



North Carolina State Board of Certified Public Accountant Examiners

MEMORANDUM

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FROM: Robert N. Brooks, Executive Director

DATE: July 29, 2021

RE: Report of Board Activities for Year Ended March 31, 2021

As required by Chapter 93B of the North Carolina General Statutes, the North Carolina State Board of Certified Public Accountant Examiners submits the following report of the Board's activities for the year ended March 31, 2021:

1) ADDRESS OF THE BOARD

The Board maintains its physical office at 1101 Oberlin Road, Suite 104, Raleigh, NC 27605-1169. The Board's mailing address is PO Box 12827, Raleigh, NC 27605-2827. The Board's primary telephone number is (919) 733-4222. The Board's website address is nccpaboard.gov.

MEMBERS OF THE BOARD

As of the date of this report, the members of the Board are as follows:

Name	City	Term Expires
Barton W. Baldwin, CPA	Mt. Olive, NC	06-30-2022
Bernita W. Demery, CPA	Harrisburg, NC	06-30-2022
Gary R. Massey, CPA	Emerald Isle, NC	06-30-2024
Michael S. Massey, CPA	Atlanta, GA	06-30-2021
Wanda B. Taylor, Esq.	Raleigh, NC	06-30-2021
Jennifer Van Zant, Esq.	Greensboro, NC	06-30-2022
Arthur M. Winstead, Jr., CPA	Greensboro, NC	06-30-2023

1a) LICENSEES SUPERVISED BY THE BOARD

The number of licensees supervised by the Board as of March 31, 2021, was 22,269.

2) EXAMINATION APPLICATIONS RECEIVED

The Board received 2,470 applications for the examination sections administered between April 1, 2020, and March 31, 2021.

3) EXAMINATION APPLICATIONS DENIED

The Board denied 27 applications received for the examination sections administered between April 1, 2020, and March 31, 2021. These applications were denied for failure to meet the requirements for examination as established by North Carolina General Statute 93-12 and Title 21, Chapter 08F of the North Carolina Administrative Code.

4) EXAMINATION APPLICANTS TAKING THE EXAM

Between April 1, 2020, and March 31, 2021, the Board approved 1,815 applicants to take the examination, and 3,324 sections of the examination were taken.

5) INITIAL LICENSES ISSUED

During the fiscal year, the Board issued 467 original CPA licenses.

5a) EXAMINATION APPLICANTS FAILING THE EXAMINATION

The Board's data for the number of individuals who failed one of the four sections of the examination between April 1, 2020, and March 31, 2021, is incomplete. Based on the available information, the Board estimates that 800 individuals failed at least one of the four sections of the examination. The Board based the estimate on the number of individuals who failed one of the four sections of the examination in the 2019-2020 fiscal year.

6) RECIPROCAL LICENSES APPLIED FOR

During the fiscal year, the Board received 266 applications for licensure by reciprocity.

7) RECIPROCAL LICENSES ISSUED

During the fiscal year, the Board issued 266 reciprocal CPA licenses.

7a) COMPLAINTS

During the fiscal year, the Board received 200 complaints against licensees and non-CPAs.

7b) DISCIPLINARY ACTIONS

During the fiscal year, the Board took disciplinary or other action against 25 licensees and non-CPAs.

8) LICENSES SUSPENDED OR REVOKED

During the fiscal year, the Board suspended nine (9) licenses. The Board revoked two (2) licenses during the fiscal year.

9) LICENSES TERMINATED

During the fiscal year, the Board terminated zero (0) CPA licenses for reasons other than failure to pay the required renewal fee.

9a) LICENSE APPLICANTS

During the fiscal year, 732 individuals applied for a North Carolina CPA license, and 732 individuals were granted a North Carolina CPA license.

9b) APPLICANTS WITH A CONVICTION RECORD

During the fiscal year, 517 applicants had a conviction record, and of that number, 517 licenses were granted. Zero (0) applicants were denied a license because of a conviction.

10) ANTICIPATED AMENDMENTS TO BOARD STATUTES

The Board does not anticipate any amendments to Board statutes.

11) ANTICIPATED CHANGES OR ADOPTIONS TO BOARD RULES

The Board does not anticipate any changes to Board rules.

**NORTH CAROLINA STATE BOARD
OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020



**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Board Members

BOARD MEMBERS

Michael S. Massey, CPA, President

Barton W. Baldwin, CPA, Vice-President

Gary R. Massey, CPA, Secretary-Treasurer

Bernita W. Demery, CPA

Wanda Blanche Taylor, Esquire

Jennifer K. Van Zant, Esquire

Arthur M. Winstead, Jr., CPA

ADMINISTRATIVE STAFF

Robert N. Brooks, Executive Director

David R. Nance, CPA, Deputy Director

Frank X. Trainor, Esquire, Staff Attorney

OUTSIDE LEGAL COUNSEL

Allen & Pinnix, P.A.

Noel L. Allen, Esquire

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
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**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Management's Discussion and Analysis**

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina State Board of Certified Public Accountant Examiners' (Board) management in conjunction with the issuance of the accompanying financial statements.

Overview of the Basic Financial Statements

The Statements of Net Position provide information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year. Assets and liabilities on these statements are categorized as either current or noncurrent. 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. The Board currently has no elements that meet the definition of deferred inflows or deferred outflows. Net position on these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statements of Net Position provide information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of accountancy in the State. Non-operating activities primarily include investment income and office rental activities for a portion of the Board-owned building. Overall, the Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position reported on both statements.

The Statements of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the Statements of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statements of Net Position.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balance.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risk, and uncertainty associated with amounts reported in the basic financial statements.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Management's Discussion and Analysis

Brief Agency Highlights

The Board is an occupational licensing board that grants certificates of qualification as certified public accountants (CPAs) to those individuals who meet the statutory requirements. The Board also adopts and enforces the Rules of Professional Ethics and Conduct to be observed by CPAs in this State. Other functions of the Board include registration of CPA firms; renewal of CPA certificates and CPA firm registrations; administration of the Uniform CPA Examination; administration of the continuing professional education (CPE) compliance program; disposition of administrative hearings with respect to State statutes and rules; and administration of other provisions of Chapter 93 of the *North Carolina General Statutes*.

Analysis of Financial Position and Results of Operations

The Board's net position as of March 31, 2021 and March 31, 2020, was approximately \$3.93 million and \$3.71 million, respectively, an increase of approximately \$222,000 during the year. *(With the exception of the dollar and percentage amounts detailed in the following tables, all other dollar amounts have been rounded/ approximated for presentation purposes.)*

Condensed Financial Information

The following table summarizes the Board's assets, liabilities and net position as of March 31, 2021, 2020 and 2019.

	Condensed Statements of Net Position					
	2021	2020	% Change	2020	2019	% Change
Assets:						
Current assets	\$ 3,455,428	\$ 2,702,266	27.87%	\$ 2,702,266	\$ 2,291,043	17.95%
Noncurrent assets	-	503,506	-100.00%	503,506	767,199	-34.37%
Capital assets, net	845,093	872,932	-3.19%	872,932	883,099	-1.15%
Total assets	4,300,521	4,078,704	5.44%	4,078,704	3,941,341	3.49%
Liabilities:						
Current liabilities	294,387	282,786	4.10%	282,786	471,320	-40.00%
Noncurrent liabilities	71,555	83,283	-14.08%	83,283	89,016	-6.44%
Total liabilities	365,942	366,069	-0.03%	366,069	560,336	-34.67%
Net Position:						
Invested in capital assets	845,093	872,932	-3.19%	872,932	883,099	-1.15%
Unrestricted	3,089,486	2,839,703	8.80%	2,839,703	2,497,906	13.68%
Total net position	\$ 3,934,579	\$ 3,712,635	5.98%	\$ 3,712,635	\$ 3,381,005	9.81%

Current Assets

Current assets as of March 31, 2021, consisted primarily of cash - \$1,879,000, investments - \$1,564,000, and prepaids - \$11,000. Current assets as of March 31, 2020, consisted primarily of cash, \$1,131,000, investments, \$1,562,000, and prepaids - \$9,000.

Current assets increased during the fiscal year March 31, 2021, due to an increase in money market investments held by the Board. The Board's current assets consist of a mix of money market and short-term certificate of deposit accounts. As interest rates offered for certificate of deposit accounts were significantly lower, the Board choose to take advantage of the flexibility offered through money market accounts rather than tie up its funds in deposits earning lower interest rates.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Management's Discussion and Analysis**

Noncurrent and Capital Assets

Noncurrent assets as of March 31, 2021, consisted of capital assets totaling \$845,000. Noncurrent assets as of March 31, 2020, consisted of investments - \$504,000, and capital assets totaling \$873,000.

Noncurrent assets decreased during the fiscal year March 31, 2021 due to the Board's investment in money market accounts with greater liquidity versus its investment in certificates of deposit with maturity periods of greater than one year. This resulted in a decrease of \$503,000. In addition, capital assets decreased by \$28,000 related to annual depreciation costs and equipment identified as obsolete.

Liabilities

Current liabilities as of March 31, 2021, consisted of accounts payable - \$24,000, due to examination vendors - \$238,000, and accrued compensated absences - \$33,000. Current liabilities as of March 31, 2020, consisted of accounts payable - \$13,000, due to examination vendors - \$259,000, and accrued compensated absences - \$11,000. The \$11,000 increase during the current year is mainly related to recognizing a more current projected payout of employee earned annual leave balances for the upcoming fiscal year.

Noncurrent liabilities consisted entirely of accrued compensated absences in the amount of \$72,000 and \$83,000 as of March 31, 2021 and 2020, respectively. The decrease during the current year reflects the above recognition of a more current projected payout of employee earned annual leave balances for the upcoming fiscal year.

Net Position

The Board's net position consists of net assets invested in capital assets and unrestricted net assets. Net assets invested in capital assets were \$845,000 and \$873,000 as of March 31, 2021 and 2020, respectively. Unrestricted net assets of \$3.09 and \$2.84 million as of March 31, 2021 and 2020, respectively, represent amounts not subject to externally imposed stipulations, but subject to internal designations for various activities and initiatives.

For the year ended March 31, 2021, there was an increase in net assets of \$222,000 as the Board saw a greater reduction in its operational costs versus its reduced revenues due to the COVID-19 pandemic. The Board saw a decrease in revenue (-\$170,000) related to a reduction in examination fees. Exam testing centers were closed the month of April 2020 and opened the remainder of the fiscal year in a reduced capacity due to the COVID-19 pandemic. The Board also saw its investment earnings decrease (-\$35,000) due to significant declines in market interest rates on renewal of its certificates of deposit. Board operating costs were also reduced accordingly. Examination costs decreased (-\$64,000) during the year due to the reduced number of candidates sitting for the exam. Travel costs decreased (-\$59,000) as most Board events were held in a virtual format due to the pandemic. Board legal and investigative costs were significantly increased as the Board incurred additional expenses related to outside counsel related to ongoing disciplinary matters. Other expenditure categories aligned with budget expectations based on lowered projected expenditures due to the pandemic.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Management's Discussion and Analysis**

The Statements of Revenues, Expenses, and Changes in Net Position present the results of the Board's operations for the report period. The following table summarizes the Board's revenues, expenses, and changes in net position for the years ended March 31, 2021, 2020 and 2019.

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended March 31,						
	2021	2020	% Change	2020	2019	% Change
Operating revenues:						
Exam fees	\$ 1,117,831	\$ 1,271,047	-12.05%	\$ 1,271,047	\$ 1,284,009	-1.01%
Licensing fees	1,480,855	1,483,265	-0.16%	1,483,265	1,463,815	1.33%
Miscellaneous	1,128	15,976	-92.94%	15,976	8,025	99.08%
Operating expenses	(2,435,352)	(2,527,588)	-3.65%	(2,527,588)	(2,557,501)	-1.17%
Operating income	164,462	242,700	-32.24%	242,700	198,348	22.36%
Non-operating revenues	77,749	111,335	-30.17%	111,335	97,040	14.73%
Non-operating expenses	(20,267)	(22,405)	-9.54%	(22,405)	(20,428)	9.68%
	57,482	88,930	-35.36%	88,930	76,612	16.08%
Increase in net position	221,944	331,630	-33.07%	331,630	274,960	20.61%
Net position beginning of year	3,712,635	3,381,005	9.81%	3,381,005	3,106,045	8.85%
Net position end of year	\$ 3,934,579	\$ 3,712,635	5.98%	\$ 3,712,635	\$ 3,381,005	9.81%

Operating Revenues

For the fiscal year ended March 31, 2021, operating revenues totaled \$2.60 million, consisting primarily of examination fee revenue of \$1.12 million and licensing fee revenues of \$1.48 million. For the fiscal year ended March 31, 2020, operating revenues totaled \$2.77 million, consisting primarily of exam fee revenue of \$1.27 million and licensing fee revenues of \$1.48 million. Exam fee revenue decreased by \$159,000 as exam testing centers were impacted by the COVID-19 pandemic and there were no redemption of credit card points resulting in miscellaneous revenue decreasing by \$15,000.

Non-Operating Revenues

For the fiscal year ended March 31, 2021, non-operating revenues totaled \$78,000, primarily from interest income of \$32,000, and rental income of \$46,000. For the fiscal year ended March 31, 2020, non-operating revenues totaled \$111,000, primarily from interest income of \$67,000, and rental income of \$44,000. The \$33,000 decrease in non-operating revenue activity is attributable to reduced investment income due to significantly lower market interest rates on certificates of deposit during the fiscal year.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Management's Discussion and Analysis

The following table summarizes the Board's expenses (operating and non-operating) for the years ended March 31, 2021, 2020 and 2019.

Operating and Non-Operating Expenses For the Fiscal Years Ended March 31,						
	2021	2020	% Change	2020	2019	% Change
Operating expenses:						
Salaries and employee						
benefits	\$ 1,191,902	\$ 1,216,465	-2.02%	\$ 1,216,465	\$ 1,235,251	-1.52%
Examination	752,648	817,190	-7.90%	817,190	837,772	-2.46%
Office related expenses	254,380	329,756	-22.86%	329,756	313,627	5.14%
Depreciation	38,063	40,058	-4.98%	40,058	40,501	-1.09%
Other expenses	198,359	124,119	59.81%	124,119	130,350	-4.78%
Total operating expenses	<u>\$ 2,435,352</u>	<u>\$ 2,527,588</u>	<u>-3.65%</u>	<u>\$ 2,527,588</u>	<u>\$ 2,557,501</u>	<u>-1.17%</u>
Non-operating expenses	<u>\$ 20,267</u>	<u>\$ 22,405</u>	<u>-9.54%</u>	<u>\$ 22,405</u>	<u>\$ 20,428</u>	<u>9.68%</u>

For the fiscal year ended March 31, 2021, examination costs decreased by \$64,000 as exam candidates were impacted by test center closures and reduced capacity. As such, the Board costs were reduced by a lower number of candidates being able to schedule and test for the exam. Office expenses decreased by \$76,000, primarily due to reduced travel costs (\$59,000) and general operating costs. The COVID-19 pandemic eliminated in-person travel events as most activities switched to a virtual environment. The increase in the Other expenses category relates to the Board's legal and investigative costs. The Board incurred higher costs for litigation support services related to ongoing disciplinary matters.

Economic Factors That Will Affect the Future

The main factors impacting the economic outlook for the Board are the number of candidates seeking to sit for the Uniform Certified Public Accountants examination and the number of licensees registered with the State. The Board was impacted by the Coronavirus (COVID-19) pandemic as operations were disrupted and testing centers were closed impacting candidates' ability to sit for the CPA examination. In addition, the format of the CPA examination and the expectations for future CPA candidates is currently under review as part of the CPA Evolution initiative.

The Board derives 99% of its revenues from examination and licensing fees. Examination revenues decreased during the current year. This number was impacted by the closure of exam testing centers as of March 17, 2020 and reduced testing capacity throughout the remainder of the year. While the Board is beginning to see signs of candidates returning to the testing centers, the pandemic impact will continue into the first part of the next fiscal year. As such, the Board has budgeted a slight increase in the number of examination sections to be taken by examination candidates for the next fiscal year. Licensing fees have shown a minor increase as the number of active licensees in North Carolina has increased; however, some of that increase is tempered by retirements and licensees being granted inactive status. The Certified Public Accountant credential is highly regarded in the business world and the Board expects candidates to continue to seek licensure for the foreseeable future.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Management's Discussion and Analysis**

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 State Board of Certified Public Accountant Examiners
Post Office Box 12827
Raleigh, North Carolina 27605-2827



Independent Auditor's Report

Members of the Board
North Carolina State Board of Certified Public Accountant Examiners
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Certified Public Accountant Examiners (Board), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of March 31, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Certified Public Accountant Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of March 31, 2021 and 2020, nor 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 6, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of budget and actual - revenues, expenses, and changes in net position, on page 21, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
July 20, 2021

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Net Position
March 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS:		
Current assets:		
Cash	\$ 1,878,881	\$ 1,131,464
Short-term investments	1,564,846	1,561,561
Accounts receivable	386	-
Prepays	11,315	9,241
Total current assets	<u>3,455,428</u>	<u>2,702,266</u>
Noncurrent assets:		
Investments	-	503,506
Capital assets, non-depreciable (Note 3)	300,000	300,000
Capital assets, depreciable, net (Note 3)	545,093	572,932
Total noncurrent assets	<u>845,093</u>	<u>1,376,438</u>
Total assets	<u>4,300,521</u>	<u>4,078,704</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	24,230	13,076
Due to examination vendors	237,577	258,856
Compensated absences - current portion	32,580	10,854
Total current liabilities	<u>294,387</u>	<u>282,786</u>
Noncurrent liabilities:		
Compensated absences (Note 5)	71,555	83,283
Total noncurrent liabilities	<u>71,555</u>	<u>83,283</u>
Total liabilities	<u>365,942</u>	<u>366,069</u>
NET POSITION:		
Net investment in capital assets	845,093	872,932
Unrestricted	3,089,486	2,839,703
Total net position	<u>\$ 3,934,579</u>	<u>\$ 3,712,635</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2021 and 2020

	2021	2020
Operating revenues:		
Examination fees	\$ 1,117,831	\$ 1,271,047
Licensing fees	1,480,855	1,483,265
Miscellaneous	1,128	15,976
Total operating revenues	<u>2,599,814</u>	<u>2,770,288</u>
Operating expenses:		
Salaries and employee benefits	1,191,902	1,216,465
Examination	752,648	817,190
Office expenses	98,670	113,776
Postage and printing	64,688	69,537
Travel	19,998	78,576
Maintenance and computer support	71,024	67,867
Depreciation	38,063	40,058
Legal and investigative costs	131,400	51,092
Insurance	21,646	21,107
Dues and subscriptions	14,479	14,325
Building	30,834	37,595
Total operating expenses	<u>2,435,352</u>	<u>2,527,588</u>
Operating income	<u>164,462</u>	<u>242,700</u>
Non-operating revenues (expenses):		
Interest income	32,156	66,935
Rental income	45,593	44,265
Rental building expenses	(20,267)	(22,405)
Gain on the sale of equipment	-	135
Total non-operating revenues	<u>57,482</u>	<u>88,930</u>
Changes in net position	221,944	331,630
Net position - beginning of year	<u>3,712,635</u>	<u>3,381,005</u>
Net position - end of year	<u>\$ 3,934,579</u>	<u>\$ 3,712,635</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Cash Flows
Years Ended March 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Cash received from fees	\$ 2,598,686	\$ 2,754,312
Cash received from other sources	742	10,976
Cash payments to employees for services	(1,181,904)	(1,215,256)
Cash payments to suppliers for goods and services	(1,019,227)	(1,336,584)
Cash payments for other expenses	(198,359)	(124,119)
Net cash provided by operating activities	199,938	89,329
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(18,932)	(38,468)
Proceeds from the sale of capital assets	-	135
Net cash used in capital and related financing activities	(18,932)	(38,333)
Cash flows from investing activities:		
Proceeds from maturing investments	1,557,541	1,538,068
Purchases of investments	(1,057,320)	(1,293,309)
Non-operating rental activities	34,034	30,611
Interest income	32,156	66,935
Net cash provided by investing activities	566,411	342,305
Increase in cash	747,417	393,301
Cash - beginning of year	1,131,464	738,163
Cash - end of year	\$ 1,878,881	\$ 1,131,464
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 164,462	\$ 242,700
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	38,063	40,058
Changes in assets and liabilities:		
Accounts receivable	(386)	1,000
Prepays	(2,074)	(162)
Accounts payable	11,154	(20,020)
Due to examination vendors	(21,279)	(175,456)
Accrued vacation	9,998	1,209
Total adjustments	35,476	(153,371)
Net cash provided by operating activities	\$ 199,938	\$ 89,329

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The North Carolina State Board of Certified Public Accountant Examiners (Board) is an independent State agency. It is an occupational licensing board authorized by Chapters 93 and 93B of the North Carolina General Statutes. The Board is composed of seven members: five persons who are holders of valid and unrevoked certified public accountant certificates issued under the provisions of Chapter 93, and two persons who are not certified public accountants and represent the public at large.

The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant certificates of qualification as certified public accountants to qualified persons, to register certified public accounting firms, adopt and enforce the Rules of Professional Ethics and Conduct to be observed by CPAs in this State, and to enforce all statutes and rules of *North Carolina General Statutes* Chapter 93 and the *North Carolina Administrative Code*, Title 21, Chapter 08.

The Board had 22,269 and 22,174 licensees as of March 31, 2021 and 2020, respectively.

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 is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). 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 have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by 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 are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic 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.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Notes to Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 the cash flows. Fees received for the various licenses are deemed earned when the license period begins on July 1st.

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 and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and licensing fees. 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*.

Non-operating revenues and expenses consist primarily of rental and investing type activities. Building expenses are allocated to operating or non-operating activities based on square footage.

Cash

This classification includes cash on deposit and money market accounts with financial institutions.

Investments

This classification includes non-negotiable certificates of deposit with original maturities of more than three months. Certificates of deposit maturing within one year are shown as current. The certificates of deposit are reported at fair market value, which is cost plus accrued interest to date.

Accounts Receivable

Accounts receivable consist of amounts due from administrative proceedings and are shown at book value with no provision for doubtful accounts considered necessary.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 40 years
Furniture	7 - 10 years
Equipment	5 - 10 years
Software	5 years

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

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Notes to Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The Board occupies 75% of its building while leasing the other 25% of the building, which is accounted for as a non-operating activity.

Noncurrent Liabilities

Noncurrent liabilities consist of compensated absences that will not be paid within the next fiscal year.

Compensated Absences

Employees are permitted to accumulate earned but unused vacation pay benefits and all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Board's policy provides for a maximum accumulation of unused vacation leave of 30 days for staff members and 45 days for the Executive and Deputy Directors which can be carried forward each April 1st, or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of the allowed maximum accumulation as of March 31 is converted to sick leave.

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 employee termination or retirement.

Net Position

Investment in capital assets - This represents the Board's total investment in capital assets, net of accumulated depreciation.

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

The following designations of net assets represent management's estimates that are subject to change based on perceived operating conditions and situations.

Litigation	\$1,000,000
Operating expenses	300,000
Capital asset acquisitions and/or improvements	100,000
	<u>\$1,400,000</u>

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit with private bank accounts, money market accounts, and certificates of deposit. At March 31, 2021, deposits in private financial institutions, with a carrying value of \$3,443,727 and a bank balance of \$3,581,228, consists of cash and investments, as shown on the Statements of Net Position. Included in the deposits in private financial institutions are certificates of deposit in the amount of \$1,564,846 reported as investments in the Statements of Net Position.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Also, the Board maintains funds in a Certificate of Deposit Account Registry Service (CDARS) account to help address custodial credit risk. With a CDARS account, investments are broken down and placed across a network of more than 3,000 banks and savings associations around the United States. This allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the Federal Deposit Insurance Corporation deposit insurance limits for any one bank. The Board's bank deposits in excess of the FDIC insured limit totaled \$48,136 at March 31, 2021.

The types of investments available to the Board are identified at North Carolina General Statutes 147-69.2 and 147-69.3. The Board has adopted formal investment policies to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board in accordance with statutory requirements.

The Board is subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the Board manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. For its major investment type, certificates of deposit maturities may not exceed 24 months.

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 limited to:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States
- Obligations of the State of North Carolina
- Time deposits, certificates of deposit, and savings accounts in financial institutions with a physical presence in North Carolina
- Corporate bonds of North Carolina-based industries

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at March 31, 2021, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Other securities:			
Certificates of deposit	<u>\$1,564,846</u>	6.4 months	N/A

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

A reconciliation of deposits and investments for the Board to the basic financial statements at March 31, is as follows:

	2021	2020
Carrying amount of deposits with commercial financial institutions	\$ 25,020	\$ 130,510
Money market mutual funds	1,853,861	1,000,954
Investments in certificates of deposit	1,564,846	2,065,067
Total deposits and investments	<u>\$3,443,727</u>	<u>\$3,196,531</u>
Current:		
Cash	\$1,878,881	\$1,131,464
Short-term investments	1,564,846	1,561,561
Noncurrent:		
Investments	-	503,506
Total deposits and investments	<u>\$3,443,727</u>	<u>\$3,196,531</u>

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended March 31, 2021 are as follows:

	Balance April 1, 2020	Additions	Deletions	Balance March 31, 2021
Capital assets, non-depreciable:				
Land and improvements	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
Capital assets, depreciable:				
Building and improvements	1,070,606	-	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	139,843	18,932	(8,731)	150,044
Software	180,337	-	-	180,337
Total capital assets, depreciable	<u>1,503,172</u>	<u>18,932</u>	<u>(8,731)</u>	<u>1,513,373</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance April 1, 2020	Additions	Deletions	Balance March 31, 2021
Less accumulated depreciation:				
Building and improvements	\$ (522,421)	\$ (34,831)	\$ -	\$ (557,252)
Furniture	(112,386)	-	1,595	(110,791)
Equipment	(115,098)	(11,940)	7,136	(119,902)
Software	(180,335)	-	-	(180,335)
	<u>(930,240)</u>	<u>(46,771)</u>	<u>8,731</u>	<u>(968,280)</u>
Total capital assets, depreciable, net	<u>572,932</u>	<u>(27,839)</u>	<u>-</u>	<u>545,093</u>
Capital assets, net	<u>\$ 872,932</u>	<u>\$ (27,839)</u>	<u>\$ -</u>	<u>\$ 845,093</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2021 was \$38,063 and \$8,708, respectively.

Changes in capital assets for the year ended March 31, 2020 are as follows:

	Balance April 1, 2019	Additions	Deletions	Balance March 31, 2020
Capital assets, non-depreciable:				
Land and improvements	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
Capital assets, depreciable:				
Building and improvements	1,039,056	31,550	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	144,540	6,918	(11,615)	139,843
Software	180,337	-	-	180,337
Total capital assets, depreciable	<u>1,476,319</u>	<u>38,468</u>	<u>(11,615)</u>	<u>1,503,172</u>
Less accumulated depreciation:				
Building and improvements	(488,115)	(34,306)	-	(522,421)
Furniture	(112,386)	-	-	(112,386)
Equipment	(112,384)	(14,329)	11,615	(115,098)
Software	(180,335)	-	-	(180,335)
	<u>(893,220)</u>	<u>(48,635)</u>	<u>11,615</u>	<u>(930,240)</u>
Total capital assets, depreciable, net	<u>583,099</u>	<u>(10,167)</u>	<u>-</u>	<u>572,932</u>
Capital assets, net	<u>\$ 883,099</u>	<u>\$ (10,167)</u>	<u>\$ -</u>	<u>\$ 872,932</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2020 was \$40,058 and \$8,577, respectively.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Notes to Financial Statements**

NOTE 4 - NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2021, is presented as follows:

	Balance April 1, 2020	Additions	Deletions	Balance March 31, 2021	Current Portion
Compensated absences	\$ 94,137	\$ 88,613	\$ 78,615	\$ 104,135	\$ 32,580

A summary of changes in noncurrent liabilities for the year ended March 31, 2020, is presented as follows:

	Balance April 1, 2019	Additions	Deletions	Balance March 31, 2020	Current Portion
Compensated absences	\$ 92,928	\$ 87,081	\$ 85,872	\$ 94,137	\$ 10,854

NOTE 5 - EMPLOYEE PENSION PLAN

The Board participates in the North Carolina Licensing Board Retirement Savings Plan (Plan), which is a defined contribution plan created under Internal Revenue Code Section 401(k) for eligible employees. The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator. The Plan is administered by Prudential Insurance Company of America.

Employees are eligible to participate in the Plan immediately upon employment. For each year of service, employer contributions and the applicable earnings vest 20% per year. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee to the individual employee accounts. Employees are permitted to make additional voluntary contributions to the Plan up to the applicable Internal Revenue Code limits. Employee contributions and the applicable earnings on those contributions vest immediately. Nonvested Board contributions and the applicable earnings are forfeited upon termination from employment to the applicable participating occupational licensing board. Administrative expenses are paid by the participating occupational licensing boards in accordance to the boards' percentage of plan assets.

Board pension costs including administrative fees, totaled \$54,776 and \$58,725 for fiscal years 2021 and 2020, respectively. Employee contributions totaled \$63,252 and \$70,677 for fiscal years 2021 and 2020, respectively. For fiscal years 2021 and 2020, the Board had forfeitures of \$2,700 and \$1,885, respectively, that will be applied to reduce employer contributions.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Notes to Financial Statements**

NOTE 6 - 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 methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Public Officers and Employees Liability Insurance - Tort claims against Board members of up to \$1,000,000 are retained by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board through the purchase of excess public officers' and employees' liability insurance with a private insurance company.

Fire, Automobile, and Other Loss Insurance - Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with a private insurance company.

Cyber Risk Insurance - The Board is protected for losses due to risks associated with e-business, the Internet, networks and informational assets with a private insurance company.

Employee and Computer Fraud - The Board is protected for losses from employee dishonesty and computer fraud with a private insurance company.

Comprehensive Major Medical Plan - Employees are provided health care coverage by United Healthcare. The Plan is funded by employer and employee contributions.

The Board makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

NOTE 7 - LEASE REVENUE - NON-OPERATING

The Board renewed its lease agreement with Allen & Pinnix, P.A. effective May 1, 2019. The lease agreement calls for monthly payments of \$3,698 to be paid the first year with a three percent annual increase in the monthly payment amounts for the second and third years. Lease payments received for the years ended March 31, 2021 and 2020 totaled \$45,593 and \$44,265, respectively. Future minimum lease payments to be received under the lease agreement are as follows:

2022	\$ 46,961
2023	3,923
	<u>\$ 50,884</u>

NOTE 8 - SOFTWARE LICENSING AGREEMENT

The Board renewed its software licensing agreement with GL Suite, Inc. for three years effective January 1, 2018. The agreement called for monthly payments of \$4,176 to be paid the first year. The agreement currently operates on a month-to-month basis and requires monthly payments, subject to an annual cost-of-living adjustment. Notification of any increase must be provided to the Board not less than three months prior to the commencement of the next fiscal year. The Board's monthly payment amount for the upcoming fiscal year will be \$4,507.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Notes to Financial Statements

NOTE 8 - SOFTWARE LICENSING AGREEMENT (Continued)

The Board entered into a software licensing agreement with LexisNexis for three years effective January 1, 2019. The agreement calls for monthly payments of \$300 for the duration of the agreement.

The Board is party to a software licensing agreement with CSP, Inc. The agreement called for monthly payments of \$551 through its termination at March 31, 2021.

Future minimum lease payments under the software licensing agreements are as follows:

2022	<u>\$ 2,700</u>
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Total expenses related to the software licensing agreements for the year ended March 31, 2021 equaled \$68,948.

NOTE 9 - EDUCATIONAL AWARD PROGRAMS

The North Carolina General Statute 93B-11 allows occupational licensing boards to use the interest earned on its funds for educational purposes to benefit licensees or the public. The Board provides these services through a Uniform CPA Examination “coupon” program.

The Board awards a coupon, available to one financially-needy student graduating with an undergraduate degree in accounting, to each of the 36 North Carolina colleges and universities which grant undergraduate accounting degrees. Additional coupons are awarded at each of North Carolina’s historically black colleges and universities. The coupons provide candidates an 18-month timeframe from the date of issue to sit for all four parts of the Uniform CPA Examination. The coupon covers the student’s initial exam application fee, re-exam application fees, and the cost of sitting for each section of the Uniform CPA Examination. The current maximum value of each coupon is \$1,355. The Board accounts for the coupon program by netting the costs associated with the actual redeemed coupons against its examination fee revenues. The cost of the coupon program totaled \$19,785 and \$30,271 for fiscal years 2021 and 2020, respectively.

The costs for the educational awards program include the use of interest earned on the Board's funds during the year.

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through July 20, 2021, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 90 hours at a cost of \$12,500.

SUPPLEMENTARY INFORMATION

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Schedules of Budget and Actual - Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2020 and 2019

	2021			2020		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Operating revenues:						
Examination fees	\$ 1,032,875	\$ 1,117,831	\$ 84,956	\$ 1,311,125	\$ 1,271,047	\$ (40,078)
Licensing fees	1,501,500	1,480,855	(20,645)	1,504,400	1,483,265	(21,135)
Miscellaneous	6,000	1,128	(4,872)	7,000	15,976	8,976
Total operating revenues	<u>2,540,375</u>	<u>2,599,814</u>	<u>59,439</u>	<u>2,822,525</u>	<u>2,770,288</u>	<u>(52,237)</u>
Operating expenses:						
Salaries and employee benefits	1,216,943	1,191,902	(25,041)	1,240,026	1,216,465	(23,561)
Examination	775,000	752,648	(22,352)	1,000,000	817,190	(182,810)
Office expenses	110,050	98,670	(11,380)	110,450	113,776	3,326
Postage and printing	73,000	64,688	(8,312)	75,600	69,537	(6,063)
Travel	76,754	19,998	(56,756)	108,139	78,576	(29,563)
Maintenance and computer support	74,000	71,024	(2,976)	74,400	67,867	(6,533)
Legal and investigative costs	63,000	131,400	68,400	63,000	51,092	(11,908)
Insurance	23,500	21,646	(1,854)	23,500	21,107	(2,393)
Dues and subscriptions	14,500	14,479	(21)	11,500	14,325	2,825
Building	48,800	30,834	(17,966)	48,382	37,595	(10,787)
Depreciation	45,000	38,063	(6,937)	45,000	40,058	(4,942)
Total operating expenses	<u>2,520,547</u>	<u>2,435,352</u>	<u>(85,195)</u>	<u>2,799,997</u>	<u>2,527,588</u>	<u>(272,409)</u>
Operating income	19,828	164,462	144,634	22,528	242,700	220,172
Non-operating revenues (expenses)	<u>56,593</u>	<u>57,482</u>	<u>889</u>	<u>98,265</u>	<u>88,930</u>	<u>(9,335)</u>
Changes in net position	76,421	221,944	145,523	120,793	331,630	210,837
Net position - beginning of year	<u>3,712,635</u>	<u>3,712,635</u>	<u>-</u>	<u>3,381,005</u>	<u>3,381,005</u>	<u>-</u>
Net position - end of year	<u>\$ 3,789,056</u>	<u>\$ 3,934,579</u>	<u>\$ 145,523</u>	<u>\$ 3,501,798</u>	<u>\$ 3,712,635</u>	<u>\$ 210,837</u>

Budgetary Information

Annual budgets are adopted by the Board and prepared and reported on the accrual basis of accounting. The budget prepared for the fiscal year ended March 31, 2021 identifies major sources of revenue and expenses. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding years.