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NORTH CAROLINA STATE BOARD  
OF COSMETIC ART EXAMINERS

Financial Statements

June 30, 2022 and 2021

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NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Management's Discussion and Analysis  
June 30, 2022

This section of the North Carolina State Board of Cosmetic Art Examiners' (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2022. This information should be read in conjunction with the audited financial statements included in this report.

**Overview of the Financial Statements**

The audited financial statements of the Board consist of the following components:

- Management's Discussion and Analysis
- Financial Statements
- Notes to Financial Statements

The financial statements include comparative statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

**Financial Highlights and Analysis**

Net position is an indicator of the financial health of the Board. As of June 30, 2022, assets exceeded liabilities by \$1,092,406. At June 30, 2021, assets exceeded liabilities by \$938,141.

Table 1  
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021
Current Assets	\$ 2,513,281	\$ 2,324,623
Capital Assets	<u>30,584</u>	<u>71,179</u>
Total Assets	<u>\$ 2,543,865</u>	<u>\$ 2,395,802</u>
Current Liabilities	\$ 1,082,155	\$ 1,054,858
Noncurrent Liabilities	<u>369,304</u>	<u>402,803</u>
Total Liabilities	<u>\$ 1,451,459</u>	<u>\$ 1,457,661</u>
Invested in Capital Assets	\$ 10,044	\$ 14,129
Unrestricted Net Position	<u>1,082,362</u>	<u>924,012</u>
Total Net Position	<u>\$ 1,092,406</u>	<u>\$ 938,141</u>

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Management's Discussion and Analysis  
June 30, 2022

The following table summarizes the revenues and expenses for the Board for the fiscal years ending June 30, 2022 and 2021:

Table 2  
Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ending June 30, 2022	Year Ending June 30, 2021
Operating Revenues	\$ 2,956,620	\$ 2,523,364
Nonoperating Revenues	22,273	27,423
Total Revenues	<u>2,978,893</u>	<u>2,550,787</u>
Operating Expenses	<u>2,824,628</u>	<u>2,458,042</u>
Change in Net Position	154,265	92,745
Beginning Net Position, Restated	<u>938,141</u>	<u>845,396</u>
Ending Net Position	<u>\$ 1,092,406</u>	<u>\$ 938,141</u>

Net position increased by \$154,265 for the year ended June 30, 2022. Operating revenues increased by \$433,256 and operating expenses increased by \$366,586 compared to the preceding year. The primary factor for the increase in operating revenues and expenses was an increase in civil penalty and forfeiture fund payments, both received and remitted.

### Net Capital and Leased Assets

Net capital and leased assets decreased by \$40,595 during the year ended June 30, 2022. The decrease was due to depreciation and amortization in excess of acquisitions. The following is a summary of net capital and leased assets, net of depreciation and amortization:

Table 3  
Capital Assets (net of depreciation)

	June 30, 2022	June 30, 2021
Computer Equipment	\$ 10,508	\$ 15,383
Leased Assets	20,076	55,796
	<u>\$ 30,584</u>	<u>\$ 71,179</u>

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Management's Discussion and Analysis  
June 30, 2022

**Factors Impacting Future Periods**

The majority of the Board's revenue results from the renewal and collection of license fees from cosmetologists. The Board has converted from a three-year cosmetologist renewal to a rolling renewal in which approximately 1/3 of cosmetologists renew each year. The conversion resulted in more consistent revenue collection and increased operating efficiencies. The Board served 119,079 licensees at June 30, 2022 and 112,572 licensees at June 30, 2021. The Board continues to encourage the renewal of payments by credit card using its website. The Board estimates that 99% of eligible renewals were completed online. The Board also collects license fees from shops, manicurists, estheticians, apprentices, schools, teachers, and natural hair care specialists.

**Requests for Information**

This report is intended to provide a summary of the financial position of North Carolina State Board of Cosmetic Art Examiners. Questions or requests for additional information should be addressed to:

Lynda Elliott, Executive Director  
North Carolina State Board of Cosmetic Art Examiners  
121 Edinburgh South Drive, Suite 209  
Cary, NC 27511

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

## REPORT OF INDEPENDENT AUDITORS

### ***Opinion***

We have audited the accompanying financial statements of the North Carolina State Board of Cosmetic Art Examiners, an enterprise fund of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Cosmetic Art Examiners, as of June 30, 2022, and the changes in its net assets and its cash flows for the year 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 the Financial Statements section of our report. We are required to be independent of the North Carolina State Board of Cosmetic Art Examiners and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Other Matter***

The financial statements of the North Carolina State Board of Cosmetic Art Examiners, as of and for the year ended June 30, 2021, were audited by other auditors, whose report, dated October 4, 2021, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Cosmetic Art Examiners' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 generally accepted auditing standards 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 generally accepted auditing standards, 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 North Carolina State Board of Cosmetic Art Examiners' 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 North Carolina State Board of Cosmetic Art Examiners' 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 that we identified during the audit.

### **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 through 3 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.

The audit was completed in 119 hours at a cost of \$10,500.

Raleigh, North Carolina  
October 20, 2022

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
 Statements of Net Position  
 June 30, 2022 and 2021

	2022	2021
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,507,519	\$ 2,290,163
Accounts Receivable	3,680	30,308
Prepaid Expenses	2,082	4,152
Total Current Assets	2,513,281	2,324,623
<b>CAPITAL AND LEASED ASSETS:</b>		
Furniture and Equipment	931	931
Computer Equipment	357,059	350,154
Leased Assets	72,273	142,048
Total	430,263	493,133
Less Accumulated Depreciation and Amortization	399,679	421,954
Net Capital and Leased Assets	30,584	71,179
 Total Assets	\$ 2,543,865	\$ 2,395,802
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 211,329	\$ 177,298
Accrued Salary and Vacation	117,063	106,657
Lease Liabilities--Current Portion	20,580	36,470
Unearned Revenue	733,183	734,433
Total Current Liabilities	1,082,155	1,054,858
<b>NONCURRENT LIABILITIES:</b>		
Lease Liabilities--Noncurrent Portion		20,580
Unearned Revenue	369,304	382,223
Total Noncurrent Liabilities	369,304	402,803
 Total Liabilities	\$ 1,451,459	\$ 1,457,661
<b>NET POSITION:</b>		
Invested in Capital Assets	\$ 10,044	\$ 14,127
Unrestricted Net Position	1,082,362	924,014
 Total Net Position	\$ 1,092,406	\$ 938,141

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

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>OPERATING REVENUES:</b>		
Business Fees, Licenses and Exams	\$ 1,256,442	\$ 1,189,316
Certification Fees and Licenses	346,491	309,291
Fines, Penalties and Assessments	602,195	342,858
Processing Fee	713,243	680,999
Miscellaneous	38,249	900
Total Operating Revenues	2,956,620	2,523,364
<b>OPERATING EXPENSES:</b>		
Salaries	1,418,774	1,323,165
Civil Penalty and Forfeiture Fund Payment	341,455	135,121
Health Insurance Contributions	272,991	271,508
Retirement Contributions	140,395	114,704
Social Security Contributions	108,072	98,397
Transportation	106,559	77,019
Supplies and Materials	82,134	58,278
Postage and Reproduction	77,059	60,703
Telephone and Communications	50,855	55,450
Depreciation and Amortization Expense	47,500	64,083
Electronic Payment Processing Fee	43,536	37,111
Legal and Other Professional Services	37,704	36,892
Workmen's Compensation Insurance	20,541	25,607
Miscellaneous	20,264	29,337
Printing	19,575	22,936
Computer and Data Processing Expense	18,840	13,995
Life and Disability Insurance	9,007	7,487
Contracted Services	6,900	24,096
Meals and Lodging	1,534	80
Interest Expense	933	2,073
Total Operating Expenses	2,824,628	2,458,042
<b>INCOME FROM OPERATIONS</b>	<b>131,992</b>	<b>65,322</b>
<b>NONOPERATING REVENUES:</b>		
Rental Reimbursements	17,815	15,369
Interest Income	4,458	12,054
Total Nonoperating Revenues	22,273	27,423
<b>CHANGE IN NET POSITION</b>	<b>154,265</b>	<b>92,745</b>
<b>NET POSITION--Beginning of Year</b>	938,141	846,691
<b>PRIOR PERIOD ADJUSTMENT</b>		(1,295)
<b>NET POSITION--Beginning of Year--Restated</b>	938,141	845,396
<b>NET POSITION--End of Year</b>	<b>\$ 1,092,406</b>	<b>\$ 938,141</b>

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

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
 Statements of Cash Flows  
 For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Licensees and Applicants	\$ 2,942,451	\$ 2,557,096
Cash Payments to Employees for Services	(1,408,368)	(1,321,921)
Cash Paid for Operating Expenses	<u>(1,295,625)</u>	<u>(1,024,823)</u>
Net Cash Provided by Operating Activities	<u>238,458</u>	<u>210,352</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of Capital Assets	(6,905)	
Receipt of Rental Reimbursements	17,815	15,369
Receipt of Interest Income	4,458	12,054
Net Cash Provided by Investing Activities	<u>15,368</u>	<u>27,423</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of Lease Liabilities	<u>(36,470)</u>	<u>(57,222)</u>
Net Cash Used by Financing Activities	<u>(36,470)</u>	<u>(57,222)</u>
<b>NET INCREASE IN CASH</b>	217,356	180,553
<b>CASH--Beginning of Year</b>	<u>2,290,163</u>	<u>2,109,610</u>
<b>CASH--End of Year</b>	<u>\$ 2,507,519</u>	<u>\$ 2,290,163</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Income From Operations	\$ 131,992	\$ 65,322
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	47,500	64,803
Changes in Assets and Liabilities:		
Accounts Receivable	26,628	(2,146)
Prepaid Expenses	2,070	17,308
Accounts Payable	34,031	43,312
Accrued Salary and Vacation	10,406	1,244
Unearned Revenue	<u>(14,169)</u>	<u>20,509</u>
Net Cash Provided by Operating Activities	<u>\$ 238,458</u>	<u>\$ 210,352</u>

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

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Notes to Financial Statements  
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

A. Organization:

The North Carolina State Board of Cosmetic Art Examiners (the Board) is established by Chapter 88 of the General Statutes of North Carolina to maintain minimum standards for services provided for regulating the practice of cosmetology. The Board's operations are primarily funded through license and inspection fees.

B. Financial Reporting Entity:

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

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

C. Basis of Presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

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 or fees.

D. Basis of Accounting:

In accordance with *Statement of Governmental Accounting Standards No. 34*, the Board herewith presents Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The financial statements report all activities of the Board using the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Nonoperating revenues consist of those revenues that are related to investing types of activities and are classified as nonoperating in the financial statements.

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Notes to Financial Statements  
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

E. Accounting Estimates:

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

F. Accounts Receivable:

Accounts receivable consists of an amount due from the Office of the State Controller. No reserve for doubtful accounts is necessary.

G. Capital Assets:

Capital assets are recorded at original cost using a capitalization threshold of \$1,000. Depreciation on furniture and office equipment is computed using the straight-line method over the estimated useful lives of the individual assets, ranging from three to seven years. Expenditures for repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation associated with capital assets are removed from the accounts upon retirement or other disposition, and any resulting gain or loss is reflected as nonoperating items.

H. Accrued Vacation:

The vacation policy of the Board provides for accumulation of earned vacation with such leave being fully vested when earned. Because such leave is payable to employees at termination, a liability for the outstanding balances has been recorded. Accrued vacation totaled \$117,063 and \$106,657 at June 30, 2022 and 2021, respectively.

I. Net Position:

Net position is classified as invested in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through state statute. The Board currently has no restricted net position.

J. Unearned Revenue:

License fees are assessed, collected and renewed for varying fiscal years for periods of one to three years. License renewal fees, which cover periods subsequent to June 30, 2022 and 2021, are deferred and recognized as revenue over the period to which they relate. The majority of dues collected result from the renewal of cosmetologist licenses.

K. Governmental Accounting Standards Board Statement No. 87:

The Board adopted the provision of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized 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. 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.

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Notes to Financial Statements  
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (Concluded)

Net position as of July 1, 2021, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*. The table below reflects the restatement amounts on the Statements of Revenues, Expenses, and Changes in Net Position.

Net position at June 30, 2020, as previously reported	\$ 846,691
Prior period adjustment - implementation of GASB 87	<u>(1,295)</u>
Net position at July 1, 2020, as restated	<u>\$ 845,396</u>

2. Deposits

The Board's portion of the State Treasurer's Cash and Investment Pool was \$2,507,519 at June 30, 2022 and \$2,290,163 at June 30, 2021. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State.

3. Capital Assets

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Cost as Restated June 30, 2021	Additions	Retirements	Cost June 30, 2022
Capital Assets:				
Furniture and Equipment	\$ 931	\$	\$	\$ 931
Computer Equipment	<u>350,154</u>	<u>6,905</u>	<u>        </u>	<u>357,059</u>
Total Capital Assets	351,085	6,905		357,990
Less Accumulated Depreciation	<u>335,702</u>	<u>11,780</u>	<u>        </u>	<u>347,482</u>
Total Capital Assets, net	<u>15,383</u>	<u>(4,875)</u>	<u>0</u>	<u>10,508</u>
Leased Assets:				
Office Space	142,048		69,775	72,273
Less Accumulated Amortization	<u>86,252</u>	<u>35,720</u>	<u>69,775</u>	<u>52,197</u>
Total Leased Assets, net	<u>55,796</u>	<u>(35,720)</u>	<u>0</u>	<u>20,076</u>
Capital Assets and Leased Assets, net	<u>\$ 71,179</u>	<u>\$ (40,595)</u>	<u>\$ 0</u>	<u>\$ 30,584</u>

Changes in capital assets for the year ended June 30, 2021 were as follows:

	Cost as Restated June 30, 2020	Additions	Retirements	Cost June 30, 2021
Capital Assets:				
Furniture and Equipment	\$ 1,399	\$	\$ 468	\$ 931
Computer Equipment	<u>417,965</u>	<u>        </u>	<u>67,811</u>	<u>350,154</u>
Total Capital Assets	419,364		68,279	351,085
Less Accumulated Depreciation	<u>387,247</u>	<u>16,734</u>	<u>68,279</u>	<u>335,702</u>
Total Capital Assets, net	<u>32,117</u>	<u>(16,734)</u>	<u>0</u>	<u>15,383</u>
Leased Assets:				
Office Space	142,048			142,048
Less Accumulated Amortization	<u>38,903</u>	<u>47,349</u>	<u>        </u>	<u>86,252</u>
Total Leased Assets, net	<u>103,145</u>	<u>(47,349)</u>	<u>0</u>	<u>55,796</u>
Capital Assets and Leased Assets, Net	<u>\$ 135,262</u>	<u>\$ (64,083)</u>	<u>\$ 0</u>	<u>\$ 71,179</u>

NORTH CAROLINA STATE BOARD OF COSMETIC ART EXAMINERS  
Notes to Financial Statements  
June 30, 2022 and 2021

4. Retirement Plan

Beginning July 1, 2012, the Board established a 401(k) retirement plan for all eligible employees. Eligible employees can make contributions up to the maximum amount allowed each year. The Board made contributions for eligible employees based on their gross pay. The amount of the Board's contribution is based on the eligible employee's job description and length of service. During the year ended June 30, 2019, the Board ended the 401(k) retirement plan and established a 457(b) plan for all eligible employees. The Board's total payroll was \$1,418,774 and \$1,323,165 for the years ended June 30, 2022 and 2021, respectively. The Board's payroll for eligible employees under the plans was \$1,276,431 and \$1,261,827 for the years ended June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, the Board contributed between 8% and 11.5% of eligible employees' gross pay. Total Board contributions for the year ended June 30, 2022 were \$140,395. Total Board contributions for the year ended June 30, 2021 were \$114,704.

5. Lease Commitment

During the year ended June 30, 2020, the Board moved its office location to Cary, North Carolina. The term of the Cary right-of-use lease is for three years beginning May 1, 2020 and ending April 30, 2023. The Board no longer continues to lease office space in Raleigh, North Carolina for testing. That lease expired on December 31, 2021. The total of the Board's leased assets is recorded at cost of \$72,273, less accumulated amortization of \$52,197.

Future lease payments under the lease in effect at June 30, 2022 is as follows:

Year Ending June 30	Principal	Interest	Total
<u>2023</u>	\$ <u>20,580</u>	\$ <u>237</u>	\$ <u>20,817</u>

The Board leased office space that was used by a licensing exam administrator. The term of the lease was from January 1, 2019 to December 31, 2021. The licensing exam administrator reimbursed the Board for exactly the lease payments paid by the Board. Rental reimbursements for the years ended June 30, 2022 and 2021 were \$17,815 and \$15,369, respectively.

6. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled through a combination of methods, including participation in various state-administered risk programs, purchase of commercial insurance, and self-retention of certain risks.

7. Subsequent Events

Subsequent events have been evaluated through October 20, 2022, which is the date the financial statements were available to be issued.

8. Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform with the 2022 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.

