$54,739 for the years ended June 30, 2023 and 2022, respectively. Employees do not contribute to this plan. The administrative expenses for the defined contribution retirement plan are paid from plan assets rather than by the Board.

The Board maintains a 457(b) deferred compensation plan for its employees. The Board does not contribute to the plan.

9. Commitments

As of June 30, 2023, the Board entered into contracts for the August 2023 and August 2024 grading session with a total committed balance of \$135,410.

The Board entered into a software licensing and services agreement effective in May 2023 for one year. Under the agreement, the Board pays a monthly fee of \$4,587 for technical support and software maintenance until May 2024. As of June 30, 2023, remaining fees payable under the agreement are \$50,457.

10. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. The Board also protects itself from exposures to loss through the purchase of commercial insurance, which coverage includes building and contents and commercial liability, and workers' compensation and employers' liability.

11. Life Insurance Policy

The Board is the beneficiary of a term life insurance policy in the amount of \$150,000 on the Executive Director.

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12. Subsequent Events

Management of the Board evaluated subsequent events through October 23, 2023, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

13. Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform with the 2023 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.

The Board audit was conducted in approximately 90 hours at a total audit cost of \$11,600.