



Financial Statements  
and Supplementary Information

for

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

Years Ended June 30, 2024 and 2023  
with Independent Auditor's Report

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# THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

## Management's Discussion and Analysis

Year Ended June 30, 2024

The following is a discussion and analysis of The Board of Law Examiners for the State of North Carolina (the "Board") financial statements for the fiscal year ended June 30, 2024. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous years are presented in the analysis.

### Financial Highlights

The operating revenues of the Board decreased by \$18,425, or .9%, primarily due to a decrease in non-licensed examination fees, attorney examination fees, and comity fees, offset by an increase in transfer application fees.

The operating expenses of the Board decreased by \$20,961, or .9%, primarily due to decreases in bar examination expenses. These expenses decreased due to less rental expenses.

### Overview of the Financial Statements

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

### Basic Financial Statements

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

The statements of net position present the current and noncurrent portions of assets and liabilities separately.

The statements of revenues, expenses, and changes in net position present information on how the Board's net position changed as a result of the years' operations.

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

## THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

### Management's Discussion and Analysis

Year Ended June 30, 2024

#### Basic Financial Statements, continued

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

	<u>2024</u>	(Restated) <u>2023</u>	(Restated) <u>2022</u>
Current assets	\$ <b>2,046,964</b>	\$ 1,941,611	\$ 2,053,132
Capital assets - net of depreciation	<b>1,075,951</b>	1,222,959	74,090
Noncurrent assets	<u>-</u>	<u>393</u>	<u>821</u>
Total assets	<u><b>3,122,915</b></u>	<u>3,164,963</u>	<u>2,128,043</u>
Current liabilities	<b>1,008,401</b>	911,177	930,855
Noncurrent liabilities	<u><b>1,076,657</b></u>	<u>1,169,629</u>	<u>37,526</u>
Total liabilities	<u><b>2,085,058</b></u>	<u>2,080,806</u>	<u>968,381</u>
Unrestricted net position	<b>1,036,327</b>	1,080,124	1,140,949
Net Investment in capital assets	<u><b>1,530</b></u>	<u>4,033</u>	<u>18,713</u>
Total net position	<u><b>\$ 1,037,857</b></u>	<u>\$ 1,084,157</u>	<u>\$ 1,159,662</u>
Operating revenues	<b>\$ 2,090,031</b>	\$ 2,108,456	\$ 2,042,648
Operating expenses	<u><b>2,185,973</b></u>	<u>2,206,934</u>	<u>2,115,611</u>
Operating loss	<b>(95,942)</b>	(98,478)	(72,963)
Non-operating revenues	<u><b>49,642</b></u>	<u>18,123</u>	<u>3,678</u>
Change in net position	<u><b>\$ (46,300)</b></u>	<u>\$ (80,355)</u>	<u>\$ (69,285)</u>

#### Events Affecting Future Operations

For the upcoming fiscal year, the Board projects application revenue to remain at current levels.

#### Contacting the Board's Management

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

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



## Independent Auditor's Report

To the Board of Directors  
The Board of Law Examiners for the State of North Carolina  
Raleigh, North Carolina

### Opinion

We have audited the basic financial statements of The Board of Law Examiners for the State of North Carolina (the Board), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Board of Directors  
The Board of Law Examiners for the State of North Carolina  
Independent Auditor's Report, continued

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Dean Dotson Allen Ford, PLLC*

Raleigh, North Carolina  
October 16, 2024

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

Statements of Net Position

June 30, 2024 and 2023

	<u>2024</u>	(Restated) <u>2023</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,095,531	\$ 1,070,168
Investments	846,916	802,148
Note receivable - current portion	355	428
Prepaid expenses	<u>104,162</u>	<u>68,867</u>
Total current assets	2,046,964	1,941,611
Capital assets, net of depreciation and amortization	1,075,951	1,222,959
Noncurrent assets:		
Note receivable - noncurrent portion	<u>-</u>	<u>393</u>
Total assets	\$ <u>3,122,915</u>	\$ <u>3,164,963</u>
<b>Liabilities</b>		
Current liabilities:		
Advance exam fees	\$ 880,650	\$ 792,000
Pension contribution payable	29,636	23,672
Accounts payable	-	6,715
Payroll taxes withheld	120	131
Note payable - current portion	355	428
Lease liabilities - current portion	<u>97,640</u>	<u>88,231</u>
Total current liabilities	1,008,401	911,177
Noncurrent liabilities:		
Note payable - noncurrent portion	-	393
Lease liabilities - noncurrent portion	1,033,056	1,130,695
Accrued compensated absences	<u>43,601</u>	<u>38,541</u>
Total noncurrent liabilities	<u>1,076,657</u>	<u>1,169,629</u>
Total liabilities	\$ <u>2,085,058</u>	\$ <u>2,080,806</u>
Net Position:		
Unrestricted	\$ 1,036,327	\$ 1,080,124
Net investment in capital assets	<u>1,530</u>	<u>4,033</u>
Total net position	\$ <u>1,037,857</u>	\$ <u>1,084,157</u>



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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	(Restated) <u>2023</u>
Operating revenues:		
Non-licensed examination fees	\$ 725,050	\$ 736,100
Attorney examination fees	173,250	206,250
Comity fees	414,000	467,500
Transfer application fees	332,775	258,375
Supplemental examination fees	145,600	146,400
Late application fees	119,750	112,000
Laptop fees	167,500	170,250
Miscellaneous income	<u>12,106</u>	<u>11,581</u>
 Total operating revenues	 <b>2,090,031</b>	 <b>2,108,456</b>
Operating expenses:		
Salaries, payroll taxes, and employee benefits	849,242	845,272
Pension plan contributions and expenses	62,972	57,205
Bar examination grading expenses	248,102	236,695
Bar examination expenses	400,648	463,925
Board meeting/hearing expenses	164,586	139,683
Investigation/hearing preparation	34,991	31,401
Bar examination fees refunded	10,460	20,105
Postage	22,692	27,776
Depreciation and amortization expense	147,008	92,624
Office supplies and expense	117,157	138,289
Lease expense - office	-	57,527
Lease expense - equipment	-	13,776
Printing and engraving	12,418	24,664
Equipment repairs and maintenance	14,771	17,773
Telephone	6,505	5,336
Professional association, meetings, fees	3,671	4,093
Professional fees	11,600	11,300
Insurance and bonding	5,087	6,193
Publications and subscriptions	2,742	3,049
Certification to the supreme court	1,178	1,185
Bank fees	2,574	2,549
Interest	67,156	6,514
Miscellaneous	<u>413</u>	<u>-</u>
 Total expenses	 <b>2,185,973</b>	 <b>2,206,934</b>
 Operating loss	 <b>\$ (95,942)</b>	 <b>\$ (98,478)</b>

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

Statements of Revenues, Expenses, and Changes in Net Position, continued

Years Ended June 30, 2024 and 2023

	<u>2024</u>	(Restated) <u>2023</u>
Operating loss, continued	\$ (95,942)	\$ (98,478)
Non-operating revenues:		
Interest income	<u>49,642</u>	<u>18,123</u>
Change in net position	<u>(46,300)</u>	<u>(80,355)</u>
Net position, beginning of the year (restated)	<u>1,084,157</u>	<u>1,164,512</u>
Net position, end of year	<u>\$ 1,037,857</u>	<u>\$ 1,084,157</u>

*See accompanying notes.*

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

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	(Restated) <u>2023</u>
<b>Cash flows from operating activities:</b>		
Cash received from fees	\$ 2,178,681	\$ 2,063,981
Cash payments to employees for services	(901,202)	(902,136)
Cash payments for operating expenses	<u>(1,168,760)</u>	<u>(1,180,822)</u>
Net cash provided by (used in) operating activities	108,719	(18,977)
<b>Cash flows from investing activities:</b>		
Purchases of investments	(844,136)	(802,148)
Sale of investments	802,148	790,471
Interest received	<u>46,862</u>	<u>18,123</u>
Net cash provided by investing activities	4,874	6,446
<b>Cash flows from financing activities:</b>		
Repayment of note payable	(466)	(402)
Repayment from employees	467	402
Payments of lease liabilities	<u>(88,231)</u>	<u>(77,942)</u>
Net cash used in financing activities	<u>(88,230)</u>	<u>(77,942)</u>
Net increase (decrease) in cash and cash equivalents	25,363	(90,473)
Cash and cash equivalents, beginning of year	<u>1,070,168</u>	<u>1,160,641</u>
Cash and cash equivalents, end of year	<u>\$ 1,095,531</u>	<u>\$ 1,070,168</u>

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

Statements of Cash Flows, continued

Years ended June 30, 2024 and 2023

	<u>2024</u>	(As restated) <u>2023</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating loss	\$ (95,942)	\$ (98,478)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	147,008	92,624
Changes in assets and liabilities:		
Prepaid expenses	(35,293)	32,749
Advance exam fees	88,650	(44,475)
Pension contribution payable	5,964	(1,574)
Accounts payable	(6,716)	(1,738)
Payroll taxes withheld	(11)	79
Accrued compensated absences	<u>5,059</u>	<u>1,836</u>
Net cash provided by (used in) operating activities	<u>\$ 108,719</u>	<u>\$ (18,977)</u>

*See accompanying notes.*

# THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

## Notes to the Financial Statements

### 1. Description of the Organization

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

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

### 2. Reporting Entity and Summary of Significant Accounting Policies

#### Financial Reporting Entity

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

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

#### Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### Basis of Presentation

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

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

# THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

## Notes to the Financial Statements, continued

### 2. Reporting Entity and Summary of Significant Accounting Policies, continued

#### Basis of Accounting

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

The Board classifies its revenues and expenses as operating or nonoperating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of fees charged for the North Carolina Bar Examination. Operating expenses are all expense transactions other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting.

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

#### Cash and Cash Equivalents

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

#### Investments

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

#### Capital Assets

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

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

## THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

Notes to the Financial Statements, continued

### 2. Reporting Entity and Summary of Significant Accounting Policies, continued

#### Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

#### Advance Exam Fees

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

#### Compensated Absences

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

#### Leases

Leases are contracts that convey control of a right to use another entity's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Lease liabilities on the statement of net position represent the present value of payments expected to be made during the lease term. Lease payments are discounted to present value using the rate implicit in the lease, when it can be readily determined, or the Board's incremental borrowing rate at the commencement of the lease. In subsequent years, amortization of the discount is included in interest expense in the statement of activities.

Variable payments based on future performance of the Board, usage of the underlying asset or criteria other than an index or rate are not included in the measurement of the lease liability. Those variable payments are recognized as lease expense in the period in which the obligation for those payments is incurred.

At commencement of the lease, a right-to-use asset is recorded on the statement of net position in an amount equal to the corresponding lease liability plus lease payments paid by the Board at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term. The right-to-use asset also includes any initial direct costs that are necessary to place the leased asset into service. The right-to-use asset is amortized over the shorter of the lease term or the useful life of the right-to-use asset.

# THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

Notes to the Financial Statements, continued

## 2. Reporting Entity and Summary of Significant Accounting Policies, continued

### Leases, continued

Subsequent to the commencement of the lease, the lease liability and right-to-use asset are remeasured if certain criteria are met.

### Net Position

The Board's net position is classified as follows:

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

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

### Subsequent Events

Management of the Board has evaluated subsequent events for accounting and disclosure requirements through October 16, 2024, the date that the financial statements were available to be issued.

## 3. Deposits and Investments

The Board's deposits include cash on deposit with commercial bank accounts, money market accounts, and certificates of deposit. At June 30, 2024, deposits in commercial financial institutions, with a carrying value of \$1,942,447 and a bank balance of \$1,947,333, consist of cash and investments, as shown on the Statements of Net Position. Included in the deposits in commercial financial institutions are certificates of deposit in the amount of \$846,916 reported as investments in the Statements of Net Position.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2024 and 2023, the uninsured balances were \$24,398 and \$34,203, respectively.

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

The Board is subject to the following risks:

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



## THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

### Notes to the Financial Statements, continued

#### 3. Deposits and Investments, continued

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

- ◆ Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- ◆ Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration and the United States Postal Service.
- ◆ Repurchase Agreements with respect to securities issued or guaranteed by the United States government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York.
- ◆ Obligations of the State of North Carolina.
- ◆ Savings certificates issued by any savings and loan association organized under the laws of the State of North Carolina or by any federal savings and loan association having its principal office in North Carolina.
- ◆ Certificates of deposit issued by banks organized under the laws of the State of North Carolina, or by any bank having FDIC Insurance.
- ◆ Shares of, or deposits in, any savings and loan association organized under the laws of the State of North Carolina, or any federal savings and loan association having FDIC Insurance.
- ◆ Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service.
- ◆ Prime quality master notes, obligations of banks organized under the laws of the State of North Carolina, or any national bank having its principal office in North Carolina.
- ◆ Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank.
- ◆ Asset backed securities (whether considered debt or equity) provided they bear the highest rating of at least one nationally recognized rating service.

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

Notes to the Financial Statements, continued

**3. Deposits and Investments, continued**

- ◆ Corporate bonds and notes provided they bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

The Board's investments consist of certificates of deposit. The following table presents the fair value of investments subject to interest rate risk and credit risk at June 30, 2024:

<u>Investment type</u>	<u>Fair value</u>	<u>Properties of debt securities</u>	
		<u>Weighted average maturities</u>	<u>Ratings</u>
Certificates of deposit	\$ <u>846,916</u>	6.47 months	N/A

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

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

	<u>2024</u>	<u>2023</u>
Carrying amount of deposits with commercial financial institutions	\$ 164,461	\$ 314,355
Money market mutual funds	931,070	755,813
Investments in certificates of deposit	<u>846,916</u>	<u>802,148</u>
Total deposits and investments	\$ <u>1,942,447</u>	\$ <u>1,872,316</u>
Current:		
Cash	\$ 1,095,531	\$ 1,070,168
Short-term investments	<u>846,916</u>	<u>802,148</u>
Total deposits and investments	\$ <u>1,942,447</u>	\$ <u>1,872,316</u>

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

Notes to the Financial Statements, continued

**4. Capital Assets**

Changes in capital assets for the year ended June 30, 2024 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Furniture and equipment	\$ 269,713	\$ -	\$ -	\$ 269,713
Less accumulated depreciation	<u>264,004</u>	<u>4,180</u>	<u>-</u>	<u>268,184</u>
Total capital assets, net	5,709	(4,180)	-	1,529
Leased assets				
Buildings	1,152,051	-	-	1,152,051
Furniture and equipment	<u>89,442</u>	<u>-</u>	<u>-</u>	<u>89,442</u>
Total leased assets	1,241,493	-	-	1,241,493
Less accumulated depreciation	<u>24,243</u>	<u>142,828</u>	<u>-</u>	<u>167,071</u>
Total leased assets, net	<u>1,217,250</u>	<u>(142,828)</u>	<u>-</u>	<u>1,074,422</u>
Total capital assets, net	\$ <u>1,222,959</u>	\$ <u>(147,008)</u>	\$ <u>-</u>	\$ <u>1,075,951</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Furniture and equipment	\$ 269,713	\$ -	\$ -	\$ 269,713
Less accumulated depreciation	<u>248,903</u>	<u>15,101</u>	<u>-</u>	<u>264,004</u>
Total capital assets, net	20,810	(15,101)	-	5,709
Leased assets				
Buildings	256,587	1,152,051	256,587	1,152,051
Furniture and equipment	<u>93,460</u>	<u>89,442</u>	<u>93,460</u>	<u>89,442</u>
Total leased assets	350,047	1,241,493	350,047	1,241,493
Less accumulated depreciation	<u>296,767</u>	<u>77,523</u>	<u>350,047</u>	<u>24,243</u>
Total leased assets, net	<u>53,280</u>	<u>1,163,970</u>	<u>-</u>	<u>1,217,250</u>
Total capital assets, net	\$ <u>74,090</u>	\$ <u>1,148,869</u>	\$ <u>-</u>	\$ <u>1,222,959</u>

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

Notes to the Financial Statements, continued

**5. Advance Exam Fees**

The Board defers revenue recognition in connection with resources that have been received, but not yet earned. Exam fees are collected in advance and recorded as unearned revenue at year-end to be recognized as revenue when the exam takes place in the next fiscal year. Advance exam fee revenue reported was \$880,650 and \$792,000 for the years ended June 30, 2024 and 2023, respectively.

**6. Related Party Note Receivable and Note Payable**

On November 26, 2019, the Board advanced an employee \$2,000 and concurrently received proceeds from the employee's retirement account for \$2,000. The note was payable by the employee in monthly payroll deductions of \$39, including interest at 6.25%, and payments were remitted by the Board to the employee's retirement account on a monthly basis. The note receivable and related payable had a balance of \$355 and \$821 at June 30, 2024 and 2023, respectively.

**7. Note Payable and Compensated Absences**

Changes in the current and noncurrent portions of liabilities for the year ended June 30, 2024 are as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>portion of</u> <u>balance</u>
Note payable	\$ 821	\$ -	\$ (466)	\$ 355	\$ 355
Compensated absences	<u>38,541</u>	<u>54,048</u>	<u>(48,988)</u>	<u>43,601</u>	<u>-</u>
	<u>\$ 39,362</u>	<u>\$ 54,048</u>	<u>\$ (49,454)</u>	<u>\$ 43,956</u>	<u>\$ 355</u>

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

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

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

Notes to the Financial Statements, continued

**8. Leases**

The Board has entered into lease agreements for right-of-use for office space and equipment with terms ranging from 36 months to 120 months, and interest rate of 6.00%. The Board's finance leases do not contain material restrictive covenants or residual value guarantees. The total of the Board's leased assets is recorded at cost of \$1,241,493, less accumulated amortization of \$167,071.

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

The components of lease expense for the years ended June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Finance lease costs		
Amortization of ROU assets	\$ 142,828	\$ 77,523
Interest on lease liabilities	<u>67,156</u>	<u>6,514</u>
Total finance lease costs	<u>\$ 209,984</u>	<u>\$ 84,037</u>

The weighted average remaining lease term for the finance leases as of June 30, 2024 and 2023 was 8.49 and 9.37 years, respectively.

The weighted average discount rate as of June 30, 2024 and 2023 was 6.00% and 6.00%, respectively.

Maturities of lease liabilities as of June 30, 2024 were as follows:

Years ending June 30	Leases		
	Principal	Interest	Total
2025	\$ 97,640	\$ 65,172	\$ 162,812
2026	116,322	58,737	175,059
2027	107,079	52,110	159,189
2028	112,072	45,544	157,616
2029	122,224	38,543	160,767
Thereafter	<u>575,359</u>	<u>71,030</u>	<u>646,389</u>
	<u>\$ 1,130,696</u>	<u>\$ 331,136</u>	<u>\$ 1,461,832</u>

**9. Retirement Plans**

The Board maintains a defined contribution pension plan for its employees. Pension plan costs consist of employer contributions and administrative fees. Employer contributions to the plan were 10% of qualified wages for eligible and participating employees and totaled \$62,972 and \$57,205 for the years ended June 30, 2024 and 2023, respectively. Employees do not contribute to this plan. The administrative expenses for the defined contribution retirement plan are paid from plan assets rather than by the Board.

## THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

### Notes to the Financial Statements, continued

#### 9. Retirement Plans, continued

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

#### 10. Commitments

As of June 30, 2024, the Board had entered into contracts for the August 2024, March 2025, and August 2026 grading session with a total committed balance of \$222,346.

The Board entered into a software licensing and services agreement effective in May 2024 for one year. Under the agreement, the Board pays a monthly fee of \$4,748 for technical support and software maintenance until May 2025. As of June 30, 2024, remaining fees payable under the agreement are \$47,480.

#### 11. Risk Management

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

#### 12. Life Insurance Policy

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

#### 13. Restatement

Due to an increased level of detail available in the Board's database reports, the Board's financial statements for the fiscal year ended June 30, 2023, have been restated. Management determined that the prior year advance exam fees reflected on the Statements of Net Position and the laptop fees reflected on the Statements of Revenues, Expenses, and Changes in Net Position were understated. The effect of the restatement is shown below.

Statements of Net Position. In the Liabilities section of the Statements of Net Position, advance exam fees include both application fees and laptop fees received by the Board but not yet earned. Advance exam fees on the Statements of Net Position for the year ending June 30, 2023 were understated in the amount of \$50,875.

THE BOARD OF LAW EXAMINERS FOR THE STATE OF NORTH CAROLINA

Notes to the Financial Statements, continued

13. Restatement, continued

Statements of Revenues, Expenses, and Changes in Net Position. In the Operating Revenues section of the Statements of Revenues, Expenses, and Changes in Net Position for the year ending June 30, 2023, Laptop fees were understated in the amount of \$7,900.

	<u>Original Balance</u>	<u>Adjustment</u>	<u>Restated Balance</u>
Deferred laptop fees included in advance exam fees- fiscal year ended June 30, 2023	\$ 741,125	\$ 50,875	\$ 792,000
Laptop fees revenue- fiscal year ended June 30, 2023	162,350	7,900	170,250
Beginning net assets at July 1, 2022 (cumulative adjustment)	1,223,287	(58,775)	1,164,512

The Board audit was conducted in approximately 110 hours at a total audit cost of \$15,000.