

NORTH CAROLINA REAL ESTATE
COMMISSION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



NORTH CAROLINA REAL ESTATE COMMISSION

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NORTH CAROLINA REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

This section of the North Carolina Real Estate Commission's (the "Commission") financial report presents a narrative overview and analysis of the Commission's financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the Commission's financial statements and notes to the financial statements which follow this section.

Financial Highlights

The Commission's Operating Fund revenues decreased \$268,484 or 2.71%, attributable primarily to a decrease in applications.

Operating Fund expenses increased by \$913,611 or 10.10%, attributable primarily to increases in personnel costs and information technology. The Real Estate Education and Recovery Fund (Recovery Fund) expenses were \$7,216 for claims paid during the fiscal year ended June 30, 2024.

Net non-operating revenues increased \$598,483 or 281.39% attributable primarily to the increase in investment income offset by the disposal of equipment.

As a result of this year's operations, the Commission's net position increased by \$481,472 or 2.24%. The net position of the Commission's Operating Fund increased by \$445,558. The net position of the Commission's Recovery Fund increased by \$35,914.

The Commission's Investment in Capital Assets balance (net of accumulated depreciation) was \$4,808,211, a decrease of 1.23% from the prior year-end. This decrease was attributable to capital asset additions less disposals in the fiscal year ended June 30, 2024.

Overview of the Financial Statements

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

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

Basic Financial Statements

The Commission's financial statements report information about the Commission's operations using a single proprietary (enterprise) fund. Proprietary funds use the accrual method of accounting for operations. This method of presentation is similar to the private sector industry whereby the intent of the organization is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NORTH CAROLINA REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

Basic Financial Statements (Continued)

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

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

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

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 22,837,148	\$ 21,214,711	\$ 20,858,014
Non-current assets	5,288,211	6,316,605	5,657,214
Total assets	<u>28,125,359</u>	<u>27,531,316</u>	<u>26,515,228</u>
Current liabilities	5,706,341	5,631,799	5,711,539
Non-current liabilities	490,361	452,332	401,368
Deferred inflows of resources	-	-	29,536
Total liabilities	<u>6,196,702</u>	<u>6,084,131</u>	<u>6,142,443</u>
Invested in capital assets	4,808,211	4,867,976	5,156,036
Restricted	1,555,099	1,519,185	1,495,401
Unrestricted	15,565,347	15,060,024	13,721,348
Total net position	<u>\$ 21,928,657</u>	<u>\$ 21,447,185</u>	<u>\$ 20,372,785</u>
Operating revenues	\$ 9,636,832	\$ 9,907,416	\$ 10,283,675
Operating expenses	9,966,534	9,045,707	8,350,766
Operating income (loss)	(329,702)	861,709	1,932,909
Non-operating revenues (expenses)	811,174	212,691	(1,861)
Changes in net position	<u>\$ 481,472</u>	<u>\$ 1,074,400</u>	<u>\$ 1,931,048</u>

NORTH CAROLINA REAL ESTATE COMMISSION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

Events/Conditions (Expected to Impact) Affecting Future Operations

- A guarded economic environment, easily influenced by the stock market and U.S. and world events could disrupt the real estate market at any time and adversely impact revenue. Currently, the market is in a period of disruption as a result of significant claims against the National Association of Realtors and concerns raised by the U.S. Department of Justice.
- The Commission's investments are positioned well in safer fixed income securities and will be able to perform with less risk in tougher overall markets.
- The number of licensees who move their license status to inactive or who do not complete their post-licensing requirements after initial licensure reduces the number of licensees completing continuing education requirements. This adversely affects continuing education course student fee income.
- The total number of licensees has continued to increase every year since fiscal year 2015. However, interest in obtaining a real estate broker license is slowing.
- Significant structural shifts in organized real estate occurring around the nation could impact Commission operations.

Contacting the Commission

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



Independent Auditor's Report

Members of the Commission
North Carolina Real Estate Commission
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of the North Carolina Real Estate Commission (the "Commission"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 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 Commission's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements presented are only for the Commission and do not purport to, and do not present fairly, the financial position of the State of North Carolina as of June 30, 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 the Management's Discussion and Analysis on pages 1 - 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 16, 2024

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Net Position
June 30, 2024 and 2023

	2024			2023		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 5,980,031	\$ 139,668	\$ 6,119,699	\$ 6,515,018	\$ 145,934	\$ 6,660,952
Investments - current portion	14,753,192	1,403,151	16,156,343	12,695,235	1,361,097	14,056,332
Inventory	76,220	-	76,220	95,558	-	95,558
Accrued interest	67,900	12,280	80,180	85,602	12,154	97,756
Accounts receivable	5,556	-	5,556	19,640	-	19,640
Prepaid expenses	399,150	-	399,150	284,473	-	284,473
Total current assets	<u>21,282,049</u>	<u>1,555,099</u>	<u>22,837,148</u>	<u>19,695,526</u>	<u>1,519,185</u>	<u>21,214,711</u>
Non-current assets:						
Investments - long-term portion	480,000	-	480,000	1,448,629	-	1,448,629
Capital assets, net of depreciation	<u>4,808,211</u>	<u>-</u>	<u>4,808,211</u>	<u>4,867,976</u>	<u>-</u>	<u>4,867,976</u>
Total non-current assets	<u>5,288,211</u>	<u>-</u>	<u>5,288,211</u>	<u>6,316,605</u>	<u>-</u>	<u>6,316,605</u>
Total assets	<u>26,570,260</u>	<u>1,555,099</u>	<u>28,125,359</u>	<u>26,012,131</u>	<u>1,519,185</u>	<u>27,531,316</u>
LIABILITIES:						
Current liabilities:						
Accounts payable and accrued liabilities	168,248	-	168,248	131,239	-	131,239
Unearned revenue	5,487,465	-	5,487,465	5,457,300	-	5,457,300
Accrued leave - current portion	<u>50,628</u>	<u>-</u>	<u>50,628</u>	<u>43,260</u>	<u>-</u>	<u>43,260</u>
Total current liabilities	<u>5,706,341</u>	<u>-</u>	<u>5,706,341</u>	<u>5,631,799</u>	<u>-</u>	<u>5,631,799</u>
Non-current liabilities:						
Accrued leave - long-term portion	490,361	-	490,361	452,332	-	452,332
Total non-current liabilities	<u>490,361</u>	<u>-</u>	<u>490,361</u>	<u>452,332</u>	<u>-</u>	<u>452,332</u>
Total liabilities	<u>6,196,702</u>	<u>-</u>	<u>6,196,702</u>	<u>6,084,131</u>	<u>-</u>	<u>6,084,131</u>
NET POSITION:						
Invested in capital assets	4,808,211	-	4,808,211	4,867,976	-	4,867,976
Restricted	-	1,555,099	1,555,099	-	1,519,185	1,519,185
Unrestricted	<u>15,565,347</u>	<u>-</u>	<u>15,565,347</u>	<u>15,060,024</u>	<u>-</u>	<u>15,060,024</u>
Total net position	<u>\$ 20,373,558</u>	<u>\$ 1,555,099</u>	<u>\$ 21,928,657</u>	<u>\$ 19,928,000</u>	<u>\$ 1,519,185</u>	<u>\$ 21,447,185</u>

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024			2023		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
Operating revenues:						
License renewals	\$ 5,787,465	\$ -	\$ 5,787,465	\$ 5,699,490	\$ -	\$ 5,699,490
Continuing education course student fees	1,803,100	-	1,803,100	1,742,160	-	1,742,160
Application fees	1,492,790	-	1,492,790	1,842,600	-	1,842,600
Publication fees	220,230	-	220,230	236,053	-	236,053
Course registration fees	295,802	-	295,802	345,353	-	345,353
Certification fees	31,230	-	31,230	33,985	-	33,985
Miscellaneous	5,265	950	6,215	4,725	3,050	7,775
Total operating revenues	9,635,882	950	9,636,832	9,904,366	3,050	9,907,416
Operating expenses:						
Personnel	7,311,263	-	7,311,263	6,586,066	-	6,586,066
Commission	210,835	-	210,835	166,794	-	166,794
Building	220,714	-	220,714	169,481	-	169,481
Office expenses	298,977	-	298,977	286,609	-	286,609
Information technology	781,875	-	781,875	635,956	-	635,956
Education and publications	193,717	-	193,717	263,096	-	263,096
Professional services	107,410	-	107,410	47,868	-	47,868
Credit card merchant charges	233,404	-	233,404	225,900	-	225,900
Depreciation	474,273	-	474,273	552,915	-	552,915
Miscellaneous	126,850	-	126,850	111,022	-	111,022
Claims	-	7,216	7,216	-	-	-
Total operating expenses	9,959,318	7,216	9,966,534	9,045,707	-	9,045,707
Operating income (loss)	(323,436)	(6,266)	(329,702)	858,659	3,050	861,709
Non-operating revenues (expenses):						
Net investment income	775,910	42,180	818,090	320,805	20,734	341,539
Loss on disposal of equipment	(6,916)	-	(6,916)	(128,848)	-	(128,848)
Total non-operating revenues (expenses)	768,994	42,180	811,174	191,957	20,734	212,691
Changes in net position	445,558	35,914	481,472	1,050,616	23,784	1,074,400
Net position - beginning of year	19,928,000	1,519,185	21,447,185	18,877,384	1,495,401	20,372,785
Net position - end of year	\$ 20,373,558	\$ 1,555,099	\$ 21,928,657	\$ 19,928,000	\$ 1,519,185	\$ 21,447,185

See Notes to Financial Statements.

NORTH CAROLINA REAL ESTATE COMMISSION
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024			2023		
	Operating Fund	Recovery Fund	Total	Operating Fund	Recovery Fund	Total
Cash flows from operating activities:						
Cash received from fees	\$ 9,680,131	\$ -	\$ 9,680,131	\$9,901,030	\$ -	\$ 9,901,030
Cash payments to employees for services	(7,265,866)	-	(7,265,866)	(6,634,592)	-	(6,634,592)
Cash payments for operating expenses	(791,803)	-	(791,803)	(710,503)	-	(710,503)
Cash payments to suppliers of goods & services	(1,440,309)	-	(1,440,309)	(1,214,598)	-	(1,214,598)
Cash payments for Recovery Fund expenses	-	(6,266)	(6,266)	-	(5,467)	(5,467)
Net cash provided by (used in) operating activities	<u>182,153</u>	<u>(6,266)</u>	<u>175,887</u>	<u>1,341,337</u>	<u>(5,467)</u>	<u>1,335,870</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(421,425)	-	(421,425)	(393,704)	-	(393,704)
Net cash used in capital and related financing activities	<u>(421,425)</u>	<u>-</u>	<u>(421,425)</u>	<u>(393,704)</u>	<u>-</u>	<u>(393,704)</u>
Cash flows from investing activities:						
Purchases of investments	(4,138,276)	(42,054)	(4,180,330)	(5,311,016)	(709,491)	(6,020,507)
Sales of investments	3,048,949	-	3,048,949	5,480,000	-	5,480,000
Net investment income	793,612	42,054	835,666	243,540	9,491	253,031
Net cash provided by (used in) investing activities	<u>(295,715)</u>	<u>-</u>	<u>(295,715)</u>	<u>412,524</u>	<u>(700,000)</u>	<u>(287,476)</u>
Net increase (decrease) in cash	(534,987)	(6,266)	(541,253)	1,360,157	(705,467)	654,690
Cash and cash equivalents - beginning of year	<u>6,515,018</u>	<u>145,934</u>	<u>6,660,952</u>	<u>5,154,861</u>	<u>851,401</u>	<u>6,006,262</u>
Cash and cash equivalents - end of year	<u>\$ 5,980,031</u>	<u>\$ 139,668</u>	<u>\$ 6,119,699</u>	<u>\$ 6,515,018</u>	<u>\$ 145,934</u>	<u>\$ 6,660,952</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (323,436)	\$ (6,266)	\$ (329,702)	\$ 858,659	\$ 3,050	\$ 861,709
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	474,273	-	474,273	552,915	-	552,915
Changes in assets and liabilities:						
Accounts receivable	14,084	-	14,084	44,474	-	44,474
Inventory	19,338	-	19,338	913	-	913
Prepaid expenses	(114,677)	-	(114,677)	(65,829)	-	(65,829)
Accounts payable and accrued liabilities	37,009	-	37,009	(29,020)	(8,517)	(37,537)
Unearned revenue	30,165	-	30,165	(47,810)	-	(47,810)
Accrued leave	45,397	-	45,397	56,571	-	56,571
Deferred inflows of resources	-	-	-	(29,536)	-	(29,536)
Total adjustments	<u>505,589</u>	<u>-</u>	<u>505,589</u>	<u>482,678</u>	<u>(8,517)</u>	<u>474,161</u>
Net cash provided by (used in) operating activities	<u>\$ 182,153</u>	<u>\$ (6,266)</u>	<u>\$ 175,887</u>	<u>\$ 1,341,337</u>	<u>\$ (5,467)</u>	<u>\$ 1,335,870</u>

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). All activities of the Commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

For financial reporting purposes, the Commission is a non-major enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's *Annual Comprehensive Financial Report* (ACFR).

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

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

Reporting Entity (Continued)

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

Inventory

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

Accounts Receivable

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

Capital Assets

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

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

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

Capital Assets (Continued)

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

Unearned Revenue

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

Accrued Leave

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

Net Position

The Commission's net position is classified as follows:

Invested in Capital Assets - This represents the Commission's total investment in capital assets, net of accumulated depreciation.

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

Unrestricted - Assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes. The Commission has designated \$250,000 of the unrestricted net assets to cover building improvements, and \$250,000 for future furniture and equipment costs. The Commission may change such reserved amounts based on perceived operating conditions and situations.

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

The Commission is Subject to the Following Risks

Custodial credit risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2024, the Commission's Operating Fund deposits and investments had a carrying amount of \$21,213,223 and bank balances of \$20,752,892. Of the bank balances, \$16,993,871 was covered by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NUCA), \$1,106,724 was covered by the Securities Investor Protection Corporation (SIPC), and \$2,637,031 was uninsured in certain financial institutions that had pledged collateral to protect the uninsured balances. The Operating Fund had \$0 in financial institutions that were uninsured and uncollateralized. At June 30, 2024, the Commission's Recovery Fund deposits and investments had a carrying amount and bank balance of \$1,542,819. Of the bank balance, \$1,542,819 was covered by the FDIC and \$0 was uninsured in certain financial institutions that had pledged collateral to protect the uninsured balances. The Recovery Fund had \$0 in financial institutions that was uninsured and uncollateralized.

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

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

The following table presents the cost plus accrued interest value of investments and the weighted average maturity of investments subject to interest rate and credit risk at June 30, 2024.

	Cost Plus Accrued Interest	Weighted Average Maturity	Ratings
Certificates of deposit	\$15,609,798	5 months	N/A

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Commission is Subject to the Following Risks (Continued)

A reconciliation of the Commission's deposits and investments to the Statement of Net Position at June 30, 2024, is as follows:

Checking and savings accounts	\$ 2,220,950
Money market accounts	5,005,473
Certificates of deposit	15,529,619
Total deposits and investments	<u>\$22,756,042</u>
Current:	
Cash and cash equivalents	\$ 6,119,699
Investments	16,156,343
Noncurrent:	
Investments	480,000
Total deposits and investments	<u>\$22,756,042</u>

NOTE 3 - CAPITAL ASSETS

Capital assets are comprised of the following:

	Cost 6/30/2023	Additions	Retirements	Cost 6/30/2024	Accumulated Depreciation	Net Amount
Building/Land	\$ 4,312,250	\$ -	\$ -	\$ 4,312,250	\$ 1,362,586	\$ 2,949,664
Building						
Improvements	1,365,302	65,000	(13,363)	1,416,939	441,368	975,571
Furniture/						
Equipment	2,651,985	356,425	(49,545)	2,958,865	2,075,889	882,976
Totals	<u>\$ 8,329,537</u>	<u>\$ 421,425</u>	<u>\$ (62,908)</u>	<u>\$ 8,688,054</u>	<u>\$ 3,879,843</u>	<u>\$ 4,808,211</u>
	Cost 6/30/2022	Additions	Retirements	Cost 6/30/2023	Accumulated Depreciation	Net Amount
Building/Land	\$ 4,312,250	\$ -	\$ -	\$ 4,312,250	\$ 1,269,729	\$ 3,042,521
Building						
Improvements	1,115,223	250,079	-	1,365,302	375,131	990,171
Furniture/						
Equipment	3,035,096	143,625	(526,736)	2,651,985	1,816,701	835,284
Totals	<u>\$ 8,462,569</u>	<u>\$ 393,704</u>	<u>\$ (526,736)</u>	<u>\$ 8,329,537</u>	<u>\$ 3,461,561</u>	<u>\$ 4,867,976</u>

NORTH CAROLINA REAL ESTATE COMMISSION
Notes to Financial Statements

NOTE 4 - NON-CURRENT LIABILITIES

Changes in non-current liabilities are as follows:

	Balance 6/30/2023	Increases	Decreases	Balance 6/30/2024	Current Portion
Accrued leave	<u>\$ 495,592</u>	<u>\$ 534,991</u>	<u>\$ 489,594</u>	<u>\$ 540,989</u>	<u>\$ 50,628</u>

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

NOTE 5 - RETIREMENT PLANS

North Carolina Licensing Boards Retirement Savings Plan

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

The Commission's payroll for employees covered by the Plan for the year ended June 30, 2024 was \$5,318,567; the Commission's total payroll was \$5,362,056. The Commission's payroll for employees covered by the Plan for the year ended June 30, 2023 was \$4,735,919; the Commission's total payroll was \$4,776,770. The total contribution for the year ended June 30, 2024 was \$766,927, which consisted of \$296,229 (net of forfeitures) from the Commission and \$470,698 from employees. The total contribution for the year ended June 30, 2023 was \$708,047, which consisted of \$286,053 (net of forfeitures) from the Commission and \$421,994 from employees.

Internal Revenue Code 457(k) Plan

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

Voluntary contributions by employees were \$56,742 and \$56,130 for the years ended June 30, 2024 and 2023, respectively.

NORTH CAROLINA REAL ESTATE COMMISSION

Notes to Financial Statements

NOTE 6 - RISK MANAGEMENT AND CONTINGENCIES

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Commission members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Commission under the State's public officers' and employees' liability insurance contract with a private insurance company. The Commission also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, cyber insurance, commercial liability, workers' compensation and employers' liability.

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

NOTE 7 - SUBSEQUENT EVENT

Management of the Commission evaluated subsequent events through October 16, 2024, which is the date the financial statements were available to be issued. Management discovered no subsequent events which should be disclosed.

The audit was conducted in approximately 120 hours at a cost of \$23,000.