

**NORTH CAROLINA LICENSING BOARD FOR  
GENERAL CONTRACTORS**

**FINANCIAL STATEMENTS**

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



**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Board Members**

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**BOARD MEMBERS (2022)**

Lisa Piercy, Chairman

Robyn Hicks-Guinn, Vice Chair

John Cooper

Carl Daniel

Leon Meyers

Henry Lanier

Elizabeth Phipps

George Ratchford

Eric Reichard

**EXECUTIVE DIRECTOR**

C. Frank Wiesner, Executive Director/Secretary-Treasurer

**LEGAL COUNSEL**

Anna Baird Choi  
Nichols, Choi & Lee, PLLC

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

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**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2022**

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**Introduction**

The following is a discussion and analysis of the North Carolina Licensing Board for General Contractors (the "Board") financial performance for the fiscal year ended December 31, 2022. 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 the previous two years are presented in the analysis. Please read it in conjunction with the financial statements and footnotes following this section which comprise our complete set of financial information.

**Financial Highlights**

During 2022, the Board's net position for its Operating Fund decreased by \$56,401, or 0.75%, due primarily to an increase in operating expenses. During 2021, the Board's net position for its Operating Fund increased by \$289,198, or 4.01%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2022, the Board's net position for its Recovery Fund increased by \$100,436, or 21.25%, due primarily to the Board paying less recovery fund claims than it did in the preceding year. During 2021, the Board's net position for its Recovery Fund decreased by \$136,898, or 22.50%, due primarily to the Board paying more recovery fund claims than it did in the preceding year.

During 2022, the Board's operating revenues for its Operating Fund increased by \$242,770, or 6.21%, due primarily to increases in renewal and processing fees, in addition to increases in new application, increase in limit and continuing education fees. During 2021, the Board's operating revenues for its Operating Fund decreased by \$16,280, or 0.4%, due primarily to decreases in renewal and processing fees, offset by increases in new application and continuing education fees. During 2022, the Board's operating revenues for its Recovery Fund increased by \$17,499, or 2.36%, due to an increase in recovery fees collected. During 2021, the Board's operating revenues for its Recovery Fund increased by \$119,201, or 19.1%, due to an increase in recovery fees collected.

During 2022, the Board's non-operating expenses, net of non-operating revenues, for its Operating Fund decreased by \$17,185, or 36.47%, due to a decrease in interest expense on loans (as loan principal is amortizing) and due to an increase in interest income. During 2021, the Board's non-operating expenses, net of non-operating revenues, for its Operating Fund decreased by \$1,491, or 3.07%, due to a decrease in interest expense on loans (as loan principal is amortizing) and due to an increase in interest income. During 2022, the Board's non-operating revenues for its Recovery Fund increased by \$216, or 55.67%, which is not considered a significant change. During 2021, the Board's non-operating revenues for its Recovery Fund decreased by \$859, or 68.89%, which is not considered a significant change.

During 2022, the Board's operating expenses for its Operating Fund increased by \$605,554, or 16.94%, due primarily to an increase in salaries and related benefits, as well as an increase in computer and other IT related support. During 2021, the Board's operating expenses for its Operating Fund increased by \$407,561, or 12.87%, due primarily to a new Public Awareness campaign and an increase in salaries. During 2022, the Board's operating expenses for its Recovery Fund decreased by \$219,619 or 24.96%, due primarily to the Board awarding fewer Recovery Fund claims during 2022 than it did in the preceding year. During 2021, the Board's operating expenses for its Recovery Fund increased by \$509,482 or 137.5%, due primarily to the Board awarding more Recovery Fund claims during 2021 than it did in the preceding year.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2022**

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**Overview of the 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 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 current and non-current portions of assets, liabilities and net position of the Board. Current assets are those that are expected to be converted to cash within one year, and current liabilities are expected to be settled within one year.

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

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

**Condensed Financial Statements**

The following table summarizes the Board's assets, liabilities and net position as of December 31, and its operating and non-operating revenues and expenses for the years then ended for the Operating Fund:

	2022	Restated 2021	2020
Current assets	\$ 4,760,460	\$ 5,023,751	\$ 5,011,951
Capital assets, net	5,730,090	5,716,098	5,819,202
Leased assets, net	64,526	73,825	-
Total assets	<u>10,555,076</u>	<u>10,813,674</u>	<u>10,831,153</u>
Current liabilities	2,219,781	2,121,919	2,109,332
Long-term liabilities	887,248	1,187,307	1,502,765
Total liabilities	<u>3,107,029</u>	<u>3,309,226</u>	<u>3,612,097</u>
Net position:			
Net investment in capital assets	4,652,022	4,298,676	4,077,821
Unrestricted	2,796,025	3,205,772	3,141,235
Total net position	<u>\$ 7,448,047</u>	<u>\$ 7,504,448</u>	<u>\$ 7,219,056</u>
Operating revenues	\$ 4,154,111	\$ 3,911,341	\$ 3,927,621
Operating expenses	(4,180,579)	(3,575,025)	(3,167,464)
Operating income (loss)	<u>(26,468)</u>	<u>336,316</u>	<u>760,157</u>
Non-operating expenses	(29,933)	(47,118)	(48,609)
Changes in net position	<u>\$ (56,401)</u>	<u>\$ 289,198</u>	<u>\$ 711,548</u>

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2022**

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The following table summarizes the Board's assets, liabilities and net position as of December 31, and its operating and non-operating revenues and expenses for the years then ended for the Recovery Fund:

	<b>2022</b>	2021	2020
Current assets	<b>\$ 574,211</b>	\$ 472,584	\$ 609,829
Total assets	<b>574,211</b>	472,584	609,829
Current liabilities	<b>1,191</b>	-	347
Net position:			
Restricted	<b>573,020</b>	472,584	609,482
Total net position	<b>\$ 573,020</b>	\$ 472,584	\$ 609,482
Operating revenues (recovery fees)	<b>\$ 760,213</b>	\$ 742,714	\$623,513
Operating expenses	<b>(660,381)</b>	(880,000)	(370,518)
Operating income (loss)	<b>99,832</b>	(137,286)	252,995
Non-operating income	<b>604</b>	388	1,247
Changes in net position	<b>\$ 100,436</b>	\$ (136,898)	\$ 254,242

**Financial Analysis**

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$7,448,047 for the Operating Fund and by \$573,020 for the Recovery Fund for the year ended December 31, 2022. The largest component of net position for the Operating Fund was capital assets. Net capital assets represented 76.9% of total net position for the Operating Fund. The largest component of net position for the Recovery Fund was cash and cash equivalents. Cash and cash equivalents represented 100% of the total net position for the Recovery Fund.

**Events Affecting Future Operations**

None noted.

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2022**

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**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. If you have any questions about this report or need additional information, contact: North Carolina Licensing Board for General Contractors, PO Box 17187, Raleigh, NC 27619.

North Carolina Licensing Board for General Contractors  
5400 Creedmoor Road  
Raleigh, NC 27612  
Phone: (919) 571-4183  
By email at: [info@nclbgc.org](mailto:info@nclbgc.org)



## **Independent Auditor's Report**

Members of the Board  
North Carolina Licensing Board for General Contractors  
Raleigh, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of the North Carolina Licensing Board for General Contractors (the "Board"), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Licensing Board for General Contractors as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows thereof 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 Licensing Board for General Contractors 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.

### ***Responsibilities of Management 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, raise substantial doubt about the North Carolina Licensing Board for General Contractors' 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 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.



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

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 North Carolina Licensing Board for General Contractors' 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 Licensing Board for General Contractors' 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 present only the North Carolina Licensing Board for General Contractors and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 2022, or 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.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 - 4 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  
April 19, 2023

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

**Statements of Net Position**

**December 31, 2022 and 2021**

	2022		Restated 2021	
	Proprietary Funds		Proprietary Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,737,520	\$ 574,211	\$ 4,999,370	\$ 472,584
Prepaid expenses	22,940	-	24,381	-
Total current assets	<u>4,760,460</u>	<u>574,211</u>	<u>5,023,751</u>	<u>472,584</u>
Capital assets				
Land and building	5,570,866	-	5,642,466	-
Furniture and office equipment	159,224	-	73,632	-
Right-of-use leased assets, net of amortization	64,526	-	73,825	-
Total capital asset, net of depreciation	<u>5,794,616</u>	<u>-</u>	<u>5,789,923</u>	<u>-</u>
Total assets	<u>10,555,076</u>	<u>574,211</u>	<u>10,813,674</u>	<u>472,584</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable - operations	181,525	1,191	96,254	-
Current portion of lease liabilities	21,917	-	63,505	-
Note payable - current portion	347,589	-	337,360	-
Unearned revenue	1,668,750	-	1,624,800	-
Total current liabilities	<u>2,219,781</u>	<u>1,191</u>	<u>2,121,919</u>	<u>-</u>
Long-term liabilities				
Lease liabilities	43,802	-	13,530	-
Note payable - long-term portion	729,286	-	1,076,852	-
Accrued compensated absences - long-term portion	114,160	-	96,925	-
Total long-term liabilities	<u>887,248</u>	<u>-</u>	<u>1,187,307</u>	<u>-</u>
Total liabilities	<u>3,107,029</u>	<u>1,191</u>	<u>3,309,226</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	4,652,022	-	4,298,676	-
Restricted net position - expendable	-	323,020	-	222,584
Restricted net position - nonexpendable	-	250,000	-	250,000
Unrestricted net position	<u>2,796,025</u>	<u>-</u>	<u>3,205,772</u>	<u>-</u>
Total net position	<u>\$ 7,448,047</u>	<u>\$ 573,020</u>	<u>\$ 7,504,448</u>	<u>\$ 472,584</u>

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022		Restated 2021	
	Proprietary Funds		Proprietary Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
Operating Revenues				
Fees, licenses and fines:				
Renewals	\$ 2,436,517	\$ -	\$ 2,357,475	\$ -
Processing fees	334,120	-	309,545	-
New application fees	307,025	-	277,865	-
Applications	-	-	13	-
Increase in limit fees	69,600	-	67,725	-
Recovery fees	-	760,213	-	742,714
Continuing education fees	785,796	-	740,315	-
Sales - publications	1,390	-	2,244	-
Administrative reimbursement from Recovery Fund	78,990	-	79,200	-
Other	140,673	-	76,959	-
Total operating revenues	<u>4,154,111</u>	<u>760,213</u>	<u>3,911,341</u>	<u>742,714</u>
Operating Expenses				
Salaries	1,487,318	-	1,287,568	-
Payroll taxes	113,096	-	97,654	-
Unemployment claim paid	12,492	-	388	-
Retirement contributions	86,400	-	72,874	-
Employee benefits	307,955	-	257,792	-
Contracted temporary services	17,633	-	-	-
Board member expenses	34,874	148	22,769	1,851
Hearing expenses	-	-	-	2,988
Office supplies and expenses	15,185	-	10,874	-
Legal, auditing, accounting and other professional fees	731,667	2,790	662,567	2,730
Computer and website support	461,094	-	274,172	-
Continuing education	55,806	-	83,546	-
Staff travel	21,318	-	21,118	-
Printing and copying	14,555	-	1,725	-
Postage	10,296	-	20,294	-
Telephone	22,825	-	23,858	188
Credit card processing fees	116,659	-	114,898	-
Building operating costs	80,289	-	85,793	-
Depreciation	109,030	-	106,236	-
Insurance and bonding	18,111	-	12,873	-
Vehicle operating costs	19,771	-	19,126	-
Machine rental and maintenance	31,806	3,183	13,413	724
Lease amortization expense	67,181	-	88,094	-
Interest expense on lease liabilities	3,190	-	4,994	-
Dues and subscriptions	8,984	-	9,063	70
Contribution to NC Engineering Foundation	25,000	-	25,000	-
Claims paid	-	575,042	-	792,241
Administrative reimbursement to Operating Fund	-	79,200	-	79,200
Public awareness education	255,964	-	234,271	-
Other	52,080	18	24,065	8
Total operating expenses	<u>4,180,579</u>	<u>660,381</u>	<u>3,575,025</u>	<u>880,000</u>

*See Notes to Financial Statements*

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Statements of Revenues, Expenses and Changes in Net Position (Continued)**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>		<b>2021</b>	
	<b>Enterprise Funds</b>		<b>Enterprise Funds</b>	
	<b>Operating Fund</b>	<b>Recovery Fund</b>	<b>Operating Fund</b>	<b>Recovery Fund</b>
Operating income (loss)	<b>\$ (26,468)</b>	<b>\$ 99,832</b>	<b>\$ 336,316</b>	<b>\$ (137,286)</b>
Non-operating income (expenses)				
Interest income	<b>7,782</b>	<b>604</b>	503	388
Interest expense	<b>(37,715)</b>	<b>-</b>	(47,621)	-
Total non-operating income (expenses)	<b>(29,933)</b>	<b>604</b>	(47,118)	388
Changes in net position	<b>(56,401)</b>	<b>100,436</b>	289,198	(136,898)
Net position - beginning of year	<b>7,504,448</b>	<b>472,584</b>	7,215,250	609,482
Net position - end of year	<b><u>\$ 7,448,047</u></b>	<b><u>\$ 573,020</u></b>	<b><u>\$ 7,504,448</u></b>	<b><u>\$ 472,584</u></b>

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## Statements of Cash Flows

**Years Ended December 31, 2022 and 2021**

	<b>2022</b>		<b>Restated 2021</b>	
	<b>Proprietary Funds</b>		<b>Proprietary Funds</b>	
	<b>Operating Fund</b>	<b>Recovery Fund</b>	<b>Operating Fund</b>	<b>Recovery Fund</b>
Cash flows from operating activities:				
Cash received from fees	<b>\$ 3,977,008</b>	<b>\$ 760,213</b>	\$ 3,743,048	\$ 742,714
Cash received from operating revenues	<b>221,053</b>	-	158,403	-
Cash payments to employees for services (including benefits)	<b>(1,990,026)</b>	-	(1,707,904)	-
Cash payment to suppliers of good and services	<b>(1,826,013)</b>	<b>(659,042)</b>	(1,648,892)	(878,496)
Cash payments for interest on leased liabilities	<b>(3,190)</b>	-	(4,994)	-
Cash payments for other operating expenses	<b>(81,192)</b>	<b>(148)</b>	(68,887)	(1,851)
Net cash provided by (used in) operating activities	<b>297,640</b>	<b>101,023</b>	470,774	(137,633)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<b>(123,022)</b>	-	(3,132)	-
Principal payments on lease liabilities	<b>(69,198)</b>	-	(88,690)	-
Principal payments on loans	<b>(337,337)</b>	-	(327,169)	-
Interest payments on loans	<b>(37,715)</b>	-	(47,621)	-
Net cash used in capital and related financing activities	<b>(567,272)</b>	-	(466,612)	-
Cash flows from investing activities:				
Interest earnings	<b>7,782</b>	<b>604</b>	503	388
Net cash provided by investing activities	<b>7,782</b>	<b>604</b>	503	388
Net increase (decrease) in cash	<b>(261,850)</b>	<b>101,627</b>	4,665	(137,245)
Cash and cash equivalents - beginning of year	<b>4,999,370</b>	<b>472,584</b>	4,994,705	609,829
Cash and cash equivalents - end of year	<b>\$ 4,737,520</b>	<b>\$ 574,211</b>	<b>\$ 4,999,370</b>	<b>\$ 472,584</b>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	<b>\$ (26,468)</b>	<b>\$ 99,832</b>	\$ 336,316	\$ (137,286)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	<b>109,030</b>	-	106,236	-
Amortization, leased assets	<b>67,181</b>	-	88,094	-
Changes in assets and liabilities:				
Prepaid expenses	<b>1,441</b>	-	(7,135)	-
Accounts payable	<b>85,271</b>	<b>1,191</b>	(51,219)	(347)
Unearned revenue	<b>43,950</b>	-	(9,890)	-
Other accrued liabilities	<b>17,235</b>	-	8,372	-
Total adjustments	<b>324,108</b>	<b>1,191</b>	134,458	(347)
Net cash provided by (used in) operating activities	<b>\$ 297,640</b>	<b>\$ 101,023</b>	<b>\$ 470,774</b>	<b>\$ (137,633)</b>
Supplemental disclosure of cash flow information:				
Interest paid on note	<b>\$ 37,715</b>	<b>\$ -</b>	<b>\$ 47,621</b>	<b>\$ -</b>

*See Notes to Financial Statements*

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **Notes to Financial Statements**

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

#### **Description of Organization**

The North Carolina Licensing Board for General Contractors (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor of the State of North Carolina.

The Board is established to maintain minimum standards for services provided by general contractors.

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

On March 10, 1925, upon the creation of the Board pursuant to Article I, Chapter 87 of the General Statutes of the State of North Carolina, the Board began operations through its Operating Fund. The Board's Operating Fund has the right to retain as a reserve at least 10% of the total expense it incurs for each year's operation to meet any emergency that may arise. Any surplus may be paid over to the University of North Carolina for the use of the School of Engineering through the North Carolina Engineering Foundation. The revenues and expenses for the Operating Fund are shown as a proprietary (enterprise) fund.

On October 1, 1991, the Board established the Homeowners Recovery Fund (the "Recovery Fund"), as mandated by Section 87-15 of the General Statutes of the State of North Carolina. The North Carolina Licensing Board for General Contractors is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions of G.S. 87-15. The Recovery Fund reimburses the Board's Operating Fund for administrative costs on a monthly basis. The purpose of the fund is to reimburse homeowners who have suffered a reimbursable loss under the statute in constructing or altering a single-family residential dwelling unit. Accordingly, it is customary for the Board to have a number of such claims pending. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. The Recovery Fund is required by statute to maintain a minimum balance of \$250,000. The revenues and expenses for the Recovery Fund are shown as a proprietary (enterprise) fund. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

#### **Financial Reporting Entity**

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **Notes to Financial Statements**

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

#### **Basis of Presentation (Continued)**

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. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classify the Board's revenues as operating or non-operating revenues. 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 and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities, and are classified as non-operating in the financial statements.

In 2020, the Board approved a continuing education requirement as defined by NCGS 87-10.2 which requires 8 hours of continuing education (CE) for general contractors for eligibility to renew a general contractors license for the following license year and is effective for all qualifiers for Building, Residential and Unclassified (Building qualifier only) classification of licenses. The CE must be completed by November 30th for the following license year.

*Revenue Recognition - Recovery Fund* - Pursuant to Section 87-15 of the General Statutes of North Carolina, revenue of the Homeowners Recovery Fund is derived from fees collected by city and county inspectors for the issuance of permits for the construction or alteration of certain single-family residential dwelling units. Revenues earned but uncollected at year-end cannot be determined or reasonably estimated, and accordingly, revenues of the Homeowners Recovery Fund are recorded when collected.

#### **Changes in Financial Accounting and Reporting**

For the fiscal year ended December 31, 2022, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, and GASB Statement No. 98, The Annual Comprehensive Financial Report.

# **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

## **Notes to Financial Statements**

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

#### **Changes in Financial Accounting and Reporting (Continued)**

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 CAFR 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 of use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-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**

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

#### **Right-of-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-of-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-of-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.

#### **Compensated Absences (Vacation and Sick Leave)**

In 2022, the Board modified their compensated absence policy to revert back to the prior policy effective before May, 1 2015. Under this policy eligible employees can accumulate up to thirty days earned vacation and such leave is fully vested when earned; and at the end of each calendar year, accrued vacation leave amounts in excess of the limits are transferred and added to sick leave balances. The Board's sick leave policy provides for an unlimited accumulation of earned sick leave, however, the sick leave is not fully vested when earned, and is only payable when taken, or on retirement upon attaining the age of 59 1/2 years.

Generally, the Board has no obligation for accumulated sick leave until it is actually taken, or until retirement upon attaining the age of 59 1/2 years, therefore, no accrual for sick leave is made unless the affected employee(s) has attained the specified retirement age and has officially retired or given notice of their retirement. As of December 31, 2022 and 2021, the Board has an unrecorded contingent liability for sick leave in the amount of \$255,835 and \$237,832, respectively.

As of December 31, 2022 and 2021, the Board paid \$0 and \$4,885, respectively, to employees for accumulated sick leave under the leave policy.



## NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

### Notes to Financial Statements

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

##### **Capital Assets**

Property and equipment items are stated at cost and are being depreciated over their useful lives on a straight-line basis. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction. The Board capitalizes assets that have a value or cost of \$2,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, estimated as follows: building and improvements, 10 to 75 years and office furniture and equipment, 5 to 10 years.

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records and any gain or loss on the disposition is reflected as a non-operating activity for the year.

##### **Unearned Revenue**

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in advance are deferred and recognized as revenue over the one year period to which they relate.

##### **Net Position**

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

*Restricted* - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

*Unrestricted net position* - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. The Board has designated a portion of unrestricted net position for legal expenses in the amount of \$600,000 and for accrued compensated leave due to employees upon termination in the amount of \$250,000 as of December 31, 2022. The amount designated for accrued compensated leave is maintained in a separate bank account which is included in cash and cash equivalents in the accompanying Statement of Net Position.

##### **Use of 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 certain reported amounts of assets and liabilities and disclosures of contingent 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.

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## Notes to Financial Statements

### NOTE 2 - DEPOSITS

The Board's deposits include cash on deposit with financial institutions and money market accounts. At December 31, 2022, the Board's Operating Fund deposits in commercial financial institutions had a carrying value of \$4,737,520 and a bank balance of \$4,741,538. At December 31, 2022, the Board's Recovery Fund deposits in commercial financial institutions had a carrying value of \$574,211 and a bank balance of \$650,929.

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. The Board's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of December 31, 2022, the uninsured balances were \$4,241,538 and \$400,929 for the Board's Operating Fund and Recovery Fund, respectively.

### NOTE 3 - CAPITAL ASSETS

Capital assets consist of the following:

	Cost 12/31/2021	Acquisitions	Disposals	Cost 12/31/2022	Accumulated Depreciation	Net Amount
Land	\$ 1,078,039	\$ -	\$ -	\$ 1,078,039	\$ -	\$ 1,078,039
Building	5,376,861	-	-	5,376,861	885,879	4,490,982
Furniture/ equipment	851,760	123,021	-	974,781	813,712	161,069
	<u>\$ 7,306,660</u>	<u>\$ 123,021</u>	<u>\$ -</u>	<u>\$ 7,429,681</u>	<u>\$ 1,699,591</u>	<u>\$ 5,730,090</u>

  

	Cost 12/31/2020	Acquisitions	Disposals	Cost 12/31/2021	Accumulated Depreciation	Net Amount
Land	\$ 1,078,039	\$ -	\$ -	\$ 1,078,039	\$ -	\$ 1,078,039
Building	5,376,861	-	-	5,376,861	814,420	4,562,441
Furniture/ equipment	842,788	3,132	-	851,760	776,142	75,618
	<u>\$ 7,297,688</u>	<u>\$ 3,132</u>	<u>\$ -</u>	<u>\$ 7,306,660</u>	<u>\$ 1,590,562</u>	<u>\$ 5,716,098</u>

Depreciation expense was \$109,030 and \$106,236 for the years ended December 31, 2022 and 2021, respectively.

### NOTE 4 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board signed lease agreements for vehicles and office equipment, including copiers. The leases have varying expiration dates ranging from 2023-2026.

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## Notes to Financial Statements

### NOTE 4 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

Lease expenses were comprised of the following:

	<u>2022</u>	<u>2021</u>
Amortization expense by class of underlying asset:		
Office equipment	\$ 23,714	\$ 44,627
Vehicles	<u>43,467</u>	<u>43,467</u>
	<u>67,181</u>	<u>88,094</u>
Interest on lease liabilities	<u>3,190</u>	<u>4,994</u>
Total lease expense	<u>\$ 70,371</u>	<u>\$ 93,088</u>

Right-of-use leased assets activity:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2022</u>
Office equipment	\$ 78,450	\$ -	\$ (39,438)	\$ 39,012
Vehicles	<u>130,401</u>	<u>57,881</u>	<u>(130,401)</u>	<u>57,881</u>
Less: accumulated amortization	<u>(135,025)</u>	<u>(67,181)</u>	<u>169,839</u>	<u>(32,367)</u>
Right-of-use assets, net	<u>\$ 73,826</u>	<u>\$ (9,300)</u>	<u>\$ -</u>	<u>\$ 64,526</u>

	<u>12/31/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2021</u>
Office equipment	\$ 148,427	\$ -	\$ (69,978)	\$ 78,449
Vehicles	<u>130,401</u>	<u>-</u>	<u>-</u>	<u>130,401</u>
Less: accumulated amortization	<u>(116,909)</u>	<u>(88,094)</u>	<u>69,978</u>	<u>(135,025)</u>
Right-of-use assets, net	<u>\$ 161,919</u>	<u>\$ (88,094)</u>	<u>\$ -</u>	<u>\$ 73,825</u>

Lease liabilities were comprised of the following:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2022</u>
Total lease liabilities	<u>\$ 77,035</u>	<u>\$ 57,882</u>	<u>\$ (69,198)</u>	<u>\$ 65,719</u>

	<u>12/31/2020</u>	<u>Additions</u>	<u>Subtractions</u>	<u>12/31/2021</u>
Total lease liabilities	<u>\$ 165,725</u>	<u>\$ -</u>	<u>\$ (88,690)</u>	<u>\$ 77,035</u>

Future lease payments are comprised of the following:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	\$ 21,917	\$ 2,980	\$ 24,897
2024	19,472	1,871	21,343
2025	15,119	961	16,080
2026	<u>9,211</u>	<u>170</u>	<u>9,381</u>
	<u>\$ 65,719</u>	<u>\$ 5,982</u>	<u>\$ 71,701</u>

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS****Notes to Financial Statements**

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**NOTE 5 - NOTE PAYABLE**

The Board entered into a loan agreement with a local financial institution to fund the purchase of the land and office building in which it operates. The note is due in monthly installments of \$31,254, at 2.95% interest, through December 17, 2025 and is secured by the land and building. The original issuance amount for this loan was \$4,500,000. The loan was refinanced with a lower interest rate and a lower payment amount effective January 2016.

The estimated maturities of debt for each of the years subsequent to December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 347,589	\$ 27,463
2024	358,073	16,979
2025	371,213	6,065
	<u>\$1,076,875</u>	<u>\$ 50,507</u>

**NOTE 6 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities (note payable and accrued compensated absences) for the years ended December 31, 2022 and 2021 is presented as follows.

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Long-term</u> <u>Portion</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 1,414,212	\$ -	\$ 337,337	\$ 1,076,875	\$ 729,286	\$ 347,589
Compensated absences	96,925	110,070	92,835	114,160	114,160	-
	<u>\$1,511,137</u>	<u>\$ 110,070</u>	<u>\$ 430,172</u>	<u>\$ 1,191,035</u>	<u>\$ 843,446</u>	<u>\$ 347,589</u>

  

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Long-term</u> <u>Portion</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 1,741,381	\$ -	\$ 327,169	\$ 1,414,212	\$ 1,076,852	\$ 337,360
Compensated absences	88,553	107,663	99,291	96,925	96,925	-
	<u>\$1,829,934</u>	<u>\$ 107,663</u>	<u>\$ 426,460</u>	<u>\$ 1,511,137</u>	<u>\$1,173,777</u>	<u>\$ 337,360</u>

**NOTE 7 - PENSION AND RETIREMENT PLANS AND POSTEMPLOYMENT BENEFITS**

On June 1, 1983, the General Assembly of North Carolina enacted legislation which excludes certain licensing boards (including the North Carolina Licensing Board for General Contractors) from membership in the Teachers' and State Employees' Retirement System (TSERS) of North Carolina. Accordingly, the Board has no employees eligible to participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS). Additionally, the Board has no previously employed persons eligible to participate in TSERS who qualify for postemployment benefits. The Board has established a separate retirement plan for its employees. The Board assumes no liability for retirement benefits provided other than its required contributions.

## **NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**

### **Notes to Financial Statements**

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#### **NOTE 7 - PENSION AND RETIREMENT PLANS AND POSTEMPLOYMENT BENEFITS (Continued)**

##### **IRC 414(h) Plan**

Effective January 1, 2001, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 414(h). During 2021, nineteen employees were covered under the plan. Only the Board and Board employees contribute to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. Eligible employees must contribute at least 6% of their qualifying compensation each year and the Board matches those contributions 100%. Employees' contributions are immediately 100% vested; the Board's contributions are 100% vested after 5 years of credited service.

The Board's total covered payroll for 2022 and 2021 was \$1,487,318 and \$1,283,333, respectively. The total contribution for the year ended December 31, 2022 was \$179,895 which consisted of \$86,400 from the Board and \$93,495 from employees. The total contribution for the year ended December 31, 2021 was \$164,036 which consisted of \$72,874 from the Board and \$91,162 from employees.

#### **NOTE 8 - ADMINISTRATIVE REIMBURSEMENT FROM RECOVERY FUND TO OPERATING FUND**

The Board provides office space and administrative and clerical services for the Recovery Fund's operation. A monthly administrative fee was reimbursed to the Board's Operating Fund for the fiscal years ended December 31, 2022 and 2021. The annual administrative fee was \$79,200 for 2022 and 2021. Additionally, direct operating expenses of the Recovery Fund such as professional fees, and specifically identifiable office expenses are paid from the Recovery Fund's separately maintained special account.

#### **NOTE 9 - 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 by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims (other than claims by employees for health related coverages) were filed during any of the last three fiscal years.

#### **NOTE 10 - CONTINGENCIES**

##### **Disciplinary Hearings**

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years ended December 31, 2022 or 2021.

# NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

## Notes to Financial Statements

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### NOTE 10 - CONTINGENCIES (Continued)

#### Recovery Fund Claims

The Recovery Fund of the North Carolina Licensing Board for General Contractors is presented with a number of claims throughout each year requesting reimbursement for reimbursable losses as defined under North Carolina General Statute 87-15. There were no awarded but unpaid claims payable at December 31, 2022 and 2021. There were \$3,936,415 and \$3,422,982 of pending but unawarded claims at December 31, 2022 and 2021, respectively. Further, there were incurred but unreported losses at each year end which are statistically inestimable. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. Accordingly, in the opinion of management of the Board, the resulting liabilities of such claims do not materially affect the Board's operations, changes in financial position, or cash flows for the years ended December 31, 2022 or 2021.

The Board has a contingent liability for sick leave as disclosed in Note 1 - Compensated Absences (Vacation and Sick Leave).

### NOTE 11 - RESTATEMENT

The adoption of GASB Statement No. 87 changed the manner in which the Board accounts for leases which provide the Board the right-of-use. Under GASB Statement No. 87, a lessee is required to recognize an intangible right-of-use lease asset and a lease liability.

Right-of-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-of-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.

The effects of the changes as of and for the year ended December 31, 2021 are as follows:

	As Originally Reported	As Adjusted	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position:			
Computer and website support	\$ 295,411	\$ 274,172	\$ (21,239)
Vehicle operating costs	65,665	19,126	(46,539)
Machine rental and maintenance	39,319	13,413	(25,906)
Lease amortization expense	-	88,094	88,094
Interest expense on lease liabilities	-	4,994	4,994
Net position - beginning of year	7,219,056	7,215,250	(3,806)
Statement of Net Position:			
Right-of-use leased assets, net of amortization	\$ -	\$ 73,825	\$ 73,825
Current portion of lease liabilities	-	63,505	63,505
Lease liabilities	-	13,530	13,530

**NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS**  
**Notes to Financial Statements**

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**NOTE 12 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through April 19, 2023, 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 105 hours at a cost of \$18,000.