

NORTH CAROLINA STATE BAR  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 and 2022



# NORTH CAROLINA STATE BAR

## Table of Contents

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	<u>Page No.</u>
Management's Discussion and Analysis .....	1 - 10
Independent Auditor's Report .....	11 - 13
<i>Financial Statements</i>	
Statements of Net Position .....	14
Statements of Revenues, Expenses, and Changes in Net Position .....	15
Statements of Cash Flows .....	16
Notes to Financial Statements .....	17 - 32
<i>Supplementary Information</i>	
Schedule of Net Position - State Bar Programs - December 31, 2023 .....	33 - 34
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2023 .....	35 - 36
Schedule of Cash Flows - State Bar Programs - December 31, 2023 .....	37 - 38
Schedule of Net Position - State Bar Programs - December 31, 2022 .....	39 - 40
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2022 .....	41 - 42
Schedule of Cash Flows - State Bar Programs - December 31, 2022 .....	43 - 44

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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The following is a discussion and analysis of the financial performance of the North Carolina State Bar for the year ended December 31, 2023. 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, 2023; and the Client Security Fund of the North Carolina State Bar ("CSF") as of and for the year ended September 30, 2023, 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 \$25,396,021 at December 31, 2023 compared to \$19,044,189 at December 31, 2022, an increase of \$6,351,832 for the year ended December 31, 2023. The Client Security Fund's net position was \$2,928,360 at September 30, 2023, compared to \$3,293,573 at September 30, 2022, a decrease of \$365,213 for the year ended September 30, 2023.

**Overview of the Basic Financial Statements**

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

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

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

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

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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, 2023, and CSF as of and for the year ended September 30, 2023:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 36,421,585	\$ 2,944,170	\$ 39,365,755
Capital assets, net	11,943,376	-	11,943,376
Right-of-use leased assets, net	33,241	-	33,241
Noncurrent assets	70,999	-	70,999
Total assets	<u>48,469,201</u>	<u>2,944,170</u>	<u>51,413,371</u>
Current liabilities	14,699,289	15,810	14,715,099
Long-term liabilities	8,373,891	-	8,373,891
Total liabilities	<u>23,073,180</u>	<u>15,810</u>	<u>23,088,990</u>
Net position:			
Net investment in capital assets	4,034,693	-	4,034,693
Restricted	70,999	-	70,999
Unrestricted	21,290,329	2,928,360	24,218,689
Total net position	<u>\$ 25,396,021</u>	<u>\$ 2,928,360</u>	<u>\$ 28,324,381</u>
Operating revenues	\$ 28,051,015	\$ 42,702	\$ 28,093,717
Operating expenses	22,486,254	431,772	22,918,026
Operating income (loss)	<u>5,564,761</u>	<u>(389,070)</u>	<u>5,175,691</u>
Nonoperating revenues (expenses):			
Interest income	1,039,191	23,857	1,063,048
Interest expense	(252,120)	-	(252,120)
Total nonoperating revenues	<u>787,071</u>	<u>23,857</u>	<u>810,928</u>
Changes in net position	<u>\$ 6,351,832</u>	<u>\$ (365,213)</u>	<u>\$ 5,986,619</u>

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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, 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>

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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

	State Bar (excluding CSF)	CSF	Total
Current assets	\$ 19,838,039	\$ 2,917,543	\$ 22,755,582
Capital assets, net	12,928,047	-	12,928,047
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>

**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.

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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 2023 and 2022. The total balance outstanding is presented on the accompanying statement of net position.

**Events Affecting Future Operations**

*Affecting the Bar:*

The operations of the State Bar returned to normal in 2023 after three years of disruption due to the COVID-19 pandemic. Travel and in-person meeting expenses resumed, although the use of virtual meetings in lieu of some in-person meetings continues to reduce costs.

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 \$11,851,184 at December 31, 2023. This is a decrease from 2022 when the liabilities were \$13,526,719 and an increase from 2021 when the liabilities were \$11,808,800.

The State Bar program's assets exceeded liabilities (net position) by \$11,614,481 at December 31, 2023. This is an increase from 2022 when the net position was \$10,630,370 and an increase from 2021 when the net position was \$9,627,647. 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. Recent litigation against the State Bar, filed in March 2024, requires the employment of outside counsel and the cost savings for legal fees experienced in the past three years is not anticipated in 2024.

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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 lawyers seeking reinstatement from inactive and suspended status and fees charged to respondents in grievance and DHC cases. In 2023, substantial revenue was also realized from interest on deposits. Due to the reliability of dues collections and interest income, State Bar revenue in 2023 exceeded the budgeted expectation. It is anticipated that this will also occur in 2024. In addition, after many years of advocacy at the General Assembly, legislation was finally passed in Fall 2023 that increases the cap on membership fees from \$300 to \$325. This will enable the collection of additional membership fee revenue in future 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 has improved and simplified data entry and processing in addition to facilitating automation and online services resulting in greater efficiency and savings across the organization.

Overall, management is pleased to report that 2023 was a good year financially. 2023 net income was \$984,114. 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 \$12,445,398 (net position) at December 31, 2023. This is an increase from 2022 when assets exceeded liabilities by \$7,407,669, and an increase from 2021 when assets exceeded liabilities by \$6,090,506.

IOLTA's total liabilities were \$11,128,815 at December 31, 2023. This is an increase from 2022 when total liabilities were \$6,261,153 and an increase from 2021 when total liabilities were \$4,312,896.

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



**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Current Year Amount Change</b>	<b>Current Year % Change</b>
Current assets	<b>\$23,503,214</b>	\$13,595,817	\$10,327,389	\$ 9,907,397	72.9%
Capital assets, net	-	2,006	5,014	(2,006)	-100.0%
Noncurrent assets	<b>70,999</b>	70,999	70,999	-	0.0%
Total assets	<b>23,574,213</b>	13,668,822	10,403,402	9,905,391	72.5%
Current liabilities	<b>10,268,230</b>	6,261,153	4,312,896	4,007,077	64.0%
Noncurrent liabilities	<b>860,585</b>	-	-	860,585	0.0%
Total liabilities	<b>11,128,815</b>	6,261,153	4,312,896	4,867,662	77.7%
Net position:					
Investment in capital assets	-	2,006	5,014	(2,006)	-100.0%
Restricted	<b>70,999</b>	70,999	70,999	-	0.0%
Unrestricted	<b>12,374,399</b>	7,334,664	6,014,493	5,039,735	68.7%
Total net position	<b>\$12,445,398</b>	\$ 7,407,669	\$ 6,090,506	\$ 5,037,729	68.0%
Operating revenues	<b>\$16,102,698</b>	\$ 7,829,338	\$ 5,841,847	\$ 8,273,360	105.7%
Operating expenses	<b>11,611,810</b>	6,601,158	4,653,476	5,010,652	75.9%
Operating income	<b>4,490,888</b>	1,228,180	1,188,371	3,262,708	265.7%
Non-operating revenue	<b>546,841</b>	88,983	15,272	457,858	514.5%
Changes in net position	<b>\$ 5,037,729</b>	<b>\$ 1,317,163</b>	<b>\$ 1,203,643</b>	<b>\$ 3,720,566</b>	282.5%

The original, primary revenue source for IOLTA is participant income. Participant income in 2023 increased by 105.2% compared to 2022. Participant income in 2022 increased by 39.3% compared to 2021. The increases in income in 2023 as a result of the improved interest rates significantly bolstered participant income.

Interest rates continued to increase in 2023. The Federal Reserve raised rates four times, increasing the rates from 4.25% - 4.50% at year end 2022 to 5.25% - 5.50% at the close of 2023.

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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In 2023, Cy Pres funds were \$127,404 while in 2022 and 2021, IOLTA received \$17,212 and \$142,098 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:				Current Year Amount Change	Current Year % Change
	<b>2023</b>	<b>2022</b>	<b>2021</b>		
IOLTA Funds	<b>\$11,033,688</b>	\$ 6,101,864	\$ 4,254,500	\$ 4,931,824	80.8%
Total awards	<b>\$11,033,688</b>	\$ 6,101,864	\$ 4,254,500	\$ 4,931,824	80.8%

After paying out a matching grant award of \$40,000 and the first round of the LNA grant awards of \$99,826 in 2023, the grant award liabilities at year December 31, 2023 end was \$10,893,862.

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, 2023 was \$8,487,115. The designations consist of \$7,437,115 to allow IOLTA the ability to maintain grant award levels in times of economic downturn, and \$1,050,000 specifically set aside at December 31, 2023 to fund the IOLTA Public Interest Internship Program for at least the next three years, up to \$350,000 total per year. The funding for public interest stipends will focus on law students who will work in approved settings in North Carolina counties designated as a legal desert.

IOLTA disbursed \$749,641 in state funds in 2023. 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.

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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, the Supreme Court did not order an assessment for 2023. When the reserve fund continued to substantially exceed the required cash reserve at the end of 2023, the Supreme Court again decided not to order an assessment for the next year (2024).

*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) became cumbersome and inefficient to administer. Consequently, management 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 were approved by the State Bar Council and the Supreme Court in 2023. Beginning March 1, 2024, 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 2023 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. The transition from the 2023 and prior CLE rules to the new rules (specifically the new rule setting the CLE year as beginning on March 1) resulted in January and February 2024 attendee fees being applied to 2023 revenue.

*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 (and a fifteenth specialty certification coming in 2024), 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 2023, the program had net income of approximately \$10,526. The budget for 2024, on the other hand, projects a net loss of \$25,506. The specialization program has experienced increased efficiency from the implementation of the specialization module of the RMS in December 2022. The cost savings from the increased efficiency are already helping to reduce expenses.

**NORTH CAROLINA STATE BAR**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2023**

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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, with revenue largely based on the reliable sums generated from annual fees required to maintain certification. In 2024, the program increased its annual certification fee for the first time since the program's inception in 2005, with the fee increasing from \$50 per year to \$75 per year. It also maintains a substantial cash reserve. As of March 2023, there were 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. In addition, the implementation of the paralegal module of RMS in December 2022 has 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.

We have moved all paralegals to a single recertification deadline of July 1. Consequently, we did not collect revenue for 2024 prior to January 1, 2024. In years past, paralegals recertified on January 1 or July 1. The January 1 deadline required us to open the recertification period prior to January 1, resulting in the collection of revenue prior to beginning our next fiscal year (e.g., the January 1, 2023 deadline was opened on November 1, 2022, etc.). The change to a single, mid-year deadline will make the accounting for revenues easier.

**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, 2023 and 2022, 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, 2023 and 2022, 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 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 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, 2023 and 2022, 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 audits were 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 19, 2024

**NORTH CAROLINA STATE BAR**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 36,613,477	\$ 27,499,667
Restricted cash, current portion	679,061	621,524
Receivables from related entities	-	650
Fees receivable, net	476,463	394,656
Other receivables	41,296	37,306
Interest receivable	1,501,758	1,149,213
Prepaid expenses	53,700	71,285
Total current assets	<u>39,365,755</u>	<u>29,774,301</u>
Capital assets, net	<u>11,943,376</u>	<u>12,369,895</u>
Noncurrent assets:		
Right-of-use leased assets, net of amortization	33,241	51,922
Restricted cash, noncurrent portion	70,999	70,999
Total noncurrent assets	<u>104,240</u>	<u>122,921</u>
Total assets	<u>51,413,371</u>	<u>42,267,117</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Current portion of long-term debt	407,581	395,273
Accounts payable	99,883	188,119
Other accrued expenses	176,636	159,084
Payable as Agent for the State	189,541	116,506
Accrued vacation	256,191	254,792
Pension contribution payable	637,223	600,183
Amounts held for escheatment	489,520	505,018
Grants approved and unpaid	10,033,277	6,101,864
Unearned revenue	2,404,210	3,644,975
Lease liabilities, current portion	21,037	39,674
Total current liabilities	<u>14,715,099</u>	<u>12,005,488</u>
Noncurrent liabilities:		
Grants approved and unpaid	860,585	-
Long-term debt	7,500,766	7,908,347
Lease liabilities, noncurrent portion	12,540	15,520
Total noncurrent liabilities	<u>8,373,891</u>	<u>7,923,867</u>
Total liabilities	<u>23,088,990</u>	<u>19,929,355</u>
<b>NET POSITION:</b>		
Net investment in capital assets	4,034,693	4,063,003
Restricted	70,999	70,999
Unrestricted	24,218,689	18,203,760
Total net position	<u>\$ 28,324,381</u>	<u>\$ 22,337,762</u>

*See Notes to Financial Statements*



**NORTH CAROLINA STATE BAR**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Operating revenues:		
Membership fees	\$ 9,552,089	\$ 9,368,830
Assessments	5,850	776,675
Reimbursements of claim awards	36,852	102,364
Sponsor and attendee fees	613,418	500,677
Renewal, registration and examination fees	454,500	446,420
Professional corporations	134,430	132,320
Interstate law firms	160,500	154,500
Reinstatement fees	5,875	17,750
Penalty fees	556,717	436,796
EAJC processing fees	121,909	98,857
DHC reimbursable costs and grievance fees	77,696	69,319
Foundation contributions	64,871	50,000
Bar magazine income	23,144	34,750
Convenience fees	133,922	123,700
Interest from participants - IOLTA	15,547,105	7,577,606
Cy pres receipts - IOLTA	127,404	17,212
Settlement agent accounts - IOLTA	381,011	189,444
Professional and administrative services - IOLTA	47,178	45,076
Other	49,246	71,151
Total operating revenues	<u>28,093,717</u>	<u>20,213,447</u>
Operating expenses:		
Salaries and wages	7,049,362	6,668,329
Pension plan contributions	636,053	599,676
Other employee benefits	883,066	847,681
Grant awards - IOLTA	11,033,688	6,101,864
Claim awards	224,270	349,723
Professional fees	193,779	117,914
Council and committee meetings, including officers' travel	591,222	446,438
Publications, postage, and printing	204,431	208,105
Depreciation	604,109	595,244
Lease amortization expense	41,971	40,476
Equipment rental and maintenance	339,039	312,102
Travel and automotive	50,177	52,649
Community outreach	19,678	7,910
Test administration	34,146	20,448
Rent expense	-	1,772
Disciplinary proceedings	72,460	106,153
Building maintenance and utilities	250,860	211,657
Bank service charges	190,639	263,302
Bad debt expense	62,822	47,050
Other office expense	355,534	245,192
Telephone	17,937	24,144
Insurance and bonds	50,659	52,182
Debt issuance expense	-	56,112
Other	8,868	-
Interest expense on lease liabilities	3,256	3,330
Total operating expenses	<u>22,918,026</u>	<u>17,379,453</u>
Operating income	<u>5,175,691</u>	<u>2,833,994</u>
Nonoperating revenues (expenses):		
Interest income	1,063,048	175,927
Interest expense	(252,120)	(264,243)
Net nonoperating revenues (expenses)	<u>810,928</u>	<u>(88,316)</u>
Changes in net position	5,986,619	2,745,678
Net position - beginning of year	<u>22,337,762</u>	<u>19,592,084</u>
Net position - end of year	<u>\$ 28,324,381</u>	<u>\$ 22,337,762</u>

*See Notes to Financial Statements*

**NORTH CAROLINA STATE BAR**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Cash received from attorneys for membership fees	\$ 8,371,199	\$ 11,379,830
Cash received from program participants - IOLTA	15,194,560	6,888,769
Cash received from other fees	2,076,365	1,876,794
Cash received from Cy Pres - IOLTA	127,404	17,212
Cash received from settlement agent accounts - IOLTA	381,011	189,444
Cash received from other services - IOLTA	47,178	45,076
Cash received from assessments and reimbursements	47,902	871,689
Other cash received	548,375	693,595
Payments for IOLTA grants	(6,168,655)	(4,162,191)
Payments to claimants	(224,270)	(349,723)
Payments to employees for services	(8,530,042)	(8,094,644)
Payments to suppliers of goods and services	(1,792,551)	(1,452,728)
Payments for other operating expenses	(1,097,031)	(1,142,758)
Net cash provided by operating activities	<u>8,981,445</u>	<u>6,760,365</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(177,590)	(37,092)
Payments on lease liabilities	(48,163)	(44,870)
Interest paid	(252,120)	(264,243)
Principal payments on bank borrowings	(395,273)	(331,093)
Net cash used in capital and related financing activities	<u>(873,146)</u>	<u>(677,298)</u>
Cash flows from investing activities:		
Interest received	1,063,048	175,927
Net cash provided by investing activities	<u>1,063,048</u>	<u>175,927</u>
Net increase in cash and cash equivalents	9,171,347	6,258,994
Cash and cash equivalents - beginning of year	28,192,190	21,933,196
Cash and cash equivalents - end of year	<u>\$ 37,363,537</u>	<u>\$ 28,192,190</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,175,691	\$ 2,833,994
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	604,109	595,244
Amortization, leased assets	41,971	40,476
Interest expense on lease liabilities	3,256	3,330
Changes in assets and liabilities:		
Receivables	(446,766)	(781,513)
Prepaid expenses and other assets	17,585	17,247
Accounts payable and accrued expenses	11,425	130,141
Accrued vacation and pension	38,439	21,042
Grants approved and unpaid	4,791,998	1,887,364
Amount held for escheatment	(15,498)	(10,010)
Unearned revenue	(1,240,765)	2,023,050
Total adjustments	<u>3,805,754</u>	<u>3,926,371</u>
Net cash provided by operating activities	<u>\$ 8,981,445</u>	<u>\$ 6,760,365</u>

## NORTH CAROLINA STATE BAR

### Notes to Financial Statements

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#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

##### Description of Organization

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

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

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

**Financial Reporting Entity**

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

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

**Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

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

**Basis of Accounting**

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

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

## **NORTH CAROLINA STATE BAR**

### **Notes to Financial Statements**

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

##### **Changes in Financial Accounting and Reporting**

For the fiscal year ended December 31, 2023, the State Bar implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The State Bar does not expect the standard to have a significant impact on its financial condition or results of operations on an ongoing basis.

##### **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 were \$300, in 2023 and 2022. 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.

##### **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.

## **NORTH CAROLINA STATE BAR**

### **Notes to Financial Statements**

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

##### **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. In 2023, Paralegal renewals were changed from calendar-year and mid-year renewals to only mid-year renewals. Therefore, as of December 31, 2023, no unearned revenue was recorded for Paralegal renewals as the mid-year renewal fees are considered earned in the period which they are paid. For 2022, paralegal fees collected prior to January 1, 2023 represent unearned revenue as of December 31, 2022 as they covered the period beginning on January 1, 2023.

##### **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**

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#### **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. In April 2023, The State Bar Council established a reserve fund of \$300,000 to provide for the expense of unforeseen substantial repairs and maintenance to the State Bar Building and to the State Bar's information technology infrastructure. Repairs and maintenance expense shall include the cost of replacement of fixtures, equipment, hardware, and software, and shall encompass the cost incurred to ensure that the building, its fixtures, IT hardware, and software continue to operate as intended. "Substantial repairs and maintenance" shall mean any repairs or maintenance that costs in excess of \$10,000.

The IOLTA Board of Trustees has designated \$7,437,115 and \$4,770,518 of its net position without donor restrictions at December 31, 2023 and 2022, respectively, to be reserved for future program awards. In addition, at December 31, 2023, the IOLTA Board of Trustees has designated \$1,050,000 to fund the IOLTA Public Interest Internship Program for at least the next three years up to \$350,000 total per year. 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 2023 and 2022, 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. As noted above, all paralegal renewals will be mid-year subsequent to the 2023 calendar year. Paralegal application and examination fees are recognized when earned, which is generally when received.

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

**Revenue Recognition (Continued)**

- 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 \$0 and \$25 per attorney was ordered for 2023 and 2022, respectively. 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 2024.
- 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 695,332 and \$818,444 in 2023 and 2022, 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 2023 and 2022, respectively, such cy pres funds in the amount of \$127,404 and \$17,212 were received and included in funds available for 2023 and 2022 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, 2023 is expected to be funded in 2024.



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

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

**Grant Awards - IOLTA (Continued)**

Grant awards subject to matching requirements are recognized upon the grantee's satisfaction of the required match. There were \$0 and \$40,000 of unpaid match awards at December 31, 2023 and 2022, 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.

**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:

	<b>2023</b>	<b>2022</b>
Truist, checking account	<b>\$ 3,550,588</b>	\$ 5,269,754
Truist, money market account	<b>10,042,533</b>	8,579,435
Wells Fargo, checking account - IOLTA	<b>1,000</b>	1,000
STIF account (with NC State Treasurer)	<b>23,019,356</b>	13,649,478
	<b><u>\$36,613,477</u></b>	<b><u>\$27,499,667</u></b>

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 \$14.39 million as of December 31, 2023.

The State Bar's investment policy states 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.

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

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**NOTE 3 - RESTRICTED CASH**

Restricted cash consists of the following at December 31:

	<b>2023</b>	<b>2022</b>
Bar (with First Citizen's Trust fund)	<b>\$ 489,520</b>	\$ 505,018
IOLTA - cash held in agency (with NC State Treasurer)	<b>189,541</b>	116,506
IOLTA - settlement funds (with NC State Treasurer)	<b>70,999</b>	70,999
	<b><u>\$ 750,060</u></b>	<b><u>\$ 692,523</u></b>

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:

	<b>2023</b>	<b>2022</b>
Legal Aid of North Carolina, Inc. (LANC)	<b>\$ 662,454</b>	\$ 792,191
Pisgah Legal Services	<b>37,187</b>	45,852
Pisgah Legal Services - Appropriations paid	<b>50,000</b>	100,000
	<b><u>\$ 749,641</u></b>	<b><u>\$ 938,043</u></b>

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 \$189,541 and \$116,506 at December 31, 2023 and 2022, respectively.

**NOTE 5 - CLE ASSESSMENTS**

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

	<b>2023</b>	<b>2022</b>
Chief Justice's Commission on Professionalism	<b>\$ 404,934</b>	\$ 386,438
North Carolina Equal Access to Justice Commission	<b>404,934</b>	386,438
North Carolina State Bar	<b>101,198</b>	96,576
	<b><u>\$ 911,066</u></b>	<b><u>\$ 869,452</u></b>

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.

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

**NOTE 6 - FEES RECEIVABLE**

Fees receivable consist of the following at December 31:

	<b>2023</b>	2022
Bar membership fees	<b>\$ 40,350</b>	\$ 84,065
CSF assessments	<b>2,875</b>	9,600
	<b>43,225</b>	93,665
Less: Allowance for doubtful accounts	<b>(20,355)</b>	(20,355)
	<b>22,870</b>	73,310
Bar fees from CLE processing	<b>68,711</b>	44,441
Bar DHC fees	<b>498,287</b>	471,837
Less: Allowance for doubtful accounts - DHC fees	<b>(423,828)</b>	(401,930)
	<b>74,459</b>	69,907
CLE fees	<b>325,423</b>	221,998
Less: Allowance for doubtful accounts	<b>(15,000)</b>	(15,000)
	<b>310,423</b>	206,998
Total fees receivable, net	<b>\$ 476,463</b>	\$ 394,656

**NOTE 7 - CAPITAL ASSETS**

Changes in capital assets are as follows for the year ended December 31, 2023:

	Cost 12/31/2022	Additions	Retirements	Cost 12/31/2023
Building costs	<b>\$17,111,627</b>	\$ -	\$ -	<b>\$17,111,627</b>
Computer equipment and software	<b>799,796</b>	<b>171,847</b>	<b>(91,459)</b>	<b>880,184</b>
Artwork	<b>417,165</b>	-	-	<b>417,165</b>
Furniture and office equipment	<b>1,598,978</b>	<b>5,743</b>	<b>(4,774)</b>	<b>1,599,947</b>
Automobile	<b>19,407</b>	-	-	<b>19,407</b>
Total cost	<b>19,946,973</b>	<b>177,590</b>	<b>(96,233)</b>	<b>20,028,330</b>
Less accumulated depreciation:				
Building costs	<b>(5,557,413)</b>	<b>(502,536)</b>	-	<b>(6,059,949)</b>
Computer equipment and software	<b>(533,491)</b>	<b>(85,140)</b>	<b>91,459</b>	<b>(527,172)</b>
Furniture and office equipment	<b>(1,466,767)</b>	<b>(16,433)</b>	<b>4,774</b>	<b>(1,478,426)</b>
Automobile	<b>(19,407)</b>	-	-	<b>(19,407)</b>
Total depreciation	<b>(7,577,078)</b>	<b>(604,109)</b>	<b>96,233</b>	<b>(8,084,954)</b>
Total capital assets, net	<b>\$12,369,895</b>	<b>\$ (426,519)</b>	<b>\$ -</b>	<b>\$11,943,376</b>

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

**NOTE 7 - CAPITAL ASSETS (Continued)**

Changes in capital assets are as follows for the year ended December 31, 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
Automobiles	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)
Automobiles	(19,407)	-	-	(19,407)
	<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>

**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, 2023:

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%.

	\$ 7,908,347
Less current portion	(407,581)
Long-term debt	<u>\$ 7,500,766</u>

Principal maturities and interest payments of long-term debt are as follows at December 31, 2023:

	Principal	Interest
2024	\$ 407,581	\$ 241,052
2025	420,273	227,517
2026	433,363	214,250
2027	446,854	200,570
2028	460,769	186,986
Thereafter	5,739,507	987,628
	<u>\$ 7,908,347</u>	<u>\$ 2,058,003</u>

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

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**NOTE 8 - LONG-TERM DEBT (Continued)**

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, 2023, the State Bar had \$10,735,772 of unrestricted cash and \$7,908,347 of funded debt, a liquidity ratio of approximately 136%. The loan is secured by the building. Management is aware of no violations of these covenants as of December 31, 2023 or subsequent thereto.

**NOTE 9 - CHANGE IN LIABILITIES AND ACCRUED VACATION**

The change in long-term liabilities is as follows at December 31, 2023 and 2022:

	Balance 12/31/2022	Increases	Decreases	Balance 12/31/2023	Current Portion of Balance
Grants approved and unpaid	<u>\$ 6,101,864</u>	<u>\$10,893,862</u>	<u>\$ (6,101,864)</u>	<u>\$10,893,862</u>	<u>\$10,033,277</u>
Note payable	<u>\$ 8,303,620</u>	<u>\$ -</u>	<u>\$ (395,273)</u>	<u>\$ 7,908,347</u>	<u>\$ 407,581</u>

	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>

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

	2023	2022
Beginning balance	\$ 254,792	\$ 246,401
Increases	461,951	440,295
Decreases	(460,552)	(431,904)
Ending balance	<u>\$ 256,191</u>	<u>\$ 254,792</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 \$636,053 and \$599,676 in 2023 and 2022, respectively.

There were no pension forfeitures used to offset pension contributions for the years ended December 31, 2023 and 2022.

**NORTH CAROLINA STATE BAR****Notes to Financial Statements****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 \$823,113 and \$782,005 in 2023 and 2022, respectively, are reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position by natural category. The majority of program expenses pertain to salaries and benefits. Program expenses also include travel, computer support, and other administrative costs.

**NOTE 12 - 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 2026.

Lease expenses were comprised of the following:

	<b>2023</b>	<b>2022</b>
Amortization expense by class of underlying asset:		
Facilities	\$ 28,147	\$ 28,147
Equipment	13,824	12,329
Interest on lease liabilities	3,256	3,330
Total lease expense	<u>\$ 45,227</u>	<u>\$ 43,806</u>

Right-of-use leased assets activity:

	12/31/2022	Additions	Subtractions	12/31/2023
Facilities	\$ 126,659	\$ -	\$ -	\$ 126,659
Equipment	20,869	23,290	(14,109)	30,050
Less: Accumulated amortization	(95,606)	(41,971)	14,109	(123,468)
Right-of-use assets, net	<u>\$ 51,922</u>	<u>\$ (18,681)</u>	<u>\$ -</u>	<u>\$ 33,241</u>

  

	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>

Lease liabilities were comprised of the following:

	12/31/2022	Additions	Subtractions	12/31/2023
Total lease liabilities	<u>\$ 55,194</u>	<u>\$ 22,720</u>	<u>\$ (44,337)</u>	<u>\$ 33,577</u>

  

	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>

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

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**NOTE 12 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)**

Future lease payments required under operating leases having an initial term of more than one year are as follows at December 31, 2023:

	Principal	Interest	Total Payments
2024	\$ 21,037	\$ 1,517	\$ 22,554
2025	6,005	836	6,841
2026	6,535	305	6,840
	<u>\$ 33,577</u>	<u>\$ 2,658</u>	<u>\$ 36,235</u>

**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 were included in IOLTA's restricted net position as of December 31, 2023 and 2022, respectively. There were no grants funded from settlement proceeds in 2023 or 2022.

**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 \$400,000 at year end. The Bar recognized and received related support from CLE in 2023 of \$296,130. The Bar recognized related support from CLE in 2022 of \$397,054.

**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.

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

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NOTE 14 - INTER-PROGRAM TRANSACTIONS (Continued)

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

These charges are as follows for the years ended December 31, 2023 and 2022:

<b>2023</b>	<b>Overhead</b>	<b>Computer</b>	<b>Copying</b>	<b>Total</b>
CLE	\$ 41,446	\$ 19,961	\$ 433	\$ 61,840
Legal Specialization	18,358	3,195	516	22,069
Paralegal	18,358	3,323	29	21,710
IOLTA	-	-	207	207
CSF	19,392	-	11	19,403
Total	<u>\$ 97,554</u>	<u>\$ 26,479</u>	<u>\$ 1,196</u>	<u>\$ 125,229</u>
<b>2022</b>	<b>Overhead</b>	<b>Computer</b>	<b>Copying</b>	<b>Total</b>
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>

**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 2023 and 2022.

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 5 - CLE Assessments). CLE had accounts payable of \$9,802 to CJCP and \$9,802 to EAJC at December 31, 2023. CJCP and EAJC are independent entities separate from the State Bar and are not included in this report.



## **NORTH CAROLINA STATE BAR**

### **Notes to Financial Statements**

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#### **NOTE 15 - RELATED PARTY TRANSACTIONS (Continued)**

##### **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.

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 2023 and 2022 of \$64,871 and \$50,000, respectively, to cover certain building-related costs.

#### **NOTE 16 - COMMITMENTS**

##### **Risk Management**

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

##### **Contracts**

###### **Ground Lease with the State of North Carolina**

In January 2009, the Council approved the State Bar's acquisition by lease of property owned by the State of North Carolina. The parcel of land of approximately 22,000 square feet is located at the intersection of Blount and Edenton Streets in the State Government Complex in the City of Raleigh. The leased property accommodates a "Class A" office building 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.

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

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NOTE 16 - COMMITMENTS (Continued)

Agreement with Thoughtspan Technology, LLC

In October 2020, the State Bar entered into an 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 \$77,250 and \$75,000 were paid in 2023 and 2022, respectively. Software development fees of \$132,500 plus an additional \$23,850 for CLE rule changes and sponsor portal were paid in 2023. 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.

NOTE 17 - SUBSEQUENT EVENTS

Management of the State Bar evaluated subsequent events through April 19, 2024, 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 290 hours at a cost of \$55,000.

**NORTH CAROLINA STATE BAR**  
**Schedule of Net Position - State Bar Programs**  
**December 31, 2023**

**ASSETS:**

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 10,735,772	\$ 487,384	\$ 237,920	\$ 405,708
Restricted cash, current portion	489,520	-	-	-
Receivables from related entities	13,742	-	-	-
Fees receivable, net	164,590	310,423	-	-
Other receivables	39,666	-	730	900
Interest receivable	-	-	-	-
Prepaid expenses and other assets	45,758	-	-	-
Total current assets	11,489,048	797,807	238,650	406,608
Capital assets:				
Property and equipment	19,799,118	142,382	19,934	27,003
Less accumulated depreciation	(7,855,742)	(142,382)	(19,934)	(27,003)
Capital assets, net	11,943,376	-	-	-
Noncurrent assets:				
Right-of-use leased assets, net of amortization	33,241	-	-	-
Restricted cash, noncurrent portion	-	-	-	-
Total noncurrent assets	33,241	-	-	-
Total assets	23,465,665	797,807	238,650	406,608

**LIABILITIES:**

Current liabilities:				
Current portion of long-term debt	407,581	-	-	-
Accounts payable	73,397	22,053	-	-
Other accrued expenses	176,636	-	-	-
Payable to the Bar	-	12,803	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	223,775	10,045	4,021	7,098
Pension contribution payable	541,722	27,528	10,103	13,272
Amounts held for escheatment	489,520	-	-	-
Grants approved but unpaid	-	-	-	-
Unearned revenue	2,404,210	-	-	-
Lease liabilities, current portion	21,037	-	-	-
Total current liabilities	4,337,878	72,429	14,124	20,370
Noncurrent liabilities:				
Grants approved but unpaid	-	-	-	-
Long-term debt	7,500,766	-	-	-
Lease liabilities, noncurrent portion	12,540	-	-	-
Total noncurrent liabilities	7,513,306	-	-	-
Total liabilities	11,851,184	72,429	14,124	20,370

**NET POSITION:**

Net investment in capital assets	4,034,693	-	-	-
Restricted	-	-	-	-
Unrestricted	7,579,788	725,378	224,526	386,238
Total net position	\$ 11,614,481	\$ 725,378	\$ 224,526	\$ 386,238

*Continued on next page*

**NORTH CAROLINA STATE BAR**  
**Schedule of Net Position - State Bar Programs**  
**December 31, 2023**

**ASSETS:**

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 21,803,973	\$ 2,942,720	\$ -	\$ 36,613,477
Restricted cash, current portion	189,541	-	-	679,061
Receivables from related entities	-	-	(13,742)	-
Fees receivable, net	-	1,450	-	476,463
Other receivables	-	-	-	41,296
Interest receivable	1,501,758	-	-	1,501,758
Prepaid expenses and other assets	7,942	-	-	53,700
Total current assets	23,503,214	2,944,170	(13,742)	39,365,755
Capital assets:				
Property and equipment	30,655	9,238	-	20,028,330
Less accumulated depreciation	(30,655)	(9,238)	-	(8,084,954)
Capital assets, net	-	-	-	11,943,376
Noncurrent assets:				
Right-of-use leased assets, net of amortization	-	-	-	33,241
Restricted cash, noncurrent portion	70,999	-	-	70,999
Total noncurrent assets	70,999	-	-	104,240
Total assets	23,574,213	2,944,170	(13,742)	51,413,371

**LIABILITIES:**

Current liabilities:				
Current portion of long-term debt	-	-	-	407,581
Accounts payable	4,433	-	-	99,883
Other accrued expenses	-	-	-	176,636
Payable to the Bar	939	-	(13,742)	-
Payable as Agent for the State	189,541	-	-	189,541
Accrued vacation	9,357	1,895	-	256,191
Pension contribution payable	30,683	13,915	-	637,223
Amounts held for escheatment	-	-	-	489,520
Grants approved but unpaid	10,033,277	-	-	10,033,277
Unearned revenue	-	-	-	2,404,210
Lease liabilities, current portion	-	-	-	21,037
Total current liabilities	10,268,230	15,810	(13,742)	14,715,099
Noncurrent liabilities:				
Grants approved but unpaid	860,585	-	-	860,585
Long-term debt	-	-	-	7,500,766
Lease liabilities, noncurrent portion	-	-	-	12,540
Total noncurrent liabilities	860,585	-	-	8,373,891
Total liabilities	11,128,815	15,810	(13,742)	23,088,990

**NET POSITION:**

Net investment in capital assets	-	-	-	4,034,693
Restricted	70,999	-	-	70,999
Unrestricted	12,374,399	2,928,360	-	24,218,689
Total net position	\$ 12,445,398	\$ 2,928,360	\$ -	\$ 28,324,381

**NORTH CAROLINA STATE BAR**  
**Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs**  
**Year Ended December 31, 2023**

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 9,552,089	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	613,418	-	-
Renewal, registration and examination fees	-	-	216,850	237,650
Professional corporations	134,430	-	-	-
Interstate law firms	160,500	-	-	-
Reinstatement fees	5,875	-	-	-
Penalty fees	25,950	523,287	30	7,450
EAJC processing fees	121,909	-	-	-
DHC reimbursable costs and grievance fees	77,696	-	-	-
Foundation contributions	64,871	-	-	-
Support from Continuing Legal Education	296,130	-	-	-
Bar magazine income	23,144	-	-	-
State Bar overhead and computer usage and copier charges	125,229	-	-	-
Rental income	29,264	-	-	-
Convenience fees	105,750	20,241	4,783	3,148
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Settlement agent accounts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Other	49,246	-	-	-
Total operating revenues	10,772,083	1,156,946	221,663	248,248
Operating expenses:				
Salaries and wages	6,024,065	298,118	107,411	142,366
Pension plan contributions	541,722	27,528	10,103	13,272
Other employee benefits	737,675	46,195	20,331	22,860
Grant awards - IOLTA	-	-	-	-
Claim awards	-	-	-	-
Professional fees	106,190	4,900	3,650	3,550
Council and committee meetings	532,128	4,744	7,569	5,504
Publications, postage, and printing	165,525	31,477	2,690	4,701
Depreciation	602,103	-	-	-
Lease amortization expense	41,971	-	-	-
Equipment rental and maintenance	312,165	-	-	-
LAP support provided by CLE	-	296,130	-	-
State Bar overhead, computer usage and copier charges	-	61,840	22,069	21,710
Travel and automotive	37,717	2,804	711	754
Community outreach	-	-	15,160	4,518
Test administration	-	-	7,281	26,865
Rent expense	-	14,984	2,940	2,940
Disciplinary proceedings	72,414	-	-	-
Building maintenance and utilities	250,860	-	-	-
Bank service charges	152,986	24,001	6,132	4,044
Bad debt expense	61,290	7	-	-
Other office expense	322,051	10,532	3,731	3,944
Telephone	17,937	-	-	-
Insurance and bonds	41,144	4,084	1,359	1,359
Other	5,000	-	-	-
Interest expense on lease liabilities	3,256	-	-	-
Total operating expenses	10,028,199	827,344	211,137	258,387
Operating income (loss)	743,884	329,602	10,526	(10,139)
Nonoperating revenues (expenses):				
Interest income	492,350	-	-	-
Interest expense	(252,120)	-	-	-
Total nonoperating revenues (expenses)	240,230	-	-	-
Changes in net position	984,114	329,602	10,526	(10,139)
Net position - beginning of year	10,630,367	395,776	214,000	396,377
Net position - end of year	\$ 11,614,481	\$ 725,378	\$ 224,526	\$ 386,238

Continued on next page

**NORTH CAROLINA STATE BAR**  
**Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs**  
**Year Ended December 31, 2023**

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 9,552,089
Assessments	-	5,850	-	5,850
Reimbursements of claim awards	-	36,852	-	36,852
Sponsor and attendee fees	-	-	-	613,418
Renewal, registration and examination fees	-	-	-	454,500
Professional corporations	-	-	-	134,430
Interstate law firms	-	-	-	160,500
Reinstatement fees	-	-	-	5,875
Penalty fees	-	-	-	556,717
EAJC processing fees	-	-	-	121,909
DHC reimbursable costs and grievance fees	-	-	-	77,696
Foundation contributions	-	-	-	64,871
Support from Continuing Legal Education	-	-	(296,130)	-
Bar magazine income	-	-	-	23,144
State Bar overhead and computer usage and copier charges	-	-	(125,229)	-
Rental income	-	-	(29,264)	-
Convenience fees	-	-	-	133,922
Interest from participants - IOLTA	15,547,105	-	-	15,547,105
Cy pres receipts - IOLTA	127,404	-	-	127,404
Settlement agent accounts - IOLTA	381,011	-	-	381,011
Professional and administrative services - IOLTA	47,178	-	-	47,178
Other	-	-	-	49,246
Total operating revenues	16,102,698	42,702	(450,623)	28,093,717
Operating expenses:				
Salaries and wages	329,306	148,096	-	7,049,362
Pension plan contributions	30,682	12,746	-	636,053
Other employee benefits	48,343	7,662	-	883,066
Grant awards - IOLTA	11,033,688	-	-	11,033,688
Claim awards	-	224,270	-	224,270
Professional fees	68,939	6,550	-	193,779
Council and committee meetings	36,982	4,295	-	591,222
Publications, postage, and printing	-	38	-	204,431
Depreciation	2,006	-	-	604,109
Lease amortization expense	-	-	-	41,971
Equipment rental and maintenance	26,874	-	-	339,039
LAP support provided by CLE	-	-	(296,130)	-
State Bar overhead, computer usage and copier charges	207	19,403	(125,229)	-
Travel and automotive	8,191	-	-	50,177
Community outreach	-	-	-	19,678
Test administration	-	-	-	34,146
Rent expense	8,400	-	(29,264)	-
Disciplinary proceedings	-	46	-	72,460
Building maintenance and utilities	-	-	-	250,860
Bank service charges	3,476	-	-	190,639
Bad debt expense	-	1,525	-	62,822
Other office expense	14,716	560	-	355,534
Telephone	-	-	-	17,937
Insurance and bonds	-	2,713	-	50,659
Other	-	3,868	-	8,868
Interest expense on lease liabilities	-	-	-	3,256
Total operating expenses	11,611,810	431,772	(450,623)	22,918,026
Operating income (loss)	4,490,888	(389,070)	-	5,175,691
Nonoperating revenues (expenses):				
Interest income	546,841	23,857	-	1,063,048
Interest expense	-	-	-	(252,120)
Total nonoperating revenues (expenses)	546,841	23,857	-	810,928
Changes in net position	5,037,729	(365,213)	-	5,986,619
Net position - beginning of year	7,407,669	3,293,573	-	22,337,762
Net position - end of year	\$ 12,445,398	\$ 2,928,360	\$ -	\$ 28,324,381

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

**NORTH CAROLINA STATE BAR**  
**Schedule of Cash Flows - State Bar Programs**  
**Year Ended December 31, 2023**

	Bar	Continuing Legal	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 8,371,199	\$ -	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	585,713	1,053,521	249,333	187,798
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	548,375	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(7,273,252)	(370,450)	(137,361)	(177,790)
Payments to suppliers of goods and services	(1,510,016)	(68,294)	(24,843)	(43,359)
Payments for other operating expenses	(605,288)	(353,567)	(48,449)	(36,530)
Net cash provided by (used in) operating activities	116,731	261,210	38,680	(69,881)
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(177,590)	-	-	-
Payments on lease liabilities	(48,163)	-	-	-
Interest paid	(252,120)	-	-	-
Principal payments on bank borrowings	(395,273)	-	-	-
Net cash used in capital and related financing activities	(873,146)	-	-	-
Cash flows from investing activities:				
Interest received	492,350	-	-	-
Net cash provided by investing activities	492,350	-	-	-
Net increase (decrease) in cash and cash equivalents	(264,065)	261,210	38,680	(69,881)
Cash and cash equivalents - beginning of year	11,489,357	226,174	199,240	475,589
Cash and cash equivalents - end of year	\$ 11,225,292	\$ 487,384	\$ 237,920	\$ 405,708
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 743,884	\$ 329,602	\$ 10,526	\$ (10,139)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	602,103	-	-	-
Amortization, leased assets	41,971	-	-	-
Interest expense on lease liabilities	3,256	-	-	-
Changes in assets and liabilities:				
Receivables	(24,616)	(103,425)	27,670	(575)
Prepaid expenses and other assets	8,778	-	-	-
Accounts payable and accrued expenses	(92,467)	33,642	-	-
Accrued vacation and pension	30,210	1,391	484	708
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	(15,498)	-	-	-
Claims payable	-	-	-	-
Unearned revenue	(1,180,890)	-	-	(59,875)
Total adjustments	(627,153)	(68,392)	28,154	(59,742)
Net cash provided by (used in) operating activities	\$ 116,731	\$ 261,210	\$ 38,680	\$ (69,881)

*Continued on next page*

**NORTH CAROLINA STATE BAR**  
**Schedule of Cash Flows - State Bar Programs**  
**Year Ended December 31, 2023**

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 8,371,199
Cash received from program participants - IOLTA	15,194,560	-	15,194,560
Cash received from other fees	-	-	2,076,365
Cash received from Cy Pres - IOLTA	127,404	-	127,404
Cash received from settlement agent accounts - IOLTA	381,011	-	381,011
Cash received from other services - IOLTA	47,178	-	47,178
Cash received from assessments and reimbursements	-	47,902	47,902
Other cash received	-	-	548,375
Payments for IOLTA grants	(6,168,655)	-	(6,168,655)
Payments to claimants	-	(224,270)	(224,270)
Payments to employees for services	(405,406)	(165,783)	(8,530,042)
Payments to suppliers of goods and services	(110,418)	(35,621)	(1,792,551)
Payments for other operating expenses	(48,856)	(4,341)	(1,097,031)
Net cash provided by (used in) operating activities	9,016,818	(382,113)	8,981,445
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(177,590)
Payments on lease liabilities	-	-	(48,163)
Interest paid	-	-	(252,120)
Principal payments on bank borrowings	-	-	(395,273)
Net cash used in capital and related financing activities	-	-	(873,146)
Cash flows from investing activities:			
Interest received	546,841	23,857	1,063,048
Net cash provided by investing activities	546,841	23,857	1,063,048
Net increase (decrease) in cash and cash equivalents	9,563,659	(358,256)	9,171,347
Cash and cash equivalents - beginning of year	12,500,854	3,300,976	28,192,190
Cash and cash equivalents - end of year	\$ 22,064,513	\$ 2,942,720	\$ 37,363,537
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 4,490,888	\$ (389,070)	\$ 5,175,691
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,006	-	604,109
Amortization, leased assets	-	-	41,971
Interest expense on lease liabilities	-	-	3,256
Changes in assets and liabilities:			
Receivables	(352,545)	6,725	(446,766)
Prepaid expenses and other assets	8,807	-	17,585
Accounts payable and accrued expenses	72,739	(2,489)	11,425
Accrued vacation and pension	2,925	2,721	38,439
Grants approved and unpaid	4,791,998	-	4,791,998
Amount held for escheatment	-	-	(15,498)
Claims payable	-	-	-
Unearned revenue	-	-	(1,240,765)
Total adjustments	4,525,930	6,957	3,805,754
Net cash provided by (used in) operating activities	\$ 9,016,818	\$ (382,113)	\$ 8,981,445

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



**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	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 liabilities	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	-	-	-	-
Claims payable	-	-	-	-
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	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 liabilities	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
Claims payable	-	-	-	-
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	-	-	-
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	-	-	-	-
Other	40,539	-	-	-
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	210,424	11,143	5,437	5,887
Telephone	23,147	968	9	11
Insurance and bonds	41,157	4,786	1,529	1,529
Other	52,248	-	-	-
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)	-
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
Other	-	30,612	-	71,151
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	-	-	245,192
Telephone	9	-	-	24,144
Insurance and bonds	-	3,181	-	52,182
Debt issuance expense	-	3,864	-	56,112
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)
Loss on disposals of equipment	-	-	-	-
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 - as originally reported	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 Education	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 other operating expenses	(577,249)	(468,733)	(36,822)	(35,841)
Net cash provided by operating activities	<u>3,862,084</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	(44,870)	-	-	-
Interest paid	(264,243)	-	-	-
Principal payments on bank borrowings	(331,093)	-	-	-
Net cash used in capital and related financing activities	<u>(677,298)</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	<u>\$ 1,183,752</u>	<u>\$ 5,561</u>	<u>\$ 16,214</u>	<u>\$ 13,327</u>
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	592,236	-	-	-
Amortization, leased assets	40,476	-	-	-
Interest expense on lease liabilities	3,330	-	-	-
Changes in assets and liabilities:				
Receivables	(66,382)	(8,434)	(11,950)	(275)
Prepaid expenses	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>2,678,332</u>	<u>(4,387)</u>	<u>(11,756)</u>	<u>13,291</u>
Net cash provided by operating activities	<u>\$ 3,862,084</u>	<u>\$ 1,174</u>	<u>\$ 4,458</u>	<u>\$ 26,618</u>

*Continued on next page*

**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 other operating expenses	(23,205)	(908)	(1,142,758)
Net cash provided by operating activities	2,483,791	382,240	6,760,365
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	-	(37,092)
Payments on lease liabilities	-	-	(44,870)
Interest paid	-	-	(264,243)
Principal payments on bank borrowings	-	-	(331,093)
Net cash used in capital and related financing activities	-	-	(677,298)
Cash flows from investing activities:			
Interest received	88,983	3,733	175,927
Net cash provided by investing activities	88,983	3,733	175,927
Net increase in cash and cash equivalents	2,572,774	385,973	6,258,994
Cash and cash equivalents - beginning of year	9,928,080	2,915,003	21,933,196
Cash and cash equivalents - end of year	\$ 12,500,854	\$ 3,300,976	\$ 28,192,190
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,228,180	\$ 386,960	\$ 2,833,994
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,008	-	595,244
Amortization, leased assets	-	-	40,476
Interest expense on lease liabilities	-	-	3,330
Changes in assets and liabilities:			
Receivables	(688,837)	(5,635)	(781,513)
Prepaid expenses	(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	1,255,611	(4,720)	3,926,371
Net cash provided by operating activities	\$ 2,483,791	\$ 382,240	\$ 6,760,365