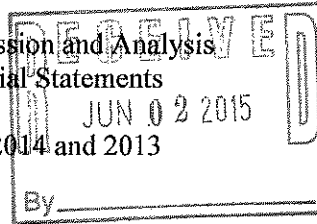


THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Management Discussion and Analysis
Audited Financial Statements

December 31, 2014 and 2013



Management Discussion and Analysis

Management Discussion and Analysis

This section of the Board of Paralegal Certification's financial report represents our discussion and analysis of the financial performance of the Board of Paralegal Certification for the years ended December 31, 2014, 2013 and 2012. This information should be read in conjunction with the audited financial statements.

Financial Highlights

- The Board's assets exceeded its liabilities by \$416,618 (fund equity) for the year ended December 31, 2014. In 2013 and 2012, fund equity was \$402,386 and \$340,906.
- Total liabilities of the Board of Paralegal Certification were \$14,417 at December 31, 2014. This rather large increase from 2013's \$7,275 and 2012's \$7,193 relates primarily to amounts due to the North Carolina State Bar.

Overview of the Financial Statements

The audited financial statements of the Board of Paralegal Certification consist of three components. They are as follows:

- Independent Auditors' Report
- Management Discussion and Analysis (required supplementary information)
- Basic Financial Statements and Disclosures

The North Carolina State Bar Board of Paralegal Certification was created by the North Carolina State Bar and approved 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 Board of Paralegal Certification began operations in 2005 and is a standing committee of the Council of the North Carolina State Bar ("the Bar"), which is an agency of the State of North Carolina. The financial activities of the Board of Paralegal Certification are classified and accounted for as an Enterprise Fund, whereby the Board uses the economic resources measurement focus and the accrual basis of accounting.

The basic financial statements

The basic financial statements include the balance sheet, the statement of revenues, expenses and changes in fund equity and the statement of cash flows. The balance sheet includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due dates for liabilities. Liquidity and financial flexibility can be evaluated using the information on this statement. The statement of revenues, expenses and changes in fund equity summarizes the Board's revenues and expenses for the current year. The statement of cash flows helps readers to assess the enterprise's ability to generate positive future net cash flows and to meet its obligations. It

also helps readers understand the effects on the enterprise's financial position of both its cash and noncash investing and financing transactions during the period.

Notes to the financial statements

The notes to the financial statements provide information for a fuller understanding of the Board of Paralegal Certification. They immediately follow the basic financial statements.

Financial Analysis of the Board of Paralegal Certification

Since financial information is accumulated on a consistent basis year to year, changes in fund equity can be analyzed to determine the Board's changing financial position.

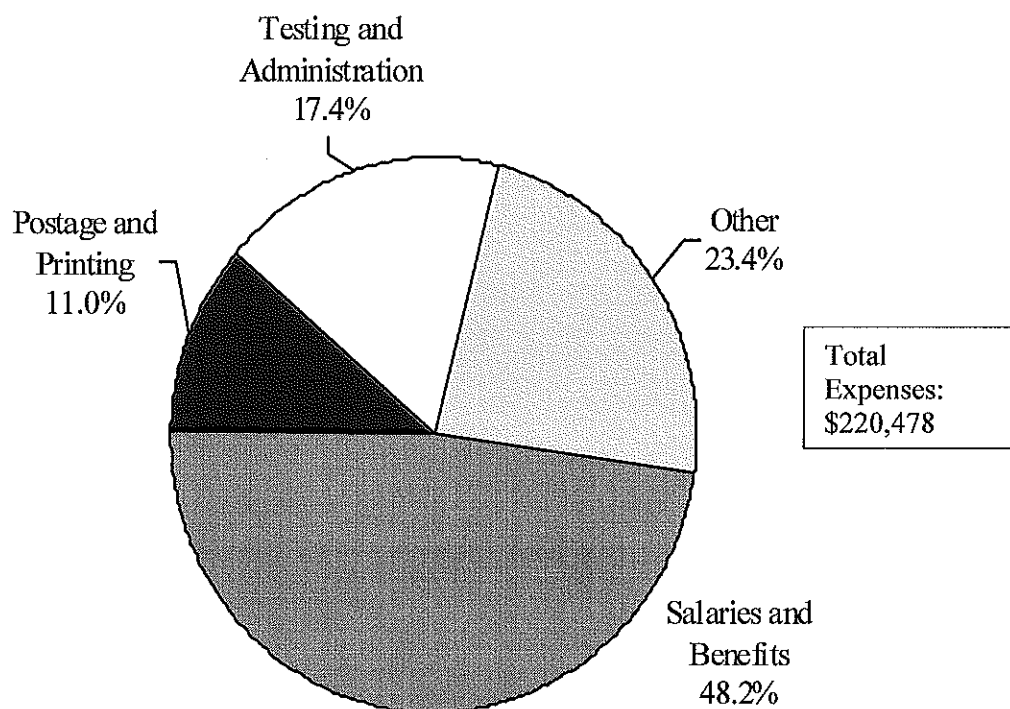
The Board's fund equity at December 31, 2014 was \$416,618. This was a \$14,232 increase over last year's fund equity of \$402,386 which was an increase of \$61,480 over 2012. The following table provides a summary of the Board of Paralegal Certification's fund equity as of December 31:

	2014	2013	2012	Current Year Amount Change	Current Year % Change
Current and other assets	\$431,035	\$409,661	\$348,099	\$21,374	5.22%
Total assets	<u>\$431,035</u>	<u>\$409,661</u>	<u>\$348,099</u>	<u>\$21,374</u>	<u>5.22%</u>
Current liabilities	\$14,417	\$7,275	\$7,193	\$7,142	98.17%
Total liabilities	<u>\$14,417</u>	<u>\$7,275</u>	<u>\$7,193</u>	<u>\$7,142</u>	<u>98.17%</u>
Fund Equity	<u>\$416,618</u>	<u>\$402,386</u>	<u>\$340,906</u>	<u>\$14,232</u>	<u>3.54%</u>

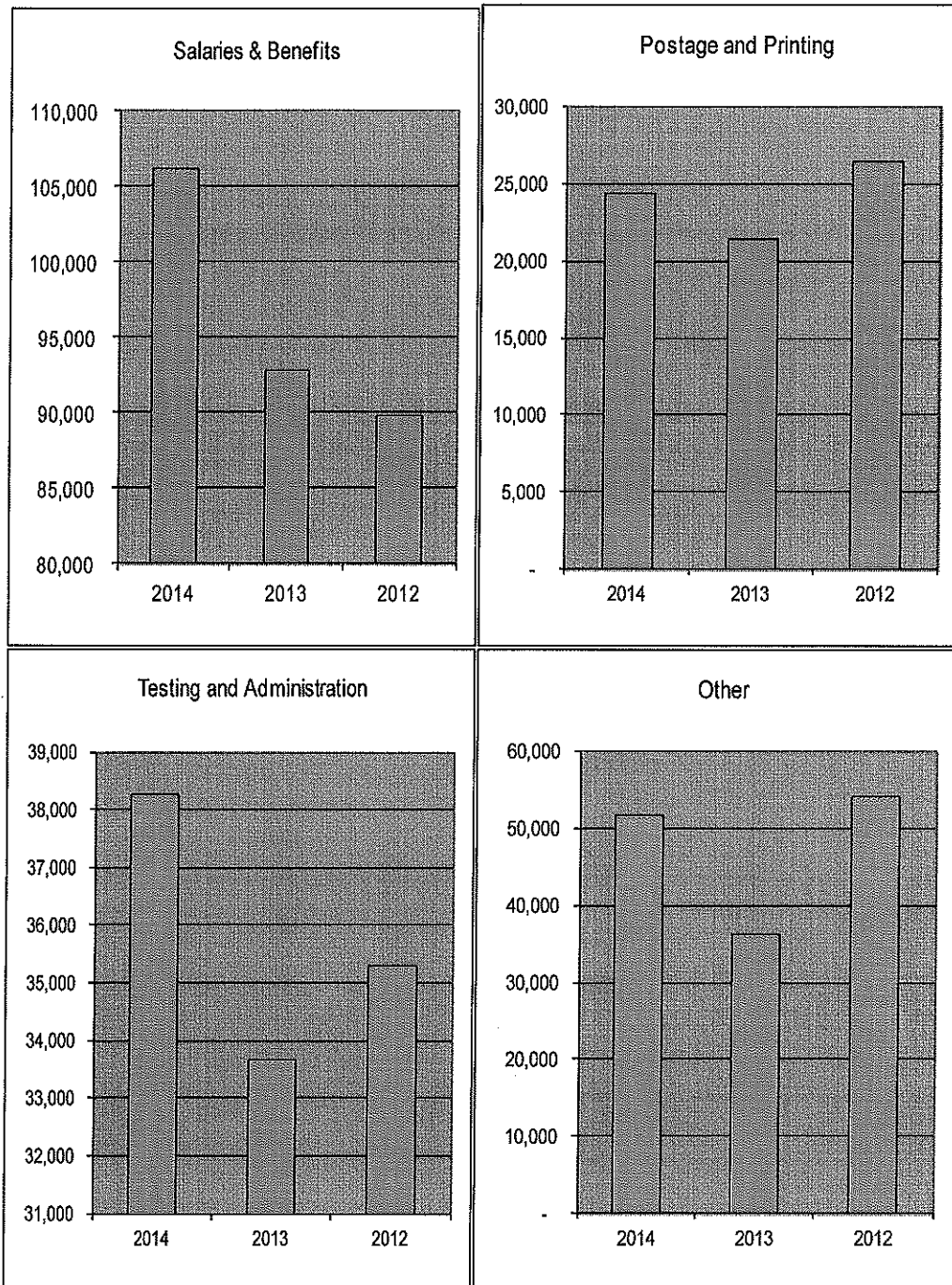
The following table provides a summary of the Board's changes in revenues and expenses for the years ended December 31:

	2014	2013	2012	Current Year Amount Change	Current Year % Change
Revenues	\$234,700	\$245,575	\$257,130	(\$10,875)	-4.43%
Operating expenses	\$220,478	\$184,083	\$205,688	\$36,395	19.77%
Operating income	\$14,222	\$61,492	\$51,442	(\$47,270)	-76.87%
Interest income	\$10	(\$12)	\$155	\$22	-183.33%
Net income	<u>\$14,232</u>	<u>\$61,480</u>	<u>\$51,597</u>	<u>(\$47,248)</u>	<u>-76.85%</u>

2014 OPERATING EXPENSES



The Board of Paralegal Certification's overall financial position increased during 2014.



As shown in the charts above, the primary revenue sources for the Board of Paralegal Certification are the application fee, which is \$125, the exam fee which is \$50 and the annual recertification fee, which is also \$50. In 2014, 380 paralegals applied for certification and 4,177 paralegals were recertified.

Budgetary Highlights

The Board 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 Board on an as needed basis.

Capital Assets

The Board of Paralegal Certification's had fully-depreciated capital assets having a historical cost of \$86,636 as of December 31, 2014.

Long Term Debt

The Board of Paralegal Certification did not have long term debt obligations outstanding at December 31, 2014.

Other Factors

The Paralegal Certification Program continues to be financially self-sufficient. Since 2013, the number of new applicants for certification has remained stable at approximately 250 applicants on average each year. There continues to be attrition among certified paralegals due to career changes and financial difficulties. For example, in 2014, 215 certified paralegals allowed their certification to lapse. If the number of new applications and the number of lapsed certifications continue to be roughly equivalent, revenue should remain stable but will not increase substantially.

Audited Financial Statements



Geoffrey E. Wiggins
Jeffrey S. Romeo
Angela B. Goodwin
J. Kelly Lanier
Joseph L. Hill, Jr.

Independent Auditors' Report

The Board of Trustees
The North Carolina State Bar
Board of Paralegal Certification

Report on the Financial Statements

We have audited the accompanying financial statements of The North Carolina State Bar Board of Paralegal Certification, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in fund equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina State Bar Board of Paralegal Certification as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report, Continued

The Board of Trustees
The North Carolina State Bar
Board of Paralegal Certification

Report on Required Supplementary Information

The Governmental Accounting Standards Board requires that Management's Discussion and Analysis (on the preceding pages) 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
April 16, 2015

This audit required 29 hours at a cost of \$3,032.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Balance Sheets

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 431,035	402,611
Due from Legal Specialization	-	7,050
Property and equipment, net	<u>-</u>	<u>-</u>
	<u>\$ 431,035</u>	<u>409,661</u>
<u>Liabilities and Fund Equity</u>		
Current liabilities:		
Due to the State Bar	5,827	-
Accrued vacation	2,205	554
Pension payable	<u>6,385</u>	<u>6,721</u>
Total current liabilities	14,417	7,275
Fund equity - retained earnings	<u>416,618</u>	<u>402,386</u>
	<u>\$ 431,035</u>	<u>409,661</u>

See accompanying notes to financial statements.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Statements of Revenues, Expenses and Changes in Fund Equity

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues - certifications and fees	\$ 234,700	<u>245,575</u>
Operating expenses:		
Salaries and payroll taxes	91,779	78,169
Postage and printing	24,312	21,372
Paralegal reception	11,449	-
Test administration	38,281	33,651
State Bar overhead charge	12,220	12,220
Paralegal grants	3,420	-
Computer usage	3,936	3,936
Meetings	9,581	8,867
Employee benefits	8,081	7,953
Insurance	1,137	1,146
Pension	6,385	6,721
Rent	2,880	2,880
Travel and parking	700	1,373
Professional fees	2,673	2,075
Other	100	398
Office services and supplies	2,562	2,424
Telephone	694	553
Interpreter reimbursement	288	245
Test site rental	-	100
Total operating expenses	<u>220,478</u>	<u>184,083</u>
Net operating income	14,222	61,492
Nonoperating revenues (expenses):		
Interest income	<u>10</u>	<u>(12)</u>
Net income	14,232	61,480
Fund equity, beginning of year	<u>402,386</u>	<u>340,906</u>
Fund equity, end of year	<u>\$ 416,618</u>	<u>402,386</u>

See accompanying notes to financial statements.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities:		
Cash receipts from certifications and fees	\$ 241,750	238,525
Payments to employees	(104,930)	(92,761)
Payments to suppliers	(108,406)	(91,240)
Net cash provided by operating activities	<u>28,414</u>	<u>54,524</u>
Investing activities - interest received (expense)	<u>10</u>	<u>(12)</u>
Net change in cash and cash equivalents	28,424	54,512
Cash and cash equivalents, beginning of year	<u>402,611</u>	<u>348,099</u>
Cash and cash equivalents, end of year	<u><u>\$ 431,035</u></u>	<u><u>402,611</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 14,222	61,492
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Changes in operating assets and liabilities:		
Due from Legal Specialization	7,050	(7,050)
Accrued vacation and pension payable	<u>7,142</u>	<u>82</u>
Net cash provided by operating activities	<u><u>\$ 28,414</u></u>	<u><u>54,524</u></u>

See accompanying notes to financial statements.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Notes to Financial Statements

December 31, 2014 and 2013

(1) The Organization and Significant Accounting Policies

The Organization

The North Carolina State Bar Board of Paralegal Certification ("Paralegal Certification") was approved by the North Carolina State Bar ("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. Paralegal Certification began operations in 2005 and is a standing committee of the Bar, which is an agency of the State of North Carolina.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), and in accordance with Statewide accounting policies established by the Office of the State Controller. Because Paralegal Certification is not a separate legal entity (is a part of the State primary government), this financial report does not include certain other supplementary information.

The financial activities of Paralegal Certification, as presented in the accompanying financial statements, are classified and accounted for as an Enterprise Fund, whereby Paralegal Certification uses the economic resources measurement focus and the accrual basis of accounting. All acquisitions of fixed assets in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Proprietary activities apply all applicable GASB pronouncements.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Notes to Financial Statements, Continued

December 31, 2014 and 2013

(1) The Organization and Significant Accounting Policies, Continued

Cash and Cash Equivalents

Paralegal Certification considers all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
BB&T money market account	\$ <u>431,035</u>	<u>402,611</u>
	\$ <u>431,035</u>	<u>402,611</u>

Branch Banking & Trust (BB&T) has pledged securities to secure balances, if any, in excess of federally insured limits. Deposits with the North Carolina State Treasurer, if any, are insured by the State of North Carolina.

Property and Equipment

Property and equipment at December 31, 2014 and 2013, consist of fully-depreciated computers and software having a historical cost of \$86,636. Certain other fixed assets used by Paralegal Certification are owned by the Bar.

Certifications and Fees

Certifications and fees are recognized in the period earned.

Unemployment Compensation

Paralegal Certification recognizes its self-insured obligation for unemployment compensation in the period of the related employee termination.

Income Taxes

Paralegal Certification is a governmental agency whose net income is exempt from federal income taxes under the Internal Revenue Code.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Notes to Financial Statements, Continued

December 31, 2014 and 2013

(1) The Organization and Significant Accounting Policies, Continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying values of cash equivalents and accrued liabilities approximate the respective fair values based on the short maturities of those financial instruments.

Subsequent Events

Management has evaluated subsequent events through April 16, 2015, the date on which financial statements were available for issue.

(2) Pension Plan

Paralegal Certification employees who have completed a Year of Service and attained age twenty-one are eligible to participate in the 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, Paralegal Certification contributes 10% of such participant's annual compensation to the Plan. Total pension costs under the Plan totaled \$6,385 and \$6,721 in 2014 and 2013, respectively.

THE NORTH CAROLINA STATE BAR
BOARD OF PARALEGAL CERTIFICATION

Notes to Financial Statements, Continued

December 31, 2014 and 2013

(3) Transactions with The North Carolina State Bar

The Bar provides various support to Paralegal Certification including copying, postage, and fax machine. The Bar submits a monthly bill for various services to Paralegal Certification. Charges for such totaled \$4,770 and \$6,809 in 2014 and 2013, respectively.

Paralegal Certification rents office space in the Bar's headquarters. Rent expense was \$2,880 in 2014 and 2013. In addition, Paralegal Certification is charged an overhead fee for various costs incurred by the State Bar in support of Paralegal Certification. These costs include but are not limited to human resources, accounting and reception services. The annual charge is based on the number of people employed by the Board. The overhead fee for Paralegal Certification was \$12,220 in 2014 and 2013.