

**NORTH CAROLINA BOARD OF EXAMINERS  
FOR ENGINEERS AND SURVEYORS**

**FINANCIAL STATEMENTS**

**YEARS ENDED NOVEMBER 30, 2020 AND 2019**



**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
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**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2020**

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The following is a discussion and analysis of the North Carolina Board of Examiners for Engineers and Surveyors' (the "Board") financial performance for the year ended November 30, 2020. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and previous two years are presented in the analysis.

### **Financial Highlights**

Overall operating revenues of the Board increased in the current year by \$68,785, or 2.7%, due primarily to increases in renewal fees.

Overall operating expenses of the Board decreased by \$60,466 or approximately 2.5%, attributed primarily to reduced travel costs due to Covid-19, and a decrease in legal fees.

Non-operating revenues of the Board increased by \$16,303 due primarily to an increase in unrealized investment gains in the current year.

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

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

### **Basic Financial Statements**

The basic financial statements 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 noncurrent portions of assets and liabilities separately.

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

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

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended November 30, 2020**

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**Basic Financial Statements (Continued)**

The following presents condensed financial information for the Board as of and for the year ended November 30:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets:</b>			
Current assets	<b>\$ 1,900,898</b>	\$ 1,745,271	\$ 1,216,018
Capital assets - net of depreciation	<b>219,512</b>	185,339	153,472
Noncurrent assets	<b>1,338,325</b>	1,036,498	1,252,319
Total assets	<b>3,458,735</b>	2,967,108	2,621,809
Current liabilities	<b>240,010</b>	221,659	191,346
Noncurrent liabilities	<b>133,203</b>	116,987	113,507
Total liabilities	<b>373,213</b>	338,646	304,853
<b>Net position:</b>			
Net investment in capital assets	<b>219,512</b>	185,339	153,472
Unrestricted	<b>2,866,010</b>	2,443,123	2,163,484
Total net position	<b>\$ 3,085,522</b>	\$ 2,628,462	\$ 2,316,956
Operating revenues	<b>\$ 2,658,080</b>	\$ 2,589,295	\$ 2,529,366
Operating expenses	<b>2,337,188</b>	2,397,654	2,294,897
Operating income	<b>320,892</b>	191,641	234,469
Non-operating revenues	<b>136,168</b>	119,865	5,144
Changes in net position	<b>\$ 457,060</b>	\$ 311,506	\$ 239,613

A comparison of budget to actual operations is presented on page 17. Actual operating revenues exceeded budgeted expectations by \$50,580, or 1.9%, due primarily to licensing fee revenue exceeding budget by \$36,800, or 1.4%.

Personnel, office and board, and legal, accounting, and audit expenses were below budget by \$218,801. Depreciation and civil penalties are not budgeted expense items.

The Board has designated a portion of unrestricted net assets to cover potential future activities, consisting of \$150,000 for litigation and \$100,000 for future projects.

**Events Affecting Future Operations**

There are no known events affecting future operations.

**Contacting the Board's Financial 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 funds it receives and expends. If you have questions or require additional information, please contact the North Carolina Board of Examiners for Engineers and Surveyors, 4601 Six Forks Road, Suite 310, Raleigh, NC 27609.



### **Independent Auditor's Report**

Members of the Board  
North Carolina Board of Examiners for Engineers and Surveyors  
Raleigh, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), which comprise the statements of net position as of November 30, 2020 and 2019, 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Board of Examiners for Engineers and Surveyors as of November 30, 2020 and 2019, 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 Board of Examiners for Engineers and Surveyors and do not purport to and do not present fairly the financial position of the State of North Carolina as of November 30, 2020 and 2019, 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 the Management's Discussion and Analysis on pages 1-3 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.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Revenues, Expenses, and Changes in Net Position - Actual and Budget ("supplementary information") on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management. Such information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic 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

February 25, 2021

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Net Position**  
**November 30, 2020 and 2019**

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	<b>2020</b>	<b>2019</b>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,580,366	\$ 1,246,296
Investments	281,000	455,800
Prepaid expenses	18,570	23,367
Prepaid rent	15,810	15,350
Other assets	5,152	4,458
Total current assets	<u>1,900,898</u>	<u>1,745,271</u>
Capital assets:		
Property and equipment	538,234	481,400
Leasehold improvements	116,847	83,367
Less accumulated depreciation	<u>(435,569)</u>	<u>(379,428)</u>
Total capital assets, net	<u>219,512</u>	<u>185,339</u>
Noncurrent assets:		
Investments	<u>1,338,325</u>	<u>1,036,498</u>
Total assets	<u>3,458,735</u>	<u>2,967,108</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	7,458	15,951
Payroll liabilities	13,122	-
Unearned revenue	154,200	150,525
Deferred lease liability	<u>65,230</u>	<u>55,183</u>
Total current liabilities	<u>240,010</u>	<u>221,659</u>
Noncurrent liability:		
Compensated absences	<u>133,203</u>	<u>116,987</u>
Total liabilities	<u>373,213</u>	<u>338,646</u>
<b>NET POSITION:</b>		
Net investment in capital assets	219,512	185,339
Unrestricted	<u>2,866,010</u>	<u>2,443,123</u>
Total net position	<u>\$ 3,085,522</u>	<u>\$ 2,628,462</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended November 30, 2020 and 2019**

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	<b>2020</b>	<b>2019</b>
Operating revenues:		
Renewal fees	\$ 2,569,450	\$ 2,470,475
Application fees	61,350	69,950
Exam fees	12,650	14,100
Civil penalties collected	13,250	33,000
Miscellaneous	1,380	1,770
Total operating revenues	<b>2,658,080</b>	<b>2,589,295</b>
Operating expenses:		
Salaries and wages	1,254,073	1,223,957
Payroll taxes	87,365	85,992
Retirement contributions and administration	76,699	75,053
Hospital and disability insurance	233,386	230,111
Staff development and training	13,086	14,347
Insurance and bonding	9,647	9,092
Office rent	200,522	195,625
Telephone	11,974	12,248
Office supplies	36,433	37,171
Depreciation	62,804	45,989
Printing	13,542	15,942
Postage	25,931	25,835
Credit and bankcard fees	72,051	70,847
Travel-board members	11,852	49,846
Travel and other-staff	12,259	41,331
Board members per diem	11,300	23,350
Contracted services	51,115	60,909
Legal, accounting, and audit fees	79,447	96,803
Computer services	16,205	12,856
Equipment, rental, and maintenance	27,262	15,819
Civil penalties remitted	13,250	33,000
Miscellaneous	8,668	12,356
Dues and subscriptions	8,317	9,175
Total operating expenses	<b>2,337,188</b>	<b>2,397,654</b>
Operating income	<b>320,892</b>	<b>191,641</b>
Non-operating revenues:		
Investment income	35,821	40,321
Realized and unrealized gains on investments	100,347	79,544
Total non-operating revenues	<b>136,168</b>	<b>119,865</b>
Changes in net position	<b>457,060</b>	<b>311,506</b>
Net position - beginning of year	<b>2,628,462</b>	<b>2,316,956</b>
Net position - end of year	<b>\$ 3,085,522</b>	<b>\$ 2,628,462</b>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**  
**Statements of Cash Flows**  
**Years Ended November 30, 2020 and 2019**

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	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Cash received from fees	\$ 2,647,125	\$ 2,559,300
Other cash received	14,630	34,770
Cash payments to employees for services	(1,237,857)	(1,220,477)
Cash payments to suppliers of goods and services	(945,178)	(969,270)
Cash payments for other operating expenses	(56,814)	(138,049)
Net cash provided by operating activities	<b>421,906</b>	<b>266,274</b>
Cash flows from investing activities:		
Net investment income	136,168	119,865
Purchase of investments	(209,474)	(188,883)
Proceeds from sales of investments	82,447	78,904
Net cash provided by investing activities	<b>9,141</b>	<b>9,886</b>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(96,977)	(77,856)
Net cash used in capital and related financing activities	<b>(96,977)</b>	<b>(77,856)</b>
Net increase in cash	<b>334,070</b>	198,304
Cash - beginning of year	<b>1,246,296</b>	1,047,992
Cash - end of year	<b>\$ 1,580,366</b>	<b>\$ 1,246,296</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<b>\$ 320,892</b>	<b>\$ 191,641</b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	62,804	45,989
Changes in assets and liabilities:		
Prepaid expenses	4,797	(4,661)
Prepaid rent	(460)	(447)
Other assets	(694)	(41)
Accounts payable	(8,493)	10,085
Payroll liabilities	13,122	-
Compensated absences	16,216	3,480
Unearned revenue	3,675	4,775
Deferred lease liability	10,047	15,453
Total adjustments	<b>101,014</b>	<b>74,633</b>
Net cash provided by operating activities	<b>\$ 421,906</b>	<b>\$ 266,274</b>

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

##### **Description of Organization**

The North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89C of the North Carolina General Statutes (NCGS). The Board is composed of nine members: four licensed professional engineers, three licensed professional land surveyors and two public members who are neither professional engineers nor professional land surveyors. All members are appointed by the Governor.

The Board's primary responsibilities are to grant certificates of qualification as professional engineers and professional land surveyors to qualified persons, to register certified firms, to administer land surveyor examinations, and to enforce all statutes and rules of Chapter 89C and 21 NCAC Chapter 56.

The Board's operations are financed with self-generated revenues from fees charged to licensees and examinees.

##### **Financial Reporting Entity**

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

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's 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.

The accompanying financial statements present all funds and activities for which the Board is responsible.

##### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. GAAP 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.

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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

##### **Basis of Accounting**

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the cash flows.

The Board classifies its revenues 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 license and examination fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

##### **Cash and Cash Equivalents**

Cash includes cash on deposit and money market accounts with financial institutions. For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

##### **Investments**

Investments consist of equities, mutual funds, corporate bonds, negotiable certificates of deposit and money market sweep accounts held in brokerage accounts. Money market sweep accounts, and corporate bonds and certificates of deposit maturing within the next fiscal year are shown as current. Investments are reported at fair value. Fair values are based on readily available market quotes. The negotiable certificates of deposit are also reported at fair value, which approximates cost plus accrued interest to date.

##### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 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 useful lives:

Leasehold improvements	7-10 years
Property and equipment	5-10 years
Software	3-5 years

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

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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

##### **Compensated Absences**

Board employees may accumulate up to thirty days earned vacation (except for the Board's Executive Director, who may accumulate up to sixty days) and such leave is fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been recognized.

##### **Net Position**

The Board's net position is classified as follows:

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

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

##### **Budgetary Practices**

Budgets for fiscal years ended November 30, 2020 and 2019, were adopted by the Board. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

##### **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 and assumptions, resulting in adjustments in future periods.

#### **NOTE 2 - NET POSITION**

The Board has reserved a portion of the unrestricted net assets to cover future activities, including \$150,000 for litigation and \$100,000 for future projects.

#### **NOTE 3 - UNEARNED REVENUE**

The Board's fees for Professional Engineers (PE) and Land Surveyors (LS) are assessed and collected on a fiscal year basis, corresponding with the Board's accounting period. These license renewal fees are collected beginning December 1st for the fiscal year and therefore there is no unearned revenue related to PE and LS renewals at year end. The Board's Firm renewal fees run from June 1 through May 31 resulting in unearned revenue at November 30, 2020 and 2019 of \$154,200 and \$150,525, respectively.

# NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

## Notes to Financial Statements

### NOTE 4 - DEPOSITS AND INVESTMENTS

Investments are comprised of the following at November 30:

	2020		
	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$ 134,154	\$ 143,117	\$ 8,963
Negotiable certificates of deposit	594,000	616,575	22,575
Equities	290,065	408,703	118,638
Mutual funds	192,172	220,327	28,155
Money market sweep accounts	230,603	230,603	-
	<u>\$ 1,440,994</u>	<u>\$ 1,619,325</u>	<u>\$ 178,331</u>
	2019		
	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	\$ 134,154	\$ 137,572	\$ 3,418
Negotiable certificates of deposit	533,000	540,880	7,880
Equities	289,348	362,365	73,017
Mutual funds	187,794	185,725	(2,069)
Money market sweep accounts	265,756	265,756	-
	<u>\$ 1,410,052</u>	<u>\$ 1,492,298</u>	<u>\$ 82,246</u>

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability.

A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Board's assets at fair value as of November 30:

	2020			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 143,117	\$ -	\$ -	\$ 143,117
Negotiable certificates of deposit	-	616,575	-	616,575
Equities	408,703	-	-	408,703
Mutual funds	220,327	-	-	220,327
	<u>\$ 772,147</u>	<u>\$ 616,575</u>	<u>\$ -</u>	<u>\$ 1,388,722</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS****Notes to Financial Statements****NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

	2019			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 137,572	\$ -	\$ -	\$ 137,572
Negotiable certificates of deposit	-	540,880	-	540,880
Equities	362,365	-	-	362,365
Mutual funds	185,725	-	-	185,725
	<u>\$ 685,662</u>	<u>\$ 540,880</u>	<u>\$ -</u>	<u>\$ 1,226,542</u>

The investment balances on the statements of net position include cash balances held temporarily in the investment portfolio until reinvestment, and therefore not included in the fair value hierarchy above in the amount of \$230,603 and \$265,756 at November 30, 2020 and 2019, respectively.

The Board is subject to the following risks:

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. At November 30, 2020, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$1,119,325.

The Board had multiple certificates of deposit investments totaling \$616,575, all of which were individually insured under the Federal Depository Insurance Corporation (FDIC) limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At November 30, 2020, the Board had \$1,374,004 of deposits in excess of the FDIC limit.

*Interest Rate Risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board minimizes interest rate risk by structuring the investment portfolio so securities mature using a laddered approach in order to avoid the need to sell securities prior to maturity.

As of November 30, 2020, the weighted average maturity of the Board's corporate bonds and certificates of deposit were 2.5 years and 1.9 years, respectively. The maturities of the Board's fixed income securities as of November 30, 2020, were as follows:

	Investment Amount
0 - 5 years	<u>\$ 759,693</u>

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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#### **NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board minimizes credit risk by limiting investments to the following types:

- Obligations of the United States or obligations fully guaranteed both as to principle and interest by the United States
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, Government National Mortgage Association, The Federal Housing Administration, and the Farmers Home Administration
- Certificates of deposit and other time deposits of financial institutions
- Obligations of the State of North Carolina
- Investment grade bonds with a rating of "A" or above by a nationally recognized rating agency
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks
- Repurchase agreements with respect to securities issued or guaranteed by the US government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank
- Asset backed securities provided they bear the highest rating of at least one nationally recognized service and do not have a rating below the highest rating by any nationally recognized rating service which rates the particular securities
- Equity market

At November 30, 2020, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investor Service:

Credit Rating	
A1	\$ 62,590
A2	\$ 25,717
A3	\$ 54,811

## NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

### Notes to Financial Statements

#### NOTE 5 - CAPITAL ASSETS

Changes in capital assets for the Board for the years ended November 30, 2020 and 2019 are as follows:

	Cost 11/30/2019	Additions	Disposals	Cost 11/30/2020
<b>Capital assets:</b>				
Leasehold improvements	\$ 83,367	\$ 33,480	\$ -	\$ 116,847
Property and equipment	<u>481,400</u>	<u>63,497</u>	<u>6,663</u>	<u>538,234</u>
	<u>564,767</u>	<u>96,977</u>	<u>6,663</u>	<u>655,081</u>
Less accumulated depreciation for:				
Leasehold improvements	62,749	10,912	-	73,661
Property and equipment	<u>316,679</u>	<u>51,892</u>	<u>6,663</u>	<u>361,908</u>
Total accumulated depreciation	<u>379,428</u>	<u>62,804</u>	<u>6,663</u>	<u>435,569</u>
Total capital assets, net	<u><u>\$ 185,339</u></u>	<u><u>\$ 34,173</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 219,512</u></u>
	Cost 11/30/2018	Additions	Disposals	Cost 11/30/2019
<b>Capital assets:</b>				
Leasehold improvements	\$ 83,367	\$ -	\$ -	\$ 83,367
Property and equipment	<u>449,961</u>	<u>77,856</u>	<u>46,417</u>	<u>481,400</u>
	<u>533,328</u>	<u>77,856</u>	<u>46,417</u>	<u>564,767</u>
Less accumulated depreciation for:				
Leasehold improvements	54,412	8,337	-	62,749
Property and equipment	<u>325,444</u>	<u>37,652</u>	<u>46,417</u>	<u>316,679</u>
Total accumulated depreciation	<u>379,856</u>	<u>45,989</u>	<u>46,417</u>	<u>379,428</u>
Total capital assets, net	<u><u>\$ 153,472</u></u>	<u><u>\$ 31,867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 185,339</u></u>

#### NOTE 6 - COMPENSATED ABSENCES

Changes to accrued compensated absences are as follows:

	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 116,987	\$ 113,507
Increases	103,081	102,382
Decreases	(86,865)	(98,902)
Ending balance	<u><u>\$ 133,203</u></u>	<u><u>\$ 116,987</u></u>

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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#### **NOTE 7 - OPERATING LEASES**

The Board entered into a lease for new office space effective March 1, 2017 through December 31, 2026. The lease calls for escalating rent payments beginning at \$14,047 per month for six months and increasing approximately 3% a year thereafter, resulting in a deferred lease liability which is amortized over the lease term. For the fiscal years ended November 30, 2020 and 2019, total rent expense was \$200,522 and \$195,625, respectively.

Future minimum lease payments are as follows:

<u>Years Ending November 30:</u>	
2021	\$ 191,145
2022	196,879
2023	202,786
2024	208,869
2025	215,135
Thereafter	<u>240,467</u>
	<u><u>\$ 1,255,281</u></u>

#### **NOTE 8 - RETIREMENT PLANS**

The Board participates in the North Carolina Licensing Boards' Retirement Savings Plan (Plan) which is a multiple employer, cost-sharing defined contribution plan. Participating employees are required to contribute 6% of their gross pay and the Board matches those contributions 100%. Employees may also make voluntary contributions to the Plan over their 6% contribution. Employees are eligible to participate in the Plan immediately upon employment. Employees' contributions are immediately vested and the Board's contributions are 100% vested after five years of credited service. The 401(k) Plan is administered by Prudential Insurance Company of America. The Board's contributions for the years ended November 30, 2020 and 2019 totaled \$74,271 and \$73,229, respectively. Employee contributions for the years ended November 30, 2020 and 2019 totaled \$116,397 and \$109,885, respectively. No forfeitures were utilized to reduce employer contributions during the years ended November 30, 2020 and 2019.

#### **NOTE 9 - 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. Tort claims of Board members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, data breach, workers compensation and employers' liability, and vehicle.

## **NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

### **Notes to Financial Statements**

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#### **NOTE 10 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through February 25, 2021, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 80 hours at a cost of \$12,200.

**SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS**

**Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget**

**Years Ended November 30, 2020 and 2019**

	<b>2020</b>			<b>2019</b>		
	(Unaudited) Budget	Actual	Over (Under) Budget	(Unaudited) Budget	Actual	Over (Under) Budget
<b>Revenues:</b>						
Examination fees	\$ 12,500	\$ 12,650	\$ 150	\$ 15,000	\$ 14,100	\$ (900)
Licensing fees	2,594,000	2,630,800	36,800	2,454,000	2,540,425	86,425
Other	1,000	1,380	380	1,000	1,770	770
Civil penalties collected	-	13,250	13,250	-	33,000	33,000
<b>Total revenues</b>	<b>2,607,500</b>	<b>2,658,080</b>	<b>50,580</b>	<b>2,470,000</b>	<b>2,589,295</b>	<b>119,295</b>
<b>Expenses:</b>						
Personnel	1,677,035	1,664,609	(12,426)	1,663,700	1,629,460	(34,240)
Office and board	714,900	517,078	(197,822)	708,900	592,402	(116,498)
Legal, accounting, and audit	88,000	79,447	(8,553)	31,000	96,803	65,803
Depreciation	-	62,804	62,804	-	45,989	45,989
Civil penalties remitted	-	13,250	13,250	-	33,000	33,000
<b>Total expenses</b>	<b>2,479,935</b>	<b>2,337,188</b>	<b>(142,747)</b>	<b>2,403,600</b>	<b>2,397,654</b>	<b>(5,946)</b>
<b>Operating income</b>	<b>127,565</b>	<b>320,892</b>	<b>193,327</b>	<b>66,400</b>	<b>191,641</b>	<b>125,241</b>
<b>Total non-operating revenues</b>	<b>20,000</b>	<b>136,168</b>	<b>116,168</b>	<b>10,000</b>	<b>119,865</b>	<b>109,865</b>
<b>Changes in net position</b>	<b>147,565</b>	<b>457,060</b>	<b>309,495</b>	<b>76,400</b>	<b>311,506</b>	<b>235,106</b>
<b>Net position - beginning of year</b>	<b>2,628,462</b>	<b>2,628,462</b>	<b>-</b>	<b>2,316,956</b>	<b>2,316,956</b>	<b>-</b>
<b>Net position - end of year</b>	<b>\$ 2,776,027</b>	<b>\$ 3,085,522</b>	<b>\$ 309,495</b>	<b>\$ 2,393,356</b>	<b>\$ 2,628,462</b>	<b>\$ 235,106</b>