

**NORTH CAROLINA SOCIAL WORK  
CERTIFICATION AND LICENSURE  
BOARD**

Financial Statements

Years Ended June 30, 2018 and 2017



**Rives & Associates, LLP**  
Certified Public Accountants and Consultants

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
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**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
**Management's Discussion and Analysis**  
**June 30, 2018**

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

**Financial Highlights**

- The operating revenues of the Board increased by \$75,410 or 8.18%. My review of the activity summary for the year reflects increases in examinations, verification of credentials, professional corporations/limited liability applications and renewals, and total number of certification/licensure renewals; with a very minimal decrease in number of applicants compared to last SFY.
- The non-operating revenues of the Board increased \$7,639 or 76.48%, due to an increase in cash balances earning interest.
- The operating expenses of the Board increased by \$40,382 or 6.99% due primarily the addition of a new position, Ethic Coordinator, and increased use of the part time Ethics Investigator upon retirement of the full time Investigator.

**Overview of the Basic Financial Statements**

The financial report consists of three sections:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*

The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The financial statements also include notes to the financial statements that provide detail of the information included in the financial statements.

**Basic Financial Statements**

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

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

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

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

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Basic Financial Statements (Continued)**

The following presents condensed financial information on the operations of the Board:

	<u>As of and for the year ended June 30, 2018</u>	<u>As of and for the year ended June 30, 2017</u>
Current assets	\$2,121,640	\$1,805,426
Capital assets – net of depreciation	1,040	2,748
Intangible assets – net of amortization	<u>7,087</u>	<u>-</u>
Total assets	<u>2,129,767</u>	<u>1,808,174</u>
Current liabilities	<u>41,103</u>	<u>41,151</u>
Total liabilities	<u>41,103</u>	<u>41,151</u>
Investment in		
capital assets	1,040	2,748
Board designated	1,000,000	1,000,000
Unrestricted	<u>1,087,624</u>	<u>764,275</u>
Total net position	<u>\$2,088,664</u>	<u>\$1,767,023</u>
Operating revenues	\$ 922,009	\$ 846,599
Operating expenses	<u>617,995</u>	<u>577,613</u>
Operating income	304,014	268,986
Non-operating income	<u>17,627</u>	<u>9,988</u>
Change in net position	<u>\$ 321,641</u>	<u>\$ 278,974</u>

**Events Affecting Future Operations**

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

**Contacting the Board's Management**

This financial report is intended to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it received and expends. If you have any questions about his report or need additional information, contact:

North Carolina Social Work Certification and Licensure Board  
1207 S Cox Street, Suite F  
Asheboro, NC 27203



Member:  
American Institute of  
Certified Public Accountants

Rives & Associates, LLP  
Certified Public Accountants

Member:  
North Carolina Association of  
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## Independent Auditor's Report

Board of Directors  
North Carolina Social Work Certification  
and Licensure Board  
Asheboro, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Social Work Certification and Licensure Board (a nonprofit organization), which comprise the statements of net position as of June 30, 2018 and 2017, 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Social Work Certification and Licensure Board as of June 30, 2018 and 2017, and the changes in net position and its cash flows 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 1-2 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 the 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 inquires 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 any assurance.

*Rives & Associates LLP*

Lexington, North Carolina  
August 24, 2018

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**

**Statements of Net Position**

**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,109,000	\$ 1,805,426
Accounts receivable	12,640	-
Total current assets	<u>2,121,640</u>	<u>1,805,426</u>
Capital assets:		
Furniture and fixtures	47,313	47,313
Computer and office equipment	10,838	10,838
	<u>58,151</u>	<u>58,151</u>
Less accumulated depreciation	(57,111)	(55,403)
Total capital assets - net of depreciation	<u>1,040</u>	<u>2,748</u>
Intangible assets:		
Website development	15,015	7,725
Less accumulated amortization	(7,928)	(7,725)
Total intangible assets - net of amortization	<u>7,087</u>	<u>-</u>
Total assets	<u><u>\$ 2,129,767</u></u>	<u><u>\$ 1,808,174</u></u>
<b>LIABILITIES AND NET POSITION</b>		
Liabilities:		
Accounts payable	\$ 9,911	\$ 7,470
Accrued salaries	9,341	11,180
Accrued payroll taxes	1,217	1,097
Accrued compensated absences	20,634	21,404
Total liabilities	<u>41,103</u>	<u>41,151</u>
Net position:		
Unrestricted:		
Board designated	1,000,000	1,000,000
Undesignated	1,087,624	764,275
Investment in capital assets	1,040	2,748
Total unrestricted net position	<u>2,088,664</u>	<u>1,767,023</u>
Total liabilities and net position	<u><u>\$ 2,129,767</u></u>	<u><u>\$ 1,808,174</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements.

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
**Statements of Revenues, Expenses and Change in Net Position**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Fees	\$ 922,009	\$ 846,599
Operating expenses:		
Travel - board members	26,969	23,439
Retirement	17,019	15,688
Salaries	261,131	278,685
Insurance	64,132	65,794
Payroll taxes	27,101	22,047
Office supplies	10,284	8,548
Lease payments	33,541	33,209
Printing	4,123	5,667
Postage	10,034	9,725
Utilities	3,419	3,421
Miscellaneous	14,472	15,620
Telephone	1,920	4,730
Professional fees - other	23,069	19,188
Professional fees - ethics	100,803	57,197
Depreciation	1,709	2,621
Amortization	203	-
Dues and memberships	3,729	1,775
Website and computer maintenance	14,337	10,259
Total operating expenses	<u>617,995</u>	<u>577,613</u>
Operating income	<u>304,014</u>	<u>268,986</u>
Non-operating revenue:		
Interest income	<u>17,627</u>	<u>9,988</u>
Change in net position	321,641	278,974
Total net position, beginning of year	<u>1,767,023</u>	<u>1,488,049</u>
Total net position, end of year	<u><u>\$ 2,088,664</u></u>	<u><u>\$ 1,767,023</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements.



# NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

## Statements of Cash Flows Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from fee income	\$ 909,369	\$ 846,599
Cash paid to employees and professionals	(411,972)	(378,509)
Cash paid to suppliers	(204,160)	(189,196)
Net cash flows provided by operating activities	<u>293,237</u>	<u>278,894</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(7,290)	(1,007)
Net cash used by capital and related financing activities	<u>(7,290)</u>	<u>(1,007)</u>
Cash flows from investing activities:		
Receipt of interest income	17,627	9,988
Net cash provided by investing activities	<u>17,627</u>	<u>9,988</u>
Net increase in cash and cash equivalents	303,574	287,875
Cash and cash equivalents, beginning of year	<u>1,805,426</u>	<u>1,517,551</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,109,000</u></u>	<u><u>\$ 1,805,426</u></u>
Reconciliation of operating income		
to net cash flows from operating activities		
Operating income	\$ 304,014	\$ 268,986
Adjustments to reconcile increase in net position		
to net cash provided by operating activities:		
Depreciation	1,709	2,621
Amortization	203	-
Cash provided (used) by change in:		
Accounts receivable	(12,640)	-
Accounts payable	2,440	1,938
Accrued salaries	(1,839)	5,196
Accrued payroll taxes	120	(168)
Accrued compensated absences	(770)	321
Net cash provided by operating activities	<u><u>\$ 293,237</u></u>	<u><u>\$ 278,894</u></u>

The accompanying notes to the financial statements are an integral part of these financial statements.

# **NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**

## **Notes to Financial Statements**

**June 30, 2018 and 2017**

### **NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Organization:**

Established by Chapter 90B of the North Carolina General Statutes, the North Carolina Social Work Certification and Licensure Board (Board) is an occupational licensing board that grants certificates of qualification to those individuals who meet the legal requirements as a certified/licensed social worker. The Board's essential governmental function is to protect the public by setting standards for qualifications, training, and experience for those who seek to represent themselves to the public as a certified/licensed social worker and by promoting high standards of professional performance for those engaged in the practice of social work. The Board consists of seven members appointed by the Governor, and its income is derived primarily from licensure applications and renewal fees.

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

The accompanying 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").

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

For financial reporting purposes, the Board is a non-major 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 Accounting:**

The financial statements have been prepared using the accrual basis of accounting. 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. The Board classifies its revenues and expenses as operating and non-operating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of application and license renewal fees. Non-operating revenues include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position:**

All net positions of the Board are unrestricted. Net positions consist of the following:

- a. Board designated – The Board of Directors has chosen to place an internal designation on unrestricted net positions of \$1,000,000 for future legal expenses.
- b. Undesignated – This component of net positions consists of net positions that do not meet the definition of restricted or invested in property and equipment.
- c. Investment in capital assets – This component of net positions consists of capital assets net of accumulated depreciation, and reduced by any related debt, if applicable.

**Cash and Cash Equivalents:**

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents. The cash classification includes undeposited receipts, petty cash, checking accounts and pooled-cash deposited with the North Carolina State Treasurer. These funds are considered cash equivalents since they are immediately available for expenditures.

**Capital Assets:**

The Board's policy is to capitalize property and equipment over \$300. Lesser amounts are expensed. Property and equipment are carried at cost, less accumulated depreciation. Assets are depreciated using the straight-line method over the useful life of the assets as follows:

Furniture	7 to 10 years
Computer and office equipment	5 years

The Board reviews its long-lived assets for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if the estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For the assets to be disposed of, impairment is determined to exist if the estimated realizable value is less than the carrying amount. At June 30, 2018, the Board has determined that no impairment indicators exist.

**Intangible Assets:**

Costs incurred for the development of the Board's website and software costs are capitalized. Intangible assets are carried at cost, less accumulated amortization and are amortized over three years.

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for depreciation. Actual results could differ from those estimates.

# **NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**

## **Notes to Financial Statements**

**June 30, 2018 and 2017**

### **NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Compensated Absences:**

The Board's vacation policy states that permanent, probationary, trainee and provisional employees may accrue at least 94 hours each year. As length of service increases, the amount of earned vacation increases. Full-time employees may carry 240 hours of earned annual leave to the following year. Three-quarter time employees may carry 180 hours of earned annual leave to the following year. Any hours exceeding 240 or 180, respectively, are forfeited. Accrued compensated absences were \$20,634 and \$21,404 as of June 30, 2018 and 2017, respectively.

### **NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. Combined deposits with a financial institution are insured up to \$250,000. The amount of deposits in excess of the Federal Deposit Insurance Corporation limit totaled \$135,160 and \$107,809, respectively, at June 30, 2018 and 2017.

### **NOTE 3 – DEPOSITS**

#### **Deposits in Banks**

The deposits of the Board are governed by the North Carolina General Statute Section 147-86. The Board may establish official depositories with any bank or savings and loan association whose principal office is located in North Carolina. The Board may also establish time deposits in the form of NOW accounts, Super NOW accounts, money market accounts and certificates of deposit. At June 30, 2018 and 2017, the carrying amount of the Board's State Treasurer's deposits were \$1,477,862 and \$1,300,335, respectively, and bank balances of \$631,138 and \$505,091, respectively.

#### **Deposits in State Treasurer Short Term Investment Fund (STIF)**

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily holds deposits with the North Carolina Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state law and regulations. It is not registered with the SEC. It consists of an internal portion and external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

At June 30, 2018 and 2017, the Board had \$1,477,862 and \$1,300,335, respectively, invested with the State Treasurer in the Short Term Investment Fund (STIF).

# NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

## Notes to Financial Statements

June 30, 2018 and 2017

### NOTE 4 – INCOME TAXES

The Board was created pursuant to North Carolina General Statutes to carry out an essential government function; therefore, it is considered exempt from State and Federal income tax laws under Internal Revenue Code Section 115, and is not required to file annual tax returns.

### NOTE 5 – CAPITAL ASSETS

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	Cost 6/30/2017	Acquisitions	Disposals	Cost 6/30/2018	Accumulated Depreciation	Net Amount
Office Equipment	\$ 47,313	\$ -	\$ -	\$ 47,313	\$ 47,126	\$ 187
Computer Equipment	10,838	-	-	10,838	9,985	853
	<u>\$ 58,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,151</u>	<u>\$ 57,111</u>	<u>\$ 1,040</u>

	Cost 6/30/2016	Acquisitions	Disposals	Cost 6/30/2017	Accumulated Depreciation	Net Amount
Office Equipment	\$ 48,079	\$ -	\$ 766	\$ 47,313	\$ 46,265	\$ 1,048
Computer Equipment	31,549	1,007	21,718	10,838	9,138	1,700
	<u>\$ 79,628</u>	<u>\$ 1,007</u>	<u>\$ 22,484</u>	<u>\$ 58,151</u>	<u>\$ 55,403</u>	<u>\$ 2,748</u>

### NOTE 6 – INTANGIBLE ASSETS

Intangible assets are carried at cost, less accumulated amortization and are amortized over three years.

	Cost 6/30/2017	Acquisitions	Disposals	Cost 6/30/2018	Accumulated Amortization	Net Amount
Amortized Asset	7,725	7,290	-	15,015	7,928	7,087
	<u>\$ 7,725</u>	<u>\$ 7,290</u>	<u>\$ -</u>	<u>\$ 15,015</u>	<u>\$ 7,928</u>	<u>\$ 7,087</u>

	Cost 6/30/2016	Acquisitions	Disposals	Cost 6/30/2017	Accumulated Amortization	Net Amount
Amortized Asset	7,725	-	-	7,725	7,725	-
	<u>\$ 7,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,725</u>	<u>\$ 7,725</u>	<u>\$ -</u>

# **NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**

## **Notes to Financial Statements**

**June 30, 2018 and 2017**

### **NOTE 7 – RETIREMENT PLAN**

The Board sponsors a Simplified Employee Pension Plan. All employees are eligible to participate in the plan and the Board makes discretionary contributions to the plan. For the years ended June 30, 2018 and 2017, the Board has contributed 6% of each participating employee's wages. The retirement expense for the years ended June 30, 2018 and 2017 amounted to \$17,019 and \$15,688, respectively.

### **NOTE 8 – OPERATING LEASE COMMITMENTS**

The Board has an operating lease for its office facilities from an unrelated party through April 30, 2021. The lease has a 1% rate increase for each 12-month rental period ending April 30, 2021. Lease payments amounted to \$33,541 and \$33,209 at June 30, 2018 and 2017, respectively. Future minimum lease payments required for the duration of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Future Minimum Lease Payments</u>
2019	\$ 33,820
2020	34,158
2021	34,500
	<u>\$ 102,478</u>

### **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. These exposures to loss are handled by participation in state-administered risk programs and self-retention of certain risks. The Board protects itself from exposure to loss through the purchase of commercial insurance coverage. 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.

### **NOTE 10 – CONTINGENCIES**

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

### **NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

The Board has evaluated events and transactions that occurred subsequent to August 24, 2018, which is the date the financial statements were available to be issued. There were no recognized subsequent events requiring disclosure.

### **NOTE 12 – NC LEGISLATIVE STATUTORY DISCLOSURE REQUIREMENT CONCERNING AUDIT FEES**

The audit was conducted in approximately 75 hours at a cost of \$6,000.

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**



August 24, 2018

Board of Directors and Management of  
North Carolina Social Work Certification  
and Licensure Board  
Asheboro, North Carolina

We have audited the financial statements of the business-type activities of North Carolina Social Work Certification and Licensure Board for the year ended June 30, 2018, and have issued our report thereon dated August 24, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Carolina Social Work Certification and Licensure Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of depreciation and amortization expenses is based on management's estimate of the useful lives of the property and equipment. We evaluated the key factors and assumptions used to develop the depreciation and amortization expenses in determining that they are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

## Significant Audit Findings (Continued)

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 24, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the North Carolina Social Work Certification and Licensure Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Rives & Associates LLP*

Lexington, North Carolina



August 24, 2018

Board of Directors and Management of  
North Carolina Social Work Certification  
and Licensure Board  
Asheboro, North Carolina

In planning and performing our audit of the financial statements of the business-type activities of the North Carolina Social Work Certification and Licensure Board as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered North Carolina Social Work Certification and Licensure Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. We did not note any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in North Carolina Social Work Certification and Licensure Board's internal control to be significant deficiencies:

1 – Significant deficiency regarding segregation of duties:

A good system of internal control procedures contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Board does not have sufficient personnel to permit an adequate segregation of duties in all respects for an effective system of internal control procedures, it is important that you be aware of this condition and continue to closely monitor the accounting functions. Management and the Board of Directors should continue to closely monitor financial statements for reasonableness and fluctuations from expectations.

2 – Significant deficiency regarding preparing financial statements:

The Board's internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the audited financial statements and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Board has limited controls over the financial reporting process including preparation of financial statements and footnote disclosures. While we recognize it may not be cost efficient for the Board management to prepare the financial statements and footnote disclosures, it is noted that management has adequate knowledge of and reviews the preparation of the audited financial statements.

During our audit, we noted that the books were accounted for using the cash basis of accounting. Generally accepted accounting principles require that the Board's financial statements be presented on the accrual basis of accounting. We recommend that the Board convert their books at year-end from the cash basis to the accrual basis before the audit begins.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Rives & Associates LLP*

Lexington, North Carolina