

NC BOARD OF ARCHITECTURE AND
REGISTERED INTERIOR DESIGNERS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Board Members

BOARD MEMBERS (2024)

Cathy C. Morrison, President

Roula Qubain, Vice President

Emmy Williams, Treasurer

Timothy Hillhouse, Secretary

Fred Dodson, Jr.

Cora Cole-McFadden

Walt Teague

Ilesha Patel

Elizabeth Pyle

Walter Sawyer

EXECUTIVE DIRECTOR

Cathe M. Evans

ATTORNEY

M. Jack Nichols

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1 - 2
Independent Auditor's Report	3 - 5
<i>Financial Statements</i>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

The following is a discussion and analysis of the NC Board of Architecture and Registered Interior Designer's (the "Board") financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased by \$915 due primarily to increases in renewals offset by decreases in reciprocity fees. The operating expenses of the Board increased by \$63,543 due primarily to increases in salaries and special projects. The net non-operating revenues, consisting of investment income, net of fees, increased by \$36,417.

Overview of the Financial Statements

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

The Statements of Net Position (page 5) present assets and liabilities separately.

The Statements of Revenues, Expenses and Changes in Net Position (page 6) present information on how the Board's assets changed as a result of the years' operations.

The Statements of Cash Flows (page 7) present information on how the Board's cash changed as a result of the years' activity.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

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

	As of and for the fiscal year ended June 30, 2024	As of and for the fiscal year ended June 30, 2023	As of and for the fiscal year ended June 30, 2022
Current assets	\$ 2,159,312	\$ 2,113,416	\$ 2,101,047
Non-current assets	470,030	545,408	616,379
Total assets	<u>\$ 2,629,342</u>	<u>\$ 2,658,824</u>	<u>\$ 2,717,426</u>
Current liabilities	\$ 581,792	\$ 524,722	\$ 520,746
Non-current liabilities	367,096	411,767	458,675
Total liabilities	<u>\$ 948,888</u>	<u>\$ 936,489</u>	<u>\$ 979,421</u>
Invested in capital assets	\$ 75,189	\$ 107,063	\$ 128,503
Unrestricted	1,605,265	1,615,272	1,609,502
Total net position	<u>\$ 1,680,454</u>	<u>\$ 1,722,335</u>	<u>\$ 1,738,005</u>
Operating revenues	\$ 740,800	\$ 739,885	\$ 689,451
Operating expenses	828,396	764,853	692,259
Operating income	(87,596)	(24,968)	(2,808)
Non-operating revenues (expenses)	45,715	9,298	(30,616)
Changes in net position	<u>\$ (41,881)</u>	<u>\$ (15,670)</u>	<u>\$ (33,424)</u>

Events Affecting Future Operations

As of the issuance of this financial report, there are no major events planned that may affect future operations.

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 and expends. If you have any questions about this report or need additional information, contact: NC Board of Architecture and Registered Interior Designers, 434 Fayetteville St., Suite 2005, Raleigh, NC 27601.



Independent Auditor's Report

Board of Directors
NC Board of Architecture and Registered Interior Designers
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the NC Board of Architecture and Registered Interior Designers (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the NC Board of Architecture and Registered Interior Designers as of June 30, 2024 and 2023, and the changes in its 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 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 NC Board of Architecture and Registered Interior Designers 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 NC Board of Architecture and Registered Interior Designer'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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements presented are only for the NC Board of Architecture and Registered Interior Designers and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2024 and 2023, 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 that the Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
August 30, 2024

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash	\$ 1,011,687	\$ 1,014,667
Prepaid expenses	5,246	-
Investments	<u>1,142,379</u>	<u>1,098,749</u>
Total current assets	<u>2,159,312</u>	<u>2,113,416</u>
Non-current assets:		
Security deposit, lease	4,900	4,900
Right-to-use leased assets, net of amortization	350,146	399,775
Property and equipment, net of depreciation	<u>114,984</u>	<u>140,733</u>
Total non-current assets	<u>470,030</u>	<u>545,408</u>
Total assets	<u>2,629,342</u>	<u>2,658,824</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 773	\$ 2,437
Due to the State Treasurer	34,000	23,000
Interest payable, lease liabilities	963	1,097
Lease liabilities, current portion	54,971	50,938
Unearned revenues	<u>491,085</u>	<u>447,250</u>
Total current liabilities	<u>581,792</u>	<u>524,722</u>
Noncurrent liabilities:		
Lease liabilities	334,007	381,410
Accrued vacation pay	<u>33,089</u>	<u>30,357</u>
Total noncurrent liabilities	<u>367,096</u>	<u>411,767</u>
Total liabilities	<u>948,888</u>	<u>936,489</u>
NET POSITION:		
Invested in capital assets	\$ 75,189	\$ 107,063
Unrestricted	<u>1,605,265</u>	<u>1,615,272</u>
Total net position	<u>\$ 1,680,454</u>	<u>\$ 1,722,335</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Individual renewals	\$ 358,090	\$ 337,850
Corporate renewals	203,750	195,200
Reciprocity	69,025	80,250
Individual reinstatement fees	12,520	12,250
Individual late fees	38,850	41,400
New firm registrations	17,775	18,225
Firm late fees	23,570	25,900
Certification fees	15,275	25,200
Miscellaneous	1,945	3,610
Total operating revenues	<u>740,800</u>	<u>739,885</u>
Operating expenses:		
Salaries and wages	303,082	278,620
Employee benefits	79,308	74,381
Payroll taxes	21,968	21,152
Legal fees	70,818	79,433
Equipment maintenance	10,567	263
Travel and subsistence	33,246	41,005
Parking and office space operating expenses	-	6,828
Board member per diem	21,200	16,100
Contractual services	10,161	2,616
Postage and supplies	7,258	6,386
Registration and dues	11,425	9,139
Audit	12,500	12,000
Payroll service fees	-	930
Insurance	7,110	8,504
Telephone	3,769	4,086
Computer services	70,256	66,308
Special projects	44,179	15,559
Online renewal expense	21,783	18,366
Interest expense on lease liabilities	13,248	14,785
Amortization, right-to-use leased assets	56,807	58,563
Depreciation	29,711	29,829
Total operating expenses	<u>828,396</u>	<u>764,853</u>
Operating loss	<u>(87,596)</u>	<u>(24,968)</u>
Non-operating revenues (expenses):		
Interest and dividend income, net of expenses	26,726	13,788
Realized and unrealized loss on investments	18,989	(4,490)
Total non-operating revenues (expenses)	<u>45,715</u>	<u>9,298</u>
Changes in net position	(41,881)	(15,670)
Net position - beginning of year	<u>1,722,335</u>	<u>1,738,005</u>
Net position - end of year	<u>\$ 1,680,454</u>	<u>\$ 1,722,335</u>

See Notes to Financial Statements

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from fees	\$ 784,635	\$748,685
Cash payments to employees for services	(300,350)	(274,849)
Cash payments to suppliers for goods and services	(282,515)	(278,190)
Cash payments for interest on leased assets	(13,382)	(14,919)
Cash payments for other expenses	(138,943)	(108,673)
Net cash provided by operating activities	<u>49,445</u>	<u>72,054</u>
Cash flows from investing activities:		
Investment income	1,703	3,349
Purchase of investments	(768,762)	(1,001,920)
Proceeds from sale of investments	769,144	1,000,463
Net cash provided by investing activities	<u>2,085</u>	<u>1,892</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,962)	(17,421)
Payments on lease liabilities	(50,548)	(49,324)
Net cash used in capital and related financing activities	<u>(54,510)</u>	<u>(66,745)</u>
Net increase (decrease) in cash	(2,980)	7,201
Cash - beginning of year	<u>1,014,667</u>	<u>1,007,466</u>
Cash - end of year	<u><u>\$ 1,011,687</u></u>	<u><u>\$ 1,014,667</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (87,596)	\$ (24,968)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Amortization, leased assets	56,807	58,563
Depreciation	29,711	29,829
Changes in assets and liabilities:		
Prepaid expenses	(5,246)	2,238
Accounts payable	(1,664)	(13,545)
Due to the State Treasurer	11,000	7,500
Interest payable, lease liabilities	(134)	(134)
Unearned revenues	43,835	8,800
Accrued vacation pay	2,732	3,771
Net cash provided by operating activities	<u><u>\$ 49,445</u></u>	<u><u>\$ 72,054</u></u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The NC Board of Architecture and Registered Interior Designers (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93B of the *North Carolina General Statutes* and established under Chapter 83A of the *North Carolina General Statutes* to maintain minimum standards for services provided by architects and registered interior designers. The Board formally consists of ten members appointed by the Governor. The Board's operations are funded primarily through license and registration application and renewal fees.

Financial Reporting Entity

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

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP as prescribed by 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 financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows.

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 license renewal fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash.

Investments

The Board reports investments at fair value, which is based on readily available published values. The Board's investments consist of obligations of the United States, governmental agency securities, and federal money market funds.

Right-To-Use Leased Asset and Lease Liabilities

Leases that provide the Board the right-to-use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and is measured at the present value of future lease payments.

Property and Equipment

Property and equipment, including software purchases, of \$1,000 or more with an expected useful life greater than one year are considered capital assets. Property and equipment are recorded at cost and are depreciated over their estimated useful lives. Furniture, equipment, and software are depreciated over a 3-10 year period. 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 as a non-operating activity.

Unearned Revenues

The Board's fees for individual license renewals are assessed and collected on a fiscal year basis which corresponds with the accounting period. Individual licenses are renewed for a period of one fiscal year. Individual license renewal fees received prior to the end of the fiscal year are deferred and recognized as revenue in the period to which they relate. Annual corporate renewals are assessed and collected on a calendar year basis. Unearned revenue is recorded at June 30 to report the estimated renewal fees not earned as of the Board's fiscal year-end.

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets. Capital assets include property and equipment, net of accumulated depreciation; right-to-use leased assets, net of accumulated amortization; and related lease liabilities.

Unrestricted - This represents assets with no external restriction as to use or purpose. This equity can be employed for any purpose designated by the governing board.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Designations of net position represent management's estimates based on perceived operating conditions and situations.

The Board designated amounts up to \$1,500,000 as of June 30, 2023, as follows:

Litigation	\$ 1,000,000
Operating expenses	400,000
Technology updates	100,000
Total reserved balances	<u>\$ 1,500,000</u>

Accrued Vacation Pay

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. There is no liability for unpaid accumulated sick leave because the Board has no obligation to pay sick leave upon employee termination or retirement.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Board has a formal investment policy to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board. The Board maintains cash deposits within a single, private financial institution. Investments are maintained within a single brokerage account. Investments include obligations of the United States, governmental agency securities, and federal money market funds. The Board is subject to the following risks:

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2024, the Board had cash deposits that exceeded the FDIC limits by \$746,496. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at June 30, 2023, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$642,379.

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk: Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments.

Credit risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2024, the Board's portfolio, which consisted of U.S. government and government agency funds, had the following credit ratings as rated by Moody's Investors Service:

<u>Credit Rating</u>	
AAA	\$ 1,131,789
AAA-mf	\$ 10,590

The maturity of the Board's U.S. government and government agency debt securities, totaling \$1,131,790 as of June 30, 2024, had maturities of less than 3 years.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2024:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Direct Government Securities	<u>\$ 1,131,789</u>	<u>\$ -</u>	<u>\$ 1,131,789</u>	<u>\$ -</u>
Total	<u>\$ 1,131,789</u>	<u>\$ -</u>	<u>\$ 1,131,789</u>	<u>\$ -</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS**Notes to Financial Statements****NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

In addition, the investment balance on the statement of net position includes government money market funds measured at the net asset value (NAV) and therefore not included in the fair value hierarchy. The government money market funds consist of U.S. Treasury and government securities maturing in 397 days or less and repurchase agreements, collateralized fully by U.S. Treasury and government securities. As of June 30, 2023, Board investments measured at the NAV totaled \$10,590.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following:

	Cost 6/30/2023	Additions	Disposals	Cost 6/30/2024	Accumulated Depreciation	Net Amount
Furniture/ equipment	<u>\$ 324,350</u>	<u>\$ 3,962</u>	<u>\$ -</u>	<u>\$ 328,312</u>	<u>\$ 213,328</u>	<u>\$ 114,984</u>

	Cost 6/30/2022	Additions	Disposals	Cost 6/30/2023	Accumulated Depreciation	Net Amount
Furniture/ equipment	<u>\$ 306,929</u>	<u>\$ 17,421</u>	<u>\$ -</u>	<u>\$ 324,350</u>	<u>\$ 183,617</u>	<u>\$ 140,733</u>

NOTE 5 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2024	2023
Beginning accrued vacation	<u>\$ 30,357</u>	<u>\$ 26,586</u>
Vacation earned	<u>27,683</u>	<u>24,737</u>
Vacation used	<u>(24,951)</u>	<u>(20,966)</u>
Ending accrued vacation	<u>\$ 33,089</u>	<u>\$ 30,357</u>

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

The Board has a lease providing the right-to-use office space for a term of ten years beginning September 1, 2020 and ending August 31, 2030. The lease requires initial monthly payments of \$4,870 per month, escalating annually by approximately 2.5%.

The Board also has a lease providing the right-to-use a copier for a term of 36 months until December 2023, requiring monthly payments of \$258.

Lease expenses were comprised of the following:

	2024	2023
Amortization expense by class of underlying asset:		
Copy machine	<u>\$ 1,196</u>	<u>\$ 2,952</u>
Office space	<u>55,611</u>	<u>55,611</u>
Total amortization expense	<u>\$ 56,807</u>	<u>\$ 58,563</u>
Interest on lease liabilities	<u>\$ 13,248</u>	<u>\$ 14,785</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

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

Right-to-use leased assets activity:

	6/30/2023	Additions	Subtractions	6/30/2024
Copy machine	\$ 8,858	\$ 7,178	\$ -	\$ 16,036
Office space	556,108	-	-	556,108
	<u>564,966</u>	<u>7,178</u>	<u>-</u>	<u>572,144</u>
Less: Accumulated amortization:				
Copy machine	(7,627)	(1,197)	-	(8,824)
Office space	(157,564)	(55,610)	-	(213,174)
	<u>(165,191)</u>	<u>(56,807)</u>	<u>-</u>	<u>(221,998)</u>
Right-to-use assets, net	<u>\$ 399,775</u>	<u>\$ (49,629)</u>	<u>\$ -</u>	<u>\$ 350,146</u>
	6/30/2022	Additions	Subtractions	6/30/2023
Copy machine	\$ 8,858	\$ -	\$ -	\$ 8,858
Office space	556,108	-	-	556,108
	<u>564,966</u>	<u>-</u>	<u>-</u>	<u>564,966</u>
Less: Accumulated amortization:				
Copy machine	(4,674)	(2,953)	-	(7,627)
Office space	(101,954)	(55,610)	-	(157,564)
	<u>(106,628)</u>	<u>(58,563)</u>	<u>-</u>	<u>(165,191)</u>
Right-to-use assets, net	<u>\$ 458,338</u>	<u>\$ (58,563)</u>	<u>\$ -</u>	<u>\$ 399,775</u>

Lease liabilities were comprised of the following:

	6/30/2023	Additions	Subtractions	6/30/2024
Copy machine	\$ 1,538	\$ 7,178	\$ (1,145)	\$ 7,571
Office space	430,810	-	(49,403)	381,407
Total lease liabilities	<u>\$ 432,348</u>	<u>\$ 7,178</u>	<u>\$ (50,548)</u>	<u>\$ 388,978</u>
	6/30/2022	Additions	Subtractions	6/30/2023
Copy machine	\$ 4,538	\$ -	\$ (3,000)	\$ 1,538
Office space	477,134	-	(46,324)	430,810
Total lease liabilities	<u>\$ 481,672</u>	<u>\$ -</u>	<u>\$ (49,324)</u>	<u>\$ 432,348</u>

Future lease payments are comprised of the following:

Years Ending June 30	Principal	Interest	Total Payments
2025	\$ 54,971	\$ 11,781	\$ 66,752
2026	58,414	9,944	68,358
2027	60,746	8,001	68,747
2028	63,174	6,001	69,175
2029	67,010	3,891	70,901
Thereafter	84,663	1,703	86,366
	<u>\$ 388,978</u>	<u>\$ 41,321</u>	<u>\$ 430,299</u>

NC BOARD OF ARCHITECTURE AND REGISTERED INTERIOR DESIGNERS

Notes to Financial Statements

NOTE 7 - RETIREMENT PLAN

The Board has a simplified employee pension plan covering all employees who have performed services for the Board in at least one of the immediately preceding five calendar years. Participants may elect to contribute one percent to fifteen percent of their compensation to the plan each year and are fully vested in all contributions. The Board contributes six percent of compensation for all eligible employees. Total participant contributions in any calendar year are subject to limitations set by the Internal Revenue Code. For the years ended June 30, 2024 and 2023, the Board contributed \$17,205 and \$15,785, respectively, on behalf of its employees. For the years ended June 30, 2024 and 2023, the employees contributed \$3,695 and \$18,203, respectively.

NOTE 8 - 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 managed using a combination of the purchase of commercial insurance and various State coverages. Tort claims of board members are self-insured by the State, under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract.

NOTE 9 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through August 30, 2024, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 75 hours at a total cost of \$13,000.