

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

**FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2022 AND 2021**



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

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**BOARD MEMBERS**

Barton W. Baldwin, CPA, President

Bernita W. Demery, CPA, Vice-President

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David R. Nance, CPA, Executive Director

Frank X. Trainor, Esquire, Staff Attorney

**OUTSIDE LEGAL COUNSEL**

Allen & Pinnix, P.A.

Noel L. Allen, Esquire

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

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**Introduction**

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

**Overview of the Basic Financial Statements**

The Statements of Net Position provide information relative to the Board's assets, liabilities, and net position as of the last day of the fiscal year. Assets and liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net position on these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statements of Net Position provide information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

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

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

The three statements described above, along with the Notes to the Financial Statements, are the financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner like that required of a business enterprise. The Statement of Net Position is presented in a classified format to aid the reader in understanding the nature of the financial statement balance.

The Notes to the Financial Statements accompanying these financial statements are an integral part of the financial statements and should be read in conjunction with the financial statements. The Notes to the Financial Statements provide additional detail and explanation about the amounts reported in the financial statements.

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**Brief Agency Highlights**

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

**Analysis of Financial Position and Results of Operations**

The Board's net position as of March 31, 2022 and March 31, 2021, was approximately \$4.05 million and \$3.93 million, respectively, an increase of approximately \$118,000 during the year. *(With the exception of the dollar and percentage amounts detailed in the following tables, all other dollar amounts have been rounded/ approximated for presentation purposes.)*

**Condensed Financial Information**

The following table summarizes the Board's assets, liabilities and net position as of March 31, 2022, 2021 and 2020.

	Condensed Statements of Net Position (Restated)					
	2022	2021	% Change	2021	2020	% Change
Assets:						
Current assets	\$ 2,155,962	\$ 3,497,305	-38.35%	\$3,497,305	\$2,702,266	29.42%
Noncurrent assets	1,505,686	146,639	926.80%	146,639	503,506	-70.88%
Capital assets, net	825,492	845,093	-2.32%	845,093	872,932	-3.19%
Total assets	<u>4,487,140</u>	<u>4,489,037</u>	<u>-0.04%</u>	<u>4,489,037</u>	<u>4,078,704</u>	<u>10.06%</u>
Liabilities:						
Current liabilities	234,305	294,387	-20.41%	294,387	282,786	4.10%
Noncurrent liabilities	54,086	71,555	-24.41%	71,555	83,283	-14.08%
Total liabilities	<u>288,391</u>	<u>365,942</u>	<u>-21.19%</u>	<u>365,942</u>	<u>366,069</u>	<u>-0.03%</u>
Deferred Inflows of Resources						
Deferred lease receipts	<u>146,639</u>	<u>188,516</u>	<u>-22.21%</u>	<u>188,516</u>	<u>-</u>	<u>100.00%</u>
Net Position:						
Invested in capital assets	825,492	845,093	-2.32%	845,093	872,932	-3.19%
Unrestricted	3,226,618	3,089,486	4.44%	3,089,486	2,839,703	8.80%
Total net position	<u>\$ 4,052,110</u>	<u>\$ 3,934,579</u>	<u>2.99%</u>	<u>\$3,934,579</u>	<u>\$3,712,635</u>	<u>5.98%</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**Current Assets**

Current assets as of March 31, 2022, consisted primarily of cash - \$2,085,000, prepaids - \$23,000, and a lease receivable - \$45,000. Current assets as of March 31, 2021, consisted primarily of cash, \$1,879,000, investments, \$1,565,000, prepaids - \$11,000, and a lease receivable - \$42,000.

Current assets decreased during the fiscal year March 31, 2022, due to the Board's decision to move away from short-term certificates of deposit. Those assets were moved into an investment account with maturities of a long-term nature. In addition, due to the implementation of GASB Statement No. 87, the Board's financial statements were restated to account for its lessor obligations identifying a lease receivable for the current amounts due on its rental of office space.

**Noncurrent and Capital Assets**

Noncurrent assets as of March 31, 2022, consisted of investments totaling \$1,404,000, capital assets totaling \$825,000, and lease receivable of \$102,000. Noncurrent assets as of March 31, 2021, consisted of capital assets totaling \$845,000 and lease receivable of \$147,000.

Noncurrent assets increased during the fiscal year March 31, 2022 due to the Board's decision to move away from short-term certificates of deposit and fund an investment account with maturities of a long-term nature. This resulted in an increase of \$1,404,000. In addition, due to the implementation of GASB Statement No. 87, the Board's financial statements were restated to account for its lessor obligations identifying a lease receivable for the noncurrent amounts due on its rental of office space. That amount decreased by \$45,000. Capital assets decreased by \$20,000 related to annual depreciation costs and equipment identified as obsolete.

**Liabilities**

Current liabilities as of March 31, 2022, consisted of accounts payable - \$16,000, due to examination vendors - \$196,000, and accrued compensated absences - \$22,000. Current liabilities as of March 31, 2021, consisted of accounts payable - \$24,000, due to examination vendors - \$238,000, and accrued compensated absences - \$33,000. The decrease during the current year is related to reduced amounts being owed to vendors for the upcoming fiscal year.

Noncurrent liabilities consisted entirely of accrued compensated absences in the amount of \$54,000 and \$72,000 as of March 31, 2022 and 2021, respectively. The decrease during the current year reflects the recognition of a payout of employee earned annual leave balances for the past fiscal year.

**Deferred Inflows of Resources**

Due to the implementation of GASB Statement No. 87, the Board's financial statements were restated to account for its lessor obligations related to an office rental. The statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases to be reported as inflows of resources or outflows of resources based on the payment provisions of the contract. The restatement resulted in the presentation of deferred lease receipts of \$147,000 and \$188,000 as of March 31, 2022 and 2021, respectively. The decrease of \$41,000 recognizes the inflow of lease receipts during the year.

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**Net Position**

The Board's net position consists of net assets invested in capital assets and unrestricted net assets. Net assets invested in capital assets were \$825,000 and \$845,000 as of March 31, 2022 and 2021, respectively. Unrestricted net assets of \$3.23 and \$3.09 million as of March 31, 2022 and 2021, respectively, represent amounts not subject to externally imposed stipulations, but subject to internal designations for various activities and initiatives.

For the year ended March 31, 2022, there was an increase in net assets of approximately \$118,000. The Board's revenues and expenditures remained at the same levels as the prior year; however, the Board funded an investment account for \$1.5 million in December 2021. After an initial increase to the investment value, the markets unfortunately turned downward due to world events. As such, the Board had an unrealized loss on its investments of \$96,000 for the year ended March 31, 2022. This amount is essentially the difference in the operating results for the past two fiscal years. Overall, revenue was about \$60,000 less than budgeted due to lower examination fees. The impact of the pandemic continued to have an effect on the return of candidates sitting for the exam. Similarly, the Board's expenditure categories were lower than budget expectations based on lowered expenditures due to the pandemic-related responses. Exam expenditures generally mirror the anticipated revenues; therefore, those costs were down due to reduced test sections taken. Travel costs were reduced as many meeting events continued to be held virtually versus in-person throughout the year. Board legal and investigative costs were reduced as the Board settled a previous litigation matter that required outside legal assistance.

The Statements of Revenues, Expenses, and Changes in Net Position present the results of the Board's operations for the report period. The following table summarizes the Board's revenues, expenses, and changes in net position for the years ended March 31, 2022, 2021, and 2020.

Condensed Statements of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended March 31,						
	<b>2022</b>	2021	<b>% Change</b>	2021	2020	<b>% Change</b>
Operating revenues:						
Exam fees	<b>\$ 1,116,436</b>	\$ 1,117,831	<b>-0.12%</b>	\$ 1,117,831	\$ 1,271,047	-12.05%
Licensing fees	<b>1,495,210</b>	1,480,855	<b>0.97%</b>	1,480,855	1,483,265	-0.16%
Miscellaneous	<b>1,450</b>	1,128	<b>28.55%</b>	1,128	15,976	-92.94%
Operating expenses	<b>(2,436,131)</b>	(2,435,352)	<b>0.03%</b>	(2,435,352)	(2,527,588)	-3.65%
Operating income	<b>176,965</b>	164,462	<b>7.60%</b>	164,462	242,700	-32.24%
Non-operating revenues	<b>58,231</b>	77,749	<b>-25.10%</b>	77,749	111,335	-30.17%
Non-operating expenses	<b>(117,665)</b>	(20,267)	<b>480.57%</b>	(20,267)	(22,405)	-9.54%
	<b>(59,434)</b>	57,482	<b>-203.40%</b>	57,482	88,930	-35.36%
Increase in net position	<b>117,531</b>	221,944	<b>-47.04%</b>	221,944	331,630	-33.07%
Net position beginning of year	<b>3,934,579</b>	3,712,635	<b>5.98%</b>	3,712,635	3,381,005	9.81%
Net position end of year	<b>\$ 4,052,110</b>	\$ 3,934,579	<b>2.99%</b>	\$ 3,934,579	\$ 3,712,635	5.98%

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**Operating Revenues**

For the fiscal year ended March 31, 2022, operating revenues totaled \$2.61 million, consisting primarily of examination fee revenue of \$1.12 million and licensing fee revenues of \$1.49 million. For the fiscal year ended March 31, 2021, operating revenues totaled \$2.60 million, consisting primarily of exam fee revenue of \$1.12 million and licensing fee revenues of \$1.48 million. Licensing fee revenue increased by \$15,000 related to renewal fees collected from licensees.

**Non-Operating Revenues (Expenses)**

For the fiscal year ended March 31, 2022, non-operating revenues totaled \$58,000, primarily from interest income of \$16,000, and rental income of \$42,000. For the fiscal year ended March 31, 2021, non-operating revenues totaled \$78,000, primarily from interest income of \$38,000, and rental income of \$39,000. The \$20,000 decrease in non-operating revenue activity is attributable to reduced investment income due to significantly lower market interest rates offset by a 3% increase on rental income during the fiscal year.

The following table summarizes the Board's expenses (operating and non-operating) for the years ended March 31, 2022, 2021 and 2020.

Operating and Non-Operating Expenses For the Fiscal Years Ended March 31,						
	2022	2021	% Change	2021	2020	% Change
Operating expenses:						
Salaries and employee benefits	\$ 1,219,922	\$ 1,191,902	2.35%	\$ 1,191,902	\$ 1,216,465	-2.02%
Examination	739,742	752,648	-1.71%	752,648	817,190	-7.90%
Office related expenses	277,850	254,380	9.23%	254,380	329,756	-22.86%
Depreciation	39,147	38,063	2.85%	38,063	40,058	-4.98%
Other expenses	159,470	198,359	-19.61%	198,359	124,119	59.81%
Total operating expenses	<u>\$ 2,436,131</u>	<u>\$ 2,435,352</u>	<u>0.03%</u>	<u>\$ 2,435,352</u>	<u>\$ 2,527,588</u>	<u>-3.65%</u>
Non-operating expenses:						
Non-operating expense	\$ 20,947	\$ 20,267	3.36%	\$ 20,267	\$ 22,405	-9.54%
Unrealized loss on investments	96,374	-	100.00%	-	-	0.00%
Loss on equipment sale	344	-	100.00%	-	-	0.00%
Total non-operating expenses	<u>\$ 117,665</u>	<u>\$ 20,267</u>	<u>480.57%</u>	<u>\$ 20,267</u>	<u>\$ 22,405</u>	<u>-9.54%</u>

For the fiscal year ended March 31, 2022, the Board's overall operating costs were similar to the prior year with only a 0.03% change. Costs mirrored the prior year as Board operations continued to be impacted by the COVID-19 pandemic. The key change from the prior year are the results from the Board's change in investment strategies. The Board moved its investments to a market-based strategy. After some initial success, world events impacted the global investment markets resulting in an unrealized loss on the Board's investments of \$96,000. As these are long-term investments held by the Board, the expectation is that the eventual market recovery will address the unrealized losses.



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

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**Economic Factors That Will Affect the Future**

The main factors impacting the economic outlook for the Board are the number of candidates seeking to sit for the Uniform Certified Public Accountants examination and the number of licensees registered with the State. The Board has been impacted by the COVID-19 pandemic, particularly in the area of examination. Testing patterns by candidates have been disrupted and the number of candidates sitting for the CPA examination has not returned to previous norms. In addition, the format of the CPA examination and the expectations for future CPA candidates is changing as part of the CPA Evolution initiative; therefore, uncertainties remain in the testing area. The Board continues to license similar numbers of CPAs, helped by an influx of CPAs from other states applying for reciprocal licensure.

The Board derives 99% of its revenues from examination and licensing fees. Examination revenues were flat during the current year. There was a slight increase in licensing fees due to increased renewals for NC licensees. While the Board is beginning to see signs of candidates returning to the testing centers, the increase will be driven by candidates seeking to complete the CPA exam prior to the change in exam content expected January 2024. As such, the Board has budgeted a slight increase in the number of examination sections to be taken by examination candidates for the next fiscal year. Licensing fees have shown a minor increase as the number of active licensees in North Carolina has increased; however, some of that increase is tempered by retirements and licensees being granted inactive status. The Certified Public Accountant credential is highly regarded in the business world and the Board expects candidates to continue to seek licensure for the foreseeable future.

**Contacting the Board's Management**

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

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



## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the accompanying financial statements of the North Carolina State Board of Certified Public Accountant Examiners (Board), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of March 31, 2022 and 2021, 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the North Carolina State Board of Certified Public Accountant Examiners and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Carolina State Board of Certified Public Accountant Examiner's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

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

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Certified Public Accountant Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of March 31, 2022 and 2021, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of budget and actual - revenues, expenses, and changes in net position, on page 24, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
July 25, 2022

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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Statements of Net Position  
March 31, 2022 and 2021**

	<u>2022</u>	<u>Restated 2021</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 2,085,155	\$ 1,878,881
Short-term investments	-	1,564,846
Receivables	3,035	386
Prepays	23,193	11,315
Lease receivable (Note 11)	44,579	41,877
Total current assets	<u>2,155,962</u>	<u>3,497,305</u>
Noncurrent assets:		
Investments	1,403,626	-
Lease receivable (Note 11)	102,060	146,639
Capital assets, non-depreciable (Note 4)	300,000	300,000
Capital assets, depreciable, net (Note 4)	525,492	545,093
Total noncurrent assets	<u>2,331,178</u>	<u>991,732</u>
Total assets	<u>4,487,140</u>	<u>4,489,037</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	15,981	24,230
Due to examination vendors	196,172	237,577
Unearned revenue	540	-
Compensated absences - current portion	21,612	32,580
Total current liabilities	<u>234,305</u>	<u>294,387</u>
Noncurrent liabilities:		
Compensated absences (Note 5)	54,086	71,555
Total noncurrent liabilities	<u>54,086</u>	<u>71,555</u>
Total liabilities	<u>288,391</u>	<u>365,942</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred lease receipts (Note 11)	<u>146,639</u>	<u>188,516</u>
<b>NET POSITION:</b>		
Net investment in capital assets	825,492	845,093
Unrestricted	3,226,618	3,089,486
Total net position	<u>\$ 4,052,110</u>	<u>\$ 3,934,579</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended March 31, 2022 and 2021**

	2022	Restated 2021
Operating revenues:		
Examination fees	\$ 1,116,436	\$ 1,117,831
Licensing fees	1,495,210	1,480,855
Miscellaneous	1,450	1,128
Total operating revenues	<u>2,613,096</u>	<u>2,599,814</u>
Operating expenses:		
Salaries and employee benefits	1,219,922	1,191,902
Examination	739,742	752,648
Office expenses	102,615	98,670
Postage and printing	62,604	64,688
Travel	25,166	19,998
Maintenance and computer support	87,465	71,024
Depreciation	39,147	38,063
Legal and investigative costs	86,038	131,400
Insurance	22,860	21,646
Dues and subscriptions	17,960	14,479
Building	32,612	30,834
Total operating expenses	<u>2,436,131</u>	<u>2,435,352</u>
Operating income	<u>176,965</u>	<u>164,462</u>
Non-operating revenues (expenses):		
Interest income	16,354	38,454
Rental income	41,877	39,295
Rental building expenses	(20,947)	(20,267)
Unrealized loss on investments/advisory fees	(96,374)	-
Loss on the sale of equipment	(344)	-
Total non-operating revenues (expenses)	<u>(59,434)</u>	<u>57,482</u>
Changes in net position	117,531	221,944
Net position - beginning of year	<u>3,934,579</u>	<u>3,712,635</u>
Net position - end of year	<u><u>\$ 4,052,110</u></u>	<u><u>\$ 3,934,579</u></u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Statements of Cash Flows  
Years Ended March 31, 2022 and 2021**

	<b>2022</b>	<b>Restated 2021</b>
Cash flows from operating activities:		
Cash received from fees	<b>\$ 2,612,186</b>	\$2,598,686
Cash received from other sources	<b>1,836</b>	742
Cash payments to employees for services	<b>(1,248,359)</b>	(1,181,904)
Cash payments to suppliers for goods and services	<b>(1,084,861)</b>	(1,019,227)
Cash payments for other expenses	<b>(159,470)</b>	(200,941)
Net cash provided by operating activities	<b>121,332</b>	197,356
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<b>(28,948)</b>	(18,932)
Loss on the sale of capital assets	<b>344</b>	-
Net cash used in capital and related financing activities	<b>(28,604)</b>	(18,932)
Cash flows from investing activities:		
Proceeds from maturing investments	<b>1,560,537</b>	1,557,541
Purchases of investments	<b>(1,495,691)</b>	(1,057,320)
Non-operating rental activities	<b>32,346</b>	30,318
Interest income	<b>16,354</b>	38,454
Net cash provided by investing activities	<b>113,546</b>	568,993
Increase in cash	<b>206,274</b>	747,417
Cash - beginning of year	<b>1,878,881</b>	1,131,464
Cash - end of year	<b>\$ 2,085,155</b>	\$ 1,878,881
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<b>\$ 176,965</b>	\$ 164,462
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<b>39,147</b>	38,063
Changes in assets and liabilities:		
Receivables	<b>(2,649)</b>	(386)
Prepays	<b>(11,878)</b>	(2,074)
Lease receivable	<b>(2,702)</b>	(2,582)
Accounts payable	<b>(8,249)</b>	11,154
Unearned revenue	<b>540</b>	-
Due to examination vendors	<b>(41,405)</b>	(21,279)
Compensated absences	<b>(28,437)</b>	9,998
Total adjustments	<b>(55,633)</b>	32,894
Net cash provided by operating activities	<b>\$ 121,332</b>	\$ 197,356

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

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

**Organization and Purpose**

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

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

The Board had 22,363 and 22,269 licensees as of March 31, 2022 and 2021, respectively.

**Financial Reporting Entity**

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

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Basis of Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations.



**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins on July 1st.

The Board classifies its revenues and expenses as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and licensing fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

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

**Cash**

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

**Investments**

This classification includes non-negotiable certificates of deposit with original maturities of more than three months as well as deposits held by the Board in an investment portfolio maintained by an investment advisor and consists of cash sweep accounts, stocks, fixed income securities, and mutual funds. Investments are reported at fair value. Investments may experience significant increases and decreases in fair value.

**Receivables**

Receivables consist of accrued interest receivable.

**Capital Assets**

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

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

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)**

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

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

**Noncurrent Liabilities**

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

**Compensated Absences**

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

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon employee termination or retirement.

**Net Position**

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

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 2 - DEPOSITS AND INVESTMENTS**

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit with private bank accounts, money market accounts, and investment accounts. At March 31, 2022, deposits in private financial institutions, with a carrying value of \$3,488,781 and a bank balance of \$3,586,443, consists of cash and investments, as shown on the Statements of Net Position.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. The Board does not have a formal deposit policy for custodial credit risk; however, the Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Board previously maintained funds in a Certificate of Deposit Account Registry Service (CDARS) account to help address custodial credit risk. The Board's deposits with investment institutions are insured by the Securities Investor Protection Corporation (SPIC), a nonprofit member corporation funded by its member securities broker-dealers. The SPIC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. The Board's bank deposits in excess of the FDIC and SPIC insured limits totaled \$989,584 at March 31, 2022.

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

The Board is subject to the following risks:

*Interest Rate Risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the Board manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. At March 31, 2022, the Board's money market funds were unrated and the Board's bond portfolio had the following credit ratings as rated by Moody's Investors Service:

<u>Credit Rating</u>	<u>Amount</u>
AAA	\$ 96,433
AA	13,388
A	33,600
BAA	148,182

Investments are presented at fair value based on the market prices at March 31, 2022.

The Board has approved an investment policy that provides for an equity allocation range from 30% to 50% and the fixed income allocation can range from 50% to 70%, with target allocations established as 55%-65% for fixed income and 35%-45% for equities.

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

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The maturities of the Board's fixed income investments at March 31, 2022, were as follows:

	Amount
0 - 5 years	\$ 92,417
6 - 10 years	145,236
10 years +	186,451
Total	<u>\$ 424,104</u>

**NOTE 3 - FAIR VALUE INVESTMENTS**

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets accounted for at fair value on a recurring basis as of March 31, 2022 and 2021:

	Total Fair Value 2022	Level 1	Level 2	Level 3
Corporate bonds	\$ 166,406	\$ -	\$ 166,406	\$ -
Government bonds	92,116	92,116	-	-
Government backed securities	132,501	-	132,501	-
Municipal bonds	23,183	-	23,183	-
Foreign bonds	9,898	-	9,898	-
Equities	531,480	531,480	-	-
Mutual funds	409,689	-	409,689	-
Total deposits and investments	<u>\$ 1,365,273</u>	<u>\$ 623,596</u>	<u>\$ 741,677</u>	<u>\$ -</u>

The investment balances on the Statement of Net Position include cash balances held temporarily in the investment portfolio until reinvestment and therefore are not included in the fair value hierarchy above in the amount of \$38,353 as of March 31, 2022.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 3 - FAIR VALUE INVESTMENTS (Continued)**

	Total Fair Value 2021	Level 1	Level 2	Level 3
Certificates of deposit	\$ 1,564,846	\$ -	\$ 1,564,846	\$ -
Corporate bonds	-	-	-	-
Government bonds	-	-	-	-
Government backed securities	-	-	-	-
Municipal bonds	-	-	-	-
Foreign bonds	-	-	-	-
Equities	-	-	-	-
Mutual funds	-	-	-	-
Total deposits and investments	<u>\$ 1,564,846</u>	<u>\$ -</u>	<u>\$ 1,564,846</u>	<u>\$ -</u>

There were no investment balances as of March 31, 2021 other than certificates of deposit identified as short-term investments.

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the year ended March 31, 2022 are as follows:

	Balance April 1, 2021	Additions	Deletions	Balance March 31, 2022
Capital assets, non-depreciable:				
Land and improvements	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
Capital assets, depreciable:				
Building and improvements	1,070,606	-	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	150,044	28,948	(7,856)	171,136
Software	180,337	-	-	180,337
Total capital assets, depreciable	<u>1,513,373</u>	<u>28,948</u>	<u>(7,856)</u>	<u>1,534,465</u>
Less accumulated depreciation:				
Building and improvements	\$ (557,252)	\$ (34,832)	\$ -	\$ (592,084)
Furniture	(110,791)	-	-	(110,791)
Equipment	(119,902)	(13,024)	7,163	(125,763)
Software	(180,335)	-	-	(180,335)
	<u>(968,280)</u>	<u>(47,856)</u>	<u>7,163</u>	<u>(1,008,973)</u>
Total capital assets, depreciable, net	<u>545,093</u>	<u>(18,908)</u>	<u>(693)</u>	<u>525,492</u>
Capital assets, net	<u>\$ 845,093</u>	<u>\$ (18,908)</u>	<u>\$ (693)</u>	<u>\$ 825,492</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2022 was \$39,147 and \$8,709, respectively.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 4 - CAPITAL ASSETS (Continued)**

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

	Balance April 1, 2020	Additions	Deletions	Balance March 31, 2021
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, depreciable:				
Building and improvements	1,070,606	-	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	139,843	18,932	(8,731)	150,044
Software	180,337	-	-	180,337
Total capital assets, depreciable	1,503,172	18,932	(8,731)	1,513,373
Less accumulated depreciation:				
Building and improvements	(522,421)	(34,831)	-	(557,252)
Furniture	(112,386)	-	1,595	(110,791)
Equipment	(115,098)	(11,940)	7,136	(119,902)
Software	(180,335)	-	-	(180,335)
	(930,240)	(46,771)	8,731	(968,280)
Total capital assets, depreciable, net	572,932	(27,839)	-	545,093
Capital assets, net	\$ 872,932	\$ (27,839)	\$ -	\$ 845,093

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

**NOTE 5 - NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities for the year ended March 31, 2022, is presented as follows:

	Balance April 1, 2021	Additions	Deletions	Balance March 31, 2022	Current Portion
Compensated absences	\$ 104,135	\$ 91,433	\$ 119,870	\$ 75,698	\$ 21,612

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

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

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
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**NOTE 6 - EMPLOYEE PENSION PLAN**

The Board participates in the North Carolina Licensing Board Retirement Savings Plan (Plan), which is a defined contribution plan created under Internal Revenue Code Section 401(k) for eligible employees. The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator. The Plan is administered by Prudential Insurance Company of America. Employees are eligible to participate in the Plan immediately upon employment. For each year of service, employer contributions and the applicable earnings vest 20% per year. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee to the individual employee accounts. Employees are permitted to make additional voluntary contributions to the Plan up to the applicable Internal Revenue Code limits. Employee contributions and the applicable earnings on those contributions vest immediately. Nonvested Board contributions and the applicable earnings are forfeited upon termination from employment to the applicable participating occupational licensing board. Administrative expenses are paid by the participating occupational licensing boards in accordance to the boards' percentage of plan assets.

Board pension costs including administrative fees, totaled \$58,443 and \$54,776 for fiscal years 2022 and 2021, respectively. Employee contributions totaled \$65,133 and \$63,252 for fiscal years 2022 and 2021, respectively. For fiscal years 2022 and 2021, the Board had forfeitures of \$0 and \$2,700, respectively, that will be applied to reduce employer contributions.

**NOTE 7 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

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

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

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

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

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 8 - SOFTWARE LICENSING AGREEMENT**

The Board is party to a software licensing agreement with GL Suite, Inc. The agreement currently operates on an annual contract basis and requires monthly payments, subject to an annual cost-of-living adjustment. Notification of any increase must be provided to the Board not less than three months prior to the commencement of the next fiscal year. The Board moved to a higher level of service agreement effective May 1, 2022 that will allow the Board to begin to make enhancements to its online offerings. The Board's monthly payment amount for the upcoming fiscal year will be \$9,159 based on this new service level.

The Board is party to a software licensing agreement with LexisNexis. The agreement calls for monthly payments of \$315 beginning January 1, 2022, for a period of three years, subject to an annual cost-of-living adjustment.

The Board is party to a software licensing agreement with RCO Systems for operating software and backup systems. The agreement includes monthly payments of \$1,063 through its termination at March 31, 2023.

Total expenses related to the software licensing agreements for the year ended March 31, 2022 totaled \$76,269.

**NOTE 9 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended March 31, 2021, the Board implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

**NOTE 10 - LESSOR REVENUE**

The Board implemented GASB Statement No. 87 for the fiscal year ended March 31, 2021. As such, the Board's lessor agreement with Allen & Pinnix, P.A. is required to be recognized as a lease receivable and a deferred inflow of resources over the period of the lease. The standard also required the Board to restate the impact of the implementation, which is identified in Note 11.



**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
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**NOTE 10 - LESSOR REVENUE (Continued)**

The original lessor agreement was effective May 1, 2019. The lease agreement called for monthly payments of \$3,698 to be paid the first year with a three percent annual increase in the monthly payment amounts for the second and third years. The lessor agreement was extended for an additional three-year period with the same lease terms effective May 1, 2022. A schedule of the total amount of inflows or resources expected to be recognized under the lease agreement are as follows:

2023	\$ 44,579
2024	47,406
2025	50,362
2026	4,292
	<u>\$ 146,639</u>

**NOTE 11 - RESTATEMENT OF LESSOR CONTRACT**

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for its lessor contract with Allen & Pinnix, P.A. Under GASB Statement No. 87, a lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

The Board performed an analysis at year-end to determine the impact of the changes and they are presented in the table below:

	Restated 2021	Reported 2021	Restated 2020	Reported 2020
<b>Assets</b>				
Lease receivable - current	\$ 41,877	\$ -	\$ 39,295	\$ -
Lease receivable - long-term	146,639	-	188,516	-
Total Assets	<u>\$ 188,516</u>	<u>\$ -</u>	<u>\$ 227,811</u>	<u>\$ -</u>
<b>Total Assets</b>	<u>\$4,489,037</u>	<u>\$4,300,521</u>	<u>\$4,306,515</u>	<u>\$4,078,704</u>
<b>Deferred Inflows of Resources</b>				
Deferred lease receipts	<u>\$ 188,516</u>	<u>\$ -</u>	<u>\$ 227,811</u>	<u>\$ -</u>
<b>Net Position</b>				
Invested in capital assets	\$ 845,093	\$ 845,093	\$ 872,932	\$ 872,932
Unrestricted	3,089,486	3,089,486	2,839,703	2,839,703
Total net position	<u>\$3,934,579</u>	<u>\$3,934,579</u>	<u>\$3,712,635</u>	<u>\$3,712,635</u>

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

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**NOTE 11 - RESTATEMENT OF LESSOR CONTRACT (Continued)**

	Restated 2021	Reported 2021	Restated 2020	Reported 2020
<b>Non-Operating Revenues</b>				
Interest income	\$ 38,454	\$ 32,156	\$ 66,935	\$ 66,935
Rental income	39,295	45,593	44,265	44,265
Total non-operating revenues	<u>\$ 77,749</u>	<u>\$ 77,749</u>	<u>\$ 111,200</u>	<u>\$ 111,200</u>

The overall effect to the Board's Statement of Net Position is total assets increased for the years ended March 31, 2021 and 2020 by the amount reported as deferred lease receipts, \$188,516 and \$227,811, respectively. In addition, the make-up of the interest income and rental income changed for the 2021 fiscal year due to the reporting of the interest income component of the deferred lease receipts. There was no change to the net impact of the income amounts on the Statements of Revenues, Expenses, and Changes in Net Position.

**NOTE 12 - EDUCATIONAL AWARD PROGRAMS**

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

The Board awards a coupon, available to one institution selected student graduating with an undergraduate degree in accounting, to each of the 36 North Carolina colleges and universities which grant undergraduate accounting degrees. Additional coupons are awarded at each of North Carolina's historically black colleges and universities. The coupons provide candidates an 18-month timeframe from the date of issue to sit for all four parts of the Uniform CPA Examination. The coupon covers the student's initial exam application fee, re-exam application fees, and the cost of sitting for each section of the Uniform CPA Examination. The current maximum value of each coupon is \$1,355. The Board accounts for the coupon program by netting the costs associated with the actual redeemed coupons against its examination fee revenues. The cost of the coupon program totaled \$45,490 and \$19,785 for fiscal years 2022 and 2021, respectively.

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

**NOTE 13 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through July 25, 2022, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 90 hours at a cost of \$13,000.

## **SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Schedules of Budget and Actual - Revenues, Expenses, and Changes in Net Position  
Years Ended March 31, 2022 and 2021**

	2022			2021		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Operating revenues:						
Examination fees	\$1,176,875	\$1,116,436	\$ (60,439)	\$1,032,875	\$1,117,831	\$ 84,956
Licensing fees	1,507,000	1,495,210	(11,790)	1,501,500	1,480,855	(20,645)
Miscellaneous	1,000	1,450	450	6,000	1,128	(4,872)
Total operating revenues	<u>2,684,875</u>	<u>2,613,096</u>	<u>(71,779)</u>	<u>2,540,375</u>	<u>2,599,814</u>	<u>59,439</u>
Operating expenses:						
Salaries and employee benefits	1,211,855	1,219,922	8,067	1,216,943	1,191,902	(25,041)
Examination	850,000	739,742	(110,258)	775,000	752,648	(22,352)
Office expenses	107,550	102,615	(4,935)	110,050	98,670	(11,380)
Postage and printing	70,000	62,604	(7,396)	73,000	64,688	(8,312)
Travel	72,688	25,166	(47,522)	76,754	19,998	(56,756)
Maintenance and computer support	100,000	87,465	(12,535)	74,000	71,024	(2,976)
Legal and investigative costs	112,500	86,038	(26,462)	63,000	131,400	68,400
Insurance	24,500	22,860	(1,640)	23,500	21,646	(1,854)
Dues and subscriptions	14,500	17,960	3,460	14,500	14,479	(21)
Building	45,300	32,612	(12,688)	48,800	30,834	(17,966)
Depreciation	45,000	39,147	(5,853)	45,000	38,063	(6,937)
Total operating expenses	<u>2,653,893</u>	<u>2,436,131</u>	<u>(217,762)</u>	<u>2,520,547</u>	<u>2,435,352</u>	<u>(85,195)</u>
Operating income	30,982	176,965	145,983	19,828	164,462	144,634
Non-operating revenues (expenses)	<u>34,961</u>	<u>(59,434)</u>	<u>(94,395)</u>	<u>56,593</u>	<u>57,482</u>	<u>889</u>
Changes in net position	65,943	117,531	51,588	76,421	221,944	145,523
Net position - beginning of year	<u>3,934,579</u>	<u>3,934,579</u>	<u>-</u>	<u>3,712,635</u>	<u>3,712,635</u>	<u>-</u>
Net position - end of year	<u>\$4,000,522</u>	<u>\$4,052,110</u>	<u>\$ 51,588</u>	<u>\$3,789,056</u>	<u>\$3,934,579</u>	<u>\$ 145,523</u>

**Budgetary Information**

Annual budgets are adopted by the Board and prepared and reported on the accrual basis of accounting. The budgets prepared for the fiscal years ended March 31, 2022 and 2021 identify major sources of revenue and expenses. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding years.