

NORTH CAROLINA BOARD OF EXAMINERS
FOR ENGINEERS AND SURVEYORS

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2022 AND 2021



NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
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NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Management's Discussion and Analysis
For the Fiscal Year Ended November 30, 2022

The following is a discussion and analysis of the North Carolina Board of Examiners for Engineers and Surveyors' (the "Board") financial performance for the year ended November 30, 2022. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and previous two years are presented in the analysis.

Financial Highlights

Overall operating revenues of the Board increased in the current year by \$106,275, or 3.9%, due primarily to increases in renewal fees.

Overall operating expenses of the Board increased by \$21,138 or .8%, attributed primarily to increased office and travel related expenses, offset by decreased legal fees.

Non-operating revenues of the Board decreased by \$221,446 due primarily to unrealized investment losses in the current year.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

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

The Statements of Cash Flows present information on how the Board's cash changed as a result of the years' activities.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Management's Discussion and Analysis
For the Fiscal Year Ended November 30, 2022

Basic Financial Statements (Continued)

The following presents condensed financial information for the Board as of and for the year ended November 30:

	2022	Restated 2021	2020
Assets:			
Current assets	\$ 2,754,439	\$ 2,642,616	\$1,900,898
Capital assets - net	849,158	1,088,841	219,512
Noncurrent assets	1,183,066	1,022,566	1,338,325
Total assets	4,786,663	4,754,023	3,458,735
Current liabilities	354,360	345,945	240,010
Noncurrent liabilities	776,189	952,320	133,203
Total liabilities	1,130,549	1,298,265	373,213
Net position:			
Net investment in capital assets	55,878	127,503	219,512
Unrestricted	3,600,236	3,328,255	2,866,010
Total net position	\$ 3,656,114	\$ 3,455,758	\$ 3,085,522
Operating revenues	\$ 2,850,970	\$ 2,744,695	\$ 2,658,080
Operating expenses	2,559,095	2,537,957	2,337,188
Operating income	291,875	206,738	320,892
Non-operating revenues (expenses)	(91,519)	129,927	136,168
Changes in net position	\$ 200,356	\$ 336,665	\$ 457,060

A comparison of budget to actual operations is presented on page 17. Actual operating revenues exceeded budgeted expectations by \$147,970, or 5.47%, due primarily to licensing fee revenue exceeding budget by \$86,875, or 3.23%, and civil penalties collected of \$50,500, which are not budgeted.

Personnel and office and board expenses were under budget by \$84,602 while legal, accounting, and audit expenses were over budget by \$69,679. Depreciation and civil penalties are not budgeted expense items.

The Board has designated a portion of unrestricted net assets to cover potential future activities, consisting of \$150,000 for litigation and \$100,000 for future projects.

Events Affecting Future Operations

There are no known events affecting future operations.

Contacting the Board's Financial 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 funds it receives and expends. If you have questions or require additional information, please contact the North Carolina Board of Examiners for Engineers and Surveyors, 4601 Six Forks Road, Suite 310, Raleigh, NC 27609.



Independent Auditor's Report

Members of the Board
North Carolina Board of Examiners for Engineers and Surveyors
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), which comprise the statements of net position as of November 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 North Carolina Board of Examiners for Engineers and Surveyors as of November 30, 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 audits 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 Board of Examiners for Engineers and Surveyors 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 basic 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 Board of Examiners for Engineers and Surveyors' 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 Board of Examiners for Engineers and Surveyors and do not purport to and do not present fairly the financial position of the State of North Carolina as of November 30, 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 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Revenues, Expenses, and Changes in Net Position - Actual and Budget ("supplementary information") on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management. Such information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic 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
March 8, 2023

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Net Position
November 30, 2022 and 2021

	2022	Restated 2021
ASSETS:		
Current assets:		
Cash	\$ 2,269,668	\$ 1,902,169
Investments	460,746	719,632
Prepaid expenses	19,224	19,188
Other assets	4,801	1,627
Total current assets	<u>2,754,439</u>	<u>2,642,616</u>
Capital assets:		
Right-to-use leased assets, net of amortization	740,067	921,307
Property and equipment, net of depreciation	109,091	167,534
Total capital assets, net	<u>849,158</u>	<u>1,088,841</u>
Noncurrent assets:		
Investments	<u>1,183,066</u>	<u>1,022,566</u>
Total assets	<u>4,786,663</u>	<u>4,754,023</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	11,713	21,799
Payroll liabilities	15,552	14,985
Unearned revenue	164,775	157,875
Current portion of lease liabilities	162,320	151,286
Total current liabilities	<u>354,360</u>	<u>345,945</u>
Noncurrent liabilities:		
Compensated absences	145,229	142,268
Lease liabilities	630,960	810,052
Total noncurrent liabilities	<u>776,189</u>	<u>952,320</u>
Total liabilities	<u>1,130,549</u>	<u>1,298,265</u>
NET POSITION:		
Net investment in capital assets	55,878	127,503
Unrestricted	3,600,236	3,328,255
Total net position	<u>\$ 3,656,114</u>	<u>\$ 3,455,758</u>

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended November 30, 2022 and 2021

	2022	Restated 2021
Operating revenues:		
Renewal fees	\$ 2,709,575	\$ 2,644,250
Application fees	69,300	67,800
Exam fees	20,350	16,500
Civil penalties collected	50,500	15,000
Miscellaneous	1,245	1,145
Total operating revenues	<u>2,850,970</u>	<u>2,744,695</u>
Operating expenses:		
Salaries and wages	1,255,731	1,268,295
Payroll taxes	88,794	89,191
Retirement contributions and administration	80,183	77,502
Hospital and disability insurance	220,885	219,100
Staff development and training	13,308	12,964
Insurance and bonding	8,400	9,063
Telephone	9,600	12,755
Office supplies	47,391	35,585
Depreciation	70,943	76,814
Printing	16,232	15,423
Postage	30,592	27,563
Credit and bankcard fees	78,638	75,236
Travel-board members	47,527	24,074
Travel and other-staff	21,795	15,533
Board members per diem	29,050	24,800
Contracted services	75,262	70,062
Legal, accounting, and audit fees	117,679	181,499
Computer services	19,050	15,733
Equipment, rental, and maintenance	35,587	35,653
Civil penalties remitted	50,500	15,000
Miscellaneous	22,200	12,145
Dues and subscriptions	9,199	8,167
Lease amortization expense	181,240	181,240
Interest expense on lease liabilities	29,309	34,560
Total operating expenses	<u>2,559,095</u>	<u>2,537,957</u>
Operating income	<u>291,875</u>	<u>206,738</u>
Non-operating revenues (expenses):		
Investment income	31,277	30,879
Realized and unrealized gains (losses) on investments	(122,796)	99,048
Total non-operating revenues (expenses)	<u>(91,519)</u>	<u>129,927</u>
Changes in net position	200,356	336,665
Net position - beginning of year	<u>3,455,758</u>	<u>3,119,093</u>
Net position - end of year	<u>\$ 3,656,114</u>	<u>\$ 3,455,758</u>

See Notes to Financial Statements

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Cash Flows
Years Ended November 30, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities:		
Cash received from fees	\$ 2,806,125	\$ 2,732,225
Other cash received	51,745	16,145
Cash payments to employees for services	(1,252,770)	(1,259,230)
Cash payments to suppliers of goods and services	(913,722)	(856,589)
Cash payments for interest on leased assets	(29,309)	(34,560)
Cash payments for other operating expenses	(120,879)	(85,538)
Net cash provided by operating activities	<u>541,190</u>	<u>512,453</u>
Cash flows from investing activities:		
Net investment income	93,097	49,540
Purchase of investments	(147,331)	(81,309)
Proceeds from sales of investments	61,101	38,824
Net cash provided by investing activities	<u>6,867</u>	<u>7,055</u>
Cash flows from capital and related financing activities:		
Payments on lease liabilities	(168,058)	(172,869)
Acquisition of property and equipment	(12,500)	(24,836)
Net cash used in capital and related financing activities	<u>(180,558)</u>	<u>(197,705)</u>
Net increase in cash	367,499	321,803
Cash - beginning of year	<u>1,902,169</u>	<u>1,580,366</u>
Cash - end of year	<u><u>\$ 2,269,668</u></u>	<u><u>\$ 1,902,169</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 291,875</u>	<u>\$ 206,738</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	70,943	76,814
Amortization, leased assets	181,240	181,240
Changes in assets and liabilities:		
Prepaid expenses	(36)	15,192
Other assets	(3,174)	3,525
Accounts payable	(10,086)	14,341
Payroll liabilities	567	1,863
Compensated absences	2,961	9,065
Unearned revenue	6,900	3,675
Total adjustments	<u>249,315</u>	<u>305,715</u>
Net cash provided by operating activities	<u><u>\$ 541,190</u></u>	<u><u>\$ 512,453</u></u>

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89C of the North Carolina General Statutes (NCGS). The Board is composed of nine members: four licensed professional engineers, three licensed professional land surveyors and two public members who are neither professional engineers nor professional land surveyors. All members are appointed by the Governor.

The Board's primary responsibilities are to grant certificates of qualification as professional engineers and professional land surveyors to qualified persons, to register certified firms, to administer land surveyor examinations, and to enforce all statutes and rules of Chapter 89C and 21 NCAC Chapter 56.

The Board's operations are financed with self-generated revenues from fees charged to licensees and examinees.

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 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.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP 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.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the cash flows.

The Board classifies its revenues 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 license and examination fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital 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 include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

Changes in Financial Accounting and Reporting

For the fiscal year ended November 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. 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.

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.

Cash and Cash Equivalents

Cash includes cash on deposit and money market accounts with financial institutions. For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of equities, mutual funds, corporate bonds, negotiable certificates of deposit and money market sweep accounts held in brokerage accounts. Money market sweep accounts, and corporate bonds and certificates of deposit maturing within the next fiscal year are shown as current. Investments are reported at fair value. Fair values are based on readily available market quotes. The negotiable certificates of deposit are also reported at fair value, which approximates cost plus accrued interest to date.

Right-To-Use Leased Assets 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$5,000 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 useful lives:

Leasehold improvements	7-10 years
Property and equipment	5-10 years
Software	3-5 years

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 in non-operating revenue or expense for the period.

Compensated Absences

Board employees may accumulate up to thirty days earned vacation (except for the Board's Executive Director, who may accumulate up to sixty days) and such leave is fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been recognized.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Board's net position is classified as follows:

Net investment in capital assets - This represents the Board's total investment in capital assets, net of accumulated depreciation and amortization.

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

Budgetary Practices

Budgets for fiscal years ended November 30, 2022 and 2021, were adopted by the Board. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

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 and assumptions, resulting in adjustments in future periods.

NOTE 2 - NET POSITION

The Board has designated a portion of the unrestricted net assets to indicate their plans for how financial resources will be used in a future period. Future uses are categorized as either pre-planned special projects or unforeseen financial emergencies which may require a large, non-recurring outlay of funds. The Board's designated unrestricted net assets at November 30, 2022 and 2021, are summarized as follows:

	Balance 11/30/2021	Additions	Expenditures	Balance 11/30/2022
Litigation	\$ 150,000	\$ 94,534	\$ (94,534)	\$ 150,000
Future projects	100,000	-	-	100,000
	<u>\$ 250,000</u>	<u>\$ 94,534</u>	<u>\$ (94,534)</u>	<u>\$ 250,000</u>
	Balance 11/30/2020	Additions	Expenditures	Balance 11/30/2021
Litigation	\$ 150,000	\$ 37,612	\$ (37,612)	\$ 150,000
Future projects	100,000	-	-	100,000
	<u>\$ 250,000</u>	<u>\$ 37,612</u>	<u>\$ (37,612)</u>	<u>\$ 250,000</u>

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Notes to Financial Statements

NOTE 3 - UNEARNED REVENUE

The Board's fees for Professional Engineers (PE) and Land Surveyors (LS) are assessed and collected on a fiscal year basis, corresponding with the Board's accounting period. These license renewal fees are collected beginning December 1st for the fiscal year and therefore there is no unearned revenue related to PE and LS renewals at year end. The Board's Firm renewal fees run from June 1 through May 31 resulting in unearned revenue at November 30, 2022 and 2021 of \$164,775 and \$157,875, respectively.

NOTE 4 - DEPOSITS AND INVESTMENTS

Investments are comprised of the following at November 30:

	2022		
	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	\$ 59,873	\$ 57,675	\$ (2,198)
Negotiable certificates of deposit	662,000	622,943	(39,057)
Equities	228,381	365,793	137,412
Mutual funds	345,942	323,397	(22,545)
Money market sweep accounts	274,004	274,004	-
	<u>\$ 1,570,200</u>	<u>\$ 1,643,812</u>	<u>\$ 73,612</u>
	2021		
	Cost	Fair Value	Unrealized Gain
Corporate bonds	\$ 134,154	\$ 139,067	\$ 4,913
Negotiable certificates of deposit	544,000	553,028	9,028
Equities	285,403	476,634	191,231
Mutual funds	217,150	270,358	53,208
Money market sweep accounts	303,111	303,111	-
	<u>\$ 1,483,818</u>	<u>\$ 1,742,198</u>	<u>\$ 258,380</u>

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability.

A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Board's assets at fair value as of November 30:

	2022			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 57,675	\$ -	\$ -	\$ 57,675
Negotiable certificates of deposit	-	622,943	-	622,943
Equities	365,793	-	-	365,793
Mutual funds	323,397	-	-	323,397
	<u>\$ 746,865</u>	<u>\$ 622,943</u>	<u>\$ -</u>	<u>\$ 1,369,808</u>

	2021			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 139,067	\$ -	\$ -	\$ 139,067
Negotiable certificates of deposit	-	553,028	-	553,028
Equities	476,634	-	-	476,634
Mutual funds	270,358	-	-	270,358
	<u>\$ 886,059</u>	<u>\$ 553,028</u>	<u>\$ -</u>	<u>\$ 1,439,087</u>

The investment balances on the statements of net position include cash balances held temporarily in the investment portfolio until reinvestment, and therefore not included in the fair value hierarchy above in the amount of \$274,004 and \$303,111 at November 30, 2022 and 2021, respectively.

The Board is subject to the following risks:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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. At November 30, 2022, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$1,143,812.

The Board had multiple certificates of deposit investments totaling \$622,943, all of which were individually insured under the Federal Depositary Insurance Corporation (FDIC) limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At November 30, 2022, the Board had \$2,085,110 of deposits in excess of the FDIC limit.

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board minimizes interest rate risk by structuring the investment portfolio so securities mature using a ladder approach in order to avoid the need to sell securities prior to maturity.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Notes to Financial Statements

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of November 30, 2022, the weighted average maturity of the Board's corporate bonds and certificates of deposit were 1.44 years and 1.66 years, respectively. The maturities of the Board's fixed income securities as of November 30, 2021, were as follows:

	Investment Amount
0 - 5 years	<u>\$ 680,619</u>

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board minimizes credit risk by limiting investments to the following types:

- Obligations of the United States or obligations fully guaranteed both as to principle and interest by the United States
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, Government National Mortgage Association, The Federal Housing Administration, and the Farmers Home Administration
- Certificates of deposit and other time deposits of financial institutions
- Obligations of the State of North Carolina
- Investment grade bonds with a rating of "A" or above by a nationally recognized rating agency
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks
- Repurchase agreements with respect to securities issued or guaranteed by the US government or its agencies or other securities eligible for investment by this section executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank
- Asset backed securities provided they bear the highest rating of at least one nationally recognized service and do not have a rating below the highest rating by any nationally recognized rating service which rates the particular securities
- Equity market

At November 30, 2022, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investor Service:

Credit Rating	
A1	\$ 9,953
A2	\$ 47,722

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Notes to Financial Statements

NOTE 5 - PROPERTY AND EQUIPMENT

Changes in property and equipment for the Board for the years ended November 30, 2022 and 2021 are as follows:

	Cost 11/30/2021	Additions	Disposals	Cost 11/30/2022
Property and equipment:				
Leasehold improvements	\$ 116,847	\$ -	\$ -	\$ 116,847
Property and equipment	544,953	12,500	9,059	548,394
	<u>661,800</u>	<u>12,500</u>	<u>9,059</u>	<u>665,241</u>
Less accumulated depreciation for:				
Leasehold improvements	87,149	13,448	-	100,597
Property and equipment	407,117	57,495	9,059	455,553
Total accumulated depreciation	<u>494,266</u>	<u>70,943</u>	<u>9,059</u>	<u>556,150</u>
Property and equipment, net	<u>\$ 167,534</u>	<u>\$ (58,443)</u>	<u>\$ -</u>	<u>\$ 109,091</u>
	Cost 11/30/2020	Additions	Disposals	Cost 11/30/2021
Property and equipment:				
Leasehold improvements	\$ 116,847	\$ -	\$ -	\$ 116,847
Property and equipment	538,234	24,836	18,117	544,953
	<u>655,081</u>	<u>24,836</u>	<u>18,117</u>	<u>661,800</u>
Less accumulated depreciation for:				
Leasehold improvements	73,661	13,488	-	87,149
Property and equipment	361,908	63,326	18,117	407,117
Total accumulated depreciation	<u>435,569</u>	<u>76,814</u>	<u>18,117</u>	<u>494,266</u>
Property and equipment, net	<u>\$ 219,512</u>	<u>\$ (51,978)</u>	<u>\$ -</u>	<u>\$ 167,534</u>

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

The Board entered into a lease for new office space effective March 1, 2017 through December 31, 2026. The lease calls for escalating rent payments beginning at \$14,047 per month for six months and increasing approximately 3% a year thereafter.

Lease expense was comprised of the following:

	2022	2021
Amortization expense by class of underlying asset:		
Office building	\$ 181,240	\$ 181,240
Interest on lease liabilities	29,309	34,560
Total lease expense	<u>\$ 210,549</u>	<u>\$ 215,800</u>

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

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

Right-to-use leased assts activity:

	<u>11/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2022</u>
Office building	\$ 1,283,787	\$ -	\$ -	\$ 1,283,787
Less: Accumulated amortization	<u>(362,480)</u>	<u>(181,240)</u>	<u>-</u>	<u>(543,720)</u>
Right-to-use assets, net	<u>\$ 921,307</u>	<u>\$ (181,240)</u>	<u>\$ -</u>	<u>\$ 740,067</u>
	<u>11/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2021</u>
Office building	\$ 1,283,787	\$ -	\$ -	\$ 1,283,787
Less: Accumulated amortization	<u>(181,240)</u>	<u>(181,240)</u>	<u>-</u>	<u>(362,480)</u>
Right-to-use assets, net	<u>\$ 1,102,547</u>	<u>\$ (181,240)</u>	<u>\$ -</u>	<u>\$ 921,307</u>

Lease liabilities were comprised of the following:

	<u>11/30/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2022</u>
Total lease liabilities	<u>\$ 961,338</u>	<u>\$ -</u>	<u>\$ (168,058)</u>	<u>\$ 793,280</u>
	<u>11/30/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2021</u>
Total lease liabilities	<u>\$ 1,134,207</u>	<u>\$ -</u>	<u>\$ (172,869)</u>	<u>\$ 961,338</u>

Future minimum lease payments are as follows:

<u>Years Ending November 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 162,320	\$ 23,693	\$ 186,013
2024	191,175	17,694	208,869
2025	203,841	11,294	215,135
2026	217,116	4,473	221,589
Thereafter	<u>18,828</u>	<u>51</u>	<u>18,879</u>
	<u>\$ 793,280</u>	<u>\$ 57,205</u>	<u>\$ 850,485</u>

NOTE 7 - COMPENSATED ABSENCES

Changes to accrued compensated absences are as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 142,268	\$ 133,203
Increases	101,158	101,441
Decreases	<u>(98,197)</u>	<u>(92,376)</u>
Ending balance	<u>\$ 145,229</u>	<u>\$ 142,268</u>

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 8 - RETIREMENT PLANS

The Board participates in the North Carolina Licensing Boards' Retirement Savings Plan (Plan) which is a multiple employer, cost-sharing defined contribution plan. Participating employees are required to contribute 6% of their gross pay and the Board matches those contributions 100%. Employees may also make voluntary contributions to the Plan over their 6% contribution. Employees are eligible to participate in the Plan immediately upon employment. Employees' contributions are immediately vested and the Board's contributions are 100% vested after five years of credited service. The 401(k) Plan is administered by Prudential Insurance Company of America. The Board's contributions for the years ended November 30, 2022 and 2021 totaled \$75,166 and \$75,465, respectively. Employee contributions for the years ended November 30, 2022 and 2021 totaled \$75,856 and \$75,323, respectively. Forfeitures totaling \$3,150 and \$0 were utilized to reduce employer contributions during the years ended November 30, 2022 and 2021, respectively.

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, data breach, workers compensation and employers' liability, and vehicle.

NOTE 10 - RESTATEMENT

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for leases which provide the Board the right-to-use four copiers. 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 contracts. Lease payments are separated into interest expense and a reduction of the lease liabilities.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Notes to Financial Statements

NOTE 10 - RESTATEMENT (Continued)

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

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Statement of Revenues, Expenses, and Changes in Net Position:			
Office rent	\$ 204,600	\$ -	\$ (204,600)
Equipment, rental, and maintenance	26,677	35,653	8,976
Lease amortization expense	-	181,240	181,240
Interest expense on lease liabilities	-	34,560	34,560
Net position - beginning of year	3,085,522	3,119,093	33,571
Net position - end of year	3,442,363	3,455,758	13,395
Statement of Net Position:			
Prepaid rent	\$ 16,284	\$ -	\$ (16,284)
Right-to-use leased assets, net of amortization	-	921,307	921,307
Current portion of lease liabilities	69,710	151,286	81,576
Lease liabilities	-	810,052	810,052

NOTE 11 - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through March 8, 2023, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 97 hours at a cost of \$16,000.

SUPPLEMENTARY INFORMATION

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget

Years Ended November 30, 2022 and 2021

	2022			2021		
	(Unaudited) Budget	Actual	Over (Under) Budget	(Unaudited) Budget	(Restated) Actual	Over (Under) Budget
Revenues:						
Examination fees	\$ 10,000	\$ 20,350	\$ 10,350	\$ 10,000	\$ 16,500	\$ 6,500
Licensing fees	2,692,000	2,778,875	86,875	2,580,000	2,712,050	132,050
Other	1,000	1,245	245	1,000	1,145	145
Civil penalties collected	-	50,500	50,500	-	15,000	15,000
Total revenues	<u>2,703,000</u>	<u>2,850,970</u>	<u>147,970</u>	<u>2,591,000</u>	<u>2,744,695</u>	<u>153,695</u>
Expenses:						
Personnel	1,711,175	1,658,901	(52,274)	1,654,790	1,667,052	12,262
Office and board	693,400	661,072	(32,328)	673,525	597,592	(75,933)
Legal, accounting, and audit	48,000	117,679	69,679	47,500	181,499	133,999
Depreciation	-	70,943	70,943	-	76,814	76,814
Civil penalties remitted	-	50,500	50,500	-	15,000	15,000
Total expenses	<u>2,452,575</u>	<u>2,559,095</u>	<u>106,520</u>	<u>2,375,815</u>	<u>2,537,957</u>	<u>162,142</u>
Operating income	<u>250,425</u>	<u>291,875</u>	<u>41,450</u>	<u>215,185</u>	<u>206,738</u>	<u>(8,447)</u>
Total non-operating revenues	<u>20,000</u>	<u>(91,519)</u>	<u>(111,519)</u>	<u>20,000</u>	<u>129,927</u>	<u>109,927</u>
Changes in net position	<u>270,425</u>	<u>200,356</u>	<u>(70,069)</u>	<u>235,185</u>	<u>336,665</u>	<u>101,480</u>
Net position - beginning of year	<u>3,455,758</u>	<u>3,455,758</u>	<u>-</u>	<u>3,085,522</u>	<u>3,119,093</u>	<u>33,571</u>
Net position - end of year	<u><u>\$ 3,726,183</u></u>	<u><u>\$ 3,656,114</u></u>	<u><u>\$ (70,069)</u></u>	<u><u>\$ 3,320,707</u></u>	<u><u>\$ 3,455,758</u></u>	<u><u>\$ 135,051</u></u>