



October 13, 2023

Board of Directors and Management of
North Carolina Social Work Certification
and Licensure Board
Asheboro, North Carolina

We have audited the financial statements of the business-type activities of the North Carolina Social Work Certification and Licensure Board for the year ended June 30, 2023 and 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 05, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Carolina Social Work Certification and Licensure Board are described in Note 1 to the financial statements. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of the lease liability based on discount rate and corresponding right of use assets. We evaluated the key factors and assumptions used to estimate the lease asset and liabilities in determining that they are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

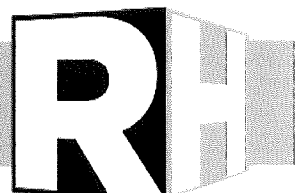
We applied certain limited procedures to the management discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Directors and management of the North Carolina Social Work Certification and Licensure Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

RH CPAs, PLLC

Lexington, North Carolina





Board of Directors and Management of
North Carolina Social Work Certification
and Licensure Board
Asheboro, North Carolina

In planning and performing our audit of the financial statements of the business-type activities of the North Carolina Social Work Certification and Licensure Board as of and for the year ended June 30, 2023 and 2022, in accordance with auditing standards generally accepted in the United States of America, we considered North Carolina Social Work Certification and Licensure Board's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Carolina Social Work and Certification and Licensure Board's internal control. Accordingly, we do not express an opinion on the effectiveness of North Carolina Social Work Certification and Licensure Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in North Carolina Social Work Certification and Licensure Board's internal control to be significant deficiencies:

1 – Significant deficiency regarding segregation of duties:

A good system of internal control procedures contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Board does not have sufficient personnel to permit an adequate segregation of duties in all respects for an effective system of internal control procedures, it is important that you be aware of this condition and continue to closely monitor the accounting functions. Management and the Board of Directors should continue to closely monitor financial statements for reasonableness and fluctuations from expectations.

2 – Significant deficiency regarding preparing financial statements:

The Board's internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the audited financial statements and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Board has limited controls over the financial reporting process including preparation of financial statements and footnote disclosures. While we recognize it may not be cost efficient for the Board management to prepare the financial statements and footnote disclosures, it is noted that management has adequate knowledge of and reviews the preparation of the audited financial statements.

3 – Significant deficiency regarding closing entries to the financial statements:

The Board's internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the audited financial statements and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Board has limited controls over the financial reporting process including preparation of journal entries to present their books on a Generally Accepted Accounting Procedures (GAAP) basis. While we recognize it may not be cost efficient for the Board management to prepare journal entries, it is noted that management has adequate knowledge of and reviews the preparation of the audited financial statements.

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

Very truly yours,

RH CPA's, PLLC

Lexington, North Carolina
October 13, 2023

**NORTH CAROLINA SOCIAL WORK
CERTIFICATION AND LICENSURE BOARD**

Financial Statements

Year Ended June 30, 2023 and 2022

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
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NC LEGISLATIVE STATUTORY DISCLOSURE REQUIREMENT CONCERNING AUDIT FEES

The audit was conducted in approximately 216 hours.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Management's Discussion and Analysis
June 30, 2023

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2023. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The operating revenues of the Board increased by \$115,850 or 10.28%. A review of the activity for the year found an increases in examinations, verification of credentials, and total number of certification/licensure renewals.
- The non-operating revenues of the Board increased \$60,460 or 1,131.15%, due to a significant increase in STIF account interest.
- The operating expenses of the Board increased by \$143,844 or 17.99%, which was due to a significant increase in professional fees for ethics investigations and increase in salaries.

Overview of the Basic Financial Statements

The financial report consists of three sections:

- *Management's Discussion and Analysis (required supplementary information)*
- *Independent Auditors' Report*
- *Basic Financial Statements*

The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The financial statements also include notes to the financial statements that provide detail of the information included in the financial statements.

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 the current and long-term portions of assets and liabilities separately.

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

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

Basic Financial Statements (Continued)

The following presents condensed financial information on the operations of the Board:

	As of and for the year ended June 30, 2023	As of and for the year ended June 30, 2022
Current assets	\$3,794,832	\$3,412,332
Capital assets, net of depreciation	1,355	6,866
Intangible assets, net of amortization	-	-
Right to use leased assets, net of amortization	<u>125,714</u>	<u>170,084</u>
Total assets	<u>3,937,771</u>	<u>3,589,282</u>
Current liabilities	<u>137,946</u>	<u>95,982</u>
Long-term obligations	<u>88,299</u>	<u>132,594</u>
Total liabilities	<u>226,245</u>	<u>228,576</u>
Net investment in capital assets	1,355	6,866
Board designated	1,000,000	1,000,000
Unrestricted	<u>2,694,301</u>	<u>2,353,840</u>
Total net position	<u>\$3,695,656</u>	<u>\$3,360,706</u>
Operating revenues	\$1,242,602	\$1,126,752
Operating expenses	<u>973,457</u>	<u>799,613</u>
Operating income	269,145	327,139
Non-operating income	<u>65,805</u>	<u>5,345</u>
Change in net position	<u>\$ 334,950</u>	<u>\$ 332,484</u>

Events Affecting Future Operations

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

Contacting the Board's Management

This financial report is intended to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it received and expends. If you have any questions about his report or need additional information, contact:

North Carolina Social Work Certification and Licensure Board
1207 S Cox Street, Suite F
Asheboro, NC 27203



Accounting • Tax • Advisory

Independent Auditors' Report

Board of Directors
North Carolina Social Work Certification
and Licensure Board
Asheboro, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Social Work Certification and Licensure Board, 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 North Carolina Social Work Certification and Licensure Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Social Work Certification and Licensure Board as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

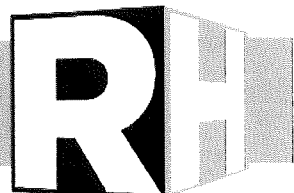
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires 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 any assurance.

RH CPA, PLLC

Lexington, North Carolina
October 13, 2023



NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

**Statements of Net Position
Years Ended June 30, 2023 and 2022**

	ASSETS	2023	2022
Current assets:			
Cash and cash equivalents		\$ 3,788,967	\$ 3,396,462
Accounts receivable		5,865	15,870
Total current assets		<u>\$ 3,794,832</u>	<u>\$ 3,412,332</u>
Capital assets:			
Leasehold improvements		-	13,937
Furniture and fixtures		31,806	31,806
Computer and office equipment		10,743	14,841
		<u>42,549</u>	<u>60,584</u>
Less accumulated depreciation		<u>(41,194)</u>	<u>(53,718)</u>
Total capital assets, net of depreciation		<u>1,355</u>	<u>6,866</u>
Intangible assets:			
Website development		8,515	8,515
Less accumulated amortization		<u>(8,515)</u>	<u>(8,515)</u>
Total intangible assets, net of amortization		<u>-</u>	<u>-</u>
Other assets:			
Right to use leased assets		214,454	214,454
Less accumulated amortization		<u>(88,740)</u>	<u>(44,370)</u>
Total other assets, net of amortization		<u>125,714</u>	<u>170,084</u>
Total assets		<u><u>\$ 3,921,901</u></u>	<u><u>\$ 3,589,282</u></u>

LIABILITIES AND NET POSITION

Current liabilities:			
Accounts payable		\$ 30,101	\$ 3,491
Accrued salaries and benefits		16,560	17,813
Accrued payroll taxes		6,829	1,185
Accrued compensated absences		39,643	31,099
Accrued interest payable		518	672
Current maturities of lease liability		<u>44,295</u>	<u>41,722</u>
Total current liabilities		<u>137,946</u>	<u>95,982</u>
Long-term obligations:			
Lease liability		<u>88,299</u>	<u>132,594</u>
Total liabilities		<u>226,245</u>	<u>228,576</u>
Net position:			
Unrestricted:			
Board designated		1,000,000	1,000,000
Undesignated		2,694,301	2,353,840
Net investment in capital assets		<u>1,355</u>	<u>6,866</u>
Total unrestricted net position		<u>3,695,656</u>	<u>3,360,706</u>
Total liabilities and net position		<u><u>\$ 3,921,901</u></u>	<u><u>\$ 3,589,282</u></u>

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Fees	\$ 1,242,602	\$ 1,126,752
Operating expenses:		
Travel - board members	34,645	32,598
Interest expense - leases	7,537	9,304
Retirement	37,453	12,710
Salaries	464,342	392,096
Insurance	84,189	84,442
Payroll taxes	38,127	32,599
Office supplies	18,719	14,380
Printing	3,746	5,823
Postage	11,219	9,218
Utilities	4,540	4,425
Miscellaneous	19,873	14,497
Professional fees - other	21,163	13,922
Professional fees - ethics	131,825	79,121
Depreciation	1,413	4,349
Amortization - leases	49,119	44,370
Dues and memberships	535	685
Website and computer maintenance	45,012	45,074
Total operating expenses	<u>973,457</u>	<u>799,613</u>
Operating income	<u>269,145</u>	<u>327,139</u>
Non-operating revenue:		
Interest income	<u>65,805</u>	<u>5,345</u>
Change in net position	334,950	332,484
Total net position, beginning of year	<u>3,360,706</u>	<u>3,028,222</u>
Total net position, end of year	<u><u>\$ 3,695,656</u></u>	<u><u>\$ 3,360,706</u></u>

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Cash received from fee income	\$ 1,252,607	\$ 1,152,942
Cash paid to employees and professionals	(644,684)	(514,223)
Cash paid to suppliers	(231,313)	(237,999)
Net cash flows provided from operating activities	<u>376,610</u>	<u>400,720</u>
Cash flows from capital and related financing activities:		
Change in capital assets	-	(963)
Interest paid on leases	(7,537)	(9,304)
Principal paid on leases	(42,373)	(40,138)
Net cash used by capital and related financing activities	<u>(49,910)</u>	<u>(50,405)</u>
Cash flows from investing activities:		
Receipt of interest income	65,805	5,345
Net cash provided from investing activities	<u>65,805</u>	<u>5,345</u>
Net increase in cash and cash equivalents	392,505	355,660
Cash and cash equivalents, beginning of year	<u>3,396,462</u>	<u>3,040,802</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,788,967</u></u>	<u><u>\$ 3,396,462</u></u>
Reconciliation of operating income		
to net cash flows provided from operating activities:		
Operating income	\$ 269,145	\$ 327,139
Adjustments to reconcile increase in net position		
to net cash provided from operating activities:		
Depreciation	1,413	4,349
Amortization - leases	49,119	44,370
Interest expense - leases	7,537	9,304
Cash provided from (used by) change in:		
Accounts receivable	10,005	26,190
Accounts payable	26,610	(14,638)
Accrued salaries and benefits	(1,253)	1,570
Accrued payroll taxes	5,644	(180)
Accrued compensated absences	8,544	1,944
Accrued interest payable	(154)	672
Net cash provided from operating activities	<u><u>\$ 376,610</u></u>	<u><u>\$ 400,720</u></u>

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Notes to the Financial Statements
June 30, 2023 and 2022

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

Established by Chapter 90B of the North Carolina General Statutes, the North Carolina Social Work Certification and Licensure Board (Board) is an occupational licensing board that grants certificates of qualification to those individuals who meet the legal requirements as a certified/licensed social worker. The Board's essential governmental function is to protect the public by setting standards for qualifications, training, and experience for those who seek to represent themselves to the public as a certified/licensed social worker and by promoting high standards of professional performance for those engaged in the practice of social work. The Board consists of seven members appointed by the Governor, and its income is derived primarily from licensure applications and renewal fees.

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 Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Financial Reporting Entity:

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

For financial reporting purposes, the Board is a non-major enterprise fund of the primary government of the State of North Carolina and is 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.

Basis of Accounting:

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. The Board classifies its revenues 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 application and license renewal fees. Non-operating revenues include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position:

All net positions of the Board are unrestricted. Net position consists of the following:

- a. Board designated – The Board of Directors has chosen to place an internal designation on unrestricted net position of \$1,000,000 for future legal expenses.
- b. Undesignated – This component of net position consists of net positions that do not meet the definition of restricted or invested in property and equipment.
- c. Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by any related debt, if applicable.

Cash and Cash Equivalents:

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents. The cash classification includes undeposited receipts, petty cash, checking accounts and pooled-cash deposited with the North Carolina State Treasurer. These funds are considered cash equivalents since they are immediately available for expenditures.

Capital Assets:

The Board's policy is to capitalize property and equipment over \$300. Lesser amounts are expensed. Property and equipment are carried at cost, less accumulated depreciation. Assets are depreciated using the straight-line method over the useful life of the assets as follows:

Leasehold improvements	2 years
Furniture and fixtures	7 to 10 years
Computer and office equipment	5 years

The Board reviews its long-lived assets for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if the estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For the assets to be disposed of, impairment is determined to exist if the estimated realizable value is less than the carrying amount. At June 30, 2023 and 2022, the Board has determined that no impairment indicators exist.

Intangible Assets:

Costs incurred for the development of the Board's website and software costs are capitalized. Intangible assets are carried at cost, less accumulated amortization and are amortized over three years.

Right To Use Assets:

The Board has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

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

Compensated Absences:

The Board's vacation policy states that permanent, probationary, trainee and provisional employees may accrue at least 94 hours each year. As length of service increases, the amount of earned vacation increases. Full-time employees may carry 240 hours of earned annual leave to the following year. Three-quarter time employees may carry 180 hours of earned annual leave to the following year. Any hours exceeding 240 or 180, respectively, are forfeited. Accrued compensated absences were \$39,643 and \$31,099 as of June 30, 2023 and 2022, respectively.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. Combined deposits with a financial institution are insured up to \$250,000. The amount of deposits in excess of the Federal Deposit Insurance Corporation limit totaled \$0 and \$78,253 at June 30, 2023 and 2022, respectively. The Board has not adopted a formal policy regarding custodial credit risk for deposits.

NOTE 3 – DEPOSITS

Deposits in Banks:

The deposits of the Board are governed by the North Carolina General Statute Section 147-86. The Board may establish official depositories with any bank or savings and loan association whose principal office is located in North Carolina. The Board may also establish time deposits in the form of NOW accounts, Super NOW accounts, money market accounts and certificates of deposit. At June 30, 2023 and 2022, the carrying amount of the Board's State Treasurer's deposits were \$3,364,309 and \$2,823,528, respectively, and bank balances of \$424,658 and \$572,934 respectively.

Deposits in State Treasurer Short Term Investment Fund (STIF):

Pursuant to North Carolina General Statute 147-69.3(b), the Board voluntarily holds deposits with the North Carolina Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with state law and regulations. It is not registered with the SEC. It consists of an internal portion and external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 3 – DEPOSITS (CONTINUED)

Deposits in State Treasurer Short Term Investment Fund (STIF) (Continued):

Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. All investments are measured using the market approach. The STIF is classified as Level 2 in the fair value hierarchy and is valued using prices that are either directly or indirectly observable for an asset or liability. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

At June 30, 2023 and 2022, the Board had \$3,364,309 and \$2,823,528 respectively, invested with the State Treasurer in the Short Term Investment Fund (STIF).

NOTE 4 – INCOME TAXES

The Board was created pursuant to North Carolina General Statutes to carry out an essential government function; therefore, it is considered exempt from State and federal income tax laws under Internal Revenue Code Section 115, and is not required to file annual tax returns.

NOTE 5 – CAPITAL ASSETS

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	<u>Cost 6/30/2022</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost 6/30/2023</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Leasehold improvements	\$ 13,937	\$ -	\$ 13,937	\$ -	\$ -	\$ -
Furniture and fixtures	31,806	-	-	31,806	30,546	1,260
Computer and office equipment	14,841	-	-	10,743	10,648	95
	<u>\$ 60,584</u>	<u>\$ -</u>	<u>\$ 13,937</u>	<u>\$ 42,549</u>	<u>\$ 41,194</u>	<u>\$ 1,355</u>
	<u>Cost 6/30/2021</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost 6/30/2022</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Leasehold improvements	\$ 13,937	\$ -	\$ -	\$ 13,937	\$ 13,937	\$ -
Furniture and fixtures	31,806	-	-	31,806	30,180	1,626
Computer and office equipment	13,878	963	-	14,841	9,601	5,240
	<u>\$ 59,621</u>	<u>\$ 963</u>	<u>\$ -</u>	<u>\$ 60,584</u>	<u>\$ 53,718</u>	<u>\$ 6,866</u>

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 6 – INTANGIBLE ASSETS

Intangible assets are carried at cost, less accumulated amortization and are amortized on a straight-line basis as follows:

	Cost 6/30/2022	Acquisitions	Disposals	Cost 6/30/2023	Accumulated Amortization	Net Amount
Amortized asset	\$ 8,515	\$ -	\$ -	\$ 8,515	\$ 8,515	\$ -
	<u>\$ 8,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,515</u>	<u>\$ 8,515</u>	<u>\$ -</u>

	Cost 6/30/2020	Acquisitions	Disposals	Cost 6/30/2021	Accumulated Amortization	Net Amount
Amortized asset	\$ 8,515	\$ -	\$ -	\$ 8,515	\$ 8,515	\$ -
	<u>\$ 8,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,515</u>	<u>\$ 8,515</u>	<u>\$ -</u>

NOTE 7 – RETIREMENT PLAN

The Board sponsors a Simplified Employee Pension Plan. All employees are eligible to participate in the plan and the Board makes discretionary contributions to the plan. For the years ended June 30, 2023 and 2022, the Board has contributed 6% of each participating employee's wages. The retirement expense for the years ended June 30, 2023 and 2022 amounted to \$37,453 and \$12,710 respectively.

NOTE 8 – LEASES

The Board has entered into agreements to lease office space. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of July 1, 2021.

The first agreement was executed in May 1, 2016 with an initial term of five years terminating on April 30, 2021. The Board exercised the option to renew the lease for one five year renewal period, effective May 1, 2021 and terminating on April 30, 2026. The lease has a 1% rate increase for each 12-month rental period ending April 30, 2026. The lease liability is measured at a discount rate of 4.85%, which is the U.S. federal prime bank loan rate as of the date of measurement.

The second agreement was executed May 1, 2019 with an initial term of two years terminating on April 30, 2021. The Board exercised the option to renew the lease for one five year renewal period, effective May 1, 2021 and terminating on April 30, 2026. The lease has a 1% rate increase for each 12-month rental period ending April 30, 2026. The lease liability is measured at a discount rate of 4.85%, which is the U.S. federal prime bank loan rate as of the date of measurement.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Notes to Financial Statements
June 30, 2023 and 2022

NOTE 8 – LEASES (Continued)

The combined future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year ending June 30,	Principal	Interest	Total
2024	44,295	5,456	49,751
2025	47,000	3,249	50,249
2026	41,299	924	42,223
	<u>\$ 132,594</u>	<u>\$ 9,629</u>	<u>\$ 142,223</u>

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

The Board implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, effective July 1, 2021. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Combined operating lease payments accounted for under the previous guidance totaled \$48,288 in the statements of revenues, expenses, and changes in net position for the year ended June 30, 2021.

As a result of implementation, right to use leased assets for the years ended June 30, is as follows:

June 30, 2023				
	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased office space	\$ 214,454	\$ -	\$ -	\$ 214,454
Less accumulated amortization for:				
Leased office space	44,370	44,370	-	88,740
Right to use assets, net	<u>\$ 170,084</u>	<u>\$ 44,370</u>	<u>\$ -</u>	<u>\$ 125,714</u>
June 30, 2022				
	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased office space	\$ -	\$ 214,454	\$ -	\$ 214,454
Less accumulated amortization for:				
Leased office space	-	44,370	-	44,370
Right to use assets, net	<u>\$ -</u>	<u>\$ 170,084</u>	<u>\$ -</u>	<u>\$ 170,084</u>

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD**Notes to Financial Statements****June 30, 2023 and 2022****NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)**

As a result of implementation, lease liability for the years ended June 30, is as follows:

June 30, 2023					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Lease liability	\$ -	\$ 214,454	\$ 42,373	\$ 172,081	\$ 132,594

June 30, 2022					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Lease liability	\$ -	\$ 214,454	\$ 40,138	\$ 174,316	\$ 41,722

NOTE 10 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self-retention of certain risks. The Board protects itself from exposure to loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 11 – CONTINGENCIES

The Board is involved in occasional 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 year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

NOTE 12 – DATE OF MANAGEMENT'S REVIEW

The Board has evaluated events and transactions that occurred subsequent to October 13, 2023, which is the date the financial statements were available to be issued. There were no recognized subsequent events requiring disclosure.