

North Carolina Bar Association Health Benefit Trust

Audited Financial Statements

*Years ended September 30, 2014 and 2013
with Report of Independent Auditors*

North Carolina Bar Association Health Benefit Trust

Audited Financial Statements

Years ended September 30, 2014 and 2013

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Report of Independent Auditors

Board of Trustees
North Carolina Bar Association Health Benefit Trust

We were engaged to audit the accompanying financial statements of the North Carolina Bar Association Health Benefit Trust (the Trust), which comprise the Statements of Benefit Obligations and Net Assets Available for Plan Benefits as of September 30, 2014 and 2013, and the related Statements of Changes in Benefit Obligations and Net Assets Available for Plan Benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. All references to management refer to those responsible for the collective operations of the Trust, to include the Board of Trustees charged with governance and oversight, the North Carolina Bar Association, in their role as Plan sponsor, and Lawyers Insurance Agency, acting pursuant to a service agreement.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the North Carolina Bar Association Health Benefit Trust as of September 30, 2014 and 2013 and the changes in financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets held for investment purposes as of September 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Trust's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive style with a large, looping initial "J".

Raleigh, North Carolina
January 15, 2015

North Carolina Bar Association Health Benefit Trust

Statements of Benefit Obligations and Net Assets Available for Plan Benefits

	As of September 30,	
	2014	2013
Benefit obligations		
Health claims liability	\$ 2,817,979	\$ 2,885,694
Assets		
Receivables:		
Employer contributions receivable	32,575	44,192
Reinsurance recoverable	255,030	217,283
Collected contributions due from third-party administrator	633,242	652,641
Pharmacy rebates receivable	437,024	385,697
Taxes receivable	99,098	243,822
Accrued interest and dividends	34,440	21,869
Total receivables	1,491,409	1,565,504
Cash and cash equivalents	1,856,808	5,596,154
Investments	14,540,167	11,861,923
Funds held on deposit	148,125	155,548
Prepaid expenses	127,487	10,235
Total assets	18,163,996	19,189,364
Liabilities		
Advanced contributions	1,424,514	1,325,840
Accounts payable	882,559	411,432
Total liabilities	2,307,073	1,737,272
Net assets available for plan benefits	15,856,923	17,452,092
Excess of net assets available for plan benefits over benefit obligations	\$ 13,038,944	\$ 14,566,398

See accompanying notes to the financial statements.

North Carolina Bar Association Health Benefit Trust

Statements of Changes in Benefit Obligations and Net Assets Available for Plan Benefits

	<u>Years ended September 30,</u> <u>2014</u>	<u>2013</u>
Net change in benefit obligations		
Net change during the year attributable to:		
Health claims payable	\$ <u>(67,715)</u>	\$ <u>285,762</u>
Net change in net assets available for plan benefits		
Additions		
Employer contributions	32,166,709	29,189,561
Pharmacy rebates earned	782,974	556,299
Net investment income earned	177,382	111,669
Net realized gains	36,872	6,618
Change in fair value of investments	<u>106,452</u>	<u>(145,147)</u>
Total additions	<u>33,270,389</u>	<u>29,719,000</u>
Deductions		
Participant benefits	30,183,380	26,719,652
General expenses	<u>4,682,178</u>	<u>3,804,314</u>
Total deductions	<u>34,865,558</u>	<u>30,523,966</u>
Net change in net assets available for plan benefits	<u>(1,595,169)</u>	<u>(804,966)</u>
Net change in net assets available for plan benefits over the change in benefit obligations	(1,527,454)	(1,090,728)
Excess of net assets available for plan benefits over benefit obligations at beginning of year	<u>14,566,398</u>	<u>15,657,126</u>
Excess of net assets available for plan benefits over benefit obligations at end of year	<u>\$ 13,038,944</u>	<u>\$ 14,566,398</u>

See accompanying notes to the financial statements.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements

Years ended September 30, 2014 and 2013

Note A - Organization and Significant Accounting Policies

Organization

The North Carolina Bar Association Health Benefit Trust (the Trust) is a North Carolina domiciled multiple employer welfare arrangement (MEWA), which was granted a Certificate of Authority, effective October 1, 2002, under North Carolina General Statute §58-49-30. The Trust is sponsored by the North Carolina Bar Association (the Sponsor) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Trust is also subject to regulation by the North Carolina Department of Insurance.

The Trust is a health and benefit program whereby an employee of a participating employer, upon employment, may elect coverage. Contributions to the Trust are made by participating employers for amounts determined by the Trust. Benefits and administrative expenses are paid by the Trust from contributions made by participating employers.

The Trust has contracted with various third parties to provide management and administrative services. These arrangements are summarized as follows:

<u>Party</u>	<u>Services provided</u>	<u>Fee</u>
Lawyers Insurance Agency (LIA)	Accounting and financial reporting, treasury and cash management, marketing, consulting and advisory, and staffing pursuant to a service agreement	Service fee based on the number of covered employees per month
BCBS of North Carolina	Premium billing and collections, claims adjudication and processing, benefit payments and reporting, and provider network services pursuant to an administrative service agreement	Administrative fee based on the number of covered employees per month

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (continued)

Organization (continued)

<u>Party</u>	<u>Services provided</u>	<u>Fee</u>
GHB Consulting, Inc.	Actuarial and limited underwriting services pursuant to a service contract	Administrative fee based on the number of covered employees per month
Scott Benefit Services	Regulatory compliance, advisory and third-party provider liaison, pursuant to a management services agreement	Administrative fee based on the number of covered employees per month
Innovative Captive Strategies	Sponsored captive cell management pursuant to a participation agreement	Administrative fee based on percentage of ceded reinsurance premium

Basis of Reporting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). The preparation of financial statements in accordance with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Termination Provisions

Although it has not expressed any intent to do so, the Sponsor has the right to terminate the Trust by written instrument delivered to the Trustees. Upon such termination, the Trust shall be paid out by the Trustees in accordance with the underlying Trust agreement.

Receivables

The Trust routinely assesses the collectibility of amounts due from third parties. The Trust has determined that no allowance is necessary at September 30, 2014 and 2013.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2014 and 2013 consist of highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalent balances held in the name of the Trust are insured by the Federal Deposit Insurance Corporation, up to limits prescribed by law. During the years ended September 30, 2014 and 2013, the Trust's cash balances exceeded such limits. Management believes there is minimal credit risk relative to its cash balances.

Investments

Current accounting guidance establishes a three-level hierarchy that prioritizes inputs to valuation techniques used to measure fair value of invested assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1), the next priority to quoted prices for identical assets in inactive markets or similar assets in active markets (Level 2), and the lowest priority to unobservable inputs (Level 3).

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Security transactions are recognized on the trade date (the date the order to buy or sell is executed). Gains and losses are determined using the specific identification basis.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the Statements of Benefit Obligations and Net Assets Available for Plan Benefits.

When a decline in the fair value of an investment is determined to be other-than-temporary, the investment is written down to its estimated fair value. The determination of an other-than-temporary decline in estimated fair value includes, in addition to other relevant factors, consideration of the nature of the investment, the severity and duration of the impairment, the current financial condition and expected prospects of the issuer, and the Trust's intent and ability to hold the security for a period sufficient to recover lost value. Any such writedowns are reported as realized losses on investments. There were no such writedowns during the years ended September 30, 2014 and 2013.

Funds held on deposit

The Trust has a reinsurance contract that requires the Trust to maintain a deposit with the reinsurer, which is included as funds held on deposit in the Statements of Benefit Obligations and Net Assets Available for Plan Benefits.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (continued)

Accounts payable

As of both September 30, 2014 and 2013, \$275,000 of accounts payable represents amounts due to BCBS of North Carolina for claims administration fees associated with the Trust's unpaid health claims liability. As of September 30, 2014, \$466,706 of accounts payable represents amounts due to BCBS of North Carolina related to the Affordable Care Act's transitional reinsurance fee.

Income Tax Status

The Trust is exempt from federal income taxes under Section 501(c)(9) of the Internal Revenue Code, however, the Trust is required to pay federal and state income taxes on unrelated business income. During 2012, the Trust amended tax returns for the years ended September 30, 2009 through 2011, resulting in a refund of unrelated business income tax paid of approximately \$247,000. For the year ended September 30, 2013, unrelated business income tax benefit of \$195,599 is included in general expenses reflecting the refund of \$247,000, net of unrelated business income tax expense for the year ended September 30, 2013 of approximately \$51,000. For the year ended September 30, 2014, unrelated business income tax expense of \$70,027 is included in general expenses. The Trust operates as a self-funded MEWA, solely and exclusively as a non-profit entity for the purpose of providing benefits to employees of participating employers. The Trust is required to file Form 990, *Return of Organization Exempt From Income Tax* and Form 990T, *Exempt Organization Business Income Tax Return*.

The Sponsor analyzed the tax positions taken by the Trust, and concluded that as of September 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. No tax planning strategies were used during the years ended September 30, 2014 and 2013. Tax returns filed within the past three years are subject to examination by the Internal Revenue Service. There are no examinations currently being conducted.

Contributions

Contributions are earned when due. Contributions received for future periods are included as advanced contributions. Contributions earned are reported net of amounts ceded to reinsurers.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (continued)

Health claims liability

The health claims liability reported in the financial statements consists of two primary components: amounts for projected losses incurred but not yet reported (IBNR), calculated based upon claims projections utilizing certain assumptions and industry data and claims paid by BCBS of North Carolina that have not yet been funded by the Trust. Although considerable variability is inherent in IBNR estimates, management believes that the health claims liability reported as of September 30, 2014 and 2013 represents the best estimate of the ultimate net cost of settling unpaid health claims incurred through September 30, 2014 and 2013. However, because of future events beyond the control of management, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such reserves at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Reinsurance

As described more fully in Note C, the Trust entered into reinsurance agreements, whereby the Trust cedes to reinsurers portions of covered losses. Management believes that reinsurance recoverables on paid claims, as recorded, represents its best estimate of such amounts and has determined that no allowance is necessary as of September 30, 2014 and 2013. Reinsurance recoverables on unpaid claims have been estimated using assumptions consistent with those used in establishing the gross health claims liability, and are reported as a component of reinsurance recoverable in the Statements of Benefit Obligations and Net Assets Available for Plan Benefits. Reinsurance contracts do not relieve the Trust of its primary obligation to insureds.

The Trust entered into a sponsored captive insurance company agreement effective October 1, 2012, that contains a profit sharing feature based on losses covered under the treaty. The Trust could be contingently liable for additional ceded premium or a refund of reinsurance premium paid. Additional premiums or refunds are estimated using assumptions consistent with those used in estimating health claims liabilities. Refer to Note C for further discussion of this agreement.

Pharmacy Rebates

Pharmacy rebates receivable represent management's best estimate of amounts due to the Trust based on pharmacy expenses incurred during the reporting period. Such estimates have been established based upon the historical experience of the Trust. Pharmacy rebates received during the years ended September 30, 2014 and 2013 were \$731,647 and \$347,180, respectively.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (continued)

Subsequent Events

The Trust has evaluated subsequent events for disclosure and recognition through January 15, 2015, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements and note disclosures.

Note B - Investments

No individual investments represent 5% or more of the Trust's total net assets available for benefits at September 30, 2014. The JP Morgan U.S. Government Eagle Class short term investment valued at \$2,502,312, represents 5% or more of the Trust's total net assets available for benefits at September 30, 2013.

The major components of the net change in fair value of investments, and interest and dividends on investments, during the year ended September 30, 2014 were as follows:

	Net change in fair value of investments	Interest and dividend income	Total
Cash and short-term investments	\$ -	\$ 2,855	\$ 2,855
Mutual Funds	2,347	-	2,347
Common Stock	52,843	28,016	80,859
U.S. Government agencies	36,203	113,601	149,804
Corporate bonds	6,998	-	6,998
Mortgage-backed securities	8,061	32,910	40,971
Total	<u>\$ 106,452</u>	<u>\$ 177,382</u>	<u>\$ 283,834</u>

The major components of the net change in fair value of investments, and interest and dividends on investments, during the year ended September 30, 2013 were as follows:

	Net change in fair value of investments	Interest and dividend income	Total
Cash and short-term investments	\$ -	\$ 636	\$ 636
Mutual Funds	(4,312)	-	(4,312)
Common Stock	9,426	18,601	28,027
US Government Agencies	(93,987)	59,703	(34,284)
Corporate Bonds	(1,304)	-	(1,304)
Mortgage-backed securities	(54,970)	32,729	(22,241)
Total	<u>\$ (145,147)</u>	<u>\$ 111,669</u>	<u>\$ (33,478)</u>

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note B - Investments (continued)

The following tables show fair value hierarchy levels for the Trust's investments as of September 30, 2014 and 2013:

<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Estimated Fair Value</u>
U.S. Government				
Agencies	\$ -	\$ 10,445,612	\$ -	\$ 10,445,612
Corporate Bonds	-	502,450	-	502,450
Mortgage-backed Securities	-	1,197,202	-	1,197,202
Total Bonds	-	12,145,264	-	12,145,264
Mutual Funds	1,494,827	-	-	1,494,827
Common Stock	900,076	-	-	900,076
Total	<u>\$ 2,394,903</u>	<u>\$ 12,145,264</u>	<u>\$ -</u>	<u>\$ 14,540,167</u>

<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Estimated Fair Value</u>
U.S. Government				
Agencies	\$ -	\$ 7,910,025	\$ -	\$ 7,910,025
Corporate Bonds	-	495,095	-	495,095
Mortgage-backed Securities	-	1,412,415	-	1,412,415
Total Bonds	-	9,817,535	-	9,817,535
Mutual Funds	1,492,480	-	-	1,492,480
Common Stock	551,908	-	-	551,908
Total	<u>\$ 2,044,388</u>	<u>\$ 9,817,535</u>	<u>\$ -</u>	<u>\$ 11,861,923</u>

The investment in mutual funds as of September 30, 2014 and 2013 consists of funds that invest principally in debt securities with maturities varying from less than one year to five years.

Note C - Reinsurance

For the year ended September 30, 2014, the Trust purchased specific excess of loss reinsurance from National Union Fire Insurance Company of Pittsburgh, a subsidiary of AIG Insurance Company, with an effective date of October 1, 2013 and an expiration date of September 30, 2014. The specific excess of loss coverage has an attachment point of \$225,000, per individual, and no limit of liability per individual. Contributions and health claims ceded to the reinsurer during the year ended September 30, 2014 amounted to \$1,244,598 and \$624,759, respectively.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note C - Reinsurance (continued)

For the year ended September 30, 2013, the Trust purchased specific excess of loss reinsurance from National Union Fire Insurance Company of Pittsburgh, a subsidiary of AIG Insurance Company, with an effective date of October 1, 2012 and an expiration date of September 30, 2013. The specific excess of loss coverage has an attachment point of \$200,000, per individual, and no limit of liability per individual. Contributions and health claims ceded to the reinsurer during the year ended September 30, 2013 amounted to \$1,245,198 and \$562,152, respectively.

The Trust entered into a sponsored captive insurance company agreement effective October 1, 2012, in order to participate in the Trust's purchased specific excess of loss coverage. The captive provides medical stop loss coverage for claims that exceed the Trust's specific deductible amount, up to \$1,000,000, subject to an aggregate limit. The trust may be eligible for a dividend and release of capital funding from the sponsored captive insurance company. Distribution of any funds under this agreement is subject to prior approval of the Vermont Department of Financial Regulation. Distributions amounted to \$87,229 and \$0 during the years ended September 30, 2014 and 2013, respectively, and are included in employer contributions on the Statements of Changes in Benefit Obligations and Net Assets Available for Plan Benefits.

Note D - General Expenses

General expenses include all underwriting expenses incurred during the day-to-day operations of the Trust. General expenses incurred during the years ended September 30, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
BCBS administration fees	\$ 2,268,169	\$ 2,146,672
Lawyers Insurance Agency administration fees	1,640,205	1,567,895
Consulting fees	98,000	100,000
Actuarial fees	49,113	44,797
Insurance expense	61,686	55,860
Other taxes and fees	391,531	-
Other	68,023	55,129
Unrelated business income tax (benefit) expense	70,027	(196,599)
Accounting fees	28,323	26,526
Legal fees	7,101	4,034
Total general expenses	<u>\$ 4,682,178</u>	<u>\$ 3,804,314</u>

Included in other taxes and fees for 2014 are \$350,000 of expenses related to the Affordable Care Act's transitional reinsurance fee.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note E - Health Claims Liability

The following represents the change in the health claims liability for the Trust during the years ended September 30, 2014 and 2013:

	2014	2013
Net health claims liability, beginning of year	\$ 2,885,694	\$ 2,599,932
Provision for health claims incurred during:		
Current year	29,646,895	27,601,022
Previous years	468,770	(595,608)
Total provision for health claims incurred	30,115,665	27,005,414
Health claims paid for claims, net of reinsurance, incurred during:		
Current year	27,203,138	24,794,334
Previous years	2,980,242	1,925,318
Total health claims paid	30,183,380	26,719,652
Net health claims liability, end of year	\$ 2,817,979	\$ 2,885,694
Gross health claims liability, end of year	\$ 2,817,979	\$ 2,885,694
Less: Reinsurance recoverable on unpaid claims	-	-
Net health claims liability, end of year	\$ 2,817,979	\$ 2,885,694

As reflected in the preceding table, the reserve for health claims attributable to insured events of prior fiscal years has increased by \$468,770 and decreased by \$595,608 during fiscal years 2014 and 2013, respectively, as a result of re-estimation of unpaid health claims. Such changes are generally the result of ongoing analysis of recent claims development trends.

North Carolina Bar Association Health Benefit Trust

Notes to Financial Statements (Continued)

Note F - Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements to Form 5500:

	2014	2013
Net assets available for plan benefits per the financial statements	\$ 15,856,923	\$ 17,452,092
Health claims currently payable	2,817,979	2,885,694
Net assets available for benefits per Form 5500	<u>\$ 13,038,944</u>	<u>\$ 14,566,398</u>

The following is a reconciliation of benefits paid per the financial statements to Form 5500:

	2014	2013
Benefits to participants per the financial statements	\$ 30,183,380	\$ 26,719,652
Add: Amounts currently payable at end of period	2,817,979	2,885,694
Less: Amounts currently payable at beginning of period	2,885,694	2,599,932
Benefits to participants per Form 5500	<u>\$ 30,115,665</u>	<u>\$ 27,005,414</u>

North Carolina Bar Association Health Benefit Trust

Schedule H, line 4i - Schedule of Assets Held for Investment Purposes Employer Identification Number 56-6595155, Plan Number 501

September 30, 2014

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment	(d) Cost	(e) Current Value
	Wells Fargo	Cash	\$ 1,765,850	\$ 1,765,850
	JP Morgan U.S. Government Eagle Class Money Market Fund	Money Market	71,161	71,161
	Ishares Floating Rate Bond ETF	Mutual Fund	500,250	502,455
	Federal Home Loan Bank; 1.250% Stepped coupon; due 05/14/19	Bond	498,618	497,030
	Federal Home Loan Bank; 1.250% Stepped coupon; due 05/28/19	Bond	499,075	497,575
	Federal Home Loan Bank; 1.500% Stepped coupon; due 06/18/19	Bond	499,881	497,385
	Federal Farm Credit Bank; 0.450%; due 03/21/16	Bond	499,659	498,010
	SPDR Barclays Capital Short Term Bond ETF	Mutual Fund	498,621	497,178
	Federal Home Loan Banks; 0.625%; due 10/24/16	Bond	499,742	498,845
	Federal Farm Credit Bank; 0.600%; due 12/12/16	Bond	499,793	498,330
	Federal Home Loan Banks; 0.625% Stepped coupon; due 04/30/18	Bond	499,834	497,705
	General Electric Corp.; 0.010%; due 04/15/23	Corporate Bond	496,731	502,440
	Federal Farm Credit Bank; 1.470%; 06/27/18	Bond	499,886	496,825
	Federal Home Loan Bank; 0.600% Stepped coupon; due 01/25/18	Bond	499,669	495,300
	Vanguard Short Term Corporate Bond Index	Mutual Fund	497,921	495,194
	Federal Farm Credit Bank; 1.020%; 01/02/18	Bond	499,921	497,445
	Federal Home Loan Bank; 0.900% Stepped coupon; due 06/20/18	Bond	497,200	493,150
	Federal Home Loan Bank; 1.080%; due 09/06/17	Bond	499,852	498,815
	Federal Farm Credit Bank; 0.730%; 06/19/17	Bond	499,984	496,030
	Federal Home Loan Bank; 0.950%; due 12/28/17	Bond	499,901	493,570
	Federal Farm Credit Bank; 0.940%; 11/13/17	Bond	499,842	497,605
	Federal Farm Credit Bank; 1.250%; 10/02/18	Bond	499,663	496,350
	Federal Home Loan Bank; 1.000% Stepped coupon; due 06/19/19	Bond	498,835	498,200
	Federal Home Loan Bank; 1.000% Stepped coupon; due 12/19/19	Bond	498,815	498,935
	Federal Home Loan Bank; 1.250% Stepped coupon; due 07/15/19	Bond	499,642	500,080
	Federal Home Loan Bank; 0.750% Stepped coupon; due 01/24/18	Bond	499,271	499,555
	Federal Home Loan Bank; 1.250% Stepped coupon; due 08/20/19	Bond	498,386	498,810

North Carolina Bar Association Health Benefit Trust

Schedule H, line 4i - Schedule of Assets Held for Investment Purposes
Employer Identification Number 56-6595155, Plan Number 501

September 30, 2014

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment	(d) Cost	(e) Current Value
	GNMA #AB2764; 2.500%; due 08/15/27	Bond	420,242	410,386
	GNMA II #5012; 3.500%; due 04/20/26	Bond	265,874	273,400
	GNMA #783308; 3.500%; due 05/15/26	Bond	269,690	263,921
	GNMA #738040; 3.500%; due 03/15/26	Bond	248,121	249,507
	Duke Energy Corporation	Common Stock	34,622	37,385
	Pfizer Inc.	Common Stock	29,222	29,570
	General Electric Co.	Common Stock	27,783	30,744
	Consolidated Edison Incorporated	Common Stock	35,231	33,996
	Manning & Napier Inc. Class A	Common Stock	34,021	33,580
	Philip Morris Intl Inc.	Common Stock	35,401	33,360
	McDonalds Corporation	Common Stock	29,917	28,443
	Lilly Eli & Co.	Common Stock	32,549	38,910
	Piedmont Nat Gas Inc.	Common Stock	32,946	33,530
	Chevron Corp.	Common Stock	29,055	29,830
	Leggett & Platt Inc.	Common Stock	24,884	27,936
	Cisco Systems Inc.	Common Stock	30,888	35,238
	AT&T Inc.	Common Stock	35,445	35,240
	Analog Devices Inc.	Common Stock	23,012	24,745
	Intel Corp.	Common Stock	29,665	41,784
	Kraft Foods Group Inc.	Common Stock	34,153	33,840
	Conoco Phillips	Common Stock	18,075	22,956
	Old Rep International Corporation	Common Stock	31,313	28,560
	Verizon Communications Inc.	Common Stock	34,311	34,993
	Du Pont	Common Stock	29,888	35,880
	Dow Chemical Company	Common Stock	32,713	36,708
	Proctor & Gamble Company	Common Stock	32,055	33,496
	Wells Fargo & Co.	Common Stock	15,679	20,748
	Southern Company	Common Stock	30,410	30,555
	Reynolds American Inc.	Common Stock	22,087	29,500
	Waste Management Inc.	Common Stock	30,726	33,271
	Weyerhaeuser Co.	Common Stock	29,483	31,860
	International Paper Company	Common Stock	32,273	33,478
	Raymond James Deposit Program	Cash	19,797	19,797
	Total		<u>\$ 15,880,699</u>	<u>\$ 16,396,975</u>