

NORTH CAROLINA STATE BAR

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 and 2023



NORTH CAROLINA STATE BAR

Table of Contents

	<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, 2024	33 - 34
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2024	35 - 36
Schedule of Cash Flows - State Bar Programs - December 31, 2024	37 - 38
Schedule of Net Position - State Bar Programs - December 31, 2023	39 - 40
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs - December 31, 2023	41 - 42
Schedule of Cash Flows - State Bar Programs - December 31, 2023	43 - 44

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

The following is a discussion and analysis of the financial performance of the North Carolina State Bar for the year ended December 31, 2024. 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, 2024; and the Client Security Fund of the North Carolina State Bar ("CSF") as of and for the year ended September 30, 2024, 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 \$29,908,800 at December 31, 2024 compared to \$25,396,021 at December 31, 2023, an increase of \$4,512,779 for the year ended December 31, 2024. The Client Security Fund's net position was \$2,277,955 at September 30, 2024, compared to \$2,928,360 at September 30, 2023, a decrease of \$650,405 for the year ended September 30, 2024.

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, 2024

The following presents condensed financial information for the State Bar (excluding CSF) as of and for the year ended December 31, 2024, and CSF as of and for the year ended September 30, 2024:

	State Bar (excluding CSF)	CSF	Total
Current assets	\$41,620,660	\$ 2,298,033	\$43,918,693
Capital assets, net	11,430,185	-	11,430,185
Right-of-use leased assets, net	88,176	-	88,176
Noncurrent assets	70,999	-	70,999
Total assets	<u>53,210,020</u>	<u>2,298,033</u>	<u>55,508,053</u>
Current liabilities	15,343,987	20,078	15,364,065
Long-term liabilities	7,957,233	-	7,957,233
Total liabilities	<u>23,301,220</u>	<u>20,078</u>	<u>23,321,298</u>
Net position:			
Net investment in capital assets	3,928,179	-	3,928,179
Restricted	70,999	-	70,999
Unrestricted	25,909,622	2,277,955	28,187,577
Total net position	<u>\$29,908,800</u>	<u>\$ 2,277,955</u>	<u>\$32,186,755</u>
Operating revenues	\$29,171,537	\$ 42,919	\$29,214,456
Operating expenses	26,050,867	730,685	26,781,552
Operating income (loss)	<u>3,120,670</u>	<u>(687,766)</u>	<u>2,432,904</u>
Nonoperating revenues (expenses):			
Interest income	1,632,397	37,361	1,669,758
Interest expense	(240,288)	-	(240,288)
Total nonoperating revenues	<u>1,392,109</u>	<u>37,361</u>	<u>1,429,470</u>
Changes in net position	<u>\$ 4,512,779</u>	<u>\$ (650,405)</u>	<u>\$ 3,862,374</u>

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

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 (expenses)	<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, 2024

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>

Budgetary Highlights

The North Carolina State Bar uses budgetary tools internally to measure and control revenues and expenses. Significant categorical variances are reviewed on a quarterly basis and any adjustments to the budget are approved by the State Bar's Council (board of directors) and its Finance and Audit Committee on an as-needed basis.

Long-Term Debt

With the completion of the new State Bar Headquarters in 2013, the State Bar incurred a twelve million dollar loan. The loan was refinanced in 2019 with Branch Banking and Trust as a 10-year tax-exempt bond, amortized over 20 years. The interest rate is fixed at 3.07% for the entire term. Principal and interest payments were made throughout 2024 and 2023. The total balance outstanding is presented on the accompanying statement of net position.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

Events Affecting Future Operations

Affecting the Bar:

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 \$9,341,093 at December 31, 2024. This is a decrease from 2023 when the liabilities were \$11,851,184 and a decrease from 2022 when the liabilities were \$13,526,719.

The State Bar program's assets exceeded liabilities (net position) by \$11,810,584 at December 31, 2024. This is an increase from 2023 when the net position was \$11,614,481 and an increase from 2022 when the net position was \$10,630,370. This improvement in net position can be attributed to the following three factors: (1) increase in interest paid by bank; (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) increase in CLE to LAP program payment, even though CLE held a million dollars in reserves.

Recent litigation against the State Bar, filed in March 2024, required employment of outside counsel and thus increased legal matters expense in 2024. In anticipation of an appeal in the Polaski case, the 2025 budget includes a significant increase in this line item.

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 2024, substantial revenue was also realized from interest on deposits. Due to the reliability of dues collections and interest income, State Bar revenue in 2024 exceeded the budgeted expectation. It is anticipated this will also occur in 2025. In addition, after many years of advocacy at the General Assembly, legislation was passed in Fall 2023 increasing the cap on membership fees from \$300 to \$325. This increase will enable the collection of additional membership fee revenue in future years. It is anticipated that the executive director will ask the Council to approve the \$25 increase for 2026.

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 2024 was a good year financially. The 2024 net income was \$196,103. 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.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

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 as of December 31, 2022, the Supreme Court did not order an assessment for 2023 and 2024. When the reserve fund continued to substantially exceed the required cash reserve at the end of 2024, the Supreme Court again decided not to order an assessment for the fiscal year ending in 2025.

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 \$16,453,744 (net position) at December 31, 2024. This is an increase from 2023 when assets exceeded liabilities by \$12,445,398, and an increase from 2022 when assets exceeded liabilities by \$7,407,669.

IOLTA's total liabilities were \$13,874,154 at December 31, 2024. This is an increase from 2023 when total liabilities were \$11,128,815 and an increase from 2022 when total liabilities were \$6,261,153.

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, 2024

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

	2024	2023	2022	Current Year Amount Change	Current Year % Change
Current assets	\$30,246,099	\$23,503,214	\$13,595,817	\$ 6,742,885	28.7%
Capital assets, net	10,800	-	2,006	10,800	100.0%
Noncurrent assets	70,999	70,999	70,999	-	0.0%
Total assets	30,327,898	23,574,213	13,668,822	6,753,685	28.6%
Current liabilities	13,042,818	10,268,230	6,261,153	2,774,588	27.0%
Noncurrent liabilities	831,336	860,585	-	(29,249)	0.0%
Total liabilities	13,874,154	11,128,815	6,261,153	2,745,339	24.7%
Net position:					
Investment in					
capital assets	10,800	-	2,006	10,800	100.0%
Restricted	70,999	70,999	70,999	-	0.0%
Unrestricted	16,371,945	12,374,399	7,334,664	3,997,546	32.3%
Total net position	\$16,453,744	\$12,445,398	\$ 7,407,669	\$ 4,008,346	32.2%
Operating revenues	\$16,742,799	\$16,102,698	\$ 7,829,338	\$ 640,101	4.0%
Operating expenses	13,793,323	11,611,810	6,601,158	2,181,513	18.8%
Operating income (loss)	2,949,476	4,490,888	1,228,180	(1,541,412)	-34.3%
Non-operating revenue	1,058,870	546,841	88,983	512,029	93.6%
Changes in net position	\$ 4,008,346	\$ 5,037,729	\$ 1,317,163	\$ (1,029,383)	-20.4%

The original, primary revenue source for IOLTA is participant income. Participant income in 2024 increased by 3.9% compared to 2023. Participant income in 2023 increased by 105.2% compared to 2022. The increase in income in 2023 as a result of the improved interest rates significantly bolstered participant income.

The Federal Reserve decreased interest rates three times over the fiscal year end 2024. The rates decreased from 5.50% towards the end of 2023 to 4.50% by the end of 2024.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

In 2024, Cy Pres funds were \$0 while in 2023 and 2022, IOLTA received \$127,404 and \$17,212 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:	2024	2023	2022	Current Year Amount Change	Current Year % Change
IOLTA Funds	<u>\$12,960,752</u>	<u>\$11,033,688</u>	<u>\$ 6,101,864</u>	<u>\$ 1,927,064</u>	<u>17.5%</u>

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 December 31, 2023 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, 2024 was \$13,127,993. The designations consist of \$12,265,793 to allow IOLTA the ability to maintain grant award levels in times of economic downturn, and \$862,200 specifically related to the IOLTA Public Interest Internship Program. The Public Interest Internship Program was re-established in 2023 to fund public interest stipends for law students who will work in approved setting in North Carolina counties designated as a legal desert. During 2024, \$187,800 was distributed for the IOLTA Public Interest Internship Program.

IOLTA disbursed \$863,689 in state funds in 2024. 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, 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 converted 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, replaced the attendee fee as the primary sources of revenue for the program. 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. This change has reduced administrative work but it's too early to predict if these changes will produce revenue comparable to prior years revenue. In 2024, the CLE budget reserved \$1,000,000 for unanticipated income variability stemming from a new financial process in the rule changes. The objective is to retain the CLE program's financial position in which its revenues are more than sufficient to sustain its regulatory activities.

Affecting the Board of Legal Specialization:

The Legal Specialization program is financially self-sufficient with revenues that have generally exceeded expenses in recent years, albeit by relatively modest amounts. With over one thousand lawyers certified in fifteen areas of specialty, the program is less reliant upon application fees from lawyers seeking certification (averaging 75-100 applicants a year) than on the reliable sums generated each year from the annual fee required to maintain certification and the recertification application fee required every five years. However, the margin between revenues and expenses for this program remains slim. In 2024, the program experienced a deficit of approximately \$17,000 which was an improvement from the projected deficit of approximately \$29,000. The budget for 2025 again projects a net loss of approximately \$26,000. 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, but the increases in personnel and operating expenses may necessitate an increase in assessed fees in the coming years.

NORTH CAROLINA STATE BAR
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

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 2025, 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.

The program experienced a surplus in 2024 of over \$41,000; this was due to projected expenses being lower than expected and revenue being up due to the aforementioned increase to the annual certification fee. In 2025, the program projects a deficit of approximately \$7,000; this is primarily due to the Board's decision to host two large events to celebrate the program's 20th anniversary.

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, 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, 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, 2024 and 2023, 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, 2024 and 2023, 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 25, 2025

NORTH CAROLINA STATE BAR
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 41,615,135	\$ 36,613,477
Restricted cash, current portion	495,198	679,061
Receivables from related entities	624	-
Fees receivable, net	142,579	476,463
Other receivables	11,647	41,296
Interest receivable	1,561,001	1,501,758
Prepaid expenses	92,509	53,700
Total current assets	<u>43,918,693</u>	<u>39,365,755</u>
Capital assets, net	<u>11,430,185</u>	<u>11,943,376</u>
Noncurrent assets:		
Right-of-use leased assets, net of amortization	88,176	33,241
Restricted cash, noncurrent portion	70,999	70,999
Total noncurrent assets	<u>159,175</u>	<u>104,240</u>
Total assets	<u>55,508,053</u>	<u>51,413,371</u>
LIABILITIES:		
Current liabilities:		
Current portion of long-term debt	420,273	407,581
Accounts payable	263,296	99,883
Other accrued expenses	132,816	176,636
Payable as Agent for the State	70,687	189,541
Accrued vacation	281,855	256,191
Pension contribution payable	732,378	637,223
Amounts held for escheatment	424,511	489,520
Grants approved and unpaid	12,900,752	10,033,277
Unearned revenue	93,485	2,404,210
Lease liabilities, current portion	44,012	21,037
Total current liabilities	<u>15,364,065</u>	<u>14,715,099</u>
Noncurrent liabilities:		
Grants approved and unpaid	831,336	860,585
Long-term debt	7,080,493	7,500,766
Lease liabilities, noncurrent portion	45,404	12,540
Total noncurrent liabilities	<u>7,957,233</u>	<u>8,373,891</u>
Total liabilities	<u>23,321,298</u>	<u>23,088,990</u>
NET POSITION:		
Net investment in capital assets	3,928,179	4,034,693
Restricted	70,999	70,999
Unrestricted	28,187,577	24,218,689
Total net position	<u>\$ 32,186,755</u>	<u>\$ 28,324,381</u>

NORTH CAROLINA STATE BAR
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Membership fees	\$ 9,702,965	\$ 9,552,089
Assessments	300	5,850
Reimbursements of claim awards	42,617	36,852
Sponsor and attendee fees	1,133,661	613,418
Renewal, registration and examination fees	538,470	458,125
Professional corporations	133,960	134,430
Interstate law firms	175,500	160,500
Reinstatement fees	7,625	5,875
Penalty fees	323,360	553,092
EAJC processing fees	31,416	121,909
DHC reimbursable costs and grievance fees	75,200	77,696
Foundation contributions	69,965	64,871
Bar magazine income	26,347	23,144
Convenience fees	126,126	133,922
Interest from participants - IOLTA	16,160,510	15,547,105
Cy pres receipts - IOLTA	-	127,404
Settlement agent accounts - IOLTA	503,493	381,011
Professional and administrative services - IOLTA	78,796	47,178
Other	84,145	49,246
Total operating revenues	<u>29,214,456</u>	<u>28,093,717</u>
Operating expenses:		
Salaries and wages	8,091,738	7,049,362
Pension plan contributions	732,378	636,053
Other employee benefits	977,199	883,066
Grant awards - IOLTA	12,960,752	11,033,688
Claim awards	506,172	224,270
Professional fees	273,307	193,779
Council and committee meetings, including officers' travel	528,505	591,222
Publications, postage, and printing	193,969	204,431
Depreciation	623,177	604,109
Lease amortization	40,029	41,971
Equipment rental and maintenance	353,797	339,039
CJCP Support	82,182	-
EAJC Support	82,182	-
State Bar overhead, computer usage and copier charges	20,572	-
Coordinator fee and expenses	-	2,950
Travel and automotive	63,220	50,177
Community outreach	15,001	19,678
Test administration	36,718	34,146
Disciplinary proceedings	73,189	72,460
Building maintenance and utilities	268,932	250,860
Bank service charges	200,113	190,639
Bad debt expense	58,490	62,822
Other office expense	338,341	352,584
Law School Internship expense	187,800	-
Telephone	13,786	17,937
Insurance and bonds	53,208	50,659
Other	3,318	8,868
Interest expense on lease liabilities	3,477	3,256
Total operating expenses	<u>26,781,552</u>	<u>22,918,026</u>
Operating income	<u>2,432,904</u>	<u>5,175,691</u>
Nonoperating revenues (expenses):		
Interest income	1,669,758	1,063,048
Interest expense	(240,288)	(252,120)
Net nonoperating revenues (expenses)	<u>1,429,470</u>	<u>810,928</u>
Changes in net position	3,862,374	5,986,619
Net position - beginning of year	<u>28,324,381</u>	<u>22,337,762</u>
Net position - end of year	<u>\$ 32,186,755</u>	<u>\$ 28,324,381</u>

See Notes to Financial Statements

NORTH CAROLINA STATE BAR
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from attorneys for membership fees	\$ 7,392,240	\$ 8,371,199
Cash received from program participants - IOLTA	16,101,267	15,194,560
Cash received from other fees	2,820,192	2,076,365
Cash received from Cy Pres - IOLTA	-	127,404
Cash received from settlement agent accounts - IOLTA	503,493	381,011
Cash received from other services - IOLTA	78,796	47,178
Cash received from assessments and reimbursements	43,092	47,902
Other cash received	780,902	548,375
Payments for IOLTA grants	(10,241,380)	(6,168,655)
Payments to claimants	(506,172)	(224,270)
Payments to employees for services	(9,680,496)	(8,530,042)
Payments to suppliers of goods and services	(1,794,376)	(1,792,551)
Payments for other operating expenses	(1,549,064)	(1,097,031)
Net cash provided by operating activities	<u>3,948,494</u>	<u>8,981,445</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(109,986)	(177,590)
Payments on lease liabilities	(42,602)	(48,163)
Interest paid	(240,288)	(252,120)
Principal payments on bank borrowings	(407,581)	(395,273)
Net cash used in capital and related financing activities	<u>(800,457)</u>	<u>(873,146)</u>
Cash flows from investing activities:		
Interest received	1,669,758	1,063,048
Net cash provided by investing activities	<u>1,669,758</u>	<u>1,063,048</u>
Net increase in cash and cash equivalents	4,817,795	9,171,347
Cash and cash equivalents and restricted cash and equivalents - beginning of year	37,363,537	28,192,190
Cash and cash equivalents and restricted cash and equivalents - end of year	<u>\$ 42,181,332</u>	<u>\$ 37,363,537</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,432,904	\$ 5,175,691
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	623,177	604,109
Amortization, leased assets	40,029	41,971
Interest expense on lease liabilities	3,477	3,256
Changes in assets and liabilities:		
Receivables	313,100	(446,766)
Prepaid expenses and other assets	(38,809)	17,585
Accounts payable and accrued expenses	(8,695)	11,425
Accrued vacation and pension	120,819	38,439
Grants approved and unpaid	2,838,226	4,791,998
Amount held for escheatment	(65,009)	(15,498)
Unearned revenue	(2,310,725)	(1,240,765)
Total adjustments	<u>1,515,590</u>	<u>3,805,754</u>
Net cash provided by operating activities	<u>\$ 3,948,494</u>	<u>\$ 8,981,445</u>

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

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

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

Financial Reporting Entity

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

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

Basis of Presentation

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

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

Basis of Accounting

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

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

NORTH CAROLINA STATE BAR
Notes to Financial Statements

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

Adoption of New Accounting Standard

On January 1, 2024, the Board adopted the requirements of GASB Statement 101, *Compensated Absences*. This Statement revises the accounting requirements related to recognition of compensated absences. The Board does not expect Statement 101 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 2024 and 2023. CSF assessment fees were not charged for 2023 and 2024. 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

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 renewal and out of state firm fees received prior to the end of the year. Amounts collected prior to January 1, represent unearned revenues as of December 31.

Payable as Agent for the State

Payable as Agent for the State consists of funds held by IOLTA acting as a custodian on behalf of the State of North Carolina. These funds are included in restricted cash at December 31. See also Note 4 - Custodial Transactions.

Amounts Held for Escheatment

Amounts held for escheatment represent amounts held by the Bar for the beneficiaries of attorney trust accounts assumed by the Bar. These funds are included in restricted cash in the Statements of Net Position.

Accrued Vacation

The State Bar provides for the accumulation of up to 105 hours of earned vacation leave with such leave being fully vested when earned. Sick leave is accumulated up to 910 hours; however, no payments are made for accrued and unused sick leave at the end of the calendar year or in the event an employee separates from employment.

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.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

Net Position (Continued)

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 \$13,127,993 and \$7,437,115 of its net position without donor restrictions at December 31, 2024 and 2023, respectively, to be reserved for future program awards. Included in the designations was \$1,050,000 designated in 2023 to fund the IOLTA Public Interest Internship Program for at least three years up to \$350,000 per year. During 2024, amounts totaling \$187,800 were distributed for the internship program. 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 continuing education and are recognized in the period in which the fee is charged. Penalties are charged for late filing and late compliance and are recognized as income in the period charged. In 2024, sponsors were required to pay \$50 Application Fee per course, a \$25 Repeat Application Fee, and a \$20 On-Demand Annual Renewal Fee. The CLE program assessed an annual attendance fee of \$25 to attorneys in 2024. Attorney penalties include a \$75 late filing fee and a \$125 late compliance fee. Per 27 NCAC 1D Rule.1513(d) all revenues resulting from the CLE program shall be applied first to the expense of administration of the CLE program including an adequate reserve fund; provided, however, that a portion of each annual CLE fee and program application fee, in an amount to be determined by the council, shall be paid to the Chief Justice's Commission on Professionalism and the NC Equal Access to Justice Commission. In 2024, \$386,000 was paid to each organization.
- Paralegal revenues from renewal fees are recognized when the certification period begins, which is July 1. Paralegal application and examination fees are recognized when earned, which is generally when received.
- CSF revenues are comprised of assessments and reimbursements of claim awards. Annual assessments to attorneys are made when the Board determines the reserves are low. Revenues are recognized in the period for which the assessments are due. No assessments were ordered for 2024 and 2023. 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.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

Revenue Recognition (Continued)

- IOLTA's operating revenues are comprised primarily of interest from participant accounts, cy pres receipts and settlement proceeds. Interest from participant accounts is recognized as revenue when earned. IOLTA management is responsible for negotiating service charges assessed by financial institutions in connection with IOLTA participants' trust accounts. Certain service charges are based on a flat fee per account, while others are dependent upon the activity in the accounts. IOLTA, by law, is entitled only to the interest earned on participants' accounts, net of certain service charges. Interest income from IOLTA participants is reported net of reported service charges of approximately \$684,608 and \$695,332 in 2024 and 2023, 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 2024 and 2023, respectively, such cy pres funds in the amount of \$0 and \$127,404 were received and included in funds available for 2024 and 2023 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, 2024 is expected to be funded in 2025. The non-current portion of grants payable is expected to be paid in 2026.

Grant awards subject to matching requirements are recognized upon the grantee's satisfaction of the required match. There was \$40,000 of matching funds met but unpaid in December 31, 2024. There were no unpaid match awards at December 31, 2023.

Claim Awards - CSF

Claim awards are recognized upon authorization by the Board of Trustees of the Client Security Fund ("Board"). Effective March 6, 1997, the North Carolina Supreme Court limited CSF claim awards to \$100,000 per claim.

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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

Income Taxes

The State Bar is a governmental agency whose net income is exempt from federal income taxes under the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS AND CREDIT RISK

Cash and cash equivalents consist of the following at December 31:

	2024	2023
Truist, checking account	\$ 1,829,285	\$ 3,550,588
Truist, money market account	9,816,160	10,042,533
Wells Fargo, checking account - IOLTA	1,000	1,000
STIF account (with NC State Treasurer)	29,968,690	23,019,356
	<u>\$41,615,135</u>	<u>\$36,613,477</u>

Custodial credit risk is the risk that the State Bar's deposits may not be returned in the event of a bank failure. The State Bar's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits with financial institutions exceeded FDIC insured limits by approximately \$12.96 million as of December 31, 2024.

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 the accounts are fully collateralized. These collateralized deposits are pooled with the State Treasurer. Amounts held with the State Treasurer are insured by the State of North Carolina.

NOTE 3 - RESTRICTED CASH

Restricted cash consists of the following at December 31:

	2024	2023
Bar (with First Citizen's Trust fund)	\$ 424,511	\$ 489,520
IOLTA - cash held in agency (with NC State Treasurer)	70,687	189,541
IOLTA - settlement funds (with NC State Treasurer)	70,999	70,999
	<u>\$ 566,197</u>	<u>\$ 750,060</u>

NORTH CAROLINA STATE BAR

Notes to Financial Statements

NOTE 3 - RESTRICTED CASH (Continued)

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).

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.

NOTE 4 - CUSTODIAL TRANSACTIONS

Funds disbursed by IOLTA acting as a custodian of the State are as follows:

	<u>2024</u>	<u>2023</u>
Legal Aid of North Carolina, Inc. (LANC)	\$ 819,249	\$ 662,454
Pisgah Legal Services	44,440	37,187
Pisgah Legal Services - Appropriations paid	-	50,000
	<u>\$ 863,689</u>	<u>\$ 749,641</u>

Funds received by IOLTA associated with these custodial transactions and undisbursed at year end are included in restricted cash and payable as agent for the State in the Statement of Net Position. These funds totaled \$70,687 and \$189,541 at December 31, 2024 and 2023, respectively.

NOTE 5 - CLE ASSESSMENTS

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

	<u>2024</u>	<u>2023</u>
Chief Justice's Commission on Professionalism	\$ 386,000	\$ 404,934
North Carolina Equal Access to Justice Commission	386,000	404,934
North Carolina State Bar	96,500	101,198
	<u>\$ 868,500</u>	<u>\$ 911,066</u>

These amounts are not included in CLE revenues and expenses but are passed on to the respective agencies. The Bar assessments are included in EAJC processing fees in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 6 - FEES RECEIVABLE

Fees receivable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Bar membership fees	\$ 35,230	\$ 40,350
CSF assessments	-	2,875
	<u>35,230</u>	<u>43,225</u>
Less: Allowance for doubtful accounts	<u>(18,930)</u>	<u>(20,355)</u>
	<u>16,300</u>	<u>22,870</u>
Bar fees from CJCP services	<u>1,746</u>	<u>68,711</u>
Bar DHC fees	549,991	498,287
Less: Allowance for doubtful accounts - DHC fees	<u>(454,133)</u>	<u>(423,828)</u>
	<u>95,858</u>	<u>74,459</u>
CLE fees	43,675	325,423
Less: Allowance for doubtful accounts	<u>(15,000)</u>	<u>(15,000)</u>
	<u>28,675</u>	<u>310,423</u>
Total fees receivable, net	<u><u>\$ 142,579</u></u>	<u><u>\$ 476,463</u></u>

NOTE 7 - CAPITAL ASSETS

Changes in capital assets are as follows for the year ended December 31, 2024:

	Cost 12/31/2023	Additions	Retirements	Cost 12/31/2024
Building costs	\$ 17,111,627	\$ -	\$ -	\$ 17,111,627
IOLTA website development	-	10,800	-	10,800
Computer equipment and software	880,184	31,383	-	911,567
Artwork	417,165	-	-	417,165
Furniture and office equipment	1,599,947	67,803	(33,398)	1,634,352
Automobile	19,407	-	-	19,407
Total cost	<u>20,028,330</u>	<u>109,986</u>	<u>(33,398)</u>	<u>20,104,918</u>
Less accumulated depreciation:				
Building costs	(6,059,949)	(502,403)	-	(6,562,352)
Computer equipment and software	(527,172)	(102,300)	-	(629,472)
Furniture and office equipment	(1,478,426)	(18,474)	33,398	(1,463,502)
Automobile	(19,407)	-	-	(19,407)
Total depreciation	<u>(8,084,954)</u>	<u>(623,177)</u>	<u>33,398</u>	<u>(8,674,733)</u>
Total capital assets, net	<u><u>\$ 11,943,376</u></u>	<u><u>\$ (513,191)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,430,185</u></u>

NORTH CAROLINA STATE BAR
Notes to Financial Statements

NOTE 7 - CAPITAL ASSETS (Continued)

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

	Cost 12/31/2022	Additions	Retirements	Cost 12/31/2023
Building costs	\$17,111,627	\$ -	\$ -	\$17,111,627
Computer equipment and software	799,796	171,847	(91,459)	880,184
Artwork	417,165	-	-	417,165
Furniture and office equipment	1,598,978	5,743	(4,774)	1,599,947
Automobiles	19,407	-	-	19,407
Total cost	<u>19,946,973</u>	<u>177,590</u>	<u>(96,233)</u>	<u>20,028,330</u>
Less accumulated depreciation:				
Building costs	(5,557,413)	(502,536)	-	(6,059,949)
Computer equipment and software	(533,491)	(85,140)	91,459	(527,172)
Furniture and office equipment	(1,466,767)	(16,433)	4,774	(1,478,426)
Automobiles	(19,407)	-	-	(19,407)
	<u>(7,577,078)</u>	<u>(604,109)</u>	<u>96,233</u>	<u>(8,084,954)</u>
Total capital assets, net	<u>\$12,369,895</u>	<u>\$ (426,519)</u>	<u>\$ -</u>	<u>\$11,943,376</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, 2024:

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%.

	\$ 7,500,766
Less current portion	(420,273)
Long-term debt	<u>\$ 7,080,493</u>

Principal maturities and interest payments of long-term debt are as follows at December 31, 2024:

	Principal	Interest
2025	\$ 420,273	\$ 227,517
2026	433,363	214,250
2027	446,854	200,570
2028	460,769	186,986
2029	475,114	171,919
Thereafter	5,264,393	815,710
	<u>\$ 7,500,766</u>	<u>\$ 1,816,952</u>

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

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, 2024, the State Bar had \$9,009,285 of unrestricted cash and \$7,500,766 of funded debt, a liquidity ratio of approximately 120%. The loan is secured by the building. Management is aware of no violations of these covenants as of December 31, 2024 or subsequent thereto.

NOTE 9 - CHANGE IN LIABILITIES AND ACCRUED VACATION

The change in long-term liabilities is as follows at December 31, 2024 and 2023:

	Balance 12/31/2023	Increases	Decreases	Balance 12/31/2024	Current Portion of Balance
Grants and unpaid	<u>\$ 10,893,862</u>	<u>\$ 13,732,085</u>	<u>\$(10,893,859)</u>	<u>\$ 13,732,088</u>	<u>\$ 12,900,752</u>
Note payable	<u>\$ 7,908,347</u>	<u>\$ -</u>	<u>\$ (407,581)</u>	<u>\$ 7,500,766</u>	<u>\$ 420,273</u>

	Balance 12/31/2022	Increases	Decreases	Balance 12/31/2023	Current Portion of Balance
Grants 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>

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

	2024	2023
Beginning balance	<u>\$ 256,191</u>	<u>\$ 254,792</u>
Increases	<u>539,348</u>	<u>461,951</u>
Decreases	<u>(513,684)</u>	<u>(460,552)</u>
Ending balance	<u>\$ 281,855</u>	<u>\$ 256,191</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 \$732,377 and \$636,053 in 2024 and 2023, respectively.

There were no pension forfeitures used to offset pension contributions for the years ended December 31, 2024 and 2023.

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 \$840,704 and \$823,113 in 2024 and 2023, 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, 2024. The renewed lease agreement expires June 30, 2026. 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:

	<u>2024</u>	<u>2023</u>
Amortization expense by class of underlying asset:		
Facilities	\$ 30,660	\$ 28,147
Equipment	9,369	13,824
Interest on lease liabilities	3,477	3,256
Total lease expense	<u>\$ 43,506</u>	<u>\$ 45,227</u>

Right-of-use leased assets activity:

	<u>12/31/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2024</u>
Facilities	\$ 126,659	\$ 66,349	\$ (126,659)	\$ 66,349
Equipment	30,050	28,615	(6,760)	51,905
Less: Accumulated amortization	(123,468)	(40,029)	133,419	(30,078)
Right-of-use assets, net	<u>\$ 33,241</u>	<u>\$ 54,935</u>	<u>\$ -</u>	<u>\$ 88,176</u>

	<u>12/31/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2023</u>
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>

Lease liabilities were comprised of the following:

	<u>12/31/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2024</u>
Total lease liabilities	<u>\$ 33,577</u>	<u>\$ 91,596</u>	<u>\$ (35,757)</u>	<u>\$ 89,416</u>

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

NORTH CAROLINA STATE BAR

Notes to Financial Statements

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, 2024:

	Principal	Interest	Total Payments
2025	\$ 44,012	\$ 4,122	\$ 48,134
2026	29,280	1,631	30,911
2027	5,584	747	6,331
2028	5,899	732	6,631
2029	4,641	107	4,748
	<u>\$ 89,416</u>	<u>\$ 7,339</u>	<u>\$ 96,755</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, 2024 and 2023, respectively. The funds were expended in January, 2025 for disaster relief purposes. There were no grants funded from settlement proceeds in 2024 or 2023.

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 \$1,000,000 at year end. The Bar recognized and received related support from CLE in 2024 of \$380,888. The Bar recognized related support from CLE in 2023 of \$296,130.

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

NOTE 14 - INTER-PROGRAM TRANSACTIONS (Continued)

Bar Overhead, Computer Usage and Copier Charges

These charges are as follows for the years ended December 31, 2024 and 2023:

<u>2024</u>	<u>Overhead</u>	<u>Computer</u>	<u>Copying</u>	<u>Total</u>
CLE	\$ 42,275	\$ 20,360	\$ 22	\$ 62,657
Legal Specialization	18,725	3,259	978	22,962
Paralegal	18,725	3,390	7	22,122
IOLTA	-	-	109	109
CSF	19,780	-	9	19,789
Total	<u>\$ 99,505</u>	<u>\$ 27,009</u>	<u>\$ 1,125</u>	<u>\$ 127,639</u>
<u>2023</u>	<u>Overhead</u>	<u>Computer</u>	<u>Copying</u>	<u>Total</u>
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>

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 2024 and 2023.

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 did not have a payable to CJCP or to EAJC at December 31, 2024. 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

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 2024 and 2023 of \$69,965 and \$64,871, 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

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 \$79,568 and \$77,250 were paid in 2024 and 2023, respectively. Software development fees of \$132,500 plus an additional \$23,850 for CLE rule changes and sponsor portal were paid in 2023. Second and final payment of \$23,850 was made in 2024 for CLE rule changes and sponsor portal. 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 25, 2025, 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 \$56,925.

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2024

ASSETS:

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Current assets:				
Cash and cash equivalents	\$ 9,009,285	\$ 1,034,236	\$ 218,598	\$ 451,269
Restricted cash, current portion	424,511	-	-	-
Receivables from related entities	4,932	-	-	-
Fees receivable, net	113,904	28,675	-	-
Other receivables	9,672	-	1,400	575
Interest receivable	-	-	-	-
Prepaid expenses and other assets	81,812	-	-	-
Total current assets	<u>9,644,116</u>	<u>1,062,911</u>	<u>219,998</u>	<u>451,844</u>
Capital assets:				
Property and equipment	19,864,906	142,382	19,934	27,003
Less accumulated depreciation	(8,445,521)	(142,382)	(19,934)	(27,003)
Capital assets, net	<u>11,419,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:				
Right-of-use leased assets, net of amortization	88,176	-	-	-
Restricted cash, noncurrent portion	-	-	-	-
Total noncurrent assets	<u>88,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>21,151,677</u>	<u>1,062,911</u>	<u>219,998</u>	<u>451,844</u>

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	420,273	-	-	-
Accounts payable	239,788	624	-	-
Other accrued expenses	132,816	-	-	-
Payable to the Bar	-	4,308	-	-
Payable as Agent for the State	-	-	-	-
Accrued vacation	247,306	8,897	1,610	8,059
Pension contribution payable	623,490	29,346	10,829	16,123
Amounts held for escheatment	424,511	-	-	-
Grants approved but unpaid	-	-	-	-
Unearned revenue	83,000	10,485	-	-
Lease liabilities, current portion	44,012	-	-	-
Total current liabilities	<u>2,215,196</u>	<u>53,660</u>	<u>12,439</u>	<u>24,182</u>
Noncurrent liabilities:				
Grants approved but unpaid	-	-	-	-
Long-term debt	7,080,493	-	-	-
Lease liabilities, noncurrent portion	45,404	-	-	-
Total noncurrent liabilities	<u>7,125,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,341,093</u>	<u>53,660</u>	<u>12,439</u>	<u>24,182</u>

NET POSITION:

Net investment in capital assets	3,917,379	-	-	-
Restricted	-	-	-	-
Unrestricted	<u>7,893,205</u>	<u>1,009,251</u>	<u>207,559</u>	<u>427,662</u>
Total net position	<u>\$ 11,810,584</u>	<u>\$ 1,009,251</u>	<u>\$ 207,559</u>	<u>\$ 427,662</u>

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Net Position - State Bar Programs
December 31, 2024

ASSETS:

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Current assets:				
Cash and cash equivalents	\$ 28,604,095	\$ 2,297,652	\$ -	\$ 41,615,135
Restricted cash, current portion	70,687	-	-	495,198
Receivables from related entities	-	-	(4,308)	624
Fees receivable, net	-	-	-	142,579
Other receivables	-	-	-	11,647
Interest receivable	1,561,001	-	-	1,561,001
Prepaid expenses and other assets	10,316	381	-	92,509
Total current assets	30,246,099	2,298,033	(4,308)	43,918,693
Capital assets:				
Property and equipment	41,455	9,238	-	20,104,918
Less accumulated depreciation	(30,655)	(9,238)	-	(8,674,733)
Capital assets, net	10,800	-	-	11,430,185
Noncurrent assets:				
Right-of-use leased assets, net of amortization	-	-	-	88,176
Restricted cash, noncurrent portion	70,999	-	-	70,999
Total noncurrent assets	70,999	-	-	159,175
Total assets	30,327,898	2,298,033	(4,308)	55,508,053

LIABILITIES:

Current liabilities:				
Current portion of long-term debt	-	-	-	420,273
Accounts payable	22,884	-	-	263,296
Other accrued expenses	-	-	-	132,816
Payable to the Bar	-	-	(4,308)	-
Payable as Agent for the State	70,687	-	-	70,687
Accrued vacation	11,509	4,474	-	281,855
Pension contribution payable	36,986	15,604	-	732,378
Amounts held for escheatment	-	-	-	424,511
Grants approved but unpaid	12,900,712	-	-	12,900,712
Unearned revenue	-	-	-	93,485
Lease liabilities, current portion	-	-	-	44,012
Total current liabilities	13,042,778	20,078	(4,308)	15,364,025
Noncurrent liabilities:				
Grants approved but unpaid	831,376	-	-	831,376
Long-term debt	-	-	-	7,080,493
Lease liabilities, noncurrent portion	-	-	-	45,404
Total noncurrent liabilities	831,376	-	-	7,957,273
Total liabilities	13,874,154	20,078	(4,308)	23,321,298

NET POSITION:

Net investment in capital assets	10,800	-	-	3,928,179
Restricted	70,999	-	-	70,999
Unrestricted	16,371,945	2,277,955	-	28,187,577
Total net position	\$ 16,453,744	\$ 2,277,955	\$ -	\$ 32,186,755

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2024

	Bar	Continuing Legal Education	Legal Specialization	Paralegal
Operating revenues:				
Membership fees	\$ 9,702,965	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Reimbursements of claim awards	-	-	-	-
Sponsor and attendee fees	-	1,133,661	-	-
Renewal, registration and examination fees	-	-	217,000	321,470
Professional corporations	133,960	-	-	-
Interstate law firms	175,500	-	-	-
Reinstatement fees	7,625	-	-	-
Penalty fees	31,150	284,700	60	7,450
EAJC processing fees	31,416	-	-	-
DHC reimbursable costs and grievance fees	75,200	-	-	-
Foundation contributions	69,965	-	-	-
Support from Continuing Legal Education	404,738	-	-	-
Bar magazine income	26,347	-	-	-
State Bar overhead and computer usage and copier charges	127,639	-	-	-
Rental income	29,264	-	-	-
Convenience fees	83,593	31,846	4,361	6,326
Interest from participants - IOLTA	-	-	-	-
Cy pres receipts - IOLTA	-	-	-	-
Professional and administrative services - IOLTA	-	-	-	-
Other	84,143	-	-	-
Total operating revenues	10,983,505	1,450,207	221,421	335,246
Operating expenses:				
Salaries and wages	6,903,992	331,440	119,137	174,107
Pension plan contributions	623,490	29,346	10,829	16,123
Other employee benefits	819,091	48,728	23,651	24,024
Grant awards - IOLTA	-	-	-	-
Claim awards	-	-	-	-
Professional fees	197,723	5,000	3,750	3,750
Council and committee meetings	478,963	4,466	11,774	7,698
Publications, postage, and printing	169,296	18,316	2,903	3,239
Depreciation	623,177	-	-	-
Lease amortization expense	40,029	-	-	-
Equipment rental and maintenance	321,393	-	-	-
LAP support provided by CLE	-	404,738	-	-
CJCP Support	-	82,182	-	-
EAJC Support	-	82,182	-	-
State Bar overhead, computer usage and copier charges	-	83,229	22,962	22,122
Travel and automotive	51,645	2,706	1,249	488
Community outreach	-	-	11,148	3,853
Test administration	-	-	15,831	20,887
Rent expense	-	14,984	2,940	2,940
Disciplinary proceedings	73,189	-	-	-
Building maintenance and utilities	268,932	-	-	-
Bank service charges	138,598	43,258	5,838	8,492
Bad debt expense	57,215	-	-	-
Other office expense	294,317	11,110	4,825	4,548
Law School Internship Expense	-	-	-	-
Telephone	13,786	-	-	-
Insurance and bonds	42,328	4,649	1,551	1,551
Other	-	-	-	-
Interest expense on lease liabilities	3,477	-	-	-
Total operating expenses	11,120,641	1,166,334	238,388	293,822
Operating income (loss)	(137,136)	283,873	(16,967)	41,424
Nonoperating revenues (expenses):				
Interest income	573,527	-	-	-
Interest expense	(240,288)	-	-	-
Total nonoperating revenues (expenses)	333,239	-	-	-
Changes in net position	196,103	283,873	(16,967)	41,424
Net position - beginning of year	11,614,481	725,378	224,526	386,238
Net position - end of year	\$ 11,810,584	\$ 1,009,251	\$ 207,559	\$ 427,662

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Revenues, Expenses and Changes in Net Position - State Bar Programs
Year Ended December 31, 2024

	IOLTA	Client Security Fund	Eliminating Entries	Total State Bar
Operating revenues:				
Membership fees	\$ -	\$ -	\$ -	\$ 9,702,965
Assessments	-	300	-	300
Reimbursements of claim awards	-	42,617	-	42,617
Sponsor and attendee fees	-	-	-	1,133,661
Renewal, registration and examination fees	-	-	-	538,470
Professional corporations	-	-	-	133,960
Interstate law firms	-	-	-	175,500
Reinstatement fees	-	-	-	7,625
Penalty fees	-	-	-	323,360
EAJC processing fees	-	-	-	31,416
DHC reimbursable costs and grievance fees	-	-	-	75,200
Foundation contributions	-	-	-	69,965
Support from Continuing Legal Education	-	-	(404,738)	-
Bar magazine income	-	-	-	26,347
State Bar overhead and computer usage and copier charges	-	-	(127,639)	-
Rental income	-	-	(29,264)	-
Convenience fees	-	-	-	126,126
Interest from participants - IOLTA	16,160,510	-	-	16,160,510
Settlement agent accounts - IOLTA	503,493	-	-	503,493
Professional and administrative services - IOLTA	78,796	-	-	78,796
Other	-	2	-	84,145
Total operating revenues	16,742,799	42,919	(561,641)	29,214,456
Operating expenses:				
Salaries and wages	397,163	165,899	-	8,091,738
Pension plan contributions	36,986	15,604	-	732,378
Other employee benefits	53,683	8,022	-	977,199
Grant awards - IOLTA	12,960,752	-	-	12,960,752
Claim awards	-	506,172	-	506,172
Professional fees	58,084	5,000	-	273,307
Council and committee meetings	23,902	1,702	-	528,505
Publications, postage, and printing	-	215	-	193,969
Depreciation	-	-	-	623,177
Lease amortization expense	-	-	-	40,029
Equipment rental and maintenance	32,404	-	-	353,797
LAP support provided by CLE	-	-	(404,738)	-
CJCP Support	-	-	-	82,182
EAJC Support	-	-	-	82,182
State Bar overhead, computer usage and copier charges	109	19,789	(127,639)	20,572
Travel and automotive	7,132	-	-	63,220
Community outreach	-	-	-	15,001
Test administration	-	-	-	36,718
Rent expense	8,400	-	(29,264)	-
Disciplinary proceedings	-	-	-	73,189
Building maintenance and utilities	-	-	-	268,932
Bank service charges	3,927	-	-	200,113
Credit loss expense	-	1,275	-	58,490
Other office expense	22,981	560	-	338,341
Law School Internship expense	187,800	-	-	187,800
Telephone	-	-	-	13,786
Insurance and bonds	-	3,129	-	53,208
Other	-	3,318	-	3,318
Interest expense on lease liabilities	-	-	-	3,477
Total operating expenses	13,793,323	730,685	(561,641)	26,781,552
Operating income (loss)	2,949,476	(687,766)	-	2,432,904
Nonoperating revenues (expenses):				
Interest income	1,058,870	37,361	-	1,669,758
Interest expense	-	-	-	(240,288)
Total nonoperating revenues (expenses)	1,058,870	37,361	-	1,429,470
Changes in net position	4,008,346	(650,405)	-	3,862,374
Net position - beginning of year	12,445,398	2,928,360	-	28,324,381
Net position - end of year	\$ 16,453,744	\$ 2,277,955	\$ -	\$ 32,186,755

See Independent Auditor's Report on the Supplementary Information

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2024

	Bar	Continuing Legal	Legal Specialization	Paralegal
Cash flows from operating activities:				
Cash received from attorneys for membership fees	\$ 7,381,755	\$ 10,485	\$ -	\$ -
Cash received from program participants - IOLTA	-	-	-	-
Cash received from other fees	531,915	1,731,955	220,751	335,571
Cash received from settlement agent accounts - IOLTA	-	-	-	-
Cash received from other services - IOLTA	-	-	-	-
Cash received from assessments and reimbursements	-	-	-	-
Other cash received	780,900	-	-	-
Payments for IOLTA grants	-	-	-	-
Payments to claimants	-	-	-	-
Payments to employees for services	(8,241,274)	(408,844)	(155,302)	(210,442)
Payments to suppliers of goods and services	(1,464,894)	(118,746)	(34,698)	(36,915)
Payments for other operating expenses	(563,768)	(667,998)	(50,073)	(42,653)
Net cash provided by (used in) operating activities	(1,575,366)	546,852	(19,322)	45,561
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(99,186)	-	-	-
Payments on lease liabilities	(42,602)	-	-	-
Interest paid	(240,288)	-	-	-
Principal payments on bank borrowings	(407,581)	-	-	-
Net cash used in capital and related financing activities	(789,657)	-	-	-
Cash flows from investing activities:				
Interest received	573,527	-	-	-
Net cash provided by investing activities	573,527	-	-	-
Net increase (decrease) in cash and cash equivalents	(1,791,496)	546,852	(19,322)	45,561
Cash and cash equivalents - beginning of year	11,225,292	487,384	237,920	405,708
Cash and cash equivalents - end of year	\$ 9,433,796	\$ 1,034,236	\$ 218,598	\$ 451,269
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (137,136)	\$ 283,873	\$ (16,967)	\$ 41,424
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	623,177	-	-	-
Amortization, leased assets	40,029	-	-	-
Interest expense on lease liabilities	3,477	-	-	-
Changes in assets and liabilities:				
Receivables	89,490	281,748	(670)	325
Prepaid expenses and other assets	(36,054)	-	-	-
Accounts payable and accrued expenses	122,571	(29,924)	-	-
Accrued vacation and pension	105,299	670	(1,685)	3,812
Grants approved and unpaid	-	-	-	-
Amount held for escheatment	(65,009)	-	-	-
Unearned revenue	(2,321,210)	10,485	-	-
Total adjustments	(1,438,230)	262,979	(2,355)	4,137
Net cash provided by (used in) operating activities	\$ (1,575,366)	\$ 546,852	\$ (19,322)	\$ 45,561

Continued on next page

NORTH CAROLINA STATE BAR
Schedule of Cash Flows - State Bar Programs
Year Ended December 31, 2024

	IOLTA	Client Security Fund	Total State Bar
Cash flows from operating activities:			
Cash received from attorneys for membership fees	\$ -	\$ -	\$ 7,392,240
Cash received from program participants - IOLTA	16,101,267	-	16,101,267
Cash received from other fees	-	-	2,820,192
Cash received from settlement agent accounts - IOLTA	503,493	-	503,493
Cash received from other services - IOLTA	78,796	-	78,796
Cash received from assessments and reimbursements	-	43,092	43,092
Other cash received	-	2	780,902
Payments for IOLTA grants	(10,241,380)	-	(10,241,380)
Payments to claimants	-	(506,172)	(506,172)
Payments to employees for services	(479,377)	(185,257)	(9,680,496)
Payments to suppliers of goods and services	(106,731)	(32,392)	(1,794,376)
Payments for other operating expenses	(222,870)	(1,702)	(1,549,064)
Net cash provided by (used in) operating activities	<u>5,633,198</u>	<u>(682,429)</u>	<u>3,948,494</u>
Cash flows from capital and related financing activities:			
Purchases of property and equipment	(10,800)	-	(109,986)
Payments on lease liabilities	-	-	(42,602)
Interest paid	-	-	(240,288)
Principal payments on bank borrowings	-	-	(407,581)
Net cash used in capital and related financing activities	<u>(10,800)</u>	<u>-</u>	<u>(800,457)</u>
Cash flows from investing activities:			
Interest received	<u>1,058,870</u>	<u>37,361</u>	<u>1,669,758</u>
Net cash provided by investing activities	<u>1,058,870</u>	<u>37,361</u>	<u>1,669,758</u>
Net increase (decrease) in cash and cash equivalents	6,681,268	(645,068)	4,817,795
Cash and cash equivalents - beginning of year	<u>22,064,513</u>	<u>2,942,720</u>	<u>37,363,537</u>
Cash and cash equivalents - end of year	<u>\$ 28,745,781</u>	<u>\$ 2,297,652</u>	<u>\$ 42,181,332</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	<u>\$ 2,949,476</u>	<u>\$ (687,766)</u>	<u>\$ 2,432,904</u>
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	623,177
Amortization, leased assets	-	-	40,029
Interest expense on lease liabilities	-	-	3,477
Changes in assets and liabilities:			
Receivables	(59,243)	1,450	313,100
Prepaid expenses and other assets	(2,374)	(381)	(38,809)
Accounts payable and accrued expenses	(101,342)	-	(8,695)
Accrued vacation and pension	8,455	4,268	120,819
Grants approved and unpaid	2,838,226	-	2,838,226
Amount held for escheatment	-	-	(65,009)
Unearned revenue	-	-	(2,310,725)
Total adjustments	<u>2,683,722</u>	<u>5,337</u>	<u>1,515,590</u>
Net cash provided by (used in) operating activities	<u>\$ 5,633,198</u>	<u>\$ (682,429)</u>	<u>\$ 3,948,494</u>

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	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 liabilities	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	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 liabilities	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	241,275
Professional corporations	134,430	-	-	-
Interstate law firms	160,500	-	-	-
Reinstatement fees	5,875	-	-	-
Penalty fees	25,950	523,287	30	3,825
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
Coordinator fee and expenses	-	-	-	-
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	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	-	-	-	458,125
Professional corporations	-	-	-	134,430
Interstate law firms	-	-	-	160,500
Reinstatement fees	-	-	-	5,875
Penalty fees	-	-	-	553,092
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)	-
Coordinator fee and expenses	2,950	-	-	2,950
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	11,766	560	-	352,584
Telephone	-	-	-	17,937
Insurance and bonds	-	2,713	-	50,659
Debt issuance expense	-	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	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 - as originally reported	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 Education	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 operating activities	<u>116,731</u>	<u>261,210</u>	<u>38,680</u>	<u>(69,881)</u>
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	<u>(873,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	492,350	-	-	-
Net cash provided by investing activities	<u>492,350</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	(264,065)	261,210	38,680	(69,881)
Cash and cash equivalents - beginning of year	<u>11,489,357</u>	<u>226,174</u>	<u>199,240</u>	<u>475,589</u>
Cash and cash equivalents - end of year	<u>\$ 11,225,292</u>	<u>\$ 487,384</u>	<u>\$ 237,920</u>	<u>\$ 405,708</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 743,884</u>	<u>\$ 329,602</u>	<u>\$ 10,526</u>	<u>\$ (10,139)</u>
Adjustment to reconcile operating income to net cash provided by 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	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)	-	-	-
Unearned revenue	(1,180,890)	-	-	(59,875)
Total adjustments	<u>(627,153)</u>	<u>(68,392)</u>	<u>28,154</u>	<u>(59,742)</u>
Net cash provided by operating activities	<u>\$ 116,731</u>	<u>\$ 261,210</u>	<u>\$ 38,680</u>	<u>\$ (69,881)</u>

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 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 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 to net cash provided by operating activities:			
Operating income	\$ 4,490,888	\$ (389,070)	\$ 5,175,691
Adjustment to reconcile operating income to net cash provided by 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	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)
Unearned revenue	-	-	(1,240,765)
Total adjustments	4,525,930	6,957	3,805,754
Net cash provided by operating activities	\$ 9,016,818	\$ (382,113)	\$ 8,981,445