

**NORTH CAROLINA REAL ESTATE
COMMISSION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



NORTH CAROLINA REAL ESTATE COMMISSION

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	4
<i>Financial Statements</i>	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
<i>Supplementary Information</i>	
Proportionate Share of Net OPEB Liability	18

NORTH CAROLINA REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

This section of the North Carolina Real Estate Commission's (the "Commission") financial report presents a narrative overview and analysis of the Commission's financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the Commission's financial statements and notes to the financial statements which follow this section.

Financial Highlights

The Commission's Operating Fund revenues decreased \$377,659 or 3.67%, attributable primarily to a decrease in applications.

Operating Fund expenses increased by \$728,458 or 8.76%, attributable primarily to increases in personnel costs and Commission operating expenses. The Real Estate Education and Recovery Fund (Recovery Fund) expenses were \$0 for claims approved to be paid in the fiscal year ended June 30, 2023.

Net non-operating revenues increased \$214,552 or 11,528.86% attributable primarily to the increase in investment income offset by the disposal of equipment.

As a result of this year's operations, the Commission's net position increased by \$1,074,400 or 5.27%. The net position of the Commission's Operating Fund increased by \$1,050,616. The net position of the Commission's Recovery Fund increased by \$23,784.

The Commission's Investment in Capital Assets balance (net of accumulated depreciation) was \$4,867,976, a decrease of 5.59% from the prior year-end. This decrease was attributable to capital asset additions less disposals in the fiscal year ended June 30, 2023.

Overview of the Financial Statements

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

The Commission's financial statements report activities for its Operating Fund and its Recovery Fund. The Recovery Fund is an Expendable Trust Fund established in 1979 by N.C.G.S. 93A-16. The Commission is responsible for the administration and maintenance of the Recovery Fund. The Recovery Fund and its function is described in detail in the Notes to the Financial Statements and its activities are reported in a separate column in the financial statements.

Basic Financial Statements

The Commission's financial statements report information about the Commission's operations using a single proprietary (enterprise) fund. Proprietary funds use the accrual method of accounting for operations. This method of presentation is similar to the private sector industry whereby the intent of the organization 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 REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

Basic Financial Statements (Continued)

The Statement of Net Position (page 7) presents all of the Commission's assets and liabilities and reports the difference between them as net position. Current and non-current portions of assets and liabilities are reported separately. Over time, increases or decreases in the Commission's net position is one indicator of whether its financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position (page 8) presents information on how the Commission's assets changed as a result of the fiscal year's operations.

The Statement of Cash Flows (page 9) presents information on how the Commission's cash changed as a result of the fiscal year's operations.

The Notes to the Financial Statements (starting page 10) are an integral part of the financial statements and provide additional information that is essential to a full understanding of the financial statements as a whole.

The following presents condensed financial statement information for the Commission for the past three fiscal years:

	2023	2022	2021
Current assets	\$ 21,214,711	\$ 20,858,014	\$ 19,322,112
Non-current assets	6,316,605	5,657,214	5,301,791
Total assets	27,531,316	26,515,228	24,623,903
Current liabilities	5,631,799	5,711,539	5,737,052
Non-current liabilities	452,332	401,368	386,042
Deferred inflows of resources	-	29,536	59,072
Total liabilities	6,084,131	6,142,443	6,182,166
Invested in capital assets	4,867,976	5,156,036	5,301,791
Restricted	1,519,185	1,495,401	776,289
Unrestricted	15,060,024	13,721,348	12,363,657
Total net position	\$ 21,447,185	\$ 20,372,785	\$ 18,441,737
Operating revenues	\$ 9,907,416	\$ 10,283,675	\$ 11,150,678
Operating expenses	9,045,707	8,350,766	7,338,298
Operating income	861,709	1,932,909	3,812,380
Non-operating revenues (expenses)	212,691	(1,861)	37,825
Changes in net position	\$ 1,074,400	\$ 1,931,048	\$ 3,850,205

NORTH CAROLINA REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

Events/Conditions (Expected to Impact) Affecting Future Operations

- A guarded economic environment, easily influenced by the stock market and U.S. and world events could disrupt the real estate market at any time and adversely impact revenue.
- The Commission's investments are positioned well in safer fixed income securities and will be able to perform with less risk in tougher overall markets.
- The number of licensees who move their license status to inactive or who do not complete their post-licensing requirements after initial licensure reduces the number of licensees completing continuing education requirements. This adversely affects continuing education course student fee income. Therefore, this income fluctuates with licensees' expectations of success in the real estate market in the current economic environment.
- The total number of licensees has continued to increase every year since fiscal year 2015.
- Significant structural shifts in organized real estate occurring around the nation could impact Commission operations.

Contacting the Commission

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives and expends. If you have questions about this report or need additional information, contact the North Carolina Real Estate Commission, Administration Division, P.O. Box 17100, Raleigh, NC 27619-7100.



Independent Auditor's Report

Board of Directors
North Carolina Real Estate Commission
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Real Estate Commission (the "Commission"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2023 and 2022, 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 Commission'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 Commission as of June 30, 2023 and 2022, and the 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements presented are only for the Commission and do not purport to, and do not present fairly, the financial position of the State of North Carolina as of June 30, 2023 and 2022, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 1 - 3 and the Schedule of Proportionate Share of Net OPEB Liability on page 18 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
October 11, 2023

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Net Position
June 30, 2023 and 2022

	2023			2022		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
ASSETS:						
Current assets:						
Cash	\$ 6,515,018	\$ 145,934	\$ 6,660,952	\$ 5,154,861	\$ 851,401	\$ 6,006,262
Investments - current portion	12,695,235	1,361,097	14,056,332	13,811,669	651,606	14,463,275
Inventory	95,558	-	95,558	96,471	-	96,471
Accrued interest	85,602	12,154	97,756	8,337	911	9,248
Accounts receivable	19,640	-	19,640	64,114	-	64,114
Prepaid expenses	284,473	-	284,473	218,644	-	218,644
Total current assets	19,695,526	1,519,185	21,214,711	19,354,096	1,503,918	20,858,014
Non-current assets:						
Investments - long-term portion	1,448,629	-	1,448,629	501,178	-	501,178
Capital assets, net of depreciation	4,867,976	-	4,867,976	5,156,036	-	5,156,036
Total non-current assets	6,316,605	-	6,316,605	5,657,214	-	5,657,214
Total assets	26,012,131	1,519,185	27,531,316	25,011,310	1,503,918	26,515,228
LIABILITIES:						
Current liabilities:						
Accounts payable and accrued liabilities	131,239	-	131,239	160,259	8,517	168,776
Unearned revenues	5,457,300	-	5,457,300	5,505,110	-	5,505,110
Accrued leave - current portion	43,260	-	43,260	37,653	-	37,653
Total current liabilities	5,631,799	-	5,631,799	5,703,022	8,517	5,711,539
Non-current liabilities:						
Accrued leave - long-term portion	452,332	-	452,332	401,368	-	401,368
Total non-current liabilities	452,332	-	452,332	401,368	-	401,368
Total liabilities	6,084,131	-	6,084,131	6,104,390	8,517	6,112,907
DEFERRED INFLOWS OF RESOURCES:						
Pension and other postemployment benefit	-	-	-	29,536	-	29,536
NET POSITION:						
Invested in capital assets	4,867,976	-	4,867,976	5,156,036	-	5,156,036
Restricted	-	1,519,185	1,519,185	-	1,495,401	1,495,401
Unrestricted	15,060,024	-	15,060,024	13,721,348	-	13,721,348
Total net position	\$ 19,928,000	\$ 1,519,185	\$ 21,447,185	\$ 18,877,384	\$ 1,495,401	\$ 20,372,785

See Notes to Financial Statements.

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023			2022		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
Operating revenues:						
License renewals	\$ 5,699,490	\$ -	\$ 5,699,490	\$ 5,485,885	\$ -	\$ 5,485,885
Application fees	1,842,600	-	1,842,600	2,446,040	-	2,446,040
Publication fees	236,053	-	236,053	276,960	-	276,960
Course registration fees	273,830	-	273,830	301,775	-	301,775
Continuing education course student fees	1,742,160	-	1,742,160	1,700,590	-	1,700,590
Certification fees	33,985	-	33,985	37,845	-	37,845
Miscellaneous	76,248	3,050	79,298	32,930	1,650	34,580
Total operating revenues	9,904,366	3,050	9,907,416	10,282,025	1,650	10,283,675
Operating expenses:						
Personnel	6,661,627	-	6,661,627	5,975,202	-	5,975,202
Commission	166,794	-	166,794	125,658	-	125,658
Building	259,975	-	259,975	326,459	-	326,459
Supplies and equipment	374,168	-	374,168	451,828	-	451,828
Information technology	635,956	-	635,956	547,734	-	547,734
Education and examination	73,399	-	73,399	7,581	-	7,581
Professional services	25,495	-	25,495	24,601	-	24,601
Mail services	11,644	-	11,644	11,519	-	11,519
Credit card merchant charges	225,900	-	225,900	223,678	-	223,678
Depreciation	552,915	-	552,915	563,728	-	563,728
Miscellaneous	57,834	-	57,834	59,261	-	59,261
Claims	-	-	-	-	33,517	33,517
Total operating expenses	9,045,707	-	9,045,707	8,317,249	33,517	8,350,766
Operating income (loss)	858,659	3,050	861,709	1,964,776	(31,867)	1,932,909
Non-operating revenues (expenses):						
Net investment income	320,805	20,734	341,539	22,018	979	22,997
Loss on disposal of equipment	(128,848)	-	(128,848)	(24,858)	-	(24,858)
Total non-operating revenues (expenses)	191,957	20,734	212,691	(2,840)	979	(1,861)
Changes in net position	1,050,616	23,784	1,074,400	1,961,936	(30,888)	1,931,048
Transfer to Recovery Fund	-	-	-	(750,000)	750,000	-
Net position - beginning of year	18,877,384	1,495,401	20,372,785	17,665,448	776,289	18,441,737
Net position - end of year	\$ 19,928,000	\$ 1,519,185	\$ 21,447,185	\$ 18,877,384	\$ 1,495,401	\$ 20,372,785

See Notes to Financial Statements.

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023			2022		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
Cash flows from operating activities:						
Cash received from fees	\$ 9,901,030	\$ -	\$ 9,901,030	\$10,254,506	\$ -	\$ 10,254,506
Cash payments to employees for services	(6,634,592)	-	(6,634,592)	(5,985,344)	-	(5,985,344)
Cash payments for operating expenses	(710,503)	-	(710,503)	(770,116)	-	(770,116)
Cash payments to suppliers of goods & services	(1,214,598)	-	(1,214,598)	(974,281)	-	(974,281)
Cash payments for Recovery Fund expenses	-	(5,467)	(5,467)	-	(23,350)	(23,350)
Net cash provided by (used in) operating activities	<u>1,341,337</u>	<u>(5,467)</u>	<u>1,335,870</u>	<u>2,524,765</u>	<u>(23,350)</u>	<u>2,501,415</u>
Cash flows from noncapital financing activities:						
Transfer from Operating Fund to Recovery Fund	-	-	-	(750,000)	750,000	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>750,000</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(393,704)	-	(393,704)	(442,831)	-	(442,831)
Net cash used in capital and related financing activities	<u>(393,704)</u>	<u>-</u>	<u>(393,704)</u>	<u>(442,831)</u>	<u>-</u>	<u>(442,831)</u>
Cash flows from investing activities:						
Purchases of investments	(5,311,016)	(709,491)	(6,020,507)	(13,049,798)	(97)	(13,049,895)
Sales of investments	5,480,000	-	5,480,000	11,496,791	-	11,496,791
Net investment income	243,540	9,491	253,031	19,037	98	19,135
Net cash provided by (used in) investing activities	<u>412,524</u>	<u>(700,000)</u>	<u>(287,476)</u>	<u>(1,533,970)</u>	<u>1</u>	<u>(1,533,969)</u>
Net increase (decrease) in cash	<u>1,360,157</u>	<u>(705,467)</u>	<u>654,690</u>	<u>(202,036)</u>	<u>726,651</u>	<u>524,615</u>
Cash - beginning of year	<u>5,154,861</u>	<u>851,401</u>	<u>6,006,262</u>	<u>5,356,897</u>	<u>124,750</u>	<u>5,481,647</u>
Cash - end of year	<u>\$ 6,515,018</u>	<u>\$ 145,934</u>	<u>\$ 6,660,952</u>	<u>\$ 5,154,861</u>	<u>\$ 851,401</u>	<u>\$ 6,006,262</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 858,659	\$ 3,050	\$ 861,709	\$ 1,964,776	\$ (31,867)	\$ 1,932,909
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	552,915	-	552,915	563,728	-	563,728
Changes in assets and liabilities:						
Accounts receivable	44,474	-	44,474	23,486	-	23,486
Inventory	913	-	913	(8,406)	-	(8,406)
Prepaid expenses	(65,829)	-	(65,829)	29,421	-	29,421
Accounts payable and accrued liabilities	(29,020)	(8,517)	(37,537)	12,907	8,517	21,424
Unearned revenues	(47,810)	-	(47,810)	(51,005)	-	(51,005)
Accrued leave	56,571	-	56,571	19,394	-	19,394
Deferred inflows of resources	(29,536)	-	(29,536)	(29,536)	-	(29,536)
Total adjustments	<u>482,678</u>	<u>(8,517)</u>	<u>474,161</u>	<u>559,989</u>	<u>8,517</u>	<u>568,506</u>
Net cash provided by (used in) operating activities	<u>\$ 1,341,337</u>	<u>\$ (5,467)</u>	<u>\$ 1,335,870</u>	<u>\$ 2,524,765</u>	<u>\$ (23,350)</u>	<u>\$ 2,501,415</u>

See Notes to Financial Statements.

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The North Carolina Real Estate Commission (the "Commission") is an independent agency of the State of North Carolina ("State"). It is an occupational licensing board and is authorized by Chapter 93A of the North Carolina General Statutes (NCGS). The Commission is composed of nine members who are appointed by the Governor and the General Assembly of the State of North Carolina.

The Commission is established to maintain minimum standards for real estate brokerage services provided for transactions involving real property through the examination and licensure of all who engage in real estate brokerage.

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

On July 1, 1957, upon the creation of the Commission pursuant to Article I, Section 93A of the NCGS, the Commission began operations through its Operating Fund.

On September 1, 1979, the Commission transferred \$100,000 from its Operating Fund to establish the Real Estate Recovery Fund, a special fund as mandated by Article 2, Section 93A-16 of the NCGS. On June 23, 2011, the fund was expanded to the Real Estate Education and Recovery Fund ("Recovery Fund"). The Commission is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions of General Statute 93A-16. Effective June 30, 1987, the Commission may transfer to the Recovery Fund additional sums of money from whatever funds the Commission may have. In addition, if on December 31 of any year the amount remaining in the Recovery Fund is less than \$50,000, the Commission may determine that each person or entity licensed under this Chapter, when renewing his/her or its license, shall pay in addition to the license renewal fee, a fee not to exceed ten dollars (\$10.00) per broker as shall be determined by the Commission for the purpose of replenishing the Recovery Fund. Further, the Recovery Fund shall not be used for educational purposes if an educational expenditure would cause the fund balance to drop below \$200,000. The Commission also monitors the Recovery Fund to satisfy judgments by aggrieved persons who have suffered a direct monetary loss by reason of certain acts committed by any person licensed under NCGS Chapter 93A. Payments from the Recovery Fund cannot exceed \$25,000 for any one licensee within a single calendar year, or \$75,000 in the aggregate for any one licensee.

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"). All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

For financial reporting purposes, the Commission 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).

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

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

Reporting Entity (Continued)

These financial statements for the Commission are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Accounting

The basic financial statements of the Commission are 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 recorded when a liability has been incurred, regardless of the timing of the cash flows. The Commission classifies its revenue and expenses as operating and non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

Cash and Cash Equivalents

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of reporting the statements of cash flows, the Commission considers all highly liquid investments purchased with a maturity of three months or less as cash equivalents. Cash held in money market accounts awaiting re-investment are not deemed cash equivalents for purposes of reporting the Statements of Cash Flows.

Investments

Investments consist of cash held in money market accounts awaiting reinvestment and certificates of deposit. The certificates of deposit are recorded at cost plus accrued interest to date. Accrued interest is reported as a separate line item on the accompanying Statements of Net Position.

Inventory

Inventory consists of real estate manuals and publications and is recorded at cost.

Accounts Receivable

Accounts receivable consists primarily of amounts due from publication sales. All amounts are believed to be collectible and an allowance for doubtful accounts is not deemed necessary.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. Capital assets are stated at cost at the date of acquisition and are depreciated over their estimated useful lives ranging from 5 years to 40 years on a straight-line basis.

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

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

Long-Lived Assets (Continued)

The Commission's policy is to capitalize property and equipment when acquired at a cost of \$1,000 or more and all other long-lived assets acquired at a cost of \$5,000 or more. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records. Any gain or loss on disposition is reflected as a non-operating activity.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission has the following item that meets the criterion for this category - deferrals of other postemployment benefit expense that resulted from the implementation of GASB Statement No. 75. As of June 30, 2023, the Commission reported \$0 in deferred inflows of resources.

Unearned Revenue

The Commission's fees which are collected in advance are recorded as unearned revenue at year-end and recognized as revenue when the license period begins in the next fiscal year.

Accrued Leave

Commission employees may accumulate up to 240 hours of general leave that can be paid out at termination or retirement.

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.

Net Position

The Commission's net position is classified as follows:

Invested in Capital Assets - This represents the Commission's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of net assets which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - 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. The Commission has designated \$250,000 of the unrestricted net assets to cover building improvements, and \$250,000 for future furniture and equipment costs. The Commission may change such reserved amounts based on perceived operating conditions and situations.

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

The Commission has a formal Investment Policy which specifically addresses where and how the Commission invests its funds. Among other things, the policy includes target goals for the deposit of funds in NC pooling institutions, non-NC pooling institutions, and minority owned depository institutions; laddering of terms for future availability; and protection of the funds through collateralization, insurance and other lawful means.

The Commission's deposits and investments include cash on deposit with financial institutions, money market accounts and certificates of deposit.

The Commission 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 Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2023, the Commission's Operating Fund deposits and investments had a carrying amount of \$20,658,882 and bank balances of \$20,371,740. Of the bank balances, \$16,246,352 was covered by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NUCA), \$704,570 was covered by the Securities Investor Protection Corporation (SIPC), and \$3,420,818 was uninsured in certain financial institutions that had pledged collateral to protect the uninsured balances. The Operating Fund had \$0 in financial institutions that was uninsured and uncollateralized. At June 30, 2023, the Commission's Recovery Fund deposits and investments had a carrying amount and bank balance of \$1,507,031. Of the bank balance, \$1,507,031 was covered by the FDIC and \$0 was uninsured in certain financial institutions that had pledged collateral to protect the uninsured balances. The Recovery Fund had \$0 in financial institutions that was uninsured and uncollateralized.

Interest rate risk: Interest rate risk is the risk that the Commission may face should interest rate variances affect the fair value of investments. The Commission manages its exposure to declines in fair values by limiting the weighted average maturity of its certificates of deposit.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission manages credit risk by diversifying its investment portfolio. Investments are limited to certificates of deposit and money market accounts in financial institutions.

The following table presents the cost plus accrued interest value of investments and investments subject to interest rate and credit risk at June 30, 2023.

	Cost Plus Accrued Interest	Weighted Average Maturity	Ratings
Certificates of deposit	\$14,898,147	7 months	N/A

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Commission is Subject to the Following Risks (Continued)

A reconciliation of deposits and investments for the Commission to the basic financial statements at June 30, 2023, is as follows:

Checking and savings accounts	\$ 2,900,452
Money market accounts	4,465,070
Certificates of deposit	14,800,391
Total deposits and investments	<u>\$22,165,913</u>
Current:	
Cash and cash equivalents	\$ 6,660,952
Investments	14,056,332
Noncurrent:	
Investments	1,448,629
Total deposits and investments	<u>\$22,165,913</u>

NOTE 3 - CAPITAL ASSETS

Capital assets are comprised of the following:

	Cost 6/30/2022	Additions	Retirements	Cost 6/30/2023	Accumulated Depreciated	Net Amount
Building/Land	\$ 4,312,250	\$ -	\$ -	\$ 4,312,250	\$ 1,269,729	\$ 3,042,521
Building						
Improvements	1,115,223	250,079	-	1,365,302	375,131	990,171
Furniture/						
Equipment	3,035,096	143,625	(526,736)	2,651,985	1,816,701	835,284
Totals	<u>\$ 8,462,569</u>	<u>\$ 393,704</u>	<u>\$ (526,736)</u>	<u>\$ 8,329,537</u>	<u>\$ 3,461,561</u>	<u>\$ 4,867,976</u>
	Cost 6/30/2021	Additions	Retirements	Cost 6/30/2022	Accumulated Depreciated	Net Amount
Building/Land	\$ 4,312,250	\$ -	\$ -	\$ 4,312,250	\$ 1,171,789	\$ 3,140,461
Building						
Improvements	1,043,223	72,000	-	1,115,223	299,744	815,479
Furniture/						
Equipment	2,790,603	370,831	(126,338)	3,035,096	1,835,000	1,200,096
Totals	<u>\$ 8,146,076</u>	<u>\$ 442,831</u>	<u>\$ (126,338)</u>	<u>\$ 8,462,569</u>	<u>\$ 3,306,533</u>	<u>\$ 5,156,036</u>

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 4 - NON-CURRENT LIABILITIES

Changes in non-current liabilities are as follows:

	Balance 6/30/2022	Increases	Decreases	Balance 6/30/2023	Current Portion
Accrued leave	<u>\$ 439,021</u>	<u>\$ 545,731</u>	<u>\$ 489,160</u>	<u>\$ 495,592</u>	<u>\$ 43,260</u>

	Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022	Current Portion
Accrued leave	<u>\$ 419,627</u>	<u>\$ 436,779</u>	<u>\$ 417,385</u>	<u>\$ 439,021</u>	<u>\$ 37,653</u>

Line of Credit:

The Commission had a line of credit ("LOC") agreement up to a maximum of \$500,000, with interest payable monthly at a floating rate of 1-month LIBOR and a maturity date of February 8, 2023. The LOC did not require an encumbrance of real property, and was unsecured with no guarantors on the LOC. The LOC was for interest only, payable monthly, on the outstanding principal balance; all remaining principal and any remaining interest due was payable at maturity. During the term, the Commission was able to borrow, repay, and re-borrow principal under the LOC. In the event of default, the LOC would have immediately terminated and all indebtedness would have become due and payable at the lender's option. Accelerations would be automatic and not optional if the event of default was due to insolvency. During the year ended June 30, 2023, the Commission closed this LOC. As of June 30, 2023 and 2022, the LOC had a balance of \$0.

NOTE 5 - RETIREMENT PLANS

North Carolina Licensing Boards Retirement Savings Plan

The North Carolina Licensing Boards Retirement Savings Plan ("Plan") is a multiple employer, cost-sharing defined contribution plan. The Plan was established to provide retirement benefits for employees of state boards or agencies who did not elect by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Employer, defined as the eight participating license boards, is empowered to appoint and remove the Trustee. Participating employees must contribute 6% of their gross pay and the Commission matches those contributions 100%. Employee's contributions are immediately 100% vested; the Commission's contributions are 100% vested after 5 years of credited service.

The Commission's payroll for employees covered by the Plan for the year ended June 30, 2023 was \$4,735,919; the Commission's total payroll was \$4,776,770. The Commission's payroll for employees covered by the Plan for the year ended June 30, 2022 was \$4,228,439; the Commission's total payroll was \$4,252,513. The total contribution for the year ended June 30, 2023 was \$708,047, which consisted of \$286,053 (net of forfeitures) from the Commission and \$421,994 from employees. The total contribution for the year ended June 30, 2022 was \$625,942, which consisted of \$234,688 (net of forfeitures) from the Commission and \$391,254 from employees.

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 5 - RETIREMENT PLANS (Continued)

Internal Revenue Code 457(k) Plan

In March 2010, the Commission began participation in the North Carolina Deferred Compensation Plan ("457"). All full time and permanent part time employees are eligible for participation in the plan.

Voluntary contributions by employees were \$56,130 and \$48,476 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Commission participates in the Retiree Health Benefit Fund ("RHBF"), an Other Postemployment Benefit ("OPEB") plan administered by the State of North Carolina. The RHBF provides health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, Local Education Agencies (LEAs), charter schools and some select local governments also participate.

The Commission employees that participated in the RHBF were retired as of the fiscal year ended June 30, 2017 and the Commission was no longer required to make contributions to the RHBF. For the year ended June 30, 2023, the Commission's contributions to the RHBF were \$0. For the year ended June 30, 2022, the Commission recognized other postemployment benefits expense of \$(29,536). During the year ended June 30, 2023, there was no change in the Commission's net OPEB liability or the Commission's net OPEB asset. The Commission reported a net OPEB liability of \$0 and a net OPEB asset of \$0 as of June 30, 2023 and June 30, 2022. As of June 30, 2023, the Commission reported \$0 in deferred inflows of resources related to RHBF.

NOTE 7 - RISK MANAGEMENT AND CONTINGENCIES

The Commission 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 Commission members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Commission under the State's public officers' and employees' liability insurance contract with a private insurance company. The Commission also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, workers' compensation and employers' liability.

The Commission is involved in disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management, the results of such actions during the years under audit do not materially affect the financial position of the Commission at year-end.

NOTE 8 - RECLASSIFICATIONS

Certain balances as previously reported have been reclassified to be consistent with those classifications used in the current year.

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

NOTE 9 - SUBSEQUENT EVENT

Management of the Commission evaluated subsequent events through October 11, 2023, which is the date the financial statements were available to be issued. Management discovered no subsequent events which should be disclosed.

The audit was conducted in approximately 120 hours at a cost of \$20,800.

NORTH CAROLINA REAL ESTATE COMMISSION
Proportionate Share of Net OPEB Liability
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportionate share percentage of collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00042%
Proportionate share of collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%

**Information for periods prior to the implementation of GASB 75 is unavailable.*