

North Carolina Medical Society

Audited Consolidated Financial Statements and Other Financial Information

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*

North Carolina Medical Society

Audited Consolidated Financial Statements and Other Financial Information

Years ended December 31, 2015 and 2014

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Report of Independent Auditors

Board of Directors
North Carolina Medical Society

We have audited the accompanying consolidated financial statements of North Carolina Medical Society (the Society), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 over financial reporting. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the North Carolina Medical Society as of December 31, 2015 and 2014, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report of Independent Auditors (continued)

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules as of and for the years ended December 31, 2015 and 2014 on pages 13 through 29 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information, except that marked unaudited, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 as of and for the years ending December 31, 2015 and 2014 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned to the right of the main text block.

Raleigh, North Carolina
May 3, 2016

North Carolina Medical Society

Consolidated Statements of Financial Position

As of December 31, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents	\$ 1,352,875	\$ 1,434,283
Accounts receivable	88,192	108,934
Due from affiliates	390,540	416,518
Prepaid expenses	43,904	52,162
Total current assets	1,875,511	2,011,897
Marketable securities	8,879,575	9,849,088
Property and equipment:		
Land and improvements	490,245	490,245
Buildings and improvements	7,634,309	7,377,956
Vehicles	52,242	52,242
Furniture, fixtures and equipment	1,097,037	1,031,201
	9,273,833	8,951,644
Less accumulated depreciation	3,397,509	3,036,462
Property and equipment, net	5,876,324	5,915,182
Total assets	\$ 16,631,410	\$ 17,776,167

Continued

North Carolina Medical Society

Consolidated Statements of Financial Position - Continued

As of December 31, 2015 and 2014

Liabilities and net assets	<u>2015</u>	<u>2014</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 240,104	\$ 256,120
Pledges payable	5,000	10,000
Accrued payroll and related liabilities:		
Salaries and wages	190,131	176,930
Deferred compensation - current	67,500	50,000
Other	35,543	13,248
Agency obligations	142,609	107,148
Refundable dues	9,227	4,770
Deferred membership dues	1,561,902	1,790,292
Loan payable - current	<u>404,241</u>	<u>386,921</u>
Total current liabilities	2,656,257	2,795,429
Noncurrent liabilities:		
Pledges payable	-	5,000
Deferred compensation - noncurrent	77,143	95,357
Loan payable - noncurrent	<u>638,883</u>	<u>1,331,553</u>
Total liabilities	<u>3,372,283</u>	<u>4,227,339</u>
Net Assets		
Unrestricted:		
Designated by the Board of Directors for:		
Operating reserve	1,000,000	1,000,000
Property and equipment replacements	3,397,509	3,036,462
Physician and patient advocacy and protection reserve	791,372	791,372
Undesignated	<u>7,958,095</u>	<u>8,643,046</u>
Total unrestricted	13,146,976	13,470,880
Temporarily restricted	<u>112,151</u>	<u>77,948</u>
Total net assets	<u>13,259,127</u>	<u>13,548,828</u>
Total liabilities and net assets	<u>\$ 16,631,410</u>	<u>\$ 17,776,167</u>

See accompanying notes to the consolidated financial statements.

North Carolina Medical Society

Consolidated Statements of Activities

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets		
Revenues and gains		
Membership dues	\$ 2,878,048	\$ 3,052,063
Investment income:		
Net realized and unrealized losses	(549,304)	(102,392)
Interest and dividends	222,634	336,754
Product service endorsements	1,054,870	1,231,631
Rental income	158,912	79,828
Specialty and county society services	383,523	338,632
Contributions - building	352,494	583,670
Other	171,526	209,390
Net assets released from restrictions	<u>30,000</u>	<u>167,182</u>
Total revenues and gains	<u>4,702,703</u>	<u>5,896,758</u>
Expenses and losses		
Programs	3,299,697	3,627,680
Supporting services:		
Membership development	604,803	525,186
General and administrative	<u>1,119,003</u>	<u>1,076,049</u>
Total expenses	5,023,503	5,228,915
Loss on disposal of property and equipment	<u>3,104</u>	<u>1,270</u>
Total expenses and losses	<u>5,026,607</u>	<u>5,230,185</u>
Changes in unrestricted net assets	<u>(323,904)</u>	<u>666,573</u>
Changes in temporarily restricted net assets		
Contributions	64,151	136,626
Interest	52	46
Net assets released from restrictions	<u>(30,000)</u>	<u>(167,182)</u>
Changes in temporarily restricted net assets	<u>34,203</u>	<u>(30,510)</u>
Changes in net assets	(289,701)	636,063
Net assets, beginning of year	<u>13,548,828</u>	<u>12,912,765</u>
Net assets, end of year	<u>\$ 13,259,127</u>	<u>\$ 13,548,828</u>

See accompanying notes to the consolidated financial statements.

North Carolina Medical Society

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ (289,701)	\$ 636,063
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized gains on marketable securities	549,304	102,392
Depreciation	439,926	369,835
Loss on disposal of property and equipment	3,104	1,270
Changes in assets and liabilities		
Accounts receivable	396,532	37,772
Due from North Carolina Medical Society Foundation, Inc.	25,978	(336,499)
Prepaid expenses	8,258	14,061
Accounts payable and accrued expenses	(16,016)	(156,540)
Pledge payable	(10,000)	(10,000)
Accrued payroll and related liabilities	35,496	19,339
Agency obligations	35,461	88,974
Refundable dues	4,457	(10,643)
Deferred membership dues	(228,390)	65,146
Deferred compensation	(714)	39,286
Net cash provided by operating activities	953,695	860,456
Cash flows from investing activities		
Proceeds from sales of marketable securities	2,811,085	2,277,067
Purchases of marketable securities	(2,390,880)	(4,077,271)
Capital expenditures	(404,169)	(1,548,291)
Net cash provided by (used in) investing activities	16,036	(3,348,495)
Cash flows from financing activities		
Payments on bank loan	(675,350)	(281,526)
Net cash used in financing activities	(675,350)	(281,526)
Net decrease in cash and cash equivalents	294,381	(2,769,565)
Cash and cash equivalents, beginning of year	1,058,494	3,828,059
Cash and cash equivalents, end of year	\$ 1,352,875	\$ 1,058,494
Supplemental disclosures of cash payments for		
Interest	\$ 36,231	\$ 48,343
Taxes	\$ 158	\$ 2,587

See accompanying notes to the consolidated financial statements.

North Carolina Medical Society

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

Note A - Organization and Summary of Significant Accounting Policies

Organization

The Medical Society of the State of North Carolina was incorporated by the General Assembly of North Carolina on April 16, 1849. On July 6, 1972, its name was changed to North Carolina Medical Society (the Society). The Society is recognized as a tax-exempt organization under Internal Revenue Code 501(c)(6). The purpose of the Society is to organize members of the medical profession to advance medical science and elevate standards of medical education and service.

The North Carolina Medical Society Political Education and Action Committee (the NCMS PAC) is a segregated fund as defined under Section 527(f) of the Internal Revenue Code. The NCMS PAC was created pursuant to the Federal Election Campaign Act and is regulated by the Federal Election Commission. The NCMS PAC represents over 12,500 physicians, physician assistants, residents, and medical students.

The Society's programs, in accordance with its Strategic Plan, include member advocacy, legislation and regulation, health policy and research, member benefits and services, specialty society relations, managed care and practice management, AMA delegation, education, quality, access and healthcare reform initiatives, professional liability reform and support of affiliated organizations such as The North Carolina Medical Society Foundation (the Foundation) and the North Carolina Physicians Health Program.

Basis of Consolidation

The consolidated financial statements include the accounts of the Society and the NCMS PAC, (collectively the Society). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

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

Cash and Cash Equivalents

For purposes of the consolidated financial statements, the Society considers all investments with an original maturity of three months or less to be cash equivalents.

North Carolina Medical Society

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Refer to Note H for additional information on these receivables. If an outstanding balance were deemed to be uncollectible, it would be charged against an allowance account. Based on experience, management believes that the entire amount receivable is fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

Marketable Securities and Fair Value Measurement

Marketable securities include investments in publicly traded equity securities and mutual funds and are recorded at fair value. Realized and unrealized gains and losses during the year are recognized in the consolidated statement of activities and are included as a component of investment income. Realized gains and losses are determined on the specific identification method.

Fair value classifications for marketable securities are based on a framework established in the fair value measurement and disclosure accounting guidance. The framework is based on inputs used in the valuation and requires that observable inputs be used in the valuations when available. The levels of the hierarchy are as follows:

Level 1 - Observable inputs that reflect quoted prices for identical securities, traded in active markets that the Society has the ability to access.

Level 2 - Directly or indirectly observable inputs, that are observable for substantially the entire period, other than those included in Level 1 such as quoted market prices for similar securities in active markets, quoted market prices for identical securities in inactive markets, and yield curves.

Level 3 - Management's own assumptions about inputs used in pricing the security.

Property and Equipment

Property and equipment are stated at cost if purchased, or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Classification</u>	<u>Estimated Useful Life</u>
Building and improvements	10-50 years
Vehicles	5 years
Furniture, fixtures and equipment	3-10 years

Gains or losses on dispositions are included in the consolidated statements of activities. It is the Society's policy to capitalize property and equipment with an original cost of \$500 or more and an estimated useful life of more than one year. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives.

Construction in process is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in process until such time as the relevant assets are completed and placed in service.

North Carolina Medical Society

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (continued)

Agency Obligations

The Society collects membership dues from its members on behalf of certain county medical societies. The Society also collects contributions for the Foundation and other related organizations. These funds are then remitted to the appropriate organization.

Net Assets

For financial reporting purposes the consolidated statements of financial position classify net assets into one of three categories: unrestricted, temporarily restricted, or permanently restricted.

Unrestricted - Assets that are not classified as either permanently or temporarily restricted. A portion of the unrestricted net assets have been designated by the Board of Directors for certain purposes.

Temporarily restricted - Assets subject to donor-imposed restrictions which either expire upon the passage of time or once specific actions have occurred. These assets are then released and reclassified to unrestricted support. Restricted contributions received and met in the same year are recorded as unrestricted. The contributions and investment income received by the NCMS PAC are classified as temporarily restricted until disbursed.

Permanently restricted - Assets are subject to donor-imposed restrictions which stipulate the principal be invested in perpetuity. The Society does not maintain any such net assets as of December 31, 2015 or 2014.

Revenue Recognition

Revenues are recognized in the year for which the revenues are earned. Membership dues received prior to year-end for the upcoming dues year are reported as deferred membership dues.

Advertising Costs

The Society charges the costs of advertising to expense as incurred.

Expense Allocation

The costs of providing program services and other activities are reflected on the consolidated statements of activities. Accordingly, certain costs have been allocated among program services and management and general.

Income Taxes

The Society is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Management has concluded that the Society has properly maintained its exempt status. The Society pays U.S. Federal and North Carolina unrelated business income taxes on income derived from publications, manuals, photocopies, labels, and collection service commissions. The NCMS PAC is required to file Form 1120POL for years when taxable income (interest) exceeds \$100.

The Society considers uncertain tax positions and management does not believe there are any significant income tax uncertainties.

North Carolina Medical Society

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statement presentation to conform with the current year's presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Society evaluated subsequent events for disclosure and recognition through May 3, 2016, the date on which these consolidated financial statements were available to be issued, and considered any relevant matters in the preparation of the consolidated financial statements and note disclosures.

Note B - Financial Risk

The Society maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

The Society invests in equity securities and mutual funds; such securities are exposed to various risks, such as market and credit risk. Due to the level of risk associated with such securities and the level of uncertainty related to changes in the value of such securities, it is at least reasonably possible that changes in risk in the near term could materially affect security balances and the amounts reported in the consolidated financial statements.

The Society received 19% and 18% of its revenue pursuant to a service agreement with the North Carolina Medical Society Employee Benefit Trust for the years ended December 31, 2015 and 2014, respectively. Accounts receivable related to this agreement represented 46% and 47% of accounts receivable at December 31, 2015 and 2014, respectively (see Note I).

Note C - Marketable Securities and Fair Value Measurement

Investments in marketable securities at December 31, 2015 and 2014 consist of Level 1 securities. The Society did not hold any Level 2 or 3 investments.

Investments, at fair value, are summarized as follows at December 31:

	<u>2015</u>	<u>2014</u>
U.S. common stocks	\$ 719,382	\$ 865,645
Mutual funds:		
U.S. equity securities	2,796,698	3,083,213
U.S equity securities - ETF	2,157,273	1,699,816
Foreign equity securities	771,105	801,738
Fixed income securities	<u>2,435,117</u>	<u>3,398,676</u>
Total mutual funds	<u>8,160,193</u>	<u>8,983,443</u>
Total investments	<u>\$ 8,879,575</u>	<u>\$ 9,849,088</u>

The fair value of common stocks and mutual funds is based on identical assets in actively traded markets. Investment fees were \$23,620 and \$22,885, respectively, for the years ended December 31, 2015 and 2014.

North Carolina Medical Society

Notes to Consolidated Financial Statements (Continued)

Note D - Loan Payable

In February of 2013, the Society borrowed \$2,000,000 under a line of credit from Wells Fargo Bank bearing interest at a rate of 2.5% annually, with a maturity date of March 15, 2019. During 2014, the line of credit was converted to an installment loan, which bears interest at a rate of 2.5% annually. Under the terms of the loan, the Society must make monthly payments of principal and interest. The loan is secured by a security interest and lien upon all monies, securities, securities accounts, brokerage accounts, deposit accounts and other property of the Society now or hereafter in the possession of Wells Fargo Bank or affiliates. During the year ended December 31, 2015, the Society made principal payments on the line of credit totaling \$675,350.

The following is a schedule of future principal payments under the terms of the Society's loan agreement:

Year ending December 31,	
2016	\$ 404,241
2017	414,607
2018	<u>224,276</u>
Total	<u>\$ 1,043,124</u>

Note E - Retirement Savings Plan

The Society has a qualified defined contribution retirement savings plan. Under the terms of the plan, all employees who have more than 90 days of service are eligible to participate. Employee contributions to the plan are made through voluntary contributions by eligible participants. Total employee and employer contributions are not to exceed maximums set by the Internal Revenue Code. For 2015 and 2014, the Society elected to make discretionary contributions of 4% of eligible employee salary plus individualized supplemental contributions for certain long term service employees who were covered under a former defined benefit plan. Total employer contributions for 2015 and 2014 were \$129,941 and \$147,346, respectively.

Note F - Designated Unrestricted Net Assets

The Board of Directors has designated portions of the unrestricted net asset balance for future needs. Marketable securities of \$1,000,000 are designated for the operating reserve for the years ending December 31, 2015 and 2014. Specific assets are not designated for property and equipment replacements, or physician and patient advocacy and protection reserve.

Note G - Commitments and Contingencies

The Society is party to various legal proceedings incidental to its members. Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Society. In the opinion of management, these actions will likely be successfully defended or resolved without material adverse effect on the financial position of the Society.

During 2011, the Society made a \$500,000, five-year contingent pledge to the Foundation for the establishment of the Kanof endowment. During 2015 and 2014, pledge payments of \$0 were made. At December 31, 2015 and 2014, \$200,000 remained contingent on the availability of funds. Due to the contingent nature of this pledge, no liability has been recorded as of December 31, 2015 and 2014.

North Carolina Medical Society

Notes to Consolidated Financial Statements (Continued)

Note H - Related Party Transactions

The Society is related to the Foundation by reason of common management, however, the elements of control necessary for consolidation are not present. The Society receives donations on behalf of the Foundation and distributes these funds to the Foundation. These donations are treated as agency obligations, and are therefore not reflected in the consolidated statements of activities. The accounting records of the Foundation are maintained by Society personnel who also provide legal representation and promotional services to the Foundation. In 2015 and 2014, the Society received \$12,547 and \$4,800, respectively, for these services. The Society also pays certain direct expenses of the Foundation that are reimbursed monthly, these expenses total \$460,962 and \$446,628 in 2015 and 2014, respectively. During 2015 and 2014, the Foundation contributed \$352,494 and \$583,670, respectively, from its NCMS Center for Leadership Capital Campaign for the building renovations, which is included in other revenue in the consolidated statements of activities. Accounts receivable as of December 31, 2015 and 2014 includes \$52,017 and \$40,729, respectively, due from the Foundation. Accounts payable at December 31, 2015 and 2014 includes \$0 and \$42,350, respectively, due to the Foundation.

The Society made donations to the Foundation for the following purposes:

	<u>2015</u>	<u>2014</u>
In-kind services	\$ 196,265	\$ 225,533
Unrestricted operations	-	60,000
Facilities	31,405	30,123
Annual meeting vendor revenue	-	15,850
	<u>\$ 227,670</u>	<u>\$ 331,506</u>

The Society provides services to affiliated specialty societies and a county medical society. In exchange for these services the Society receives management fees. In 2015 and 2014, the Society earned \$383,523 and \$338,632, respectively, for these services. The Society also pays certain direct expenses on behalf of these affiliates that are reimbursed monthly/quarterly; these expenses total \$90,998 and \$120,226 in 2015 and 2014, respectively. At December 31, 2015 and 2014, \$119,124 and \$128,330, respectively, are due from these affiliates. The Society had accounts payable of \$32,825 and \$28,000 due to these affiliates at December 31, 2015 and 2014, respectively.

An officer of the Society is a board member of an organization that paid the Society \$15,475 and \$37,971 in 2015 and 2014, respectively, for services associated with its physician advocacy mission.

The Society has an unfunded non-qualified deferred compensation plan for certain officers and directors. As of December 31, 2015 and 2014, the total liability of this plan was \$144,643 and \$145,357, respectively. The total expenses for this plan were \$49,286 and \$39,286 for the years ended December 31, 2015 and 2014, respectively.

The Society sponsors the North Carolina Medical Society Employee Benefit Trust, which is a North Carolina domiciled multiple employer welfare arrangement (MEWA). The Society provides services in the form of communications, marketing, and customer services pursuant to a service agreement. The Society receives a service fee based on the number of enrolled employees per month. For the years ended December 31, 2015 and 2014 the service fee totaled \$888,105 and \$1,065,997, respectively. As of December 31, 2015 and 2014, the Society had accounts receivable due from the MEWA of \$219,399 and \$247,459, respectively.

North Carolina Medical Society

Schedule of Changes in Unrestricted Net Assets

For the years ended December 31, 2015

	Operating Reserve	Property and Equipment Replacements *	Physician and Patient Advocacy and Protection Reserve	Undesignated	Total Unrestricted Net Assets
Balance, beginning of year	\$ 1,000,000	\$ 3,036,462	\$ 791,372	\$ 8,643,046	\$ 13,470,880
Change in unrestricted net assets	-	-	-	(323,904)	(323,904)
Board designated					
Property and equipment replacements	-	361,047	-	(361,047)	-
Balance, end of year	\$ 1,000,000	\$ 3,397,509	\$ 791,372	\$ 7,958,095	\$ 13,146,976

* Consists of the following at 12/31/2015

Land and improvements	\$ 106,903
Building and improvements	2,653,016
Vehicles	41,367
Furniture, fixtures and equipment	596,223
	\$ 3,397,509

North Carolina Medical Society

Schedule of Other Revenue

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Unrestricted				
Annual meeting revenue	\$ 40,000	\$ 50,650	\$ 10,650	\$ 50,850
Accreditation of CME fees	49,000	45,500	(3,500)	51,550
Foundation - services	4,800	12,547	7,747	4,800
Photocopy and label income	12,000	23,434	11,434	15,723
Toward Accountable Care	-	-	-	7,000
Other	-	39,395	39,395	79,467
Total unrestricted	\$ 105,800	\$ 171,526	\$ 65,726	\$ 209,390

North Carolina Medical Society

Schedule of Specialty Society and Meetings Services Department

For the years ended December 31, 2015 and 2014

	<u>2015 Budget (Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under) Budget</u>	<u>2014 Actual</u>
Salaries, benefits, and taxes	\$ 438,900	\$ 420,138	\$ (18,762)	\$ 371,808
Travel and expenses	5,000	2,949	(2,051)	6,088
Dues and subscriptions	1,500	3,054	1,554	1,198
Professional training	1,000	530	(470)	-
Other	<u>500</u>	<u>958</u>	<u>458</u>	<u>83</u>
Total	<u>\$ 446,900</u>	<u>\$ 427,629</u>	<u>\$ (19,271)</u>	<u>\$ 379,177</u>

North Carolina Medical Society

Schedule of Operations and Member Services

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Salaries, benefits, and taxes	\$ 739,000	\$ 673,067	\$ (65,933)	\$ 660,508
Bank fees	36,000	40,960	4,960	38,245
Computer supplies/upgrades	55,270	44,228	(11,042)	42,774
Professional fees	22,000	20,610	(1,390)	23,142
Postage	25,000	8,632	(16,368)	18,447
Telephone	20,000	19,410	(590)	20,626
Business insurance	25,000	23,840	(1,160)	41,056
Contingency	50,000	20,844	(29,156)	37,880
Maintenance contracts -equipment	35,000	46,682	11,682	27,517
Investment expense	26,000	23,620	(2,380)	-
Office supplies	12,000	32,854	20,854	46,380
Printing and copier supplies	15,000	1,778	(13,222)	-
Travel and expenses	2,500	8,575	6,075	5,102
Staff benefits admin fees	20,000	8,541	(11,459)	6,817
Professional training	2,500	1,945	(555)	506
Dues and subscriptions	1,500	858	(642)	1,667
Taxes	5,000	158	(4,842)	2,587
Bad debt expense	-	28,445	28,445	-
Interest expense	70,000	36,231	(33,769)	48,343
Total	\$ 1,161,770	\$ 1,041,278	\$ (120,492)	\$ 1,021,597

North Carolina Medical Society

Schedule of Leadership Support Activities

For the years ended December 31, 2015 and 2014

	<u>2015 Budget</u> <u>(Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under)</u> <u>Budget</u>	<u>2014 Actual</u>
AMA delegation	\$ 60,000	\$ 44,132	\$ (15,868)	\$ 51,223
President	60,000	48,992	(11,008)	57,216
Board of directors	30,000	51,044	21,044	46,462
Reserve for campaign	-	-	-	309
President-elect	5,000	-	(5,000)	-
Past-president	<u>2,000</u>	<u>4,882</u>	<u>2,882</u>	<u>-</u>
Total	<u>\$ 157,000</u>	<u>\$ 149,050</u>	<u>\$ (7,950)</u>	<u>\$ 155,210</u>

North Carolina Medical Society

Schedule of Executive Department

For the years ended December 31, 2015 and 2014

	<u>2015 Budget</u> <u>(Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under)</u> <u>Budget</u>	<u>2014 Actual</u>
Salaries, benefits, and taxes	\$ 747,300	\$ 663,857	\$ (83,443)	\$ 714,337
Travel and expenses	22,000	27,990	5,990	20,598
Automobile	5,000	4,132	(868)	3,833
Dues and subscriptions	6,500	8,216	1,716	9,272
Employee development	20,000	35,011	15,011	31,969
Employee education	20,000	29,971	9,971	-
Professional training	-	-	-	2,275
Total	<u>\$ 820,800</u>	<u>\$ 769,177</u>	<u>\$ (51,623)</u>	<u>\$ 782,284</u>

North Carolina Medical Society

Schedule of Annual Meeting

For the years ended December 31, 2015 and 2014

	<u>2015 Budget (Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under) Budget</u>	<u>2014 Actual</u>
Annual meeting	\$ 70,000	\$ 99,231	\$ 29,231	\$ 100,430
Board of directors	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>
Total	<u>\$ 77,000</u>	<u>\$ 99,231</u>	<u>\$ 22,231</u>	<u>\$ 100,430</u>

North Carolina Medical Society

Schedule of Government Affairs and Health Policy Department

For the years ended December 31, 2015 and 2014

	2015 Budget <u>(Unaudited)</u>	<u>2015 Actual</u>	Over (Under) <u>Budget</u>	<u>2014 Actual</u>
Salaries, benefits and taxes	\$ 857,850	\$ 769,181	\$ (88,669)	\$ 995,588
Legislative relations	300,000	242,421	(57,579)	217,188
MEDPAC - Admin	10,000	3,005	(6,995)	5,577
Telephone	12,000	10,104	(1,896)	14,242
Travel and expenses	15,000	19,707	4,707	17,886
Automobile	4,000	3,154	(846)	4,038
Dues and subscriptions	5,500	8,324	2,824	5,120
Library/publications	2,000	177	(1,823)	1,135
Professional training	10,000	650	(9,350)	38,652
Payer issues	3,000	-	(3,000)	68,300
AMA litigation center	10,000	7,500	(2,500)	7,500
Toward Accountable Care	-	-	-	29,643
Legal	<u>30,000</u>	<u>1,415</u>	<u>(28,585)</u>	<u>4,021</u>
 Total	 <u>\$ 1,259,350</u>	 <u>\$ 1,065,638</u>	 <u>\$ (193,712)</u>	 <u>\$ 1,408,890</u>

North Carolina Medical Society

Schedule of Headquarters Facility Operations

For the years ended December 31, 2015 and 2014

	<u>2015 Budget</u> <u>(Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under)</u> <u>Budget</u>	<u>2014 Actual</u>
Utilities	\$ 65,000	\$ 63,702	\$ (1,298)	\$ 54,158
Janitorial service and supplies	40,000	32,081	(7,919)	31,781
Building repairs and maintenance	60,000	59,081	(919)	51,764
Heating, air and elevator	15,000	-	(15,000)	-
Grounds maintenance	13,000	17,067	4,067	17,968
Security system	10,000	(377)	(10,377)	3,403
Insurance	10,000	-	(10,000)	-
Depreciation	-	439,926	439,926	369,835
Renovations	-	2,197	2,197	4,324
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 213,000</u>	<u>\$ 613,677</u>	<u>\$ 400,677</u>	<u>\$ 533,233</u>

North Carolina Medical Society

Schedule of Liaison Support

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
NCMS Foundation	\$ 160,000	\$ -	\$ (160,000)	\$ 75,850
Health system reform	-	-	-	108
North Carolina Medical Journal	20,000	20,000	-	20,000
Medical education	-	495	495	5,940
Special projects	40,000	14,196	(25,804)	-
Medical students	-	-	-	8,863
Physicians Health Program	10,000	10,000	-	-
Committee	5,000	1,031	(3,969)	1,369
 Total	 \$ 235,000	 \$ 45,722	 \$ (189,278)	 \$ 112,130

North Carolina Medical Society

Schedule of Healthcare Delivery

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Salaries, benefits and taxes	\$ 220,780	\$ 208,441	\$ (12,339)	\$ -
Telephone expense	2,000	478	(1,522)	-
Travel and expenses	7,000	2,686	(4,314)	-
Professional training	2,000	325	(1,675)	-
Dues and subscriptions	1,000	871	(129)	-
Towards Accountable Care	10,000	644	(9,356)	-
Legal expense	2,000	-	(2,000)	-
 Total	\$ 244,780	\$ 213,445	\$ (31,335)	\$ -

North Carolina Medical Society

Schedule of Member Services Department

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Salaries, benefits and taxes	\$ -	\$ -	\$ -	\$ 327,188
Membership activity	-	-	-	74,939
Marketing	-	-	-	38,937
Membership expansion	-	-	-	32,286
Website maintenance	-	-	-	19,310
Printing and copier supplies	-	-	-	6,286
Travel and expenses	-	-	-	3,046
1st year students dues	-	-	-	1,610
Dues and subscriptions	-	-	-	1,156
Public service	-	-	-	529
Member, media and PR	-	-	-	453
 Total	 \$ -	 \$ -	 \$ -	 \$ 505,740

**The Member Services Department was split into the Communications, Marketing, and Membership Development for 2015, which are shown on the following pages.*

North Carolina Medical Society

Schedule of Communications

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Salaries, benefits and taxes	\$ 319,200	\$ 309,588	\$ (9,612)	\$ -
Membership activity	-	945	945	-
Marketing	-	3,913	3,913	-
Bulletin	1,000	-	(1,000)	-
Website maintenance	20,000	14,804	(5,196)	-
Travel and expenses	2,000	3,828	1,828	-
Professional training	2,000	-	(2,000)	-
Dues and subscriptions	1,000	1,242	242	-
Public service	10,000	-	(10,000)	-
Audiovisual and photography	5,000	-	(5,000)	-
Member, media and PR	20,000	2,210	(17,790)	-
 Total	 \$ 380,200	 \$ 336,530	 \$ (43,670)	 \$ -

**Communications was included within the Member Services Department for 2014, which is shown on the previous page.*

North Carolina Medical Society

Schedule of Marketing

For the years ended December 31, 2015 and 2014

	<u>2015 Budget (Unaudited)</u>	<u>2015 Actual</u>	<u>Over (Under) Budget</u>	<u>2014 Actual</u>
Marketing	\$ 40,000	\$ 26,978	\$ (13,022)	\$ -
Survey and research	<u>5,000</u>	<u>250</u>	<u>(4,750)</u>	<u>-</u>
Total	<u>\$ 45,000</u>	<u>\$ 27,228</u>	<u>\$ (17,772)</u>	<u>\$ -</u>

**Marketing was included within the Member Services Department for 2014, which is shown on page 26.*

North Carolina Medical Society

Schedule of Membership Development

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Salaries, benefits and taxes	\$ 146,300	\$ 75,884	\$ (70,416)	\$ -
Membership activity	60,000	104,285	44,285	-
Membership recruitment	50,000	22,487	(27,513)	-
Travel and expenses	30,000	5,574	(24,426)	-
Professional training	2,000	-	(2,000)	-
1st year students dues	2,000	812	(1,188)	-
Dues and subscriptions	1,000	61	(939)	-
Practice marketing	20,000	-	(20,000)	-
Total	<u>\$ 311,300</u>	<u>\$ 209,103</u>	<u>\$ (102,197)</u>	<u>\$ -</u>

**Membership Development was included within the Member Services Department for 2014, which is shown on the page 26.*

North Carolina Medical Society

Schedule of Education Services and Practice Management

For the years ended December 31, 2015 and 2014

	2015 Budget (Unaudited)	2015 Actual	Over (Under) Budget	2014 Actual
Consultant	\$ 15,000	\$ 10,446	\$ (4,554)	\$ 54,226
Accreditation programs and fees	4,000	7,700	3,700	7,725
Intrastate provider training	750	-	(750)	-
Meetings	1,000	127	(873)	474
NCMS CME programs	-	-	-	(630)
NCMS accreditation fees	4,000	500	(3,500)	-
Site safety reimbursement	-	-	-	500
Office supplies	300	-	(300)	-
Travel	6,800	-	(6,800)	-
Speaker fees	600	-	(600)	-
	<u>32,450</u>	<u>18,773</u>	<u>(13,677)</u>	<u>62,295</u>
Total	<u>\$ 32,450</u>	<u>\$ 18,773</u>	<u>\$ (13,677)</u>	<u>\$ 62,295</u>

North Carolina Medical Society

Schedule of Assets and Net Assets of NCMS PAC

For the years ended December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 108,610	\$ 74,407
Investments	<u>3,541</u>	<u>3,541</u>
Total assets	<u>\$ 112,151</u>	<u>\$ 77,948</u>
Net Assets		
Temporarily restricted	<u>\$ 112,151</u>	<u>\$ 77,948</u>