

# **NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**

**Financial Statements for the  
Years Ended June 30, 2025 and 2024, and  
Independent Auditor's Report**

# **NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**

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## **BOARD MEMBERS (2024-2025)**

Morris Boswell, Chairperson

Robert Chandler, First Vice Chairperson

Traci Farmer, Second Vice Chairperson

Lisa Forrester

Agatha Grimes

Tana Tucker

## **EXECUTIVE OFFICER**

Lynda Elliott, Executive Director

## **LEGAL COUNSEL**

Smith, Anderson, Blount, Dorsett, Mitchell, & Jernigan, L.L.P.

# **NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**

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# **NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the financial activities of the Board. This section of the Board's financial report represents the Board's financial activity and performance during the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the financial statements which follow this section.

### **Overview of the Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements. The financial statements, notes to the financial statements, and this discussion are the responsibility of Board management.

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

The *Statements of Net Position* present the current and long-term portions of assets and liabilities separately. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net position consists of net investment in capital assets, restricted net position and unrestricted net position. The Board had no restricted net position at year end.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information on how the Board's assets changed as a result of its operations. The Board's revenues are classified as operating or non-operating revenues. Revenues are recognized when earned, regardless of the timing of cash flows. Expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Non-operating revenues and expenses are classified as non-operating in the financial statements.

The *Statements of Cash Flows* present information on how the Board's cash changed as a result of its financial activities. These statements provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities.

The *Notes to the Financial Statements* provide detail of the information included in the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

# NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Summary, Highlights, and Analysis

#### *Statements of Net Position*

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$1,245,018 at June 30, 2025, and by \$1,240,902 at June 30, 2024. The largest component of net position was cash in State Treasurer Short Term Investment Fund (STIF). Because these funds are immediately available for expenditure, they are considered a cash equivalent. Cash equivalents represented 218.16% of total net position at June 30, 2025, and 222.22% of total net position at June 30, 2024. Current assets consist of cash in State Treasurer (cash equivalents). Noncurrent assets consist of capital assets (net of accumulated depreciation), and right-to-use lease asset(s) (net of amortization). Current liabilities consist of accounts payable, compensated absences, lease liability, and unearned revenue. Noncurrent liabilities consist of compensated absences, lease liability, and unearned revenue. Net position consists of net assets invested in capital and lease assets (net of depreciation and amortization), and unrestricted net position.

*The following is a comparative summary of the Statements of Net Position.*

	Current Year as of June 30, 2025	Prior Year as of June 30, 2024	Amount of Change	Percentage Change
Current assets	\$ 2,716,142	\$ 2,757,569	\$ (41,427)	-1.50%
Capital and lease assets, net	24,360	52,482	(28,122)	-53.58%
Total assets	<u>\$ 2,740,502</u>	<u>\$ 2,810,051</u>	<u>\$ (69,549)</u>	<u>-2.48%</u>
Current liabilities	\$ 981,029	\$ 1,014,752	\$ (33,723)	-3.32%
Long-term liabilities	514,455	554,397	(39,942)	-7.20%
Total liabilities	<u>\$ 1,495,484</u>	<u>\$ 1,569,149</u>	<u>\$ (73,665)</u>	<u>-4.69%</u>
Net investment in capital assets	\$ 3,722	\$ 7,080	\$ (3,358)	-47.43%
Unrestricted net position	1,241,296	1,233,822	7,474	0.61%
Total net position	<u>\$ 1,245,018</u>	<u>\$ 1,240,902</u>	<u>\$ 4,116</u>	<u>0.33%</u>

During 2025, the Board's net position increased by \$4,116, or 0.33%, due primarily to annual recurrence of revenues exceeding expenses.

*The following is a comparative summary of capital assets and right-to-use lease assets.*

	Current Year as of June 30, 2025	Prior Year as of June 30, 2024	Amount of Change	Percentage Change
Right-to-use lease-office	\$ 78,347	\$ 78,347	\$ 0	0.00%
Furniture and equipment	931	931	0	0.00%
Computer equipment	254,452	254,452	0	0.00%
Total Capital Assets	<u>\$ 333,730</u>	<u>\$ 333,730</u>	<u>\$ 0</u>	<u>0.00%</u>
Accumulated Depr/Amort	309,370	281,248	28,122	10.00%
Capital Assets, Net	<u>\$ 24,360</u>	<u>\$ 52,482</u>	<u>\$ (28,122)</u>	<u>-53.58%</u>

# NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Summary, Highlights, and Analysis

#### *Statements of Revenues, Expenses, and Changes in Net Position.*

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Fees received for the various licenses are deemed earned when the license period begins. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities.

*The following is a comparative summary of the Statements of Revenues, Expenses, and Changes in Net Position.*

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Operating revenues	\$ 3,457,543	\$ 3,208,314	\$ 249,229	7.77%
Operating expenses	3,591,745	3,302,150	289,595	8.77%
Non-operating rev/exp	138,318	123,565	14,753	11.94%
Change in net position	\$ 4,116	\$ 29,729	\$ (25,613)	-86.15%
Ending net position	\$ 1,245,018	\$ 1,240,902	\$ 4,116	0.33%

*The following is a comparative breakdown of operating revenues by source.*

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Business fees, licenses and exams	\$ 1,334,510	\$ 1,310,840	\$ 23,670	1.81%
Certification fees and licenses	453,731	420,201	33,530	7.98%
Fines, penalties and assessments	818,242	666,727	151,515	22.73%
Processing fees	839,380	806,070	33,310	4.13%
Other income	11,680	4,476	7,204	160.95%
Total	\$ 3,457,543	\$ 3,208,314	\$ 249,229	7.77%

During 2025, the Board's operating revenues increased by \$249,229, or 7.77%, due primarily to an increase in fines, penalties and assessments; processing fees; and certificate fees and licenses.

# NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Summary, Highlights, and Analysis

#### *Statements of Revenues, Expenses, and Changes in Net Position (Continued)*

*The following is a comparative breakdown of operating expenses.*

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Salaries (including accumulated leave)	\$ 1,801,540	\$ 1,739,084	\$ 62,456	3.59%
Social security contributions	137,818	133,040	4,778	3.59%
Retirement contributions	156,310	150,901	5,409	3.58%
Employee benefits	310,252	300,175	10,077	3.36%
Office expenses	135,836	97,995	37,841	38.62%
Legal and other professional fees	131,106	74,539	56,567	75.89%
Other admin expenses	39,273	34,866	4,407	12.64%
Computer and data services	48,493	17,121	31,372	183.24%
Travel expenses	95,386	112,484	(17,098)	-15.20%
Printing and copying	34,617	36,633	(2,016)	-5.50%
Postage and freight	95,616	58,125	37,491	64.50%
Telephone/fax	63,927	68,254	(4,327)	-6.34%
Electronic payment processing	52,838	50,931	1,907	3.74%
Depreciation and amortization	28,122	28,685	(563)	-1.96%
Insurance	31,663	23,436	8,227	35.10%
Civil penalties and forfeitures	428,648	375,806	52,842	14.06%
Miscellaneous expenses	300	75	225	300.00%
Total	\$ 3,591,745	\$ 3,302,150	\$ 289,595	8.77%

During 2025, the Board's operating expenses increased by \$289,594, or 8.77%, due primarily to an increase in salaries and related benefits; legal fees; office, postage and computer expenses; and civil penalties and forfeitures.

*The following is a comparative breakdown of non-operating revenues and expenses.*

	The year ended June 30, 2025	The year ended June 30, 2024	Amount of Change	Percentage Change
Interest income	\$ 140,058	\$ 125,384	\$ 14,674	11.70%
Interest exp on right-to-use lease asset	(1,740)	(1,819)	79	-4.34%
Total	\$ 138,318	\$ 123,565	\$ 14,753	11.94%

During 2025, the Board's non-operating revenues (net of non-operating expense) increased by \$14,753, or 11.94%, due primarily to an increase in interest earnings.

## **NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Economic and Other Factors Impacting Future Periods**

The Board is not aware of any significant events that may affect future operations of the Board which is reportable pursuant to GASB reporting requirements. The Board anticipates that revenues and expenses of the Board in the upcoming year will be comparable to preceding years.

#### **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. If you have any questions about this report or need additional information, contact: North Carolina State Board of Cosmetic Art Examiners, 121 Edinburgh South Drive, Suite 209, Cary NC 27511.



**HAWLEY, C.P.A., P.A.**  
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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina State Board of Cosmetic Art Examiners  
Cary, North Carolina

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the North Carolina State Board of Cosmetic Art Examiners ("the Board"), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina State Board of Cosmetic Art Examiners as of June 30, 2025 and 2024, and the results of its operations, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for one year after the date that the financial statements are issued.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

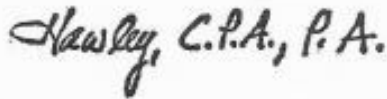
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

A handwritten signature in black ink that reads "Hawley, C.P.A., P.A." in a cursive script.

Hawley, C.P.A., P.A.

Angier, NC

October 15, 2025

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2025 AND 2024**

	<b>Proprietary -Enterprise Funds</b>	
	<b>June 30, 2025</b>	<b>June 30, 2024</b>
<b>ASSETS</b>		
Current assets:		
Cash in State Treasurer (Notes 1 and 2)	\$ 2,716,142	\$ 2,757,569
Total current assets	<u>2,716,142</u>	<u>2,757,569</u>
Capital assets (Notes 1 and 3)		
Right-to-use lease - office	78,347	78,347
Furniture and equipment	931	931
Computer Equipment	<u>254,452</u>	<u>254,452</u>
Total capital assets	<u>333,730</u>	<u>333,730</u>
Accumulated depreciation and amortization	(309,370)	(281,248)
Capital assets, net	<u>24,360</u>	<u>52,482</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,740,502</u></u>	<u><u>\$ 2,810,051</u></u>
<b>LIABILITIES AND NET POSITON</b>		
Current liabilities:		
Accounts payable (Note 4)	\$ 186,103	\$ 158,413
Due to other state agencies (Note 4)	1,543	37,817
Compensated absences - current portion (Notes 1 and 5)	53,381	56,952
Lease liability - current portion (Notes 1, 5 and 6)	20,638	24,764
Unearned revenue (Note 1)	<u>719,364</u>	<u>736,806</u>
Total current liabilities	<u>981,029</u>	<u>1,014,752</u>
Non-current liabilities:		
Compensated absences - long-term portion (Notes 1 and 5)	160,142	170,855
Lease liability - long-term portion (Notes 1, 5 and 6)		20,638
Unearned revenue (Note 1)	<u>354,313</u>	<u>362,904</u>
Total non-current liabilities	<u>514,455</u>	<u>554,397</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,495,484</u></u>	<u><u>\$ 1,569,149</u></u>
<b>NET POSITION (NOTE 1)</b>		
Net investment in capital assets	\$ 3,722	\$ 7,080
Unrestricted net position	<u>1,241,296</u>	<u>1,233,822</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,245,018</u></u>	<u><u>\$ 1,240,902</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,740,502</u></u>	<u><u>\$ 2,810,051</u></u>

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>Proprietary-Enterprise Fund</b>	
	<b>Year Ended June 30, 2025</b>	<b>Year Ended June 30, 2024</b>
OPERATING REVENUES:		
Fees, licenses and fines:		
Business fees, licenses and exams	\$ 1,334,510	\$ 1,310,840
Certification fees and licenses	453,731	420,201
Fines, penalties and assessments	818,242	666,727
Processing fees	839,380	806,070
Other income	11,680	4,476
Total operating revenues	<u>\$ 3,457,543</u>	<u>\$ 3,208,314</u>
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Salaries-staff (including accumulated leave)	\$ 1,801,540	\$ 1,739,084
Social security contributions	137,818	133,040
Retirement contributions (Note 7)	156,310	150,901
Employee benefits (health, life and disability insurance)	310,252	300,175
Supplies and materials:		
Office supplies and expenses	135,836	97,995
Services:		
Legal and other professional fees	131,106	74,539
Other admin expenses (including retirement admin fees)	39,273	34,866
Computer and data processing expenses	48,493	17,121
Travel expenses (transportation)	92,066	107,134
Travel expenses (meals and lodging)	3,320	5,350
Printing expenses	34,617	36,633
Postage and reproduction	95,616	58,125
Telephone and communications	63,927	68,254
Electronic payment processing	52,838	50,931
Depreciation and amortization (Notes 1 and 3)	28,122	28,685
Insurance	31,663	23,436

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>Proprietary-Enterprise Fund</b>	
	<b>Year Ended June 30, 2025</b>	<b>Year Ended June 30, 2024</b>
OPERATING EXPENSES (CONTINUED):		
Other expenses:		
Civil penalties and forfeiture fund payments	428,648	375,806
Miscellaneous expenses	300	75
Total operating expenses	3,591,745	3,302,150
Operating income (loss)	\$ (134,202)	\$ (93,836)
NON-OPERATING INCOME (EXPENSES):		
Interest income	\$ 140,058	\$ 125,384
Interest expense (Notes 1 and 6)	(1,740)	(1,819)
Total net non-operating revenues (expenses)	\$ 138,318	\$ 123,565
Change in net position	\$ 4,116	\$ 29,729
Net position - beginning of year	1,240,902	1,211,173
Net position - end of year	<u>1,245,018</u>	<u>1,240,902</u>

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>Proprietary - Enterprise Fund</b>	
	<b>Year Ended June 30, 2025</b>	<b>Year Ended June 30, 2024</b>
Cash flows from operating activities:		
Cash received from fees	\$ 3,431,510	\$ 3,175,991
Cash payments to employees for services	(2,420,204)	(2,305,358)
Cash payments for operating expenses	(1,166,287)	(939,204)
Net cash provided (used) by operating activities	\$ (154,981)	\$ (68,571)
Cash flows from capital and related financing activities:		
Principal and interest paid on right-to-use lease-office equip	\$ (26,504)	\$ (28,688)
Net cash provided (used) in capital and related financing activities:	\$ (26,504)	\$ (28,688)
Cash flows from investing activities:		
Interest on investments	\$ 140,058	\$ 125,384
Net cash provided (used) by investing activities	\$ 140,058	\$ 125,384
Net increase in cash	\$ (41,427)	\$ 28,125
Cash - beginning of year	2,757,569	2,729,444
Cash - end of year	<u>2,716,142</u>	<u>2,757,569</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (134,202)	\$ (93,836)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	\$ 28,122	\$ 28,685
Changes in assets and liabilities:		
Accounts payable	(8,584)	11,061
Compensated absences	(14,284)	17,842
Unearned revenue	(26,033)	(32,323)
Total adjustments	<u>(20,779)</u>	<u>25,265</u>
Net cash provided (used) by operating activities	<u><u>\$ (154,981)</u></u>	<u><u>\$ (68,571)</u></u>

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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Note 1 - Nature of Activities and Significant Accounting Policies

*Description of Organization and Purpose*

The North Carolina State Board of Cosmetic Art Examiners (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 88B of the North Carolina General Statutes. The Board is composed of six members appointed as follows: (1) the General Assembly, upon the recommendation of the President ProTempore of the Senate, shall appoint a cosmetologist, (2) the General Assembly, upon the recommendation of the Speaker of the House of Representatives, shall appoint a cosmetologist, (3) the Governor shall appoint two cosmetologists, a cosmetology teacher, and a member of the public who is not licensed under this Chapter. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Annual Comprehensive Financial Report (ACFR).

The Board is established to maintain minimum standards for services provided for regulating the practice of cosmetology.

The Board's operations are primarily funded through license and inspection 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 (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 is 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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. 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.



**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

*Basis of Accounting*

The basic financial statements of the Board are 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 assets. Both long-term assets and long-term liabilities are measured and depreciation and amortization are recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred 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*. Nonoperating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

*Cash in State Treasurer Short Term Investment Fund (STIF)*

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure, they are considered a cash equivalent. Ownership interests of the STIF are determined on a fair market valuation basis as of June 30, 2025 and 2024 in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodial. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Board's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

*Capital Assets*

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$1,000 or greater at the date of acquisition and an estimated useful life of more than one year. Lease liabilities are capitalized as a right-to-use lease asset when the right-to-use lease asset has a cost of \$1,000 or greater and an estimated useful life of more than one year. Depreciation and amortization are computed using the straight-line and units of output method over the estimated useful lives of the assets, generally estimated as follows: office furniture, computer and equipment, 5 to 7 years; and right-to-use lease assets-office, 3 years.

*Noncurrent (Long-Term) Liabilities*

Noncurrent (long-term) liabilities include lease liability, unearned revenue and compensated absences that will not be paid within the next fiscal year.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
**NOTES TO FINANCIAL STATEMENTS**  
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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

*Compensated Absences*

Board employees may accumulate earned leave and such leave is fully vested when earned. The Board accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Accumulated leave (compensated absences) at June 30, 2025 and 2024 consist of the following:

	June 30, 2025	June 30, 2024
Current portion	\$ 53,381	\$ 56,952
Long-term portion	160,142	170,855
Total	<u>\$ 213,523</u>	<u>\$ 227,807</u>

*Unearned Revenue*

The Board's fees are assessed and collected for varying fiscal years for periods of one to three years. The Board previously collected cosmetologists renewals on a three-year basis. The board now operates on a rolling renewal system in which approximately one-third of cosmetologists renew each year. License renewal fees, which cover periods subsequent to June 30, 2025 and 2024, are deferred and recognized as revenue over the period to which they relate.

*Net Position*

Net investment in capital assets - This component of net position consists of total investment in capital assets (net of accumulated depreciation and amortization) and reduced by outstanding liabilities related to those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no *restricted net position* at June 30, 2025 and 2024.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or net investment in capital assets*.

*Use of Estimates*

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

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
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Note 2 - Deposits

*Cash in State Treasurer Short Term Investment Fund (STIF)*

All of the Board's deposits are either insured, or are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's escrow agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held in the Board's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Custodial credit risk is the risk that in the event of a bank failure, the Board's funds may not be returned to it. The Board does not have a formal written policy regarding custodial credit risk for its deposits.

Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

At June 30, 2025, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$2,716,142 (including undeposited receipts, if any), and a bank balance of \$2,716,142 which was covered by collateral held under the Pooling Method. At June 30, 2024, the Board's deposits with the State Treasurer STIF account had a carrying value and fair market value of \$2,757,569 (including undeposited receipts, if any), and a bank balance of \$2,757,569 which was covered by collateral held under the Pooling Method.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
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**Note 3- Capital Assets**

A summary of changes in capital assets for the current fiscal year ended June 30, 2025 is presented below:

	Bal 6-30-2024	Increases	Decreases	Bal 6-30-2025
Capital Assets				
Furniture and equipment	\$ 931	\$ -	\$ -	\$ 931
Computer equipment	254,452	-	-	254,452
Right-to-use lease asset-office	78,347	-	-	78,347
Total capital assets	333,730	0	0	333,730
Less Accumulated Depr/Amort for:				
Furniture and equipment	(931)	-	-	(931)
Computer equipment	(249,848)	(2,006)	-	(251,854)
Right-to-use lease asset-office	(30,469)	(26,116)	-	(56,585)
Total Accumulate Depr/Amort	(281,248)	(28,122)	0	(309,370)
Capital Assets, Net	\$ 52,482	\$ (28,122)	\$ 0	\$ 24,360

A summary of changes in capital assets for the prior fiscal year ended June 30, 2024 is presented below:

	Bal 6-30-2023	Increases	Decreases	Bal 6-30-2024
Capital Assets				
Furniture and equipment	\$ 931	\$ -	\$ -	\$ 931
Computer equipment	254,452	-	-	254,452
Right-to-use lease asset-office	78,347	-	-	78,347
Total capital assets	333,730	0	0	333,730
Less Accumulated Depr/Amort for:				
Furniture and equipment	(931)	-	-	(931)
Computer equipment	(247,279)	(2,569)	-	(249,848)
Right-to-use lease asset-office	(4,353)	(26,116)	-	(30,469)
Total Accumulate Depr/Amort	(252,563)	(28,685)	0	(281,248)
Capital Assets, Net	\$ 81,167	\$ (28,685)	\$ 0	\$ 52,482

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

**Note 4 - Accounts Payable**

Accounts payable consist of amounts due to vendors and amounts due to other state agencies (if any), and are reported separately on the Statements of Net Position.

	June 30, 2025	June 30, 2024
Due to Vendors	\$ 186,103	\$ 158,413
Due to Other State Agencies	1,543	37,817
Total Accounts Payable	\$ 187,646	\$ 196,230

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
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Note 5 - Long-Term Liabilities

*Changes in Long-Term Liabilities*

A summary of changes in long-term liabilities for the current fiscal year ended June 30, 2025 is below:

	Bal 6-30-2024	Increases	Decreases	Bal 6-30-2025	Current	Long-Term
Lease Liability	\$ 45,402	\$	\$ (24,764)	\$ 20,638	\$ 20,638	\$ 0
Unearned Revenue	1,099,710	710,773	(736,806)	1,073,677	719,364	354,313
Compensated Absences	227,807	139,620	(153,904)	213,523	53,381	160,142
Total Long-Term Liabilities	<u>\$ 1,372,919</u>	<u>\$ 850,393</u>	<u>\$ (915,474)</u>	<u>\$ 1,307,838</u>	<u>\$ 793,383</u>	<u>\$ 514,455</u>

A summary of changes in long-term liabilities for the prior year ended June 30, 2024 is below:

	Bal 6-30-2023	Increases	Decreases	Bal 6-30-2024	Current	Long-Term
Lease Liability	\$ 71,906	\$	\$ (26,504)	\$ 45,402	\$ 24,764	\$ 20,638
Unearned Revenue	1,132,033	722,366	(754,689)	1,099,710	736,806	362,904
Compensated Absences	209,965	146,604	(128,762)	227,807	56,952	170,855
Total Long-Term Liabilities	<u>\$ 1,413,904</u>	<u>\$ 868,970</u>	<u>\$ (909,955)</u>	<u>\$ 1,372,919</u>	<u>\$ 818,522</u>	<u>\$ 554,397</u>

Note 6 - Leases

The Board has a commitment under a lease as follows: a three-year lease agreement for the right-to-use leased office space beginning May 1, 2023 and ending April 30, 2026. Measurement of the lease liability excluded the following variable payment amounts: (1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and (2) payments based on future performance or usage of the underlying assets. During the fiscal years ended June 30, 2025 and 2024, the Board did not recognize any variable payment amounts.

The Board's leasing arrangements for the years ended June 30, 2025 and 2024 are summarized below:

Fiscal Year:	Classification:	Number of Lease Contracts	Lease Liability	Current Portion	Lease Term	Interest Rate
June 30, 2025	Lessee: Right-to-use lease (office)	1	\$ 20,638	\$ 20,638	3 years	3%
June 30, 2024	Lessee: Right-to-use lease (office)	1	\$ 45,402	\$ 24,764	3 years	3%

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
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Note 6 - Leases (Continued)

The annual requirements to pay principal and interest on leases at June 30, 2025 is presented below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 20,638	\$ 1,450	\$ 22,088
Total	<u>\$ 20,638</u>	<u>\$ 1,450</u>	<u>\$ 22,088</u>

Note 7 - Retirement Plan

Beginning July 1, 2012, the Board established a 401(k) retirement plan for all eligible employees. Eligible employees can make contributions up to the maximum amount allowed each year. The Board made contributions for eligible employees based on their gross pay. The amount of the Board's contribution is based on the eligible employee's job description and length of service. During the year ended June 30, 2019, the Board ended the 401(k) retirement plan and established a 457(b) plan for all eligible employees. The Board's total payroll was \$1,801,540, and \$1,739,084 for the years ended June 30, 2025 and 2024, respectively. The Board's payroll for eligible employees under the plans was \$1,653,556 and \$1,684,303 for the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, the Board contributed between 8% and 11.5% of eligible employees' gross pay. Total Board contributions for the year ended June 30, 2025 were \$156,310. Total Board contributions for the year ended June 30, 2024 were \$150,901. The Board assumes no liability for retiree benefits provided by this program other than its required contributions.

Note 8 - 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; and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board has limited protection from exposure to loss through the purchase of certain commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the past three fiscal years.

**NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS**  
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Note 9 - Contingencies

*Disciplinary Hearings*

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 10 - Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

Note 11- Subsequent Events

Subsequent events have been evaluated through October 15, 2025, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required approximately 94 audit hours at a cost of \$9,395.