



Consolidated Financial Statements

for

**INDEPENDENT INSURANCE AGENTS
OF NORTH CAROLINA, INC**

Years Ended August 31, 2024 and 2023
with Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors
Independent Insurance Agents of North Carolina, Inc
Cary, North Carolina

Opinion

We have audited the consolidated financial statements of Independent Insurance Agents of North Carolina, Inc and affiliates (the Organization), which comprise the consolidated statement of financial position as of August 31, 2024, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2024 . In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects with the audited financial statements from which it has been derived.

Dean Dorton Allen Ford, PLLC

Raleigh, North Carolina
February 19, 2025

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Consolidated Statement of Financial Position

August 31, 2024

(With Summarized Financial Information for August 31, 2023)

Assets	<u>2024</u>	2023 (Summarized Information)
Current assets:		
Cash and cash equivalents	\$ 5,298,686	\$ 5,234,983
Investments	5,563,751	4,485,047
Accounts receivable, net	263,647	218,937
Due from NCAIA	2,053,415	1,622,061
Prepaid expenses	<u>214,681</u>	<u>250,719</u>
Total current assets	13,394,180	11,811,747
Property and equipment:		
Land	238,839	238,839
Building	1,818,861	1,720,454
Furniture, fixtures, and equipment	1,153,812	1,157,196
Automobiles	<u>245,126</u>	<u>212,610</u>
Total	3,456,638	3,329,099
Less allowance for depreciation	<u>(1,653,673)</u>	<u>(1,675,588)</u>
Total property and equipment, net	1,802,965	1,653,511
Noncurrent assets:		
Investment in privately held companies	1,600,763	1,349,963
Cash value of life insurance policy	206,344	151,663
Deferred tax asset - noncurrent	<u>335,728</u>	<u>272,146</u>
Total noncurrent assets	2,142,835	<u>1,773,772</u>
Total assets	\$ <u>17,339,980</u>	\$ <u>15,239,030</u>

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Consolidated Statement of Financial Position, continued

August 31, 2024

(With Summarized Financial Information for August 31, 2023)

	<u>2024</u>	2023 (Summarized Information)
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 847,548	\$ 578,867
Agency payable	155,171	66,560
Retirement plan payable	169,989	142,993
Deferred revenue	<u>757,995</u>	<u>865,060</u>
Total current liabilities	1,930,703	1,653,480
Net assets:		
Without donor restrictions	11,676,510	10,295,031
With donor restrictions	<u>3,732,767</u>	<u>3,290,519</u>
Total net assets	<u>15,409,277</u>	<u>13,585,550</u>
Total liabilities and net assets	\$ <u>17,339,980</u>	\$ <u>15,239,030</u>

See accompanying notes.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Consolidated Statement of Activities

Year ended August 31, 2024

(With Summarized Financial Information for the Year ended August 31, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	(Summarized Information)
Revenues and support:				
Membership dues	\$ 1,075,967	\$ -	\$ 1,075,967	\$ 1,111,149
Service fees	1,088,344	-	1,088,344	1,436,838
Education program fees	762,423	-	762,423	592,532
Public education	-	860,000	860,000	714,500
Convention fees	969,942	-	969,942	905,513
Royalty income	239,250	-	239,250	207,359
Agency consulting income	112,945	-	112,945	89,228
Agency Focus income	193,673	-	193,673	104,520
101 Weston Labs income	155,000	-	155,000	35,000
Miscellaneous income	43,398	-	43,398	106,048
Contributions	-	1,200,000	1,200,000	1,400,000
Investment income	1,057,389	67,147	1,124,536	406,519
Gain on sale of property and equipment	13,348	-	13,348	26,707
Net assets released from restrictions	<u>1,684,899</u>	<u>(1,684,899)</u>	<u>-</u>	<u>-</u>
Total revenues and support	7,396,578	442,248	7,838,826	7,135,913
Expenses:				
Direct program expenses:				
Education	1,595,574	-	1,595,574	1,230,035
Membership	1,983,136	-	1,983,136	2,184,891
Insurance products	1,554,105	-	1,554,105	1,395,973
Government affairs and lobbying	<u>303,270</u>	<u>-</u>	<u>303,270</u>	<u>278,723</u>
Total direct program expenses	5,436,085	-	5,436,085	5,089,622
Supporting services:				
Administrative	<u>642,596</u>	<u>-</u>	<u>642,596</u>	<u>604,939</u>
Total expenses	<u>6,078,681</u>	<u>-</u>	<u>6,078,681</u>	<u>5,694,561</u>
Changes in net assets before income tax benefit	1,317,897	442,248	1,760,145	1,441,352
Income tax benefit	<u>63,582</u>	<u>-</u>	<u>63,582</u>	<u>49,223</u>
Change in net assets	1,381,479	442,248	1,823,727	1,490,575
Net assets, beginning of year	<u>10,295,031</u>	<u>3,290,519</u>	<u>13,585,550</u>	<u>12,094,975</u>
Net assets, end of year	<u>\$ 11,676,510</u>	<u>\$ 3,732,767</u>	<u>\$ 15,409,277</u>	<u>\$ 13,585,550</u>

See accompanying notes.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Consolidated Statement of Functional Expenses

Year ended August 31, 2024

(With Summarized Financial Information for the Year ended August 31, 2023)

	Education	Membership	Insurance Products	Government Affairs and Lobbying	Total Program	Administrative	Total Expenses	2023 (Summarized Information)
Salary and benefits	\$ 481,207	\$ 370,009	\$ 920,675	\$ 151,838	\$ 1,923,729	\$ 348,234	\$ 2,271,963	\$ 2,041,126
Direct program costs	807,947	542,666	298,954	-	1,649,567	-	1,649,567	1,322,704
Publication	-	542,748	-	-	542,748	-	542,748	834,976
Dues and subscriptions	11,338	280,557	21,343	3,685	316,923	8,121	325,044	304,401
Computer and technology	44,376	33,830	83,668	14,446	176,320	31,835	208,155	207,112
Depreciation	32,295	24,620	60,889	10,513	128,317	23,168	151,485	158,720
Travel, lodging and meeting expense	9,299	17,747	17,532	96,708	141,286	98,166	239,452	190,740
Scholarship and education awards	97,012	-	-	-	97,012	-	97,012	80,168
Insurance	22,972	17,513	43,312	7,478	91,275	16,480	107,755	115,662
Facilities	23,868	18,196	45,001	7,770	94,835	17,122	111,957	125,496
Professional fees	-	-	-	-	-	75,075	75,075	89,757
Credit card fees	31,988	44,317	-	-	76,305	-	76,305	50,831
Membership support	-	65,568	-	-	65,568	-	65,568	32,682
Staff development and support	8,477	6,463	15,983	2,760	33,683	6,081	39,764	40,707
Telephone and internet	3,932	2,998	7,414	1,280	15,624	2,821	18,445	16,073
Marketing and member visits	10,864	8,282	20,483	3,537	43,166	7,794	50,960	40,041
Printing and postage	3,213	2,449	6,057	1,046	12,765	2,304	15,069	10,486
Vehicles	3,250	2,478	6,128	1,058	12,914	2,332	15,246	18,384
Office supplies	3,536	2,695	6,666	1,151	14,048	3,063	17,111	14,495
Total expenses	<u>\$ 1,595,574</u>	<u>\$ 1,983,136</u>	<u>\$ 1,554,105</u>	<u>\$ 303,270</u>	<u>\$ 5,436,085</u>	<u>\$ 642,596</u>	<u>\$ 6,078,681</u>	<u>\$ 5,694,561</u>

See accompanying notes.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Consolidated Statement of Cash Flows

Year ended August 31, 2024

(With Summarized Financial Information for the Year ended August 31, 2023)

	<u>2024</u>	<u>2023</u> (Summarized Information)
Cash flows from operating activities:		
Change in net assets	\$ 1,823,727	\$ 1,490,575
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	245,858	201,001
Realized gain on sale of investments	(14,473)	(73,164)
Unrealized gain on sale of investments	(852,860)	(259,943)
Gain on sale of property and equipment	(13,348)	(26,707)
Changes in assets and liabilities:		
Accounts receivable, net	(44,710)	(20,356)
Due from NCAIA	(431,354)	(223,771)
Prepaid expenses	36,038	(69,576)
Cash value of life insurance policy	(54,681)	(39,341)
Deferred tax asset	(63,582)	(49,223)
Accounts payable	268,681	145,590
Agency payable	88,611	(47,771)
Retirement plan payable	26,996	5,193
Deferred revenue	(107,065)	(1,807)
Net cash provided by operating activities	<u>907,838</u>	<u>1,030,700</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	33,000	28,358
Purchase of property and equipment	(414,964)	(357,899)
Purchase of investments	(476,362)	(619,180)
Proceeds from sale of investments	<u>14,191</u>	<u>275,000</u>
Net cash used in investing activities	<u>(844,135)</u>	<u>(673,721)</u>
Net increase in cash and cash equivalents	63,703	356,979
Cash and cash equivalents, beginning of year	<u>5,234,983</u>	<u>4,878,004</u>
Cash and cash equivalents, end of year	\$ <u>5,298,686</u>	\$ <u>5,234,983</u>

See accompanying notes.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements

1. Description of the Organization

Independent Insurance Agents of North Carolina, Inc (the Association) is a non-profit association of independent insurance agencies in the State of North Carolina. It was organized under Section 501(c)(6) of the Internal Revenue Code to provide its members with education programs, industry representation, and member services. It is a member of the Independent Insurance Agents and Brokers of America (IIABA).

The Association organized a wholly-owned, for-profit subsidiary, IIANC Member Services, Inc. ("Corporation") in September 2010. The Corporation provides various insurance products and advertising opportunities to members of the Association.

The Association elects the board of directors and approves the chairman and vice chairman of IIANC Education Foundation ("Foundation"). The Foundation is a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code to assist, support, and benefit the Association with respect to the promotion and development of insurance education in North Carolina.

The Association organized a wholly-owned, for-profit subsidiary, 101 Weston Labs, Inc. ("101 Weston Labs") in December 2023. 101 Weston Labs is an InsurTech accelerator that supports early-stage companies dedicated to enhancing the independent agents' distribution channel. The accelerator provides business and leadership skills training, network access, investment, and other support to help InsurTech startups bring their products to market faster.

Collectively, the Association, Corporation, Foundation, and 101 Weston Labs are called "the Organization" in these consolidated financial statements.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its financial statements:

Consolidation

The consolidated financial statements include the accounts of the Association, Corporation (inclusive of iFinance, a single-member LLC), Foundation, and 101 Weston Labs. All significant inter-organization transactions have been eliminated in consolidation.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Adoption of New Accounting Standard

Effective September 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein may be classified and reported as follows:

Net Assets Without Donor Restrictions - The portion of expendable funds that are not subject to donor-imposed stipulations and include the following:

Undesignated: These net assets represent the portion of expendable funds available for the operation of the Organization.

Board Designated: These net assets represent funds without donor restrictions designated by the Board of Directors to be held in case of a catastrophe. This designation can only be released or revised in the future, to the extent not externally restricted, as a result of Board approval.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Contributions

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, cash and cash equivalents are defined as checking and savings accounts, money market deposits, and certificates of deposit with original maturities of less than ninety days, excluding cash equivalents held as part of the Organization's investment portfolio, which are classified as investments.

Investments

Investments in equity securities and money market funds with readily determinable fair value are measured at fair value in the consolidated statement of financial position. Gains and losses are determined using the specific identification method.

Investments in privately held companies are carried at cost.

Accounts Receivable

Accounts receivable consist of amounts due for member group insurance premiums and program fees and are generally unsecured.

The Organization establishes allowances for credit losses on accounts receivable. The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Organization's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. The measurement of credit losses and subsequent changes in the allowance for credit losses are recorded in the statement of activities within management and general expenses as the amounts expected to be collected change.

The Organization uses the aging method to estimate its expected credit losses on accounts receivable. In order to estimate expected credit losses, the Organization assesses recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging in the identified risk pools to determine the needed reserve allowance. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Organization has determined that recent historical experience provides the best basis for estimating credit losses.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Accounts Receivable, continued

The determination of past due status on accounts receivable is based on the terms indicated on customer contracts and invoices. Accounts are written off against the allowance when deemed uncollectible by management. Recoveries of accounts receivable previously written off are recorded when received. The Organization does not charge interest on its past due receivables. The allowance for credit losses at August 31, 2024, was \$6,000.

Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of August 31, 2023 was \$6,000.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Organization's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, and new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

Property and Equipment

Property and equipment is recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Organization utilizes a capitalization threshold of \$1,000. The estimated useful lives are as follows:

Building	15 - 40 years
Furniture, fixtures, and equipment	3 - 7 years
Automobiles	5 years

Deferred Revenue and Revenue Recognition

Membership dues and program revenues collected in advance are recorded as deferred revenue and recognized as income in the period earned. Membership dues are recognized as revenue in the applicable membership period. Registration fees for continuing education courses and other events are recognized as revenue when the course or event is held. Revenues from group insurance products and errors and omissions insurance are recognized as revenue on the effective date of the policies.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code. The Association's primary activity subject to taxation is excess lobbying expenses, and there was no tax due for the years ended August 31, 2024 and 2023.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Corporation is a C corporation and its primary activities subject to taxation include advertising and commissions. A provision for federal and state income taxes is included in the accompanying consolidated financial statements. The Corporation had a deferred tax asset of \$335,728 and \$272,146 as of August 31, 2024 and 2023 respectively. The single member LLC is a disregarded entity for income tax filing purposes.

The Foundation is exempt from federal and state income tax under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2).

It is the Organization's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than not" threshold to determine if the benefit of any uncertain tax position should be recognized in the consolidated financial statements. Any changes in the amount of a tax position are recognized in the period the change occurs. The Organization believes there is appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

The Association, Corporation and Foundation file their related Forms 990 and 1120 in the U.S. Federal jurisdiction and with the North Carolina Department of Revenue. These returns are subject to examination by the Internal Revenue Service and state tax authorities for a period of three years after the respective filing deadlines.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended August 31, 2024 and 2023 were \$53,633 and \$44,354, respectively.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through February 19, 2025, the date that the consolidated financial statements were available to be issued.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

3. Revenue Recognition

The Organization derives revenues from membership dues, service fees, education program fees, consulting fees, and convention fees.

The following is a summary of the principal forms of the Organization's services and how revenue is recognized for each.

Membership Dues

The Organization receives membership dues from agencies in exchange for membership benefits. Revenue related to membership dues is recognized in the period the membership benefits are provided.

Service Fees

The Organization receives service fees as commission earned on insurance products offered. Revenue related to these service fees is recognized when the insurance product is purchased.

Education Program Fees and Consulting

The Organization receives education program fees for continuing education and designation classes offered by the Organization. Consulting fees are received for onsite classes held at agencies and for business and information technology consulting for agencies. Revenue related to education programs fees and consulting is recognized in the period the classes or consulting takes place.

Convention Fees

The Organization receives convention fees for conventions held in the spring and the fall. Revenue related to convention fees is recognized in the period the convention takes place.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

3. Revenue Recognition, continued

Disaggregation of Revenue

In the following table, revenue is disaggregated by major services line and timing of revenue recognition.

	<u>2024</u>	<u>2023</u>
Major services:		
Membership dues	\$ 1,075,967	\$ 1,111,149
Service fees	1,088,344	1,436,838
Education program fees and consulting	875,368	681,760
Convention fees	<u>969,942</u>	<u>905,513</u>
	<u>\$ 4,009,621</u>	<u>\$ 4,135,260</u>
	<u>2024</u>	<u>2023</u>
Timing of revenue recognition:		
Services transferred over time	\$ 1,075,967	\$ 1,111,149
Services transferred at a point in time	<u>2,933,654</u>	<u>3,024,111</u>
	<u>\$ 4,009,621</u>	<u>\$ 4,135,260</u>

The Organization assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Organization would be general economic trends. These factors have been assessed and management feels they have limited impact on the performance of the Organization.

Contract Balances

Contract assets are disclosed in the statements of financial position as accounts receivable and represent royalties, advertising and event sponsorship amounts owed by customers. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets. Contract liabilities are disclosed in the statements of financial position as deferred revenue.

Accounts receivable and deferred revenue were \$198,581 and \$866,867 at September 1, 2022, respectively.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

4. Investments

Investment income for the year ended August 31, 2024 consisted of dividends and interest of \$257,203, realized gains of \$14,473, and unrealized gains of \$852,860. Investment income for the year ended August 31, 2023 consisted of dividends and interest of \$73,412, realized gains of \$73,164, and unrealized gains of \$259,943.

Investments are summarized as follows at August 31, 2024 and 2023:

	Historical Cost	Fair Value	Unrealized Gain (Loss)
<u>August 31, 2024</u>			
Certificates of deposit	\$1,429,732	\$ 1,428,993	\$ (739)
Fixed income securities	249,930	200,396	(49,534)
Equity securities	968,132	3,856,122	2,887,990
Exchange-traded products	79,683	78,240	(1,443)
Total investments	2,727,477	5,563,751	2,836,274
Investment in Independent Market Solutions			
Investment in BIRC stock	9,964	9,964	-
Investment in BIRC stock	120,000	120,000	-
Investment in AVYST stock	100,000	100,000	-
Investment in AgencyFocus stock	200,000	200,000	-
Investment in b atomic stock	150,000	150,000	-
Investment in CatalyIT stock	200,000	200,000	-
Investment in Agency VA stock	199,000	199,000	-
Investment in Aureus Analytics stock	200,000	200,000	-
Investment in Eat Cake, Inc. SAFE	50,000	50,000	-
Investment in 101 Weston Labs Cohort	271,800	271,800	-
Investment in Wunderite stock	99,999	99,999	-
Total investments in privately held companies	1,600,763	1,600,763	-
	\$4,328,240	\$ 7,164,514	\$2,836,274

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

4. Investments, continued

	Historical Cost	Fair Value	Unrealized Gain (Loss)
<u>August 31, 2023</u>			
Certificates of deposit	\$ 1,404,790	\$ 1,390,314	\$ (14,476)
Fixed income securities	249,925	195,338	(54,587)
Equity securities	767,229	2,823,725	2,056,496
Exchange-traded products	79,683	75,670	(4,013)
Total investments	2,501,627	4,485,047	1,983,420
Investment in Independent Market Solutions			
Investment in BIRC stock	120,000	120,000	-
Investment in AVYST stock	100,000	100,000	-
Investment in AgencyFocus stock	200,000	200,000	-
Investment in atomic stock	150,000	150,000	-
Investment in CatalyT stock	100,000	100,000	-
Investment in Agency VA stock	200,000	200,000	-
Investment in Aureus Analytics stock	200,000	200,000	-
Investment in Eat Cake, Inc. SAFE	50,000	50,000	-
Investment in 101 Weston Labs Cohort	120,000	120,000	-
Investment in Wunderite stock	99,999	99,999	-
Total investments in privately held companies	1,349,963	1,349,963	-
	\$ 3,851,590	\$ 5,835,010	\$ 1,983,420

5. Fair Value Measurements

The Organization follows Accounting Standards Codification (ASU) 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of its financial assets. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

5. Fair Value Measurement, continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2024. There were no transfers or reclassifications between Level 2 or Level 3 during the year ended August 31, 2024 and 2023.

Certificates of deposit: Valued at original cost plus accrued interest.

Equity, fixed income securities, and exchange traded products: Valued at readily available, quoted prices in principal active markets that are considered to be representative of fair value.

Investments in privately held companies: Valued at historical cost. The Organization believes that the carrying amount of these investments is a reasonable estimate of their fair value. The Organization classifies these investments within Level 3 of the valuation hierarchy. There were no changes in the value of these investments for the year ended August 31, 2024 and 2023.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the valuation of the Organization's financial assets measured at fair value as of August 31, 2024, based on the level of input utilized to measure fair value:

	Balance	Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,428,993	\$ 1,428,993	\$ -	\$ -
Fixed income securities	200,396	200,396	-	-
Equity securities	3,856,122	3,856,122	-	-
Exchange-traded products	78,240	78,240	-	-
Investment in Independent Market Solutions, LLC	9,964	-	-	9,964
Investment in BIRC stock	120,000	-	-	120,000
Investment in AVYST stock	100,000	-	-	100,000
Investment in AgencyFocus stock	200,000	-	-	200,000
Investment in b atomic stock	150,000	-	-	150,000
Investment in CatalyIT stock	200,000	-	-	200,000
Investment in Agency VA stock	199,000	-	-	199,000
Investment in Aureus Analytics stock	200,000	-	-	200,000
Investment in Eat Cake, Inc. stock	50,000	-	-	50,000
Investment in 101 Weston Labs Cohort	271,800	-	-	271,800
Investment in Wunderite stock	99,999	-	-	99,999
	<u>\$ 7,164,514</u>	<u>\$ 5,563,751</u>	<u>\$ -</u>	<u>\$ 1,600,763</u>

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

5. Fair Value Measurement, continued

The following table summarizes the valuation of the Organization's financial assets measured at fair value as of August 31, 2023, based on the level of input utilized to measure fair value:

	Balance	Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,390,314	\$ 1,390,314	\$ -	\$ -
Fixed income securities	195,338	195,338	-	-
Equity securities	2,823,725	2,823,725	-	-
Exchange-traded products	75,670	75,670	-	-
Investment in Independent Market Solutions, LLC	9,964	-	-	9,964
Investment in BIRC stock	120,000	-	-	120,000
Investment in AVYST stock	100,000	-	-	100,000
Investment in AgencyFocus stock	200,000	-	-	200,000
Investment in b atomic stock	150,000	-	-	150,000
Investment in CatalyIT stock	100,000	-	-	100,000
Investment in Agency VA stock	200,000	-	-	200,000
Investment in Aureus Analytics stock	200,000	-	-	200,000
Investment in Eat Cake, Inc. stock	50,000	-	-	50,000
Investment in 101 Weston Labs Cohort	120,000	-	-	120,000
Investment in Wunderite stock	<u>99,999</u>	<u>-</u>	<u>-</u>	<u>99,999</u>
	<u>\$ 5,835,010</u>	<u>\$ 4,485,047</u>	<u>\$ -</u>	<u>\$ 1,349,963</u>

6. Income Taxes

The deferred tax asset and liabilities consist of the following at August 31:

	<u>2024</u>	<u>2023</u>
Deferred tax asset related to:		
Net operating loss carryover	\$ (332,752)	\$ (267,194)
Unrealized loss on investments	<u>(2,976)</u>	<u>(4,952)</u>
Net deferred tax asset - noncurrent	<u>\$ (335,728)</u>	<u>\$ (272,146)</u>

For financial statement purposes and in accordance with the Financial Accounting Standards Board ASU No. 2015-17, deferred tax assets and liabilities are presented as noncurrent and have been offset and shown as a single line item on the balance sheet.

At August 31, 2024 and 2023, the Organization had a net operating loss carryover totaling \$1,460,882 and \$1,158,873, respectively. For purposes of recording deferred tax assets related to this carryover, the Organization did not consider a valuation allowance necessary to reduce the carryover to an estimate of the amount it expects to use before expiration.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

7. Related Party Transactions

The Organization shares a common board of directors with North Carolina Association of Insurance Agents, Inc. (NCAIA). The Organization provides all administrative services for NCAIA based on a pro rata sharing of expenses. NCAIA reimbursed the Organization \$2,040,911 and \$1,668,154 for salaries and benefits and \$648,135 and \$573,900 for administrative expense for the years ended August 31, 2024 and 2023, respectively. Amounts due from NCAIA at August 31, 2024 and 2023 totaled \$2,053,415 and \$1,622,061, respectively.

The Organization received payments or pledges from NCAIA totaling \$2,060,000 and \$2,114,500 for the years ended August 31, 2024 and 2023, respectively. These payments were made to the Organization as part of NCAIA's discretionary funding of educational and risk reduction programs.

The Association and NCAIA purchased land and constructed an office building, which was occupied in October 2001. The Association owns 53.3% of the land, building, and improvements.

The Association is related by board governance with N.C. Small Business PAC (Political Action Committee) of Independent Insurance Agents of North Carolina, Inc. No transactions between the PAC and the Organization occurred during the years ended August 31, 2024 and 2023.

The Association is related by board governance with IIANC Independent Expenditure PAC (Political Action Committee). The Association did not contribute to the PAC during the years ended August 31, 2024 and 2023.

8. Liquidity and Availability

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the Organization has adequate contributions and grants to cover the programs that are being conducted. The Organization also receives reimbursements to cover the services provided. The Organization prepares detailed budgets and has been active in cutting costs to ensure the entity remains liquid.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

8. Liquidity and Availability, continued

The Organization's financial assets expected to be available within one year to meet the cash needs for general expenditures comprise the following as of August 31:

	<u>2024</u>
Cash and cash equivalents	\$ 5,298,686
Investments	5,563,751
Accounts receivable	263,647
Due from NCAIA	<u>2,053,415</u>
Financial assets, at year end	13,179,499
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	3,732,767
Amount unavailable to management without Board approval:	
Board designated	<u>62,741</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,383,991</u>

9. Net Assets

Net assets with donor restrictions are restricted for the following purposes or period as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
NCAIA scholarship and education awards	\$ 2,872,767	\$ 2,576,019
Operation Edith/Public service announcements	665,000	475,000
Distracted driving	100,000	100,000
Other scholarship and education awards	<u>95,000</u>	<u>139,500</u>
	<u>\$ 3,732,767</u>	<u>\$ 3,290,519</u>

Net assets without donor restrictions are restricted for the following purposes or period as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 11,613,769	\$ 10,232,290
Board designated in case of catastrophe	<u>62,741</u>	<u>62,741</u>
	<u>\$ 11,676,510</u>	<u>\$ 10,295,031</u>

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	<u>2024</u>	<u>2023</u>
NCAIA scholarship and education awards	\$ 970,399	\$ 637,984
Operation Edith/Public service announcements	475,000	710,000
Distracted driving	100,000	-
Other scholarship and education awards	<u>139,500</u>	<u>156,750</u>
	<u>\$ 1,684,899</u>	<u>\$ 1,504,734</u>

11. Retirement Benefits

The Organization maintains a defined contribution plan for its employees. All employees are eligible to participate in this plan after twelve months of service. The Organization matches up to 50% of a 3% deferral by the employee as well as making employer contributions. The contributions for the year ended August 31, 2024 and 2023 totaled \$260,160 and \$249,750, respectively.

12. Concentrations of Credit Risk

The Organization maintains cash balances at various financial institutions. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at August 31, 2024 and 2023. As of August 31, 2024 and 2023, the Organization exceeded these insured limits by approximately \$1,589,810 and \$4,387,979, respectively.

The Organization also maintains money market accounts as part of their investment portfolio that are protected by the Securities Investor Protection Corporation (SIPC). The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or fraud. The limits of protection extend up to \$500,000 for securities. The Organization had approximately \$3,689,843 and \$2,946,256 in excess of the SIPC insured limits for securities as of August 31, 2024 and 2023, respectively.

13. Other Commitments

The Association enters into various contracts for future meetings and conventions with hotels and convention centers. At August 31, 2024 and 2023, the Association had commitments totaling approximately \$279,561 and \$232,502, respectively.

INDEPENDENT INSURANCE AGENTS OF NORTH CAROLINA, INC

Notes to the Consolidated Financial Statements, continued

14. Prior Year Summarized Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended August 31, 2023 from which the summarized information was derived.