Consolidated Financial Statements

North Carolina Medical Society

For the years ended December 31, 2025 and 2024

sorren CPAs P.C.

NORTH CAROLINA MEDICAL SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Carolina Medical Society

Opinion

We have audited the accompanying consolidated financial statements of North Carolina Medical Society (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Medical Society as of December 31, 2025 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of North Carolina Medical Society 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Sorren CPAs P.C.

Raleigh, North Carolina
August 10, 2026

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

ASSETS

	2025	2024
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 3,325,528	$ 4,508,119
Restricted	100,957	75,765
Marketable securities	7,554,707	6,943,324
Accounts receivable	541,037	484,817
Notes receivable, current portion	109,922	104,572
Total current assets	11,632,151	12,116,597
Non-current assets:		
Property and equipment:		
Furniture, fixtures, and equipment	576,752	576,752
Vehicles	-	63,894
	576,752	640,646
Less: accumulated depreciation	(576,752)	(639,890)
Property and equipment, net	-	756
Right-of-use assets	3,607,434	3,957,187
Notes receivable, less current portion	6,760,168	6,870,090
Total non-current assets	10,367,602	10,828,033
	$ 21,999,753	$ 22,944,630

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

LIABILITIES AND NET ASSETS

	2025	2024
Current liabilities:		
Accounts payable and accrued expenses	$ 249,855	$ 272,348
Accrued salaries and wages	616,221	197,308
Agency obligations	-	76,341
Contract liabilities	769,190	886,599
Operating lease liability, current portion	312,955	292,320
Total current liabilities	1,948,221	1,724,916
Long-term liabilities:		
Operating lease liability, less current portion	3,372,486	3,685,441
Total long-term liabilities	3,372,486	3,685,441
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	12,180,581	13,061,000
Board designated	4,397,508	4,397,508
	16,578,089	17,458,508
With donor restrictions:		
Purpose restricted	100,957	75,765
	16,679,046	17,534,273
	$ 21,999,753	$ 22,944,630

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Membership dues	$ 1,812,532	$	$ 1,812,532
Investment income:			
Net realized and unrealized gain	610,688		610,688
Interest and dividends	350,601	71	350,672
Product service endorsements	488,844		488,844
Rental income	1,380		1,380
Specialty and county society services	617,526		617,526
Contributions		44,136	44,136
Grants	7,425		7,425
Service fee revenue	1,603,698		1,603,698
Gain on sale of asset	6,589		6,589
Foundation revenue	446,028		446,028
Interest income	346,358		346,358
Other	93,150		93,150
Net assets released from restrictions	19,015	(19,015)	-
Total support and revenues	6,403,834	25,192	6,429,026
Operating expenses:			
Program services:			
Advocacy	3,399,486		3,399,486
Specialty societies	928,914		928,914
Total program services	4,328,400	-	4,328,400
Supporting services:			
Membership development	1,189,077		1,189,077
General and administrative	1,766,776		1,766,776
Total supporting services	2,955,853	-	2,955,853
Total operating expenses	7,284,253	-	7,284,253
(Decrease) increase in net assets	(880,419)	25,192	(855,227)
Net assets at the beginning of year	17,458,508	75,765	17,534,273
Net assets at the end of year	$ 16,578,089	$ 100,957	$ 16,679,046

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Membership dues	$ 2,114,820	$	$ 2,114,820
Investment income:			
Net realized and unrealized gain	388,835		388,835
Interest and dividends	346,467	103	346,570
Product service endorsements	503,995		503,995
Rental income	216,759		216,759
Specialty and county society services	618,750		618,750
Contributions		105,019	105,019
Annual meeting sponsor	167,785		167,785
Grants	10,000		10,000
Service fee revenue	1,529,447		1,529,447
Gain on sale of asset	5,590,735		5,590,735
Foundation revenue	10,800		10,800
Interest income	87,395		87,395
Other	104,917		104,917
Net assets released from restrictions	151,723	(151,723)	-
Total support and revenues	11,842,428	(46,601)	11,795,827
Operating expenses:			
Program services:			
Advocacy	2,048,473		2,048,473
Building	386,042		386,042
Other programs	411,221		411,221
Specialty societies	504,257		504,257
Total program services	3,349,993	-	3,349,993
Supporting services:			
Membership development	946,378		946,378
General and administrative	1,220,580		1,220,580
Total supporting services	2,166,958	-	2,166,958
Total operating expenses	5,516,951	-	5,516,951
Increase (decrease) in net assets	6,325,477	(46,601)	6,278,876
Net assets at the beginning of year	11,133,031	122,366	11,255,397
Net assets at the end of year	$ 17,458,508	$ 75,765	$ 17,534,273

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Advocacy	Specialty Societies	Total Program Services	Membership Development	General and Administrative	Total Supporting Services	2025
Salaries and benefits	$ 2,002,268	$ 716,436	$ 2,718,704	$ 749,658	$ 1,166,875	$ 1,916,533	$ 4,635,237
Travel and meals	38,594	2,439	41,033	19,921	10,296	30,217	71,250
Employee education and training	-	-	-	288	63,535	63,823	63,823
Insurance	3,850	1,429	5,279	1,197	2,187	3,384	8,663
Maintenance contract	16,165	5,999	22,164	5,024	9,184	14,208	36,372
Bank and investment expenses	21,749	8,071	29,820	6,760	32,325	39,085	68,905
Office expenses and supplies	13,716	36,896	50,612	4,184	10,669	14,853	65,465
Telephone	-	423	423	380	10,133	10,513	10,936
Computer expenses and supplies	125,819	44,839	170,658	37,552	68,639	106,191	276,849
Professional fees and consulting	278,542	24,000	302,542	72,077	252,764	324,841	627,383
Delegates to American Medical Association	42,241		42,241				42,241
Legislative relations	348,317	-	348,317	-	-	-	348,317
Board of Directors meetings	131,633	-	131,633	-	1,047	1,047	132,680
Building maintenance & depreciation	236,777	87,872	324,649	73,591	135,269	208,860	533,509
Meetings	3,294	45	3,339	9,976	1,608	11,584	14,923
Membership development	-	-	-	206,654	-	206,654	206,654
Other	118,721	465	119,186	1,815	2,245	4,060	123,246
Candidate Support	17,800	-	17,800	-	-	-	17,800
	$ 3,399,486	$ 928,914	$ 4,328,400	$ 1,189,077	$ 1,766,776	$ 2,955,853	$ 7,284,253

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL
	Advocacy	Building	Other Programs	Specialty Societies	Total Program Services	Membership Development	General and Administrative	Total Supporting Services	2024
Salaries and benefits	$ 1,240,605	$ 25,064	$ 192,342	$ 435,402	$ 1,893,413	$ 742,919	$ 880,245	$ 1,623,164	$ 3,516,577
Travel and meals	21,428	40	3,842	2,712	28,022	23,830	11,126	34,956	62,978
Employee education and training	-	-	-	-	-	-	65,693	65,693	65,693
Insurance	4,809	2,405	2,405	2,405	12,024	2,405	7,214	9,619	21,643
Maintenance contract	9,643	4,822	4,822	4,822	24,109	4,822	14,465	19,287	43,396
Bank and investment expenses	8,383	4,192	4,192	4,192	20,959	4,192	28,249	32,441	53,400
Office expenses and supplies	26,410	281	4,026	7,535	38,252	11,894	15,195	27,089	65,341
Telephone	29	432	204	331	996	2,537	7,989	10,526	11,522
Computer expenses and supplies	100,129	804	11,490	21,437	133,860	39,629	43,474	83,103	216,963
Professional fees and consulting	73,520	20,000	18,729	972	113,221	7,586	78,451	86,037	199,258
Delegates to American Medical Association	68,326	-	-	-	68,326	-	-	-	68,326
Legislative relations	221,042	-	-	-	221,042	-	-	-	221,042
Board of Directors meetings	28,493	-	-	-	28,493	-	6,140	6,140	34,633
Program support	-	-	13,000	-	13,000	-	-	-	13,000
Building maintenance and depreciation	59,021	327,659	5,558	18,083	410,321	28,367	35,795	64,162	474,483
Meetings	3,664	334	142,379	313	146,690	4,930	7,049	11,979	158,669
Membership development	-	-	-	-	-	70,901	-	70,901	70,901
Other	31,248	9	8,232	6,053	45,542	2,366	19,495	21,861	67,403
Candidate support	151,723	-	-	-	151,723	-	-	-	151,723
	$ 2,048,473	$ 386,042	$ 411,221	$ 504,257	$ 3,349,993	$ 946,378	$ 1,220,580	$ 2,166,958	$ 5,516,951

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from members, contributors, and grantors	$ 5,287,448	$ 5,515,574
Cash paid to suppliers, employees, and grantees	(6,905,985)	(5,327,037)
Net cash (used in) provided by operating activities	(1,618,537)	188,537
Cash flows from investing activities:		
Purchase of marketable securities	(1,856,316)	(1,790,754)
Proceeds from sale of marketable securities	2,206,293	2,944,517
Proceeds from sale of property and equipment	6,589	1,752,881
Payments received on notes receivable	104,572	25,338
Net cash provided by investing activities	461,138	2,931,982
Net (decrease) increase in cash and cash equivalents	(1,157,399)	3,120,519
Cash and cash equivalents at beginning of year	4,583,884	1,463,365
Cash and cash equivalents at end of year	$ 3,426,485	$ 4,583,884
Unrestricted cash and cash equivalents at end of year	$ 3,325,528	$ 4,508,119
Restricted cash and cash equivalents at end of year	100,957	75,765
Cash and cash equivalents at end of year	$ 3,426,485	$ 4,583,884
Supplemental schedule of cash flow information:		
Interest received	$ 346,358	$ 87,395

Supplemental schedule of non-cash investing and financing activities:

During the year ended December 31, 2024, the Organization obtained right-of-use assets of $4,035,670 in exchange for operating lease liabilities.

During the year ended December 31, 2024, the Organization disposed of property and equipment in exchange for a $7,000,000 note receivable.

See accompanying notes to consolidated financial statements.

NORTH CAROLINA MEDICAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$ (855,227)	$ 6,278,876
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	756	201,728
Net realized and unrealized gain	(610,688)	(388,835)
Non-cash lease expense	57,433	20,574
Interest and dividends	(350,672)	(346,570)
Gain on disposal of an asset	(6,589)	(5,590,735)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(56,220)	111,254
Prepaid expenses	-	33,571
(Decrease) increase in:		
Accounts payable and accrued expenses	(22,493)	73,757
Accrued salaries and wages	418,913	(63,109)
Agency obligations	(76,341)	30,537
Contract liabilities	(117,409)	(65,367)
Deferred compensation	-	(107,144)
Net cash (used in) provided by operating activities	$ (1,618,537)	$ 188,537

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

Organization and nature of activities:

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 ("NCMS"). NCMS is recognized as a tax-exempt organization under Internal Revenue Code 501(c)(6). The purpose of NCMS 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 "PAC") is a segregated fund as defined under Section 527(f) of the Internal Revenue Code. The PAC was created pursuant to the Federal Election Campaign Act and is regulated by the Federal Election Commission. The PAC represents over 12,500 physicians, physician assistants, residents, and medical students.

Citizens for a Healthy North Carolina ("CHNC") is a segregated fund as defined under Section 527(f) of the Internal Revenue Code. This is an independent expenditure committee created pursuant to Article 22A, 22B, and 22D-M of Chapter 163 of the North Carolina General Statutes.

NCMS'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, American Medical Association ("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").

Principles of consolidation:

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

Basis of accounting and presentation:

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"), and accordingly reflect all significant receivables, payables, and other liabilities.

1. Summary of Significant Accounting Policies (continued):

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. 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 is met, or both.

Advertising costs:

Advertising costs are expensed as incurred. During the years ended December 31, 2025 and 2024, the Organization incurred advertising and marketing expenses totaling $184,044 and $6,789, respectively, which is included in membership development expenses in the accompanying consolidated statements of functional expenses.

Estimates:

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

Cash and cash equivalents:

For purposes of the consolidated financial statements, the Organization considers all investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of cash restricted for the purpose of federal and state candidate support and lobbying.

Restricted cash:

Restricted cash consists of cash restricted for the purpose of federal and state candidate support and lobbying. As of December 31, 2025 and 2024, the Organization had $100,957 and $75,765 of restricted cash, respectively.

1. Summary of Significant Accounting Policies (continued):

Accounts receivable:

Accounts receivable are uncollateralized obligations due from various sources and are reported net of allowances for amounts estimated to be uncollectible. Based on experience, management believes that the entire accounts receivable balance is fully collectible. No other allowances for credit losses have been recorded as they are considered to be immaterial.

Notes receivable:

Notes receivable are recorded at the outstanding principal balance plus accrued interest, if any. Management evaluates collectibility annually and establishes an allowance for doubtful accounts as needed. Interest income is recognized on the accrual basis.

Marketable securities:

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 accompanying consolidated statements of activities and changes in net assets and are included as a component of investment income.

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. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Furniture, fixtures, and equipment	3-10 years
Vehicles	5 years

Depreciation expense totaled $756 and $201,728 for the years ended December 31, 2025 and 2024, respectively. It is the Organization's policy to capitalize property and equipment with an original cost of $5,000 or more and an estimated useful life of more than one year. Maintenance and repairs are charged to expenses while major renewals are capitalized. The cost of equipment, retired or disposed, and the related depreciation are eliminated from the accounts, with the resulting gains or losses included in operations in the accompanying consolidated statements of activities and changes in net assets.

1. Summary of Significant Accounting Policies (continued):

Agency obligations:

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

Contract liabilities:

Amounts received in advance of upcoming membership dues are deferred and recognized as revenue in the appropriate fiscal year.

Income taxes:

NCMS is a nonprofit organization as described in Section 501(c)(6) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes. The PAC and CHNC are political organizations as described in IRC Section 527 and are treated as tax-exempt organizations to the extent provided for in that section.

The Organization evaluates all significant tax positions in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 740-10, *Income Taxes*. As of December 31, 2025, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for tax years prior to 2022.

Leases:

The Organization accounts for its leasing arrangements under FASB ASC 842, *Leases* ("ASC 842"). The Organization assesses whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

ASC 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for leases. When measuring right-of-use assets and lease liabilities arising from a lease, the Organization includes payments to be made in optional periods and optional payments to purchase the underlying asset if the Organization is reasonably certain to exercise the options.

1. Summary of Significant Accounting Policies (continued):

The Organization made several key accounting policy elections upon adoption of ASC 842 including:

- The Organization will not recognize right-of-use assets and lease liabilities for short-term leases and instead record them in a manner similar to operating leases under ASC 840, *Leases*. A short-term lease is one with a maximum lease term of 12 months or less and does not include a purchase option or renewal option the lessee is reasonably certain to exercise.
- The Organization has lease agreements with lease and non-lease components. An accounting policy election has been made to not separate lease components from non-lease components when allocating contract consideration for all leases. The Organization accounts for the lease and non-lease components as a single lease for these leases.
- The Organization uses the rate implicit in the lease as the discount rate whenever that rate is readily determinable. However, as most of the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate for similar underlying asset classes based on the information available at the commencement date in determining the present value of lease payments. The Organization made an accounting policy election to use the risk-free rate at the commencement date of the lease as the discount for all leases as the incremental borrowing rate for these classes of underlying assets are not available.

Support:

In accordance with the Not-for-Profit Topic of the FASB ASC, contributions received are recognized as support in the period received at their estimated fair market value less an appropriate allowance for uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on the net assets, when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Revenues for services performed under various federal, state, and local government contracts are recognized as the related expenses are incurred and subsequently invoiced to the appropriate government entity. Unless otherwise required, such revenues are reported as support or revenue without donor restrictions.

1. Summary of Significant Accounting Policies (continued):

Revenue recognition:

In accordance with FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers ("Topic 606")*, contract revenue (including membership dues, product service endorsements, specialty and county society services, and grants) is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from physicians, physician practices, and others.

The Organization's initial estimate of the transaction price, for services provided, is determined by reducing the total standard charges related to services provided by various elements of variable consideration. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to contract revenue in the period of change. For the years ended December 31, 2025 and 2024, changes in the Organization's estimates to expected payments for performance obligations satisfied in prior years were not significant.

Net contract revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization.

For membership dues, net contract revenue for performance obligations is recognized at a single point in time when the risks and rewards transfer. Revenues are recognized in the year for which the revenues are earned.

For product service endorsements, specialty and county society services, and grants, net contract revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Organization believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. The Organization measures the performance obligation concurrently with its calendar year of January through December.

The timing of revenue recognition may differ from the timing of invoicing. Contract assets include unbilled amounts that occur when revenues recognized exceed the amounts invoiced to customers. Such amounts are recoverable based upon various measures of performance. Contract liabilities arise when amounts invoiced exceed revenues recognized. Membership dues received prior to year-end for the upcoming dues year are reported as contract liabilities.

1. Summary of Significant Accounting Policies (continued):

Functional allocation of expenses:

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets and accompanying consolidated statements of functional expenses.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Certain categories of expenses are attributable to more than one program or supporting service and are allocated on a reasonable basis that is consistently applied. These expense categories are allocated on the basis of time and effort spent by personnel or usage.

Reclassification:

Certain amounts in the 2024 financial statements have been reclassified to conform with the 2025 presentation with no effect on previously reported change in net assets.

2. Concentrations of Credit Risk:

The Organization maintains cash balances at various financial institutions located in North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2025 and 2024, the Organization's uninsured cash balances were $1,514,946 and $2,121,363, respectively.

At December 31, 2025, the Organization did not have any single customer or vendor that accounted for more than 10% of its revenue or accounts receivable. At December 31, 2024, 22% of the Organization's accounts receivable were related to its revenue pursuant to a service agreement with the North Carolina Medical Society Employee Benefit Trust. Refer to Note 13.

3. Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use, within one year of the consolidated statements of financial position, are comprised of the following:

	2025	2024
Cash and cash equivalents	$ 3,426,485	$ 4,583,884
Marketable securities	7,554,707	6,943,324
Accounts receivable	541,037	484,817
Notes receivable, current portion	109,922	104,572
	11,632,151	12,116,597
Board designated reserve	1,000,000	1,000,000
Less: board designated net assets	(4,397,508)	(4,397,508)
Less: net assets with donor restrictions	(100,957)	(75,765)
Financial assets available for general expenditures over the next twelve months	$ 8,133,686	$ 8,643,324

The Organization manages its liquidity and reserves following three guiding principles: (1) operating within a prudent range of financial soundness and stability, (2) maintaining adequate liquid assets to fund near-term operating needs, and (3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Included in financial assets available for general expenditures over the next twelve months are net assets designated by the Board of Directors for “operations.” These net assets totaled $1,000,000 at December 31, 2025 and 2024.

4. Accounts Receivable, Contract Assets, and Contract Liabilities:

Contract balances are included in the accompanying consolidated statements of financial position under the following captions at:

	December 31, 2025	December 31, 2024	January 1, 2024
Accounts receivable	$ 541,037	$ 484,817	$ 596,071
Contract liabilities	$ 769,190	$ 886,599	$ 951,966

There were no contract assets as of December 31, 2025, 2024, or January 1, 2024.

5. Marketable Securities:

As of December 31, 2025 and 2024, the Organization maintained investments in equity and fixed income securities. A summary of the Organization's investments at December 31, 2025 reported at fair value, is as follows:

	Cost	Market Value	Unrealized Gain (Loss)
Equities	$ 4,451,114	$ 5,449,222	$ 998,108
Fixed income	2,349,830	2,105,485	(244,345)
	$ 6,800,944	$ 7,554,707	$ 753,763

A summary of the Organization's investments at December 31, 2024, reported at fair value, is as follows:

	Cost	Market Value	Unrealized Gain (Loss)
Equities	$ 4,166,532	$ 4,890,038	$ 723,506
Fixed income	2,349,776	2,053,286	(296,490)
	$ 6,516,308	$ 6,943,324	$ 427,016

Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Investment fees for the years ended December 31, 2025 and 2024 were $19,970 and $19,866, respectively, and are included in bank and investment expenses in the accompanying consolidated statements of functional expenses.

6. Fair Value Measurements:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

6. Fair Value Measurements (continued):

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active and alternative investments redeemable at or near the date of the consolidated statements of financial position (generally within 90 days).

Level 3 inputs are unobservable inputs for the asset or liability and include alternative investments that are not redeemable at or near the date of the consolidated statements of financial position.

At December 31, 2025, the fair value of the Organization's marketable securities was determined based on the following:

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 5,449,222	$ 5,449,222	$	$
Fixed income	2,105,485	2,105,485		
Total	$ 7,554,707	$ 7,554,707	$ -	$ -

At December 31, 2024, the fair value of the Organization's marketable securities was determined based on the following:

		Fair Value Measurements Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 4,890,038	$ 4,890,038	$	$
Fixed income	2,053,286	2,053,286		
Total	$ 6,943,324	$ 6,943,324	$ -	$ -

7. Notes Receivable:

The Organization holds a note receivable from WellFleet, LLC that originated in connection with the September 9, 2024 sale of certain property and equipment related to the Organization's building. As part of the transaction, the Organization entered into a long-term lease to rent back a portion of the space in order to continue its programs.

The note had an original principal balance of $7,000,000 and bears interest at 5% per annum. Principal and interest are payable in 119 equal monthly installments through September 9, 2034, with a balloon payment of the remaining principal due with the 120th payment. The unpaid principal balance at December 31, 2025 and 2024 was $6,870,090 and $6,974,662, respectively. Management evaluates collectability annually and has concluded the note is fully collectible; therefore no allowance for doubtful accounts has been recorded. The note is secured by the property sold to WellFleet, LLC, and the carrying amount approximates fair value at year-end.

8. Leasing Arrangements:

The Organization began a new lease during the year ended December 31, 2024 recognized as an operating lease. The operating lease includes one or more options to renew, with renewal terms that can extend the lease term five years. The Organization has elected to include these two to five year renewal options in the operating lease right-of-use assets and lease liabilities.

Leases	Classification	2025	2024
Assets:			
Operating	Operating lease right-of-use assets	$ 3,607,434	$ 3,957,187
Liabilities:			
Current			
Operating	Current operating lease liabilities	$ 312,955	$ 292,320
Noncurrent			
Operating	Long-term operating lease liabilities	3,372,486	3,685,441
Total lease liabilities		$ 3,685,441	$ 3,977,761

Lease Cost	Classification	2025	2024
Operating (b)	Administrative expenses	$ 349,753	$ 154,041
Net lease cost		$ 349,753	$ 154,041

(b) Includes short-term lease costs of $42,031 and $11,041 for the years ended December 31, 2025 and 2024, respectively. These short-term lease costs do not reflect the Organization's ongoing short-term lease commitments.

8. Leasing Arrangements (continued):

During the years ended December 31, 2025 and 2024, the Organization paid $433,290 and $143,000, respectively, in cash for operating leases included in the measurement of lease liabilities.

Lease Term and Discount Rate:

Weighted Average Remaining Lease Term (years):		
Operating leases	8.67	9.67
Weighted Average Discount Rate:		
Operating leases	3.70%	3.70%

Maturities of operating lease liabilities:

Year Ended December 31:	
2026	$ 442,690
2027	452,480
2028	473,460
2029	487,673
2030	502,320
Thereafter	1,972,317
Total lease payments	4,330,940
Less: present value discount	(645,499)
Present value of operating lease liabilities	$ 3,685,441

9. Retirement Savings Plan:

The Organization 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 the years ended December 31, 2025 and 2024, the Organization 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 the years ended December 31, 2025 and 2024 were $141,450 and $162,488, respectively, which is included in salaries and benefits expenses in the accompanying consolidated statements of functional expenses.

10. Commitments and Contingencies:

The Organization is a 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 Organization. In the opinion of management, these actions will likely be successfully defended or resolved without material adverse effects on the consolidated financial position of the Organization.

During 2011, NCMS made a $500,000, five-year contingent pledge to the Foundation for the establishment of the Kanof endowment. There were no pledge payments made during the years ended December 31, 2025 and 2024. Management does not anticipate receiving any additional funds related to this endowment pledge in the future. Due to the contingent nature of this pledge, no liability has been recorded as of December 31, 2025 and 2024.

The Organization was actively responding to a Department of Labor ("DOL") inquiry covering the period January 1, 2018 through fiscal year 2025 regarding the North Carolina Medical Society's employee benefit plan. The inquiry was concluded during 2025 and no findings resulted in a liability or financial obligation to the Organization. As such, no accrual has been recorded in the accompanying consolidated financial statements.

11. Board Designated Net Assets:

The Organization's Board of Directors has designated portions of the net assets without donor restrictions balance for future needs. Marketable securities of $1,000,000 are designated for the operating reserve for the years ended December 31, 2025 and 2024. Specific assets are also designated for property and equipment replacements. Board designated net assets are available for the following purposes at December 31:

11. Board Designated Net Assets (continued):

	2025	2024
Operating reserve	$ 1,000,000	$ 1,000,000
Property and equipment replacements	3,397,508	3,397,508
	$ 4,397,508	$ 4,397,508

12. Net Assets with Donor Restrictions:

Purpose restricted net assets:

Net assets in the amounts of $100,957 and $75,765 were restricted for the purpose of federal and state candidate support and lobbying as of December 31, 2025 and 2024, respectively.

Perpetual in nature net assets:

The Organization did not have any net assets perpetual in nature as of December 31, 2025 or 2024.

13. Related Party Transactions:

The Organization is related to the Foundation by common management; however, the elements of control necessary for consolidation are not present. The Organization receives donations on behalf of the Foundation and distributes these funds to the Foundation. These donations are treated as agency obligations, and therefore, are not reflected in the accompanying consolidated statements of activities and changes in net assets. The Organization's personnel maintain the accounting records of the Foundation and pays for certain expenses on behalf of the Foundation that are reimbursed monthly. During the years ended December 31, 2025 and 2024, the Organization recognized Foundation revenue of $446,028 and $10,800, respectively, related to services provided to the Foundation. Expenses paid on behalf of the Foundation totaled $1,148,849 and $1,009,217 for the years ended December 31, 2025 and 2024, respectively.

The Organization made donations of $203,490 and $324,076 to the Foundation for in-kind services during the years ended December 31, 2025 and 2024, respectively. Accounts receivable as of December 31, 2025 and 2024 includes $317,134 and $155,817, respectively, due from the Foundation. Accounts payable due to the Foundation totaled $9,640 as of December 31, 2025. There was no accounts payable due to the Foundation as of December 31, 2024.

13. Related Party Transactions (continued):

The Organization provides services to affiliated specialty societies and a county medical society. In exchange for these services, the Organization receives management fees. During the years ended December 31, 2025 and 2024, the Organization earned $617,526 and $618,750, respectively, for these services. The Organization also pays certain direct expenses on behalf of these affiliates that are either reimbursed monthly or quarterly. These expenses totaled $928,914 and $504,257, respectively, for the years ended December 31, 2025 and 2024. Accounts receivable as of December 31, 2025 and 2024 includes $38,311 and $70,795, respectively, due from these affiliates. Accounts payable due to these affiliates totaled $34,100 and $100 as of December 31, 2025 and 2024.

The Organization provides certain accounting and management services to CCHN. During the years ended December 31, 2025 and 2024, the Organization earned $1,381,628 and $1,529,447, respectively, for these services which are included in service fee revenue on the accompanying consolidated statements of activities and changes in net assets. As of December 31, 2025 and 2024, there is a receivable balance of $25,033 and $106,032, respectively, from CCHN.

The Organization has an unfunded non-qualified deferred compensation plan for certain officers and directors. As of December 31, 2025 and 2024 there were no liabilities of this plan. There were no contributions and benefits paid from the plan for the year ended December 31, 2025. The total contributions and benefits paid from this plan were $0 and $107,144, respectively, during the year ended December 31, 2024.

The Organization sponsors the North Carolina Medical Society Employee Benefit Trust, which is a North Carolina domiciled multiple employer welfare arrangement ("MEWA"). The Organization provides services in the form of communications, marketing, and customer services pursuant to a service agreement. The Organization receives a service fee based on the number of enrolled employees per month. For the years ended December 31, 2025 and 2024, the service fee totaled $401,094 and $428,995, respectively. This amount is included in product service endorsements on the accompanying consolidated statements of activities and changes in net assets. As of December 31, 2025 and 2024, the Organization had accounts receivable due from the MEWA of $0 and $108,579, respectively.

14. Investment in Subsidiary:

On May 16, 2016, NCMS incorporated CCHN, formerly known as Formation Subsidiary, Inc., for the purpose of establishing, building and maintaining a physician-led network of providers to serve Medicaid beneficiaries in North Carolina. On January 10, 2017, NCMS, working in conjunction with the North Carolina Community Health Center Association, announced CCHN had signed a definitive agreement with Centene Corporation to collaborate on a patient-focused approach to Medicaid under the reform

14. Investment in Subsidiary (continued):

plan enacted in the State of North Carolina. Under the agreement, a joint venture, Carolina Complete Health was created to establish, organize and operate a physician-led health plan to provide Medicaid managed care services in North Carolina. CCHN furnishes provider network services to Carolina Complete Health to serve Medicaid beneficiaries with value-based models-of-care. A key feature of the joint venture is the active participation of physicians in the ownership and governance of the health plan. Centene manages the financial and daily operations, while CCHN, which is owned jointly by NCMS, physicians, physician assistants, nurse practitioners and Federally Qualified Health Centers, provides medical policies for the health plan. This partnership seeks to engage all North Carolina physicians including those in primary care specialties like pediatrics, family medicine and obstetrics and gynecology as well as hospital-based physicians and the wide diversity of specialties and sub-specialties necessary to serve the Medicaid population of the state.

Prior to January 19, 2018, NCMS owned 100% of the common stock of CCHN, having a par value of $1. As of January 19, 2018, NCMS owned 50% of CCHN with the remaining 50% owned by physicians, physician assistants, nurse practitioners and Federally Qualified Health Centers. On July 1, 2021, the State of North Carolina transitioned to Medicaid Managed Care. Nearly 1.6 million Medicaid beneficiaries began receiving services through North Carolina Medicaid Managed Care health plans, including CCHN. Although CCHN reported net income for the years ended December 31, 2025 and 2024, as CCHN still maintained an accumulated deficit at December 31, 2025 and 2024, and NCMS recognizes its investment in CCHN using the equity method, NCMS did not record an investment in subsidiary for CCHN at December 31, 2025 or 2024.

15. Subsequent Events:

The Organization has evaluated subsequent events through August 10, 2026, the date which the accompanying consolidated financial statements were available to be issued. No significant subsequent events have been identified by management.