

October 20, 2022

To the Board of Directors
North Carolina State Board of Cosmetic Art Examiners
Cary, North Carolina

We have audited the financial statements of the North Carolina State Board of Cosmetic Art Examiners (the "Board") as of June 30, 2022 and for the year then ended, and have issued our report thereon dated October 20, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Board changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in the year ended June 30, 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the reporting period is reported in Note 1. We noted no transactions entered into by the Board during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The primary estimates affecting the financial statements were:

- Management's estimate of depreciation of property and equipment is based on the estimated useful lives of individual assets used in operations. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the compensated absences is based on accumulated leave time and prevailing wage rates.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements pertain to retirement contributions and leases.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to communicate to you information concerning material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Professional standards also require us to communicate the effect of uncorrected misstatements, other than those that are considered insignificant. During our audit, we recommended adjustments which increased assets by \$2,379, increased liabilities by \$181,064, and decreased operating income by \$178,685. The adjustments related primarily to adjusting prepaid expenses and accounts payable. There were no uncorrected misstatements.

Disagreements with Management

Professional standards require us to communicate to you information concerning any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Dean Dorton Allen Ford, PLLC