

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

Financial Statements

Years Ended June 30, 2021 and 2020

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, 2021

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2021. 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 \$57,284 or 5.44%. 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 fiscal year.
- The non-operating revenues of the Board decreased \$24,581 or 71.06%, due to a significant decrease in STIF account interest.
- The operating expenses of the Board increased by \$130,187 or 18.45%, due primarily to the increased use of the part time Ethics investigator.

Overview of the Basic Financial Statements

The financial report consists of three sections:

- *Management's Discussion and Analysis (required supplementary information)*
- *Independent Auditors' Report*
- *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.

Basic Financial Statements (Continued)

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

	As of and for the year ended June 30, 2021	As of and for the year ended June 30, 2020
Current assets	\$3,082,862	\$2,767,809
Capital assets – net of depreciation	10,252	20,218
Intangible assets – net of amortization	-	2,228
Total assets	<u>3,093,114</u>	<u>2,790,255</u>
Current liabilities	<u>64,892</u>	<u>46,961</u>
Total liabilities	<u>60,623</u>	<u>46,961</u>
Net investment in capital assets	10,252	20,218
Board designated	1,000,000	1,000,000
Unrestricted	<u>2,017,970</u>	<u>1,723,076</u>
Total net position	<u>\$3,028,222</u>	<u>\$2,743,294</u>
Operating revenues	\$1,110,862	\$1,053,578
Operating expenses	<u>835,944</u>	<u>705,757</u>
Operating income	274,918	347,821
Non-operating income	<u>10,010</u>	<u>34,591</u>
Change in net position	<u>\$ 284,928</u>	<u>\$ 382,412</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

Independent Auditors' Report

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

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, 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.

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.

Auditors' 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 auditors' 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 on the previous page present fairly, in all material respects, the financial position of the North Carolina Social Work Certification and Licensure Board as of June 30, 2021 and 2020, and the changes in its financial position, and its cash flows for the years then ended in accordance 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 1-2 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.

RH CPA, PLLC

Lexington, North Carolina
September 9, 2021

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**Statements of Net Position
Years Ended June 30, 2021 and 2020****ASSETS**

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 3,040,802	\$ 2,738,514
Accounts receivable	42,060	29,295
Total current assets	<u>3,082,862</u>	<u>2,767,809</u>
Capital assets:		
Leasehold improvements	13,937	13,937
Furniture and fixtures	31,806	31,806
Computer and office equipment	13,878	13,878
	<u>59,621</u>	<u>59,621</u>
Less accumulated depreciation	(49,369)	(39,403)
Total capital assets - net of depreciation	<u>10,252</u>	<u>20,218</u>
Intangible assets:		
Website development	8,515	8,515
Less accumulated amortization	(8,515)	(6,287)
Total intangible assets - net of amortization	<u>-</u>	<u>2,228</u>
Total assets	<u><u>\$ 3,093,114</u></u>	<u><u>\$ 2,790,255</u></u>

LIABILITIES AND NET POSITION

Liabilities:		
Accounts payable	\$ 18,129	\$ 9,084
Accrued salaries and benefits	16,243	11,652
Accrued payroll taxes	1,365	1,323
Accrued compensated absences	29,155	24,902
Total liabilities	<u>64,892</u>	<u>46,961</u>
Net position:		
Unrestricted:		
Board designated	1,000,000	1,000,000
Undesignated	2,017,970	1,723,076
Net investment in capital assets	10,252	20,218
Total unrestricted net position	<u>3,028,222</u>	<u>2,743,294</u>
Total liabilities and net position	<u><u>\$ 3,093,114</u></u>	<u><u>\$ 2,790,255</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 Changes in Net Position****Years Ended June 30, 2021 and 2020**

	2021	2020
Operating revenues:		
Fees	\$ 1,110,862	\$ 1,053,578
Operating expenses:		
Travel - board members	18,673	23,920
Retirement	22,253	19,401
Salaries	371,445	325,377
Insurance	77,433	67,095
Payroll taxes	30,844	27,735
Office supplies	13,088	13,754
Lease payments	48,288	47,810
Printing	8,306	3,685
Postage	9,313	14,024
Utilities	4,407	4,345
Miscellaneous	11,860	15,218
Telephone	-	20
Professional fees - other	16,727	15,847
Professional fees - ethics	153,743	95,812
Depreciation	9,966	7,839
Amortization	2,228	2,430
Dues and memberships	525	525
Website and computer maintenance	36,195	16,792
Building maintenance	650	4,128
Total operating expenses	835,944	705,757
Operating income	274,918	347,821
Non-operating revenue:		
Interest income	10,010	34,591
Change in net position	284,928	382,412
Total net position, beginning of year	2,743,294	2,360,882
Total net position, end of year	\$ 3,028,222	\$ 2,743,294

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from fee income	\$ 1,098,097	\$ 1,100,272
Cash paid to employees and professionals	(551,744)	(456,477)
Cash paid to suppliers	(254,075)	(237,407)
Net cash flows provided from operating activities	<u>292,278</u>	<u>406,388</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>-</u>	<u>(23,199)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(23,199)</u>
Cash flows from investing activities:		
Receipt of interest income	<u>10,010</u>	<u>34,591</u>
Net cash provided from investing activities	<u>10,010</u>	<u>34,591</u>
Net increase in cash and cash equivalents	302,288	417,780
Cash and cash equivalents, beginning of year	<u>2,738,514</u>	<u>2,320,734</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,040,802</u></u>	<u><u>\$ 2,738,514</u></u>
Reconciliation of operating income		
to net cash flows from operating activities		
Operating income	\$ 274,918	\$ 347,821
Adjustments to reconcile increase in net position		
to net cash provided from operating activities:		
Depreciation	9,966	7,839
Amortization	2,228	2,430
Cash provided from (used by) change in:		
Accounts receivable	(12,765)	46,694
Accounts payable	9,045	(3,156)
Accrued salaries and benefits	4,591	1,871
Accrued payroll taxes	42	281
Accrued compensated absences	4,253	2,608
Net cash provided from operating activities	<u><u>\$ 292,278</u></u>	<u><u>\$ 406,388</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 the Financial Statements

June 30, 2021 and 2020

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 the 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, 2021 and 2020

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

Net Position:

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

- a. Board designated – The Board of Directors has chosen to place an internal designation on unrestricted net position of \$1,000,000 for future legal expenses.
- b. Undesignated – This component of net position consists of net positions that do not meet the definition of restricted or invested in property and equipment.
- c. Net investment in capital assets – This component of net position 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:

Leasehold improvements	2 years
Furniture and fixtures	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, 2021, 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 the Financial Statements

June 30, 2021 and 2020

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 \$29,155 and \$24,902 as of June 30, 2021 and 2020, 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 \$0 and \$400,852, respectively, at June 30, 2021 and 2020.

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, 2021 and 2020, the carrying amount of the Board's State Treasurer's deposits were \$2,618,200 and \$1,858,209, respectively, and bank balances of \$422,602 and \$880,305, 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, 2021 and 2020, the Board had \$2,618,200 and \$1,858,209, 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, 2021 and 2020

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 6/30/2020	Acquisitions	Disposals	Cost 6/30/2021	Accumulated Depreciation	Net Amount
Leasehold improvements	\$ 13,937	\$ -	\$ -	\$ 13,937	\$ 12,195	\$ 1,742
Furniture and fixtures	31,806	-	-	31,806	29,735	2,071
Computer and office equipment	13,878	-	-	13,878	7,439	6,439
	<u>\$ 59,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,621</u>	<u>\$ 49,369</u>	<u>\$ 10,252</u>

	Cost 6/30/2019	Acquisitions	Disposals	Cost 6/30/2020	Accumulated Depreciation	Net Amount
Leasehold improvements	\$ -	\$ 13,937	\$ -	\$ 13,937	\$ 5,226	\$ 8,711
Furniture and fixtures	33,190	2,489	3,873	31,806	29,213	2,593
Computer and office equipment	9,862	6,772	2,756	13,878	4,964	8,914
	<u>\$ 43,052</u>	<u>\$ 23,198</u>	<u>\$ 6,629</u>	<u>\$ 59,621</u>	<u>\$ 39,403</u>	<u>\$ 20,218</u>

NOTE 6 – INTANGIBLE ASSETS

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

	Cost 6/30/2020	Acquisitions	Disposals	Cost 6/30/2021	Accumulated Amortization	Net Amount
Amortized asset	\$ 8,515	\$ -	\$ -	\$ 8,515	\$ 8,515	\$ -
	<u>\$ 8,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,515</u>	<u>\$ 8,515</u>	<u>\$ -</u>

	Cost 6/30/2019	Acquisitions	Disposals	Cost 6/30/2020	Accumulated Amortization	Net Amount
Amortized asset	\$ 15,015	\$ -	\$ 6,500	\$ 8,515	\$ 6,287	\$ 2,228
	<u>\$ 15,015</u>	<u>\$ -</u>	<u>\$ 6,500</u>	<u>\$ 8,515</u>	<u>\$ 6,287</u>	<u>\$ 2,228</u>

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, 2021 and 2020, the Board has contributed 6% of each participating employee's wages. The retirement expense for the years ended June 30, 2021 and 2020 amounted to \$22,253 and \$19,401, respectively.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 8 – OPERATING LEASE COMMITMENTS

The Board has two operating leases for its office facilities from an unrelated party. The Board entered into the new lease May 1, 2019 for additional office space and on August 12, 2019, the Board exercised the option to renew the leases for one 5-year renewal period, effective May 1, 2021 and terminating on April 30, 2026. The leases have a 1% rate increase for each 12-month rental period ending April 30, 2026. Combined lease payments amounted to \$48,288 and \$47,810 at June 30, 2021 and 2020, respectively. Future minimum lease payments required for the duration of the leases are as follows:

<u>Year Ending June 30,</u>	<u>Future Minimum Lease Payments</u>
2022	\$ 48,771
2023	49,259
2024	49,751
2025	50,249
2026	42,222
Thereafter	-
	<u>\$ 240,252</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 September 9, 2021, 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 120 hours at a cost of \$6,685.