

NORTH CAROLINA APPRAISAL BOARD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024



NORTH CAROLINA APPRAISAL BOARD

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NORTH CAROLINA APPRAISAL BOARD

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

The following is a discussion and analysis of the North Carolina Appraisal Board's (the "Board") financial performance for the fiscal year ended June 30, 2025. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous two years are presented in the analysis.

Financial Highlights

The operating revenues of the Board decreased \$6,626 approximately .49%, due primarily to decreases in renewal and application fees.

Net non-operating revenue, comprised of net investment income was \$63,899 for the current year, compared to \$54,121 in the prior year. The current year increase is due to a increase in interest income and unrealized gains indicative of favorable market conditions.

The operating expenses of the Board decreased \$184,634, approximately 11.95%, due primarily to an increase in personnel costs.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements report information about the Board using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's net position changed as a result of the years' operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the years' activities.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Basic Financial Statements (Continued)

The following presents condensed financial information for Board operations as of and for the years ended June 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current assets	\$ 3,172,097	\$ 3,382,944	\$ 3,559,017
Non-current assets	252,891	8,151	6,520
Capital assets - net of depreciation	1,584,050	1,619,757	1,694,420
Total assets	<u>5,009,038</u>	<u>5,010,852</u>	<u>5,259,957</u>
Current liabilities	935,364	966,782	1,060,915
Non-current liabilities	49,528	58,197	63,656
Total liabilities	<u>984,892</u>	<u>1,024,979</u>	<u>1,124,571</u>
Investment in capital assets	1,581,744	1,617,368	1,692,130
Unrestricted	2,442,402	2,368,505	2,443,256
Total net position	<u>\$ 4,024,146</u>	<u>\$ 3,985,873</u>	<u>\$ 4,135,386</u>
Operating revenues	\$ 1,335,392	\$ 1,342,018	\$ 1,411,635
Operating expenses	1,361,018	1,545,652	1,376,267
Operating income (loss)	(25,626)	(203,634)	35,368
Non-operating revenues (expenses)	63,899	54,121	14,957
Changes in net position	<u>\$ 38,273</u>	<u>\$ (149,513)</u>	<u>\$ 50,325</u>

Events Affecting Future Operations

Market Demand - During the strong housing market from 2020 until 2022, there was an increase in the number of applications for registered trainees as well as licensed and certified appraisers. Now increased prices along with higher interest rates have resulted in a reduced demand for appraisals. There are also proposed changes coming to the Uniform Appraisal Dataset (UAD) and Uniform Residential Appraisal Report (URAR), spearheaded by Fannie Mae and Freddie Mac, which are intended to modernize the appraisal process. There has been some speculation nationwide that the coming changes will lead to some appraisers choosing to retire instead of investing time and resources into implementing the new processes.

Application and Renewal Fees - Application and renewal fees have remained the same for appraiser licensees since 1994, while the cost of the board's operations continues to steadily increase. The number of new applications for Registered Trainee, Licensed Residential and Certified Residential have begun to subside over the past few years and renewals appear to be down 2-3%, which could be due to the combination of market demand and the proposed changes in residential appraisals for mortgage lending. The Appraiser Qualifications Board (AQB) is currently reviewing all of the qualifications for becoming an appraiser (education, experience, exam) with a goal of making the appraisal profession accessible to a larger number of qualified candidates. Applications and renewal fees are the primary source of the Board's revenue and management continues to closely monitor the numbers. AMC renewals have remained mostly stable and there was a significant increase in new application fees during the past year.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Events Affecting Future Operations (Continued)

Technology Upgrades - The Board is currently in the process of making additional upgrades to the database and computer system. The ability to accept online payments for education rosters and appraiser license renewals went into effect in 2020. Since that time, we included online payment for Temporary Practice Permits, AMC renewals, real time uploading of information to the Appraisal Subcommittee's National Registry and a document library. More recently, the update to the appraiser licensee database, appraisal management company database, and sponsor database have been completed. The Board has earmarked funds for ongoing technology expenses as needed. In addition, the Appraisal Subcommittee made available non-competitive grants, to all appraiser regulatory jurisdictions, of up to \$120,000 per year over three years. On July 20, 2023, the Board was awarded \$96,110 for our third-year grant. The Board received reimbursement of \$24,098, which covered AARO registration fees, online support and maintenance for the AMC renewals, temporary practice permits, API program, and replacement of one laptop. In April 2024, the Board received a Period of Performance (POP) Extension to use the remaining grant balance of \$72,012 by March 31, 2025. With the POP Extension, the Board has since been reimbursed for the final payment of the appraiser database, AARO registration fees, appraisal management company database, sponsor database, and ongoing support and maintenance fees.

Personnel Needs - The Board added a fourth investigator in the Fall of 2023, at that time there was a need for additional enforcement staff to manage case load and process complaints in the one-year time frame required by the Appraisal Subcommittee. The funding for this additional position was possible due to the retirement of three administrative staff earlier in the year. In January of 2025, one of the four investigators retired, and during 2024, management noticed a decrease in complaints and enforcement cases so it was determined it would not be necessary to fill the additional investigator position that had been in place since 2023. After almost 18 months with the Office Manager and Deputy Director filling most of the administrative duties, management had anticipated adding an additional administrative position to process applications, temporary practice permits and answering inquiries from licensees and the public. This position was filled with a Licensing Specialist position in May 2025. Enforcement cases have remained lower in 2025, so the staff positions appear to be properly balanced at this time. Management does not anticipate any changes to staff makeup in the coming year unless there is natural attrition.

Replacement of Fixed Assets - The Board has occupied the current building since June 2006, and we have continued to see the cost of updates and repairs rise as the building ages. One of the HVAC units was replaced in the last year, which was a significant expense, and there was also a significant elevator repair this year as well.

Cash Reserves - The Board has designated unrestricted net assets necessary to cover operations, potential legal matters, and any possible repairs to fixed assets. The Board may want to consider additional earmarks for repair/replacement of fixed assets and operations. Cash reserves are mostly in certificates of deposit, with the objective of receiving a competitive rate of return while protecting the principle. There are sufficient assets to cover a revenue shortfall in the near future.

NORTH CAROLINA APPRAISAL BOARD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Events Affecting Future Operations (Continued)

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact: North Carolina Appraisal Board, 5830 Six Forks Road, Raleigh, North Carolina 27609.



Independent Auditor's Report

Members of the Board
North Carolina Appraisal Board
Raleigh, North Carolina

Opinion

We have audited the financial statements of the North Carolina Appraisal Board (the "Board"), an enterprise fund of the state of North Carolina, which comprise the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the accompanying basic financial statements present fairly, in all material respects, the financial position of the North Carolina Appraisal Board as of June 30, 2025 and 2024, and its changes in financial position and 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 Financial Statements section of our report. We are required to be independent of the North Carolina Appraisal Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility 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; 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.

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 North Carolina Appraisal Board's ability to continue as a going concern within one year after the date the financial statements are 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 auditing standards generally accepted in the United States of America 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, including omissions, 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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 Board'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 Board'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 we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements are presented only for the North Carolina Appraisal Board and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 1 - 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
August 19, 2025

NORTH CAROLINA APPRAISAL BOARD
Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS:		
Current assets:		
Cash	\$ 1,731,830	\$ 2,240,353
Investments	1,413,622	1,128,404
Accrued interest receivable	21,988	4,902
Accounts receivable	1,680	528
Other current assets	2,977	8,757
Total current assets	<u>3,172,097</u>	<u>3,382,944</u>
Non-current assets:		
Investments	250,000	-
Right to use leased assets, net of amortization	2,891	8,151
Capital assets, net of depreciation	1,584,050	1,619,757
Total non-current assets	<u>1,836,941</u>	<u>1,627,908</u>
Total assets	<u>5,009,038</u>	<u>5,010,852</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	7,457	7,142
Payroll liabilities	3,598	2,307
National Registry fees payable	28,465	17,790
Unearned revenues	893,800	934,200
Lease liabilities, current portion	2,044	5,343
Total current liabilities	<u>935,364</u>	<u>966,782</u>
Non-current liabilities:		
Lease liabilities	3,153	5,197
Accrued vacation	46,375	53,000
Total non-current liabilities	<u>49,528</u>	<u>58,197</u>
Total liabilities	<u>984,892</u>	<u>1,024,979</u>
NET POSITION:		
Invested in capital assets	1,581,744	1,617,368
Unrestricted	2,442,402	2,368,505
Total net position	<u>\$ 4,024,146</u>	<u>\$ 3,985,873</u>

NORTH CAROLINA APPRAISAL BOARD
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues:		
Renewal fees	\$ 1,002,400	\$ 1,026,600
Application fees	77,000	51,300
National Registry fees	59,580	63,160
Reciprocity	23,200	27,600
Course approval	11,000	10,500
Temporary permit applications	39,000	39,450
USPAP	-	32,030
CE roster fees	45,650	34,665
Grant revenue	49,590	46,638
Other	27,972	10,075
Total operating revenues	1,335,392	1,342,018
Operating expenses:		
Personnel costs	720,784	840,674
Insurance	99,904	104,193
Staff expenses	41,731	56,148
Legal	95,443	94,244
Board member expenses	37,389	38,160
Professional fees	11,400	11,000
Building expenses	83,809	72,589
Office operations	106,901	107,454
Depreciation	99,509	92,163
USPAP	-	82,627
Interest expense on lease liabilities	540	723
Amortization, right-to-use leased assets	5,260	5,260
Other	58,348	40,417
Total operating expenses	1,361,018	1,545,652
Operating loss	(25,626)	(203,634)
Non-operating revenues (expenses):		
Interest income	63,899	52,656
Unrealized gain	-	1,465
Total non-operating revenues (expenses)	63,899	54,121
Changes in net position	38,273	(149,513)
Net position - beginning of year	3,985,873	4,135,386
Net position - end of year	\$ 4,024,146	\$ 3,985,873

NORTH CAROLINA APPRAISAL BOARD**Statements of Cash Flows****Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from fees	\$ 1,245,402	\$ 1,270,180
Cash received from grants	49,590	46,638
Cash payments to employees for services	(726,118)	(847,755)
Cash payments to suppliers for goods and services	(440,187)	(587,819)
Cash payments for other operating expenses	(79,120)	(94,308)
Net cash provided by (used in) operating activities	<u>49,567</u>	<u>(213,064)</u>
Cash flows from investing activities:		
Purchase of investments, net of investment income reinvested	(535,218)	(36,454)
Interest received on investments	46,813	47,754
Net cash provided by (used in) investing activities	<u>(488,405)</u>	<u>11,300</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(63,801)	(17,500)
Payments on lease liabilities	(5,884)	(5,884)
Net cash used in capital and financing activities	<u>(69,685)</u>	<u>(23,384)</u>
Decrease in cash	(508,523)	(225,148)
Cash - beginning of year	2,240,353	2,465,501
Cash - end of year	<u>\$ 1,731,830</u>	<u>\$ 2,240,353</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (25,626)	\$ (203,634)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	99,509	92,163
Amortization and interest, right-to-use leased assets	5,800	5,983
Changes in assets and liabilities:		
Accounts receivable	(1,152)	58
Other current assets	5,780	(6,312)
Accounts payable	315	329
Payroll liabilities	1,291	(1,262)
National Registry fees payable	10,675	(69,370)
Unearned revenues	(40,400)	(25,200)
Accrued vacation	(6,625)	(5,819)
Total adjustments	<u>75,193</u>	<u>(9,430)</u>
Net cash provided by (used in) operating activities	<u>\$ 49,567</u>	<u>\$ (213,064)</u>
Noncash capital and financing activities:		
Retirement of fully depreciated capital assets	<u>\$ -</u>	<u>\$ -</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Appraisal Board (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93E of the *North Carolina General Statutes*. The Board members are appointed by the Governor, the Speaker of the House, and the President Pro Tempore of the Senate.

The Board's function is to maintain minimum standards for services provided by appraisers and Appraisal Management Companies. The Board's operations are funded primarily through license renewal fees and license application fees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying basic financial statements are presented in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board ("GASB").

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

Grant revenues are received under voluntary nonexchange transactions and are recognized when all applicable eligibility requirements are met and the funds are made available. Unspent funds at the end of the award period are returned.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board classifies its revenues and expenses as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license renewal fees. Operating expenses are all expense transactions other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investment activities and loss on disposal or write-off of capital assets.

Cash

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of the Statements of Cash Flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

Investments

Investments consist of certificates of deposit and bank deposits held at program banks until reinvested, and are recorded at fair value. Certificates of deposit maturing within one year and bank deposits are shown as current.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$2,500 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	5 - 39 years
Furniture, equipment and software	3 - 8 years

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

Right-to-Use Leased Assets and Lease Liabilities

Leases that provide the Board the right-to-use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and is measured at the present value of future lease payments.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation Pay

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon an employee's termination or retirement.

Unearned Revenues

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the licensing period. Licenses are renewed for a period of one fiscal year. Renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue in the period to which they relate.

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets, net of accumulated depreciation and amortization, less lease liabilities.

Unrestricted - This represents assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

Designations of net position represent tentative management plans that are subject to change based on perceived operating conditions and situations.

Designated unrestricted amounts are summarized as follows:

	Balance 6/30/2024	Additions	Expenditures	Balance 6/30/2025
Annual leave	\$ 40,597	\$ -	\$ (10,404)	\$ 30,193
Operating expenses	800,000	-	-	800,000
Replace fixed assets	139,711	-	(21,721)	117,990
Litigation	500,000	-	-	500,000
Technology	232,500	-	(45,000)	187,500
Total	<u>\$ 1,712,808</u>	<u>\$ -</u>	<u>\$ (77,125)</u>	<u>\$ 1,635,683</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms and include cash and money market accounts and funds invested in an Insured Cash Sweep ("ICS") account. Investments consist of certificates of deposit ("CDs") invested in a CD Ladder managed by a financial institution. Amounts include bank deposits held at program banks until reinvested.

The Board is subject to the following risks:

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its collateral securities that are in the possession of an outside party. The Board maintains an account through a financial institution's insured cash sweep program ("ICS"), which insures amounts up to \$75 million. At June 30, 2025, the bank balance in this account was \$1,497,487. The Board's remaining accounts are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation ("FDIC") and the National Credit Union Administration ("NCUA") up to \$250,000 per institution. At June 30, 2025, the Board's uninsured cash balances totaled \$282,405. Throughout the fiscal year, the Board's deposits exceeded the amounts insured by the FDIC and NCUA.

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board manages its exposure to declines in fair values by monitoring the maturities in its investment portfolio.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are currently limited to certificates of deposit.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at June 30, 2025, for the Board's investments.

Investment Type	Fair Value	Weighted Average Maturities	Ratings
Certificates of deposit	<u><u>\$ 988,000</u></u>	3.2 months	N/A

Investments include a component of cash deposits held at program banks until reinvested, in the amount of \$675,622. A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, is as follows:

	2025	2024
Carrying amount of deposits with private financial institutions	\$ 1,731,830	\$ 2,240,353
Money market mutual funds	675,622	378,946
Certificates of deposit	988,000	749,458
Total deposits and investments	<u><u>\$ 3,395,452</u></u>	<u><u>\$ 3,368,757</u></u>
Current:		
Cash	\$ 1,731,830	\$ 2,240,353
Long-term investments	250,000	-
Short-term investments	1,413,622	1,128,404
Total deposit and investments	<u><u>\$ 3,395,452</u></u>	<u><u>\$ 3,368,757</u></u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include: Level 1: Observable inputs such as quoted prices in active markets; Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2025 and 2024:

June 30, 2025	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	\$ 988,000	\$ -	\$ 988,000	\$ -
Money Market Mutual Funds	675,622	675,622	-	-
June 30, 2024	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	\$ 749,458	\$ -	\$ 749,458	\$ -
Money Market Mutual Funds	378,946	378,946	-	-

NOTE 4 - CAPITAL ASSETS

Capital assets consist of the following:

	Cost 6/30/2024	Acquisitions	Disposals	Cost 6/30/2025	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	1,306,624	1,008,314
Furniture/ equipment/ software	433,644	63,802	-	497,446	361,710	135,736
	<u>\$ 3,188,582</u>	<u>\$ 63,802</u>	<u>\$ -</u>	<u>\$ 3,252,384</u>	<u>\$ 1,668,334</u>	<u>\$ 1,584,050</u>
	Cost 6/30/2023	Acquisitions	Disposals	Cost 6/30/2024	Accumulated Depreciation	Net Amount
Land	\$ 440,000	\$ -	\$ -	\$ 440,000	\$ -	\$ 440,000
Building	2,314,938	-	-	2,314,938	1,256,208	1,058,730
Furniture/ equipment/ software	416,144	17,500	-	433,644	312,617	121,027
	<u>\$ 3,171,082</u>	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 3,188,582</u>	<u>\$ 1,568,825</u>	<u>\$ 1,619,757</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 5 - RETIREMENT PLAN

Effective January 2023, the Board adopted a 401(k) plan administered by Paychex Inc., covering all employees previously covered under the SEP plan and any new employees at least age 18 after completing a three-month period of service. The Board matches 100% of employee elective contributions to the plan up to 5% of their compensation. In addition, the Board may make discretionary contributions to the plan. Employee and employer contributions to the plan are immediately vested. For the year ended June 30, 2025 and the year ended June 30, 2024, the Board contributed 5% or \$31,863 and \$33,506, respectively, on behalf of its employees.

Employee contributions for the years ended June 30, 2025 and 2024 totaled \$69,159 and \$62,002, respectively.

NOTE 6 - ACCRUED VACATION

Changes to accrued vacation are as follows:

Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
<u>\$ 53,000</u>	<u>\$ 45,621</u>	<u>\$ 52,246</u>	<u>\$ 46,375</u>
Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024
<u>\$ 58,819</u>	<u>\$ 50,382</u>	<u>\$ 56,201</u>	<u>\$ 53,000</u>

NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board has a lease providing the right-to-use a copier for a term of 60 months beginning September 2020 with monthly lease payments of \$350 through August 2025. The Board also has a lease providing the right-to-use a postage machine for a term of 60 months beginning July 2023 with monthly lease payments of \$140 through June 2028.

Lease expenses were comprised of the following:

	2025	2024
Amortization expense by class of underlying asset:		
Copy machine	\$ 3,882	\$ 3,882
Postage machine	1,378	1,378
Total amortization expense	<u>\$ 5,260</u>	<u>\$ 5,260</u>
Interest on lease liabilities	<u>\$ 540</u>	<u>\$ 723</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 7 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

	<u>6/30/2024</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2025</u>
Copy machine	\$ 19,410	\$ -	\$ -	\$ 19,410
Postage machine	6,891	-	-	6,891
	<u>26,301</u>	<u>-</u>	<u>-</u>	<u>26,301</u>
Less: accumulated amortization:				
Copy machine	14,881	3,882	-	18,763
Postage machine	3,269	1,378	-	4,647
	<u>18,150</u>	<u>5,260</u>	<u>-</u>	<u>23,410</u>
Right-to-use leased assets, net	<u>\$ 8,151</u>	<u>\$ (5,260)</u>	<u>\$ -</u>	<u>\$ 2,891</u>

	<u>6/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2024</u>
Copy machine	\$ 19,410	\$ -	\$ -	\$ 19,410
Postage machine	-	6,891	-	6,891
	<u>19,410</u>	<u>6,891</u>	<u>-</u>	<u>26,301</u>
Less: accumulated amortization:				
Copy machine	10,999	3,882	-	14,881
Postage machine	1,891	1,378	-	3,269
	<u>12,890</u>	<u>5,260</u>	<u>-</u>	<u>18,150</u>
Right-to-use leased assets, net	<u>\$ 6,520</u>	<u>\$ 1,631</u>	<u>\$ -</u>	<u>\$ 8,151</u>

Lease liabilities were comprised of the following:

	<u>6/30/2024</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2025</u>
Copy machine	\$ 4,802	\$ -	\$ (4,104)	\$ 698
Postage machine	5,738	-	(1,239)	4,499
Total lease liabilities	<u>\$ 10,540</u>	<u>\$ -</u>	<u>\$ (5,343)</u>	<u>\$ 5,197</u>

	<u>6/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2024</u>
Copy machine	\$ 8,775	\$ -	\$ (3,973)	\$ 4,802
Postage machine	35	6,891	(1,188)	5,738
Total lease liabilities	<u>\$ 8,810</u>	<u>\$ 6,891</u>	<u>\$ (5,161)</u>	<u>\$ 10,540</u>

Future lease payments are comprised of the following:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2026	\$ 2,044	\$ 340	\$ 2,384
2027	1,559	219	1,778
2028	1,594	90	1,684
Total	<u>\$ 5,197</u>	<u>\$ 649</u>	<u>\$ 5,846</u>

NORTH CAROLINA APPRAISAL BOARD

Notes to Financial Statements

NOTE 8 - GRANT AWARD

In July 2021, the Board received a notice of a three year grant award from The Appraisal Subcommittee of the Federal Financial Institution Examination Council for the period from April 1, 2021 - March 31, 2024 to apply towards technological improvements. A total of \$239,429 had been awarded, of which \$237,597 had been spent through June 30, 2025. During the years ended June 30, 2025 and 2024, \$47,640 and \$46,638, respectively, was spent and recognized as income. Unspent funds at June 30, 2024 totaled \$49,472. In April 2024, the Board received an extension under the award through March 31, 2025.

NOTE 9 - COMMITMENTS

In September 2021, the Board entered into a software development contract to re-design its current software systems. Total costs under the contract are approximately \$185,450, of which \$132,000 had been paid and capitalized as of June 30, 2025. The Board anticipates a portion of the remaining costs under the contract will be reimbursed under the grant funding discussed in Note 8.

NOTE 10 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of the purchase of commercial insurance and various State coverages. Tort claims of board members are self-insured, by the State, under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract.

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through August 19, 2025, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 80 hours at a total cost of \$15,000.