

**NC BOARD OF ARCHITECTURE AND
REGISTERED INTERIOR DESIGNERS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Board Members

BOARD MEMBERS (2022)

Cathy C. Morrison, President

Fred Dodson, Jr., Vice President

Walter B. Sawyer, Treasurer

Roula Qubain, Secretary

Timothy Hillhouse

Cora Cole-McFadden

Walt Teague

Ilesha Patel

Elizabeth Pyle

Emmy Williams

EXECUTIVE DIRECTOR

Cathe M. Evans

ATTORNEY

M. Jack Nichols

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1 - 2
Independent Auditor's Report	3 - 5
<i>Financial Statements</i>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The following is a discussion and analysis of the NC Board of Architecture and Registered Interior Designer's (the "Board") financial performance for the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased by \$45,923 due primarily to increases in firm renewals and the first year of Registered Interior Design registrations. The operating expenses of the Board increased by \$58,382 due primarily to increases in salaries, travel, and legal expenses. The net non-operating revenues, consisting of investment income, net of fees, decreased by \$26,179.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: (1) financial statements and (2) notes to financial statements. This report also contains required supplementary information in addition to the basic 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.

The Statements of Net Position (page 5) present assets and liabilities separately.

The Statements of Revenues, Expenses and Changes in Net Position (page 6) present information on how the Board's assets changed as a result of the years' operations.

The Statements of Cash Flows (page 7) present information on how the Board's cash changed as a result of the years' activity.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

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

	As of and for the fiscal year ended June 30, 2022	Restated As of and for the fiscal year ended June 30, 2021	As of and for the fiscal year ended June 30, 2020
Current assets	\$ 2,101,047	\$ 2,182,273	\$ 2,170,377
Non-current assets	616,379	597,289	28,397
Total assets	<u>\$ 2,717,426</u>	<u>\$ 2,779,562</u>	<u>\$ 2,198,774</u>
Current liabilities	\$ 520,746	\$ 502,811	\$ 405,614
Non-current liabilities	458,675	505,322	25,017
Total liabilities	<u>\$ 979,421</u>	<u>\$ 1,008,133</u>	<u>\$ 430,631</u>
Invested in capital assets	\$ 128,503	\$ 63,259	\$ 23,497
Unrestricted	1,609,502	1,708,170	1,744,646
Total net position	<u>\$ 1,738,005</u>	<u>\$ 1,771,429</u>	<u>\$ 1,768,143</u>
Operating revenues	\$ 689,451	\$ 643,528	\$ 615,170
Operating expenses	692,259	633,877	586,503
Operating income	(2,808)	9,651	28,667
Non-operating revenues (expenses)	(30,616)	(4,437)	32,175
Changes in net position	<u>\$ (33,424)</u>	<u>\$ 5,214</u>	<u>\$ 60,842</u>

Events Affecting Future Operations

As of the issuance of this financial report, there are no major events planned that may affect future operations.

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: NC Board of Architecture and Registered Interior Designers, 434 Fayetteville St., Suite 2005, Raleigh, NC 27601.



Independent Auditor's Report

Board of Directors
NC Board of Architecture and Registered Interior Designers
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the NC Board of Architecture and Registered Interior Designers (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 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 NC Board of Architecture and Registered Interior Designers as of June 30, 2022 and 2021, 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.

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 NC Board of Architecture and Registered Interior Designers 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 NC Board of Architecture and Registered Interior Designer'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, the financial statements presented are only for the NC Board of Architecture and Registered Interior Designers and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2022 and 2021, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 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.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
September 9, 2022

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Net Position
June 30, 2022 and 2021

	2022	Restated 2021
ASSETS:		
Current assets:		
Cash	\$ 1,007,466	\$ 1,057,905
Prepaid expenses	2,238	2,238
Investments	1,091,343	1,122,130
Total current assets	<u>2,101,047</u>	<u>2,182,273</u>
Non-current assets:		
Security deposit, lease	4,900	4,900
Right to use leased assets, net of amortization	458,338	516,901
Property and equipment, net of depreciation	153,141	75,488
Total non-current assets	<u>616,379</u>	<u>597,289</u>
Total assets	<u>\$ 2,717,426</u>	<u>\$ 2,779,562</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 15,909	\$ 20,703
Due to the State Treasurer	15,500	48,000
Interest payable, lease liabilities	1,304	1,429
Lease liabilities, current portion	49,583	46,029
Unearned revenues	438,450	386,650
Total current liabilities	<u>520,746</u>	<u>502,811</u>
Noncurrent liabilities:		
Lease liabilities	432,089	481,672
Accrued vacation pay	26,586	23,650
Total noncurrent liabilities	<u>458,675</u>	<u>505,322</u>
Total liabilities	<u>\$ 979,421</u>	<u>\$ 1,008,133</u>
NET POSITION:		
Invested in capital assets	\$ 128,503	\$ 63,259
Unrestricted	1,609,502	1,708,170
Total net position	<u>\$ 1,738,005</u>	<u>\$ 1,771,429</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Individual renewals	\$ 319,152	\$ 316,800
Corporate renewals	181,700	177,003
Reciprocity	57,450	55,650
Individual reinstatement fees	10,250	8,000
Individual late fees	54,602	48,300
New firm registrations	20,700	15,450
Firm late fees	21,300	14,650
Certification fees	21,700	3,000
Miscellaneous	2,597	4,675
Total operating revenues	<u>689,451</u>	<u>643,528</u>
Operating expenses:		
Salaries and wages	258,422	232,182
Employee benefits	68,846	60,196
Payroll taxes	19,671	17,842
Legal fees	84,363	64,113
Equipment maintenance	441	2,167
Travel and subsistence	23,331	3,337
Parking and office space operating expenses	5,159	7,509
Board member per diem	7,100	4,150
Contractual services	2,265	3,532
Postage and supplies	7,639	6,378
Registration and dues	9,595	11,344
Printing	585	292
Audit	10,600	10,200
Payroll service fees	1,860	1,520
Insurance	8,079	8,043
Telephone	4,547	3,909
Computer services	58,426	51,112
Miscellaneous	12,500	22,096
Online renewal expense	17,780	16,167
Interest expense on lease liabilities	16,306	14,775
Amortization, right to use leased assets	58,563	64,651
Depreciation	15,722	28,362
Loss on disposal	459	-
Total operating expenses	<u>692,259</u>	<u>633,877</u>
Operating income (loss)	<u>(2,808)</u>	<u>9,651</u>
Non-operating revenues (expenses):		
Interest and dividend income, net of expenses	4,554	9,616
Realized and unrealized loss on investments	<u>(35,170)</u>	<u>(14,053)</u>
Total non-operating expenses	<u>(30,616)</u>	<u>(4,437)</u>
Changes in net position	(33,424)	5,214
Net position - beginning of year	<u>1,771,429</u>	<u>1,766,215</u>
Net position - end of year	<u><u>\$ 1,738,005</u></u>	<u><u>\$ 1,771,429</u></u>

See Notes to Financial Statements

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities:		
Cash received from fees	\$ 741,251	\$650,828
Cash payments to employees for services	(255,486)	(231,580)
Cash payments to suppliers for goods and services	(301,696)	(184,450)
Cash payments for interest on leased assets	(16,431)	(15,075)
Cash payments for other expenses	(78,385)	(65,137)
Net cash provided by operating activities	<u>89,253</u>	<u>154,586</u>
Cash flows from investing activities:		
Investment income	7,194	9,346
Purchase of investments	(2,174,261)	(1,216,256)
Proceeds from sale of investments	2,167,238	1,207,041
Net cash provided by investing activities	<u>171</u>	<u>131</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(93,834)	(70,449)
Payments on lease liabilities	(46,029)	(56,019)
Net cash used in capital and related financing activities	<u>(139,863)</u>	<u>(126,468)</u>
Net increase (decrease) in cash	(50,439)	28,249
Cash - beginning of year	<u>1,057,905</u>	<u>1,029,656</u>
Cash - end of year	<u><u>\$ 1,007,466</u></u>	<u><u>\$ 1,057,905</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (2,808)	\$ 9,651
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Amortization, leased assets	58,563	64,651
Depreciation	15,722	28,362
Loss on disposal	459	-
Changes in assets and liabilities:		
Prepaid expenses	-	1,881
Accounts payable	(4,794)	6,439
Due to the State Treasurer	(32,500)	36,000
Interest payable, lease liabilities	(125)	(300)
Unearned revenues	51,800	7,300
Accrued vacation pay	2,936	602
Net cash provided by operating activities	<u><u>\$ 89,253</u></u>	<u><u>\$ 154,586</u></u>

See Notes to Financial Statements

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The NC Board of Architecture and Registered Interior Designers (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93B of the *North Carolina General Statutes* and established under Chapter 83A of the *North Carolina General Statutes* to maintain minimum standards for services provided by architects and registered interior designers. The Board formally consists of ten members appointed by the Governor. The Board's operations are funded primarily through license and registration application and renewal fees.

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 only the funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's *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 financial statements have been prepared in accordance with U.S. GAAP 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 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 resource 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. Under the accrual basis, 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 license renewal fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2022, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. 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.

GASB Statement No. 98 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.

Cash

For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash.

Investments

The Board reports investments at fair value, which is based on readily available published values. The Board's investments consist of obligations of the United States, governmental agency securities, and federal money market funds.

Right-To-Use Leased Asset and Lease Liabilities

Leases that provide the Board the right-to-use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and is measured at the present value of future lease payments.

Property and Equipment

Property and equipment, including software purchases, of \$1,000 or more with an expected useful life greater than one year are considered capital assets. Property and equipment are recorded at cost and are depreciated over their estimated useful lives. Furniture, equipment, and software are depreciated over a 3-10 year period. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected as a non-operating activity.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

The Board's fees for individual license renewals are assessed and collected on a fiscal year basis which corresponds with the accounting period. Individual licenses are renewed for a period of one fiscal year. Individual license renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue in the period to which they relate. Annual corporate renewals are assessed and collected on a calendar year basis. Unearned revenue is recorded at June 30 to report the estimated renewal fees not earned as of the Board's fiscal year-end.

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets. Capital assets include property and equipment, net of accumulated depreciation; right-to-use leased assets, net of accumulated amortization; and related lease liabilities.

Unrestricted - This represents assets with no external restriction as to use or purpose. This equity can be employed for any purpose designated by the governing board.

Designations of net position represent management's estimates based on perceived operating conditions and situations.

The Board designated amounts up to \$1,500,000 as of June 30, 2022, as follows:

Litigation	\$ 1,000,000
Operating expenses	400,000
Technology updates	100,000
Total reserved balances	<u><u>\$ 1,500,000</u></u>

Accrued Vacation Pay

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

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.

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 amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

The Board has a formal investment policy 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. The Board maintains cash deposits within a single, private financial institution. Investments are maintained within a single brokerage account. Investments include obligations of the United States, governmental agency securities, and federal money market funds. The Board is subject to the following risks:

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022, the Board had cash deposits that exceeded the FDIC limits by \$775,092. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at June 30, 2022, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$591,343.

Interest rate risk: Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2022, the Board's portfolio, which consisted of U.S. government and government agency funds, had the following credit ratings as rated by Moody's Investors Service:

<u>Credit Rating</u>	
AAA	\$ 1,074,428
AAA-mf	16,915

The maturity of the Board's U.S. government and government agency debt securities, totaling \$1,074,428 as of June 30, 2022, had maturities of less than 3 years.

NOTE 3 - FAIR VALUE MEASUREMENTS

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.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS**Notes to Financial Statements****NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

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 and liabilities accounted for at fair value on a recurring basis as of June 30, 2022:

	Total Fair Value	Level 1	Level 2	Level 3
Investments:				
Direct Government Securities	\$ 978,369	\$ -	\$ 978,369	\$ -
Government Agency Securities	96,059	-	96,059	-
	<u>\$ 1,074,428</u>	<u>\$ -</u>	<u>\$ 1,074,428</u>	<u>\$ -</u>

In addition, the investment balance on the statement of net position includes government money market funds measured at the net asset value (NAV) and therefore not included in the fair value hierarchy. The government money market funds consist of U.S. Treasury and government securities maturing in 397 days or less and repurchase agreements, collateralized fully by U.S. Treasury and government securities. As of June 30, 2022, Board investments measured at the NAV totaled \$16,915.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following:

	Cost 6/30/2021	Additions	Disposals	Cost 6/30/2022	Accumulated Depreciation	Net Amount
Furniture/ equipment	<u>\$ 215,455</u>	<u>\$ 93,834</u>	<u>\$ 2,360</u>	<u>\$ 306,929</u>	<u>\$ 153,788</u>	<u>\$ 153,141</u>

	Cost 6/30/2020	Additions	Disposals	Cost 6/30/2021	Accumulated Depreciation	Net Amount
Furniture/ equipment	<u>\$ 213,240</u>	<u>\$ 80,353</u>	<u>\$ 78,138</u>	<u>\$ 215,455</u>	<u>\$ 139,967</u>	<u>\$ 75,488</u>

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2022	2021
Beginning accrued vacation	\$ 23,650	\$ 23,048
Vacation earned	21,789	21,035
Vacation used	(18,853)	(20,433)
Ending accrued vacation	<u>\$ 26,586</u>	<u>\$ 23,650</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 6 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board has a lease providing the right-to-use office space for a term of ten years beginning September 1, 2020 and ending August 31, 2030. The lease requires initial monthly payments of \$4,870 per month, escalating annually by approximately 2.5%. The prior office space lease ended on November 30, 2020.

The Board also has a lease providing the right-to-use a copier for a term of 36 months until December 2023, requiring monthly payments of \$258.

Lease expenses were comprised of the following:

	<u>2022</u>	<u>2021</u>
Amortization expense by class of underlying asset		
Copy machine	\$ 2,952	\$ 1,723
Office space	55,611	62,928
Total amortization expense	<u>\$ 58,563</u>	<u>\$ 64,651</u>
Interest on lease liabilities	<u>\$ 16,306</u>	<u>\$ 14,775</u>

Right-to-use leased assets activity:

	<u>6/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2022</u>
Copy machine	\$ 8,858	\$ -	\$ -	\$ 8,858
Office space	556,108	-	-	556,108
	<u>564,966</u>	<u>-</u>	<u>-</u>	<u>564,966</u>
Less: Accumulated amortization:				
Copy machine	(1,722)	(2,952)	-	(4,674)
Office space	(46,343)	(55,611)	-	(101,954)
	<u>(48,065)</u>	<u>(58,563)</u>	<u>-</u>	<u>(106,628)</u>
Right-to-use assets, net	<u>\$ 516,901</u>	<u>\$ (58,563)</u>	<u>\$ -</u>	<u>\$ 458,338</u>
	<u>6/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2021</u>
Copy Machine	\$ -	\$ 8,858	\$ -	\$ 8,858
Office Space	278,646	556,108	(278,646)	556,108
	<u>278,646</u>	<u>564,966</u>	<u>(278,646)</u>	<u>564,966</u>
Less: Accumulated amortization:				
Copy machine	-	(1,722)	-	(1,722)
Office space	(262,060)	(62,929)	278,646	(46,343)
	<u>(262,060)</u>	<u>(64,651)</u>	<u>278,646</u>	<u>(48,065)</u>
Right-to-use assets, net	<u>\$ 16,586</u>	<u>\$ 500,315</u>	<u>\$ -</u>	<u>\$ 516,901</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS**Notes to Financial Statements****NOTE 6 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)**

Lease liabilities were comprised of the following:

	<u>6/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2022</u>
Copy machine	\$ 7,184	\$ -	\$ (2,646)	\$ 4,538
Office space	520,517	-	(43,383)	477,134
Total lease liabilities	<u>\$ 527,701</u>	<u>\$ -</u>	<u>\$ (46,029)</u>	<u>\$ 481,672</u>

	<u>6/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2021</u>
Copy machine	\$ -	\$ 8,858	\$ (1,674)	\$ 7,184
Office space	20,423	556,108	(56,014)	520,517
Total lease liabilities	<u>\$ 20,423</u>	<u>\$ 564,966</u>	<u>\$ (57,688)</u>	<u>\$ 527,701</u>

Future lease payments are comprised of the following:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 49,583	\$ 14,919	\$ 64,502
2024	50,679	13,284	63,963
2025	52,618	11,620	64,238
2026	55,983	9,860	65,843
2027	59,500	7,989	67,489
Thereafter	213,309	11,595	224,904
	<u>\$ 481,672</u>	<u>\$ 69,267</u>	<u>\$ 550,939</u>

NOTE 7 - RETIREMENT PLAN

The Board has a simplified employee pension plan covering all employees who have performed services for the Board in at least one of the immediately preceding five calendar years. Participants may elect to contribute one percent to fifteen percent of their compensation to the plan each year and are fully vested in all contributions. The Board contributes six percent of compensation for all eligible employees. Total participant contributions in any calendar year are subject to limitations set by the Internal Revenue Code. For the years ended June 30, 2022 and 2021, the Board contributed \$14,073 and \$13,121, respectively, on behalf of its employees. For the years ended June 30, 2022 and 2021, the employees contributed \$14,337 and \$13,036, respectively.

NOTE 8 - 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 the purchase of commercial insurance and various State coverages. Tort claims of board members are self-insured by the State, under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Notes to Financial Statements

NOTE 9 - RESTATEMENT

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for leases that provide the Board the right-to-use office space and a copier. Under GASB Statement No. 87, a lessee is required to recognize an intangible right-to-use lease asset and a lease liability. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. Right-to-use leased assets are amortized over the term of the lease contract. Lease payments are separated into interest expense and a reduction of the lease liabilities.

The effects of the changes as of and for the year ended June 30, 2021 are as follows:

	As Originally Reported	As Adjusted	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position:			
Equipment - maintenance and rental	\$ 3,972	\$ 2,167	\$ (1,805)
Parking and office space operating expenses	80,688	7,509	(73,179)
Interest expense on lease liabilities	-	14,775	14,775
Amortization, leased assets	-	64,651	64,651
Net position, beginning of year	1,768,143	1,766,215	(1,928)
Statement of Net Position:			
Right to use leased assets, net of amortization	\$ -	\$ 516,901	\$ 516,901
Interest payable, lease liabilities	-	1,429	1,429
Lease liabilities, current portion	-	46,029	46,029
Lease liabilities	5,859	481,672	475,813

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 9, 2022, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 75 hours at a total cost of \$12,000.