

MECKLENBURG COUNTY BAR
26TH JUDICIAL DISTRICT

FINANCIAL STATEMENTS
JUNE 30, 2011

Mecklenburg County Bar 26th Judicial District

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee and Board of Directors of
Mecklenburg County Bar 26th Judicial District
Charlotte, North Carolina

We have audited the accompanying statement of financial position – modified cash basis of Mecklenburg County Bar 26th Judicial District (a nonprofit organization) for the year ended June 30, 2011, and the related statements of activities – modified cash basis and cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated September 24, 2010, we expressed a similar opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Mecklenburg County Bar 26th Judicial District for the year ended June 30, 2011, and its revenue, expenses, and changes in net assets, and cash flows for the year then ended, on the basis of accounting described in Note 1.

C. Dewitt Foard & Company, P.A.

August 26, 2011

Mecklenburg County Bar 26th Judicial District**Statement of Financial Position - Modified Cash Basis****June 30, 2011, with prior year comparative totals**

	June 30,	
	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,107,948	\$ 618,363
Certificates of deposit	-	90,000
Note receivable	15,127	14,535
Dues receivable	16,425	9,360
<i>Total Current Assets</i>	<i>1,139,500</i>	<i>732,258</i>
Property and Equipment:		
Furniture, computer equipment, and software	160,358	129,136
Less - accumulated depreciation	(111,019)	(93,605)
<i>Net Property and Equipment</i>	<i>49,339</i>	<i>35,531</i>
Non-Current Assets:		
Note receivable (less current portion)	99,741	114,867
<i>TOTAL ASSETS</i>	<i>\$ 1,288,580</i>	<i>\$ 882,656</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Prepaid dues	\$ 6,710	\$ 7,040
Prepaid access cards and other	6,113	7,580
Building repair fund	8,308	1,555
<i>Total Current Liabilities</i>	<i>21,131</i>	<i>16,175</i>
Net Assets:		
Unrestricted:		
Designated	687,124	92,325
Undesignated	379,391	577,579
<i>Total Unrestricted Net Assets</i>	<i>1,066,515</i>	<i>669,904</i>
Temporarily Restricted	200,934	196,577
<i>Total Net Assets</i>	<i>1,267,449</i>	<i>866,481</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 1,288,580</i>	<i>\$ 882,656</i>

Mecklenburg County Bar 26th Judicial District

Statement of Activities - Modified Cash Basis

Year Ended June 30, 2011, with prior year comparative totals

	Year Ended June 30, 2011			2010
	Unrestricted	Temporarily Restricted	TOTALS	TOTALS
<u>REVENUE</u>				
Membership dues	\$ 1,017,650	\$ 49,100	\$ 1,066,750	\$ 731,449
Continuing legal education seminars	553,555	-	553,555	537,409
Advertising and Legal Directory	102,788	-	102,788	104,160
Diversity Initiative	-	132,800	132,800	130,100
Lawyer Referral Service	93,032	-	93,032	58,214
Volunteer Lawyers Program	16,213	-	16,213	38,338
Bar Leadership Institute	27,475	-	27,475	-
Social Sports	28,935	-	28,935	30,301
Mecklenburg Bar Foundation	113,488	-	113,488	94,691
Miscellaneous	12,138	-	12,138	25,723
Law Day	13,200	-	13,200	10,910
Young Lawyers Division	-	18,655	18,655	22,435
Interest income	11,537	-	11,537	4,400
Net assets released from restrictions	196,198	(196,198)	-	-
Total Revenue	2,186,209	4,357	2,190,566	1,788,130
<u>EXPENSES</u>				
Salaries	763,777	-	763,777	699,830
Payroll taxes and benefits	213,765	-	213,765	202,594
Continuing legal education direct costs	208,345	-	208,345	186,534
Occupancy costs	146,511	-	146,511	161,015
Printing	82,484	-	82,484	74,888
Diversity Initiative	115,382	-	115,382	95,262
Social Sports Committee	35,377	-	35,377	37,815
Outside services	35,340	-	35,340	37,616
Meetings and travel	27,128	-	27,128	30,321
Supplies and other costs	18,433	-	18,433	23,676
Equipment rental and maintenance	21,071	-	21,071	23,280
Program costs	26,057	-	26,057	22,360
Depreciation expense	17,414	-	17,414	15,761
Law Day	13,650	-	13,650	9,496
Young Lawyers	16,599	-	16,599	15,552
Automation	4,619	-	4,619	5,177
Postage	4,368	-	4,368	4,851
Lawyer Referral Service	6,194	-	6,194	4,382
Volunteer Lawyers Program	2,240	-	2,240	1,248
Bar Leadership Institute	30,844	-	30,844	-
Total Expenses	1,789,598	-	1,789,598	1,651,658
CHANGE IN NET ASSETS	396,611	4,357	400,968	136,472
NET ASSETS, BEGINNING	669,904	196,577	866,481	730,009
NET ASSETS, ENDING	\$ 1,066,515	\$ 200,934	\$ 1,267,449	\$ 866,481

Mecklenburg County Bar 26th Judicial District
Statement of Cash Flows - Modified Cash Basis
Year Ended June 30, 2011, with prior year comparative totals

	Year Ended June 30,	
	2011	2010
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 400,968	\$ 136,472
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	17,414	15,761
(Increase) decrease in operating assets:		
Dues receivable	(7,065)	620
Increase (decrease) in operating liabilities:		
Prepaid dues	(330)	605
Prepaid access cards	(1,467)	7,580
Building repair fund	6,753	(13,495)
<i>Cash Flows from Operating Activities</i>	<i>416,273</i>	<i>147,543</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(31,222)	(19,453)
Net proceeds from sales of (purchases of) certificates of deposit	90,000	(90,000)
Amount loaned to Mecklenburg Bar Foundation	-	(132,946)
Principal received on loan to Mecklenburg Bar Foundation	14,534	3,544
<i>Cash Flows from Investing Activities</i>	<i>73,312</i>	<i>(238,855)</i>
<i>CHANGE IN CASH AND CASH EQUIVALENTS</i>	<i>489,585</i>	<i>(91,312)</i>
<i>CASH AND CASH EQUIVALENTS, BEGINNING</i>	<i>618,363</i>	<i>709,675</i>
<i>CASH AND CASH EQUIVALENTS, ENDING</i>	<i>\$ 1,107,948</i>	<i>\$ 618,363</i>

Mecklenburg County Bar 26th Judicial District

Notes to Financial Statements

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Mecklenburg County Bar 26th Judicial District (Mecklenburg County Bar) is a judicial district of the North Carolina State Bar and, as such, is organized under the General Statutes of the State of North Carolina as a non-stock, non-profit organization. The purpose of the Mecklenburg County Bar is to render appropriate service to the public and the Mecklenburg County Bar membership in improving and preserving the administration of justice, and to assist the North Carolina State Bar as prescribed by statutory requirements.

Income tax status

Mecklenburg County Bar is a division of the North Carolina State Bar, an agency of the State of North Carolina. Therefore, the Mecklenburg County Bar is exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

Affiliated party

Mecklenburg County Bar is affiliated with the Mecklenburg Bar Foundation (the Foundation), an organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and governed by a separate board of directors. The purpose of the Foundation is to improve the knowledge and skill of attorneys in Mecklenburg County Bar 26th Judicial District (Mecklenburg County Bar), to provide scholarship aid, and to enhance the public awareness of law and its impact on our society. Transactions between these organizations are more fully described in the notes below.

Basis of accounting

These financial statements have been prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Pursuant to the cash basis of accounting, revenue and the related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. In addition, all other amounts received are recorded as cash receipts and all other amounts expended are recorded as cash disbursements. Mecklenburg County Bar has elected to adopt the following modifications to the cash basis of accounting:

- Dues are shown as income during the period that the dues are earned. Therefore, dues received before the year to which they relate are shown as prepaid dues and dues still owed at year-end are shown as dues receivable.
- Purchases of property and equipment are capitalized at cost and depreciated over the estimated useful lives of the assets.
- Collections and payments on amounts owed to Mecklenburg County Bar are shown as decreases and increases in an asset account rather than as receipts and disbursements.
- Purchases and disposals of certificates of deposit are shown as increases and decreases in an asset account rather than receipts and disbursements. Certificates of deposit are valued at cost plus accrued interest.
- Transfers to the building repair fund are shown as an expense at the time of the transfer rather than when the expense is paid. The balance of unutilized funds is recorded as a liability.

Mecklenburg County Bar 26th Judicial District
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The significant differences between the basis of accounting employed by the Bar and generally accepted accounting principles, in addition to the timing of the recognition of revenue and expenses, are as follows:

- Publishing costs related to anniversary book are expensed rather than capitalized.
- No donated goods or services have been recorded in the accompanying financial statements.

Basis of presentation

The net assets of the Mecklenburg County Bar are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to any donor-imposed stipulations. Designated net assets represent funds designated by the Mecklenburg County Bar for specific purposes. However, these funds have not been restricted by donors and are available for any purpose at the discretion of the Mecklenburg County Bar.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mecklenburg County Bar and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Mecklenburg County Bar. At June 30, 2011, the Bar had no permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, and certificates of deposit with initial maturities of three months or less.

Property and equipment

Property and equipment is recorded at historical cost, subject to a \$500 capitalization policy. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which range from three years for computer software and website design costs to five years for computer equipment.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Mecklenburg County Bar's 2010 financial statements, from which the summarized information was derived.

Mecklenburg County Bar 26th Judicial District

Notes to Financial Statements

June 30, 2011

NOTE 2 – NOTE RECEIVABLE

The note receivable as of June 30, 2011, consists of a mortgage obligation dated March 18, 2010, due from Mecklenburg Bar Foundation. The note is due to be paid in monthly payments of \$1,621, applied first at an interest rate based on the monthly LIBOR rate plus 2.5%, but not less than 4.0%, and then to principal. The mortgage matures on March 18, 2013, and any remaining principal balance is due at that time. The note is secured by the real estate located on Luther Street. During the fiscal year, Mecklenburg County Bar received \$19,446 of payments from Mecklenburg Bar Foundation, which consisted of \$4,912 of interest income and \$14,534 of principal.

NOTE 3 – NET ASSETS

Board designated

Board designated net assets represents amounts that have been set aside by Mecklenburg County Bar for specific purposes but are not restricted by donors. The \$687,124 balance in designated net assets as of June 30, 2011, consists of the following:

Building reserve	\$	568,844
Non-recurring expenses		118,280
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TOTAL	\$	687,124

Temporarily restricted

At June 30, 2011, the Mecklenburg County Bar held the following amounts, which are subject to the control of groups or committees within the Bar or were restricted to be used for specific purposes:

Diversity Initiative	\$	166,601
Sections programs		23,145
All other		11,188
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TOTAL	\$	200,934

NOTE 4 – LEASE OBLIGATIONS

Office

The Mecklenburg County Bar leases office space at 438 Queens Road, Charlotte, North Carolina, from the Mecklenburg Bar Foundation, a separate nonprofit entity. Under the terms of the lease, which expires in 2014, the annual rental payment is computed to be \$20 per active Bar member, but not less than a total annual rent of \$37,000 or more than six percent of the Foundation's investment in the facility. During the year ended June 30, 2011, the Mecklenburg County Bar paid \$65,242 in rent to the Mecklenburg Bar Foundation. In addition, the Mecklenburg County Bar is responsible for the payment of insurance, repairs, and maintenance on the facility. The lease also requires the Mecklenburg County Bar to place \$10,000 per year in a separate fund for the repair or future enhancement of the premises. The \$10,000 payment is included in occupancy costs and the \$8,308 balance in the repair fund is presented as a liability in the accompanying financial statements.

Mecklenburg County Bar 26th Judicial District

Notes to Financial Statements

June 30, 2011

NOTE 4 – LEASE OBLIGATIONS, continued

Office equipment

The Mecklenburg County Bar also leases office equipment. Lease payments made during the year ended June 30, 2011 were \$21,346 and future minimum obligations under the terms of these leases are during the year ending June 30:

2012	\$	14,147
2013		5,373
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TOTAL	\$	19,520

NOTE 5 – MECKLENBURG BAR FOUNDATION

In addition to the office rental described above, Mecklenburg Bar Foundation paid \$113,488 to Mecklenburg County Bar for administrative services and reimbursed Mecklenburg County Bar \$55,531 of shared office expenses.

NOTE 6 – RETIREMENT PLAN

Mecklenburg County Bar maintains a simplified employee pension plan, which covers employees of the Bar who have met the eligibility requirements. During the year, Mecklenburg County Bar contributed 6.25 percent of an employee's annual salary to their individual retirement accounts. Participants' accounts are immediately fully vested and the employee is responsible for directing the investments in their account.

During the current fiscal year, retirement benefits of \$39,323 were paid and are included in payroll taxes and benefits in the accompanying financial statements.

NOTE 7 – CONCENTRATIONS OF RISK

Cash in excess of insured limits

The Mecklenburg County Bar regularly maintains cash balances at financial institutions in excess of FDIC insured limits. At June 30, 2011, the uninsured balance of cash was \$4,061. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institutions.

Geographic area

Mecklenburg County Bar operates in a small geographic area, and is therefore sensitive to changes in the local economy.

Mecklenburg County Bar 26th Judicial District

Notes to Financial Statements

June 30, 2011

NOTE 8 – SUBSEQUENT EVENTS

Mecklenburg County Bar has evaluated subsequent events from the date of the statement of financial position through the date of the audit report. During this period, no material recognizable subsequent events were identified.