

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

**Financial Statements and
Supplemental Schedule for the
Year Ended June 30, 2023 and
Independent Auditor's Report**

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

Financial Statements and Supplemental Schedule for the Year Ended June 30, 2023 and Independent Auditor's Report

BOARD MEMBERS (2023)

Mark Schwarze, PhD, LCMHCS, Chairperson

Yasmin Gay, PhD, LCMHC, Vice Chairperson

Gussie Tate, Treasurer

Charles Wentz, MA, NCC, LCMHCS, Ethics Chairperson

Edward "Neal" Carter

Denauvo Robinson, EdD, LCMHCS

Levette S. Scott, PhD, LCMHC, RN, NCC

BOARD ADMINISTRATOR (2023)

Melonie Davis, MA, LCMHCA, NCC, Executive Director

LEGAL COUNSEL

North Carolina Department of Justice

Alesia Balshakova, Assistant Attorney General

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

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NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ended June 30, 2023. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2023, the Board's net position increased by \$404,359, or 14.27%, due primarily to annually recurring revenues in excess of expenses.

During 2023, the operating revenues of the Board increased by \$76,038, or 5.24%, due primarily to an increase in individual renewal fees.

During 2023, the non-operating revenues of the Board increased by \$28,489, or 440.60%, due primarily to an increase in interest earning rates.

During 2023, the operating expenses of the Board increased by \$195,887, or 20.39%, due primarily to an increase in contracted management services, and credit card discount fees.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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 Statement of Net Position presents the current and long-term portions of assets and liabilities separately.

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

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

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

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

	Current Year as of and for the year ended June 30, 2023	Prior Year as of and for the year ended June 30, 2022 (as restated)
Current assets	\$ 4,686,229	\$ 4,122,974
Capital assets	3,077	3,718
Other assets	259,422	259,305
Total assets	<u>\$ 4,948,728</u>	<u>\$ 4,385,997</u>
Current liabilities	\$ 1,711,625	\$ 1,553,253
Total liabilities	<u>\$ 1,711,625</u>	<u>\$ 1,553,253</u>
Investment in capital assets	\$ 3,077	\$ 3,718
Unrestricted	3,234,026	2,829,026
Total net position	<u>\$ 3,237,103</u>	<u>\$ 2,832,744</u>
Operating revenues	\$ 1,526,055	\$ 1,450,017
Operating expenses	(1,156,651)	(960,764)
Operating income	369,404	489,253
Non-operating revenues	34,955	6,466
Change in net position	<u>\$ 404,359</u>	<u>\$ 495,719</u>

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$3,237,103 for the year ended June 30, 2023. Assets exceeded liabilities by \$2,832,744 for the year ended June 30, 2022. The largest component of net position was cash and cash equivalents, and investments. Cash and cash equivalents, and investments represented 144.70% of total net position for the year ended June 30, 2023. Cash and cash equivalents, and investments represented 145.48% of total net position for the year ended June 30, 2022. Current assets consist of cash and cash equivalents, and prepaid expense. Noncurrent assets consist of capital assets (net of accumulated depreciation) and long-term investments. Capital assets are not a significant component of assets and are denoted below in the comparative summary of the Statements of Net Position. Current liabilities consist of accounts payable due to vendors and other state agencies, and unearned revenue from license fees paid in advance. The Board has no long-term liabilities. Net position consists of net assets invested in capital assets and unrestricted net assets. Net investment in capital assets is a component of net position and consists of capital assets net of depreciation. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2023	Prior Year as of June 30, 2022 (as restated)	Amount of Change	Percentage Change
Current assets	\$ 4,686,229	\$ 4,122,974	\$ 563,255	13.66%
Capital assets	3,077	3,718	(641)	-17.24%
Other assets	259,422	259,305	117	0.05%
Total assets	<u>\$ 4,948,728</u>	<u>\$ 4,385,997</u>	<u>\$ 562,731</u>	<u>12.83%</u>
Current liabilities	\$ (1,711,625)	\$ (1,553,253)	\$ (158,372)	10.20%
Total liabilities	<u>\$ (1,711,625)</u>	<u>\$ (1,553,253)</u>	<u>\$ (158,372)</u>	<u>10.20%</u>
Invested in capital assets	\$ 3,077	\$ 3,718	\$ (641)	-17.24%
Unrestricted	3,234,026	2,829,026	405,000	14.32%
Total net position	<u>\$ 3,237,103</u>	<u>\$ 2,832,744</u>	<u>\$ 404,359</u>	<u>14.27%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022 (as restated)	Amount of Change	Percentage Change
Operating revenues	\$ 1,526,055	\$ 1,450,017	\$ 76,038	5.24%
Operating expenses	(1,156,651)	(960,764)	(195,887)	20.39%
Non-operating revenues	34,955	6,466	28,489	440.60%
Change in net position	<u>\$ 404,359</u>	<u>\$ 495,719</u>	<u>\$ (91,360)</u>	<u>-18.43%</u>
Ending net position	<u>\$ 3,237,103</u>	<u>\$ 2,832,744</u>	<u>\$ 404,359</u>	<u>14.27%</u>

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022 (as restated)	Amount of Change	Percentage Change
Individual renewal fees	\$ 962,727	\$ 890,862	\$ 71,865	8.07%
Individual licensing/application fees	444,000	436,600	7,400	1.69%
Corporate licensing/renewal fees	80,863	68,490	12,373	18.07%
SBI fees (net of expense)	14,250	29,675	(15,425)	-51.98%
Late fees	8,320	10,035	(1,715)	-17.09%
Verify fees	4,255	2,980	1,275	42.79%
Other license related fees	3,455	3,535	(80)	-2.26%
Other revenues	8,185	7,840	345	4.40%
Total	<u>\$ 1,526,055</u>	<u>\$ 1,450,017</u>	<u>\$ 76,038</u>	<u>5.24%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2023	The year ended June 30, 2022	Amount of Change	Percentage Change
Interest income	\$ 34,955	\$ 6,466	\$ 28,489	440.60%
Total	<u>\$ 34,955</u>	<u>\$ 6,466</u>	<u>\$ 28,489</u>	<u>440.60%</u>

Events Affecting Future Operations

The Board is not aware of any significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements.

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 Board of Licensed Clinical Mental Health Counselors, PO Box 77819, Greensboro, NC 27417.

HAWLEY, C.P.A., P.A.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board of Licensed Clinical Mental Health Counselors
Greensboro, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina Board of Licensed Clinical Mental Health Counselors (Board), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina Board of Licensed Clinical Mental Health Counselors as of June 30, 2023, and the results of its operations, changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Board has elected to change its method of accounting for criminal history record check fees and has restated its beginning net position as of July 1, 2022 to reflect the accounting method change. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Board's 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 one year after the date that the financial statements are issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 GAAS 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 GAAS, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Receipts and Disbursements - Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures to the 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on this supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Hawley, C.P.A., P.A.

Angier NC

October 17, 2023

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
STATEMENT OF NET POSITION
JUNE 30, 2023

	June 30, 2023
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents (Notes 1 and 2)	\$ 4,683,892
Cash in State Treasurer (Notes 1 and 2)	198
Prepaid expense (Notes 1)	2,139
Total current assets	4,686,229
Capital assets (Notes 1 and 3):	
Office equipment - net of depreciation	3,077
Total capital assets - net of depreciation	3,077
Other assets:	
Investments (Notes 1 and 2)	259,422
Total other assets	259,422
TOTAL ASSETS	\$ 4,948,728
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable (Note 4)	\$ 106,494
Due to other state agencies (Note 4)	9,576
Unearned revenue (Note 1)	1,595,555
Total current liabilities	1,711,625
TOTAL LIABILITIES	1,711,625
NET POSITION (NOTES 1 AND 8)	
Investment in capital assets	3,077
Unrestricted net position	3,234,026
TOTAL NET POSITION	3,237,103
TOTAL LIABILITIES AND NET POSITION	\$ 4,948,728

See notes to financial statements.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	2023
	Proprietary- Enterprise Fund
OPERATING REVENUES:	
Fees, licenses, and fines:	
Individual renewal fees	\$ 962,727
Individual licensing/application fees	444,000
Corporate licensing and renewal fees	80,863
SBI fees (net of expense)	14,250
Late fees	8,320
Verify fees	4,255
Other license related fees	3,455
Other operating revenue	8,185
Total operating revenues	\$ 1,526,055
OPERATING EXPENSES:	
Personal services (and board members expenses):	
Per diem - board members	\$ 17,722
Services:	
Contracted management services - administrative fees (Note 5)	685,665
Legal services - attorney (NCDOJ)	109,697
Legal services - investigative	67,965
Contracted services - accounting	24,000
Contracted services - auditing	9,995
Contracted services -investigative	2,225
Travel expenses - board members and staff	24,103
Lodging - board members and staff	14,456
Meals - board members and staff	6,658
Printing	20,381
Postage	13,708
Telephone/fax	2,527

See notes to financial statements.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	<u>2023</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):	
Conference registrations - board members and staff	13,389
Board meeting and hearing expenses	2,489
Credit card discount fees and bank charges	105,147
Depreciation	641
Insurance (Note 6)	25,652
Other expenses:	
Dues and subscriptions	9,561
Miscellaneous expenses	670
Total operating expenses	<u>\$ 1,156,651</u>
Operating income (loss)	\$ 369,404
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>\$ 34,955</u>
Total non-operating revenues	\$ 34,955
Change in net position	<u>\$ 404,359</u>
Net position - beginning of year (Note 8)	<u>2,832,744</u>
Net position - end of year	<u><u>\$ 3,237,103</u></u>

See notes to financial statements.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	2023
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees and other revenues	\$ 1,664,840
Cash payments for operating expenses	(1,136,710)
Net cash provided by operating activities	\$ 528,130
Cash flows from investing activities:	
Interest earned	\$ 35,838
Net cash provided by investing activities	\$ 35,838
Net increase in cash	\$ 563,968
Cash - beginning of year	4,121,122
Cash - end of year	\$ 4,685,090
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	\$ 369,404
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	\$ 641
Changes in assets and liabilities:	
Prepaid expense	(287)
Accounts payable and accrued liabilities	19,587
Unearned revenue	138,785
Total adjustments	\$ 158,726
Net cash provided by operating activities	\$ 528,130

See notes to financial statements.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Board of Licensed Clinical Mental Health Counselors (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. Effective January 1, 2020, pursuant to a statutory change, the Board became named the North Carolina Board of Licensed Clinical Mental Health Counselors. It was formerly named the North Carolina Board of Licensed Professional Counselors. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Annual Comprehensive Financial Report (ACFR).

The Board is established to maintain minimum standards for services provided by licensed clinical mental health counselors.

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

Financial Reporting Entity

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

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's 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 Presentation

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

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

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

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 assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. 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 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 classifies 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.

Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit) held by the Board.

Cash in State Treasurer

This classification consists of deposits with the State Treasurer of North Carolina. Because these funds are immediately available for expenditure they are considered a cash equivalent. Ownership interests of the STIF are determined on a fair market valuation basis as of June 30, 2023 in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodial. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Board's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board held only non-negotiable certificates of deposit.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for commercial insurance.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Capital Assets

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 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, generally estimated as follows: office furniture and equipment, 5 to 7 years.

Unearned Revenue

The Board's fees are assessed and collected on both an annual and a biennial basis, some of which correspond with the Board's accounting period and some of which correspond with the calendar year. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the periods to which they relate. This reporting method reasonably reports revenues as earned.

Net Position

Investment in capital assets - This component of net position consists of total investment in capital assets (net of accumulated depreciation) and reduced by outstanding liabilities (if any) related to those capital assets.

Restricted net position - 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 Board had no restricted net position.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits in Bank(s)

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 2 - Deposits and Investments (Continued)

At June 30, 2023, the Board's deposits in banks had a carrying amount (including undeposited receipts, if any) of \$4,683,892 and a bank balance of \$4,644,960, of which \$500,000 was covered by federal depository insurance, and \$4,144,960 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$259,422 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

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). Disbursements, if used, are through the issuance of warrants by the Board. Investments of the Short Term Investment Fund are limited to those authorized for the State's General Fund, generally high quality money market investments and US Government agency securities. FDIC insurance and deposit collateralization rules do not apply.

Deposit and investments risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's Annual Comprehensive Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, www.ncosc.net, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at 919-707-0500.

At June 30, 2023, the Board's deposits with the State Treasurer STIF account had a carrying value, fair market value and a bank balance of \$198.

Investments

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 36 months and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes; however, the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and to money market mutual funds.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 2 - Deposits and Investments (Continued)

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at June 30, 2023, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 259,422	24 Months	N/A

Reconciliation of Deposits and Investments

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

	June 30, 2023
Carrying Amount of Bank Deposits	\$ 4,683,892
Cash in State Treasurer	198
Certificates of Deposits	259,422
Total Deposits and Investments	<u>\$ 4,943,512</u>
Current:	
Cash and Cash Equivalents	\$ 4,683,892
Cash in State Treasurer	198
Noncurrent:	
Investments	259,422
Total Deposits and Investments	<u>\$ 4,943,512</u>

Note 3- Capital Assets

Changes in capital assets as of and for the year ended June 30, 2023 is as follows:

	Cost 06-30-2022	Acquisitions	Disposals	Cost 06-30-2023	Accumulated Depreciation	Net Amount
Office equipment	\$ 68,782	\$ -	\$ -	\$ 68,782	\$ 65,705	\$ 3,077
	<u>\$ 68,782</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,782</u>	<u>\$ 65,705</u>	<u>\$ 3,077</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$641 for the fiscal year ended June 30, 2023.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 4 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	<u>June 30, 2023</u>
Due to Vendors	\$ 106,494
Due to Other State Agencies	<u>9,576</u>
Total Accounts Payable	<u>\$ 116,070</u>

Note 5 - Contracted Management Services

The Board does not have employees. The Board contracted with a management service to provide services for the Board. The contracts included all services related to the process of licensure application and renewal and various other management and administrative duties. The Board also reimbursed the management services for additional contract labor, printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management services totaled \$688,540 (which consisted of contracted management services-administrative fees in the amount \$685,665 and reimbursements in the amount of \$2,875) during the fiscal year ended June 30, 2023.

Note 6 - 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 certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage as denoted below. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the last three fiscal years.

Directors and Officers Liability and Employee Practices Insurance - Tort claims against Board members of up to \$1,000,000 (NCGS 143-299.2) are retained by the State under the authority of the State Tort Claims Act. Additional insurance coverage is provided by the Board through the purchase of excess Director's and Officer's Liability (\$3,000,000) coverage, Employment Practices (\$3,000,000) coverage, and Employee Dishonesty and Fraud (\$5,000,000) coverage.

Note 7 - 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.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 8 - Changes in Financial Accounting and Reporting

The Board has elected to change its method of accounting for criminal history record check fees. The Board requires applicants to consent to a criminal history record check (criminal background check) upon applying for licensure. All applications submitted to the Board are accompanied by a non-refundable fee of \$238 which includes a \$38 criminal history record check fee. The applicant is responsible for requesting a background check with the State Bureau of Investigation (SBI). The Board is subsequently billed by the SBI for the background check once the applicant submits to it, at which time the Board remits payment to the SBI. In years prior to July 1, 2022, the Board deferred recognition of SBI fees which were collected from applicants until the applicant submitted to the criminal history record check. Due to the fact that criminal history record check fees are non-refundable, the Board has adopted a new financial accounting policy for recording criminal history record check fees; wherein, the Board will recognize criminal history record check fees which are collected from applicants as income, and criminal history record check fees which are remitted to SBI as expense.

Due to this change in financial accounting and reporting, the Board has restated its beginning net position as of July 1, 2022. This change had a current year and retroactive years' effect on the Board's financial statements. In connection with this change, the beginning net position has been restated as follows:

Net Position at July 1, 2022, as previously reported	\$	2,803,069
Increase in SBI fees revenue (net of expense)		29,675
Net Position at July 1, 2022, as restated	\$	<u>2,832,744</u>

Note 9- Subsequent Events

Subsequent events have been evaluated through October 17, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required approximately 101 audit hours at a cost of \$9,995.

**NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023**

	2023
	Proprietary- Enterprise Fund
RECEIPTS:	
Individual renewal fees	\$ 1,095,700
Individual licensing/application fees	444,000
Corporate licensing and renewal fees	86,300
SBI fees (net of expense)	5,700
Late fees	8,300
Verify fees	4,255
Other license related fees	3,455
Interest income	34,955
Other income	8,085
Total receipts	\$ 1,690,750
DISBURSEMENTS:	
Dues and subscriptions	\$ 9,695
Legal services -attorney (NCDOJ)	109,697
Legal services -investigative	77,919
Printing	20,381
Contracted management services - administrative fees	671,639
Contracted services - accounting	28,000
Contracted services - auditing	9,995
Contracted services - investigative	2,225
Credit card discount fees and bank charges	78,228
Telephone/fax	2,680
Postage	13,708
Insurance	25,939

See auditor's report on supplementary information.

NORTH CAROLINA BOARD OF LICENSED CLINICAL MENTAL HEALTH COUNSELORS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023

	<u>2023</u>
	<u>Proprietary- Enterprise Fund</u>
DISBURSEMENTS (CONTINUED):	
Board meeting and hearing expenses	2,528
Travel expenses - board members and staff	21,241
Lodging - board members and staff	14,456
Meals - board members and staff	6,088
Per diem - board members	17,982
Conference registrations - board members and staff (including sponsorship)	14,594
Miscellaneous expenses	<u>670</u>
Total disbursements	<u>\$ 1,127,665</u>
Receipts over (under) disbursements	563,085
Change in cash	<u>\$ 563,085</u>
Cash and investments - beginning of year	<u>4,380,427</u>
Cash and investments - end of year	<u><u>\$ 4,943,512</u></u>

See auditor's report on supplementary information.