

**NORTH CAROLINA BOARD OF EXAMINERS
FOR ENGINEERS AND SURVEYORS**

Financial Statements

Years ended November 30, 2024 and 2023



NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Table of Contents

	<u>Page</u>
Management's Discussion and Analysis	1
Independent Auditor's Report	3
Financial Statements	
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
Supplementary Information	
Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget	19

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Management's Discussion and Analysis
For the Fiscal Year Ended November 30, 2024

The following is a discussion and analysis of the North Carolina Board of Examiners for Engineers and Surveyors' (the "Board") financial performance for the year ended November 30, 2024. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and previous two years are presented in the analysis.

Financial Highlights

Overall operating revenues of the Board increased in the current year by \$129,038, or 4.5%, due primarily to increases in renewal fees and civil penalties collected.

Overall operating expenses of the Board increased by \$267,488 or 10.0%, attributed primarily to increased salaries and wages and legal fees.

Non-operating revenues of the Board increased by \$235,763 due primarily to unrealized investment gains in the current year.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent positions of assets and liabilities separately.

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

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Management's Discussion and Analysis
For the Fiscal Year Ended November 30, 2024

The following presents condensed financial information on the operations of the Board as of and for the year ended November 30:

	2024	2023	2022
Assets:			
Current assets	\$ 4,296,279	\$ 3,183,963	\$ 2,754,439
Capital assets - net	466,517	619,703	849,158
Noncurrent assets	334,618	1,080,510	1,183,066
Total assets	<u>5,097,414</u>	<u>4,884,176</u>	<u>4,786,663</u>
Liabilities:			
Current liabilities	425,328	391,513	354,360
Noncurrent liabilities	391,945	573,192	776,189
Total liabilities	<u>817,273</u>	<u>964,705</u>	<u>1,130,549</u>
Net position:			
Net investment in capital assets	(7,152)	5,516	55,878
Unrestricted	4,287,293	3,913,955	3,600,236
Total net position	<u>\$ 4,280,141</u>	<u>\$ 3,919,471</u>	<u>\$ 3,656,114</u>
Operating revenues	\$ 3,000,835	\$ 2,871,797	\$ 2,850,970
Operating expenses	<u>2,952,581</u>	<u>2,685,093</u>	<u>2,559,095</u>
Operating income	48,254	186,704	291,875
Non-operating revenues	312,416	76,653	(91,519)
Changes in net position	<u>\$ 360,670</u>	<u>\$ 263,357</u>	<u>\$ 200,356</u>

A comparison of budget to actual operations is presented on page 19. Actual operating revenues exceeded budgeted expectations by \$247,485, or 8.99%, due primarily to licensing fee revenue exceeding budget by \$203,375, or 7.43%, and civil penalties collected of \$27,500, which are not budgeted.

Personnel and office and board expenses were under budget by \$45,217 while legal, accounting, and audit expenses were over budget by \$319,564. Depreciation and civil penalties are not budgeted expense items.

The Board has designated a portion of unrestricted net assets to cover potential future activities, consisting of \$150,000 for litigation and \$100,000 for future projects.

Events Affecting Future Operations

There are no known events affecting 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 funds it receives and expends. If you have questions or require additional information, please contact the North Carolina Board of Examiners for Engineers and Surveyors, 4601 Six Forks Road, Suite 310, Raleigh, NC 27609.



Independent Auditor's Report

Members of the Board
North Carolina Board of Examiners for Engineers and Surveyors
Raleigh, North Carolina

Opinion

We have audited the financial statements of the North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), which comprise the statement of net position as of November 30, 2024, 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 North Carolina Board of Examiners for Engineers and Surveyors as of November 30, 2024, and the changes in its financial position and its 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 North Carolina Board of Examiners for Engineers and Surveyors 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.

Prior Period Financial Statements

The financial statements of North Carolina Board of Examiners for Engineers and Surveyors as of November 30, 2023, were audited by other auditors whose report dated March 13, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Carolina Board of Examiners for Engineers and Surveyors' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 that we identified during the audit.

Emphasis of Matters

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Examiners for Engineers and Surveyors and do not purport to and do not present fairly the financial position of the State of North Carolina as of November 30, 2024, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Revenues, Expenses, and Changes in Net Position - Actual and Budget ("supplementary information") on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management. Such information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Gidewell CPA, PLLC

Cary, North Carolina
March 19, 2025

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Net Position
November 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,104,879	\$ 1,033,842
Investments	3,169,675	2,133,129
Prepaid expenses	21,661	14,765
Other assets	64	2,227
Total current assets	<u>4,296,279</u>	<u>3,183,963</u>
Capital assets:		
Right to use leased assets, net of amortization	411,302	558,827
Property and equipment, net of depreciation	55,215	60,876
Total capital assets - net	<u>466,517</u>	<u>619,703</u>
Noncurrent assets:		
Investments	334,618	1,080,510
Total assets	<u>5,097,414</u>	<u>4,884,176</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 33,150	\$ 31,250
Payroll liabilities	4,134	15,498
Unearned revenue	172,913	170,363
Lease liabilities, current portion	215,131	174,402
Total current liabilities	<u>425,328</u>	<u>391,513</u>
Noncurrent liabilities:		
Compensated absences	133,407	133,407
Lease liabilities, net of current portion	258,538	439,785
Total noncurrent liabilities	<u>391,945</u>	<u>573,192</u>
Total liabilities	<u>817,273</u>	<u>964,705</u>
NET POSITION:		
Net investment in capital assets	(7,152)	5,516
Unrestricted	<u>4,287,293</u>	<u>3,913,955</u>
Total net position	<u>\$ 4,280,141</u>	<u>\$ 3,919,471</u>

See Notes to Financial Statements

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended November 30, 2024 and 2023

	2024	2023
Operating revenues:		
Renewal fees	\$ 2,868,575	\$ 2,759,662
Application fees	73,150	67,200
Exam fees	30,800	28,050
Civil penalties collected	27,500	15,500
Miscellaneous	810	1,385
Total operating revenues	<u>3,000,835</u>	<u>2,871,797</u>
Operating expenses:		
Salaries and wages	1,386,546	1,339,463
Payroll taxes	99,844	96,745
Retirement contributions and administration	86,366	82,897
Hospital and disability insurance	201,784	221,826
Staff development and training	20,893	20,409
Insurance and bonding	9,382	10,568
Telephone	10,167	9,729
Office supplies	70,837	62,784
Printing	8,676	8,067
Postage	20,936	14,586
Credit and bankcard fees	83,654	79,510
Travel - board members	46,630	46,126
Travel and other - staff	47,665	44,372
Board members per diem	23,750	30,500
Contracted services	50,486	53,360
Legal, accounting, and audit fees	370,964	193,664
Computer services	27,267	25,030
Equipment, rental, and maintenance	34,415	47,645
Civil penalties remitted	27,500	15,500
Miscellaneous	51,110	20,291
Dues and subscriptions	9,716	8,873
Amortization, right to use leased assets	185,605	181,240
Interest expense, lease liabilities	18,239	23,693
Common area maintenance, lease expense	24,488	-
Depreciation	35,661	48,215
Total operating expenses	<u>2,952,581</u>	<u>2,685,093</u>
Operating income	<u>48,254</u>	<u>186,704</u>
Non-operating revenues:		
Investment income	146,357	70,248
Realized and unrealized gains (losses) on investments	166,059	6,405
Total non-operating revenues	<u>312,416</u>	<u>76,653</u>
Changes in net position	360,670	263,357
Net position - beginning of year	<u>3,919,471</u>	<u>3,656,114</u>
Net position - end of year	<u><u>\$ 4,280,141</u></u>	<u><u>\$ 3,919,471</u></u>

See Notes to Financial Statements

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Cash Flows
Years Ended November 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,975,075	\$ 2,860,500
Other cash received	28,310	16,885
Cash payments to employees for services	(1,386,546)	(1,351,285)
Cash payments for suppliers of goods and services	(1,212,572)	(915,686)
Cash payments for interest on leased assets	(18,239)	(23,693)
Cash payments for other operating expenses	(128,155)	(150,280)
Net cash provided by operating activities	<u>257,873</u>	<u>436,441</u>
Cash flows from investing activities:		
Net investment income	12,881	58,046
Purchase of investments	-	(1,538,893)
Proceeds from sales of investments	8,881	(12,327)
Net cash provided by (used in) investing activities	<u>21,762</u>	<u>(1,493,174)</u>
Cash flows from capital and related financing activities:		
Payments on lease liabilities	(178,598)	(179,093)
Acquisition of property and equipment	(30,000)	-
Net cash provided by (used in) capital and related financing activities	<u>(208,598)</u>	<u>(179,093)</u>
Net increase (decrease) in cash	71,037	(1,235,826)
Cash - beginning of year	1,033,842	2,269,668
Cash - end of year	<u>\$ 1,104,879</u>	<u>\$ 1,033,842</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 48,254	\$ 186,704
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	35,661	48,215
Amortization, leased assets	185,605	181,240
Changes in assets and liabilities:		
Prepaid expenses	(6,896)	4,459
Other assets	2,163	2,574
Accounts payable	1,900	19,537
Payroll liabilities	(11,364)	(54)
Compensated absences	-	(11,822)
Unearned revenue	2,550	5,588
Total adjustments	<u>209,619</u>	<u>249,737</u>
Net cash provided by operating activities	<u>\$ 257,873</u>	<u>\$ 436,441</u>

See Notes to Financial Statements

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Examiners for Engineers and Surveyors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapter 89C of the North Carolina General Statutes (NCGS). The Board is composed of nine members: four licensed professional engineers, three licensed professional land surveyors and two public members who are neither professional engineers nor professional land surveyors. All members are appointed by the Governor.

The Board's primary responsibilities are to grant certificates of qualification as professional engineers and professional land surveyors to qualified persons, to register certified firms, to administer land surveyor examinations, and to enforce all statutes and rules of Chapter 89C and 21 NCAC Chapter 56.

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

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 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 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.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP as prescribed by Governmental Accounting Standards Board ("GASB").

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 have been 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 recognized when a liability has been incurred, regardless of the timing of the cash flows.

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

Basis of Accounting (Continued)

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license and examination fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital 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 include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

Changes in Financial Accounting and Reporting

During the year ended June 30, 2024, the Board adopted GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* (GASB 100). This Statement identifies accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes various transactions or events included in these changes. GASB 100 established accounting and financial reporting requirements for each type of accounting change and correction of an error in previously issued financial statements (error correction). The new guidance retains the same categories under GASB 62, but it further clarifies the transactions and other events that compose those categories and the distinctions between the categories.

Cash and Cash Equivalents

Cash includes cash on deposit and money market accounts with financial institutions. For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

Investments

Investments consist of equities, mutual funds, corporate bonds, negotiable certificates of deposit and money market sweep accounts held in brokerage accounts. Money market sweep accounts, and corporate bonds and certificates of deposit maturing within the next fiscal year are shown as current. Investments are reported at fair value. Fair values are based on readily available market quotes. The negotiable certificates of deposit are also reported at fair value, which approximates cost plus accrued interest to date.

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.

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$5,000 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	7 - 10 years
Property and equipment	5 - 10 years
Software	3 - 5 years

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 non-operating revenue or expense for the period.

Compensated Absences

Board employees may accumulate up to thirty days earned vacation (except for the Board's Executive Director, who may accumulate up to sixty days) and such leave is fully vested when earned.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been recognized.

Net Position

The Board's net position is classified as follows:

Investment 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. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

Budgetary Practices

Budgets for fiscal years ended November 30, 2024 and 2023, were adopted by the Board. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

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 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.

NOTE 2 - NET POSITION

The Board has designated a portion of the unrestricted net assets to indicate their plans for how financial resources will be used in a future period. Future uses are categorized as either pre-planned special projects or unforeseen financial emergencies which may require a large, non-recurring outlay of funds.

NOTE 2 - NET POSITION (Continued)

The Board's designated unrestricted net assets at November 30, 2024 and 2023, are summarized as follows:

	Balance 11/30/2023	Additions	Expenditures	Balance 11/30/2024
Litigation	150,000	323,166	(323,166)	150,000
Future projects	100,000	-	-	100,000
	<u>\$ 250,000</u>	<u>\$ 323,166</u>	<u>\$ (323,166)</u>	<u>\$ 250,000</u>

	Balance 11/30/2022	Additions	Expenditures	Balance 11/30/2023
Litigation	150,000	82,616	(82,616)	150,000
Future projects	100,000	-	-	100,000
	<u>\$ 250,000</u>	<u>\$ 82,616</u>	<u>\$ (82,616)</u>	<u>\$ 250,000</u>

NOTE 3 - UNEARNED REVENUE

The Board's fees for Professional Engineers (PE) and Land Surveyors (LS) are assessed and collected on a fiscal year basis, corresponding with the Board's accounting period. These license renewal fees are collected beginning December 1st for the fiscal year and therefore there is no unearned revenue related to PE and LS renewals at year end. The Board's Firm renewal fees run from June 1 through May 31 resulting in unearned revenue at November 30, 2024 and 2023 of \$172,913 and \$170,363, respectively.

NOTE 4 - DEPOSITS AND INVESTMENTS

Investments are comprised of the following at November 30:

	2024		
	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	50,000	49,236	(764)
Negotiable certificates of deposit	2,559,000	2,551,033	(7,967)
Equities	234,811	447,905	213,094
Mutual funds	368,985	404,313	35,328
Money market sweep accounts	51,806	51,806	-
	<u>\$ 3,264,602</u>	<u>\$ 3,504,293</u>	<u>\$ 239,691</u>

	2023		
	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	50,000	47,772	(2,228)
Negotiable certificates of deposit	2,186,000	2,160,929	(25,071)
Equities	234,811	372,644	137,833
Mutual funds	350,332	331,720	(18,612)
Money market sweep accounts	300,574	300,574	-
	<u>\$ 3,121,717</u>	<u>\$ 3,213,639</u>	<u>\$ 91,922</u>

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth by level, within the fair value hierarchy, the Board's assets at fair value as of November 30:

	2024			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 49,236	\$ -	\$ -	\$ 49,236
Negotiable certificates of deposit	-	2,551,033	-	2,551,033
Equities	447,905	-	-	447,905
Mutual funds	404,313	-	-	404,313
	<u>\$ 901,454</u>	<u>\$ 2,551,033</u>	<u>\$ -</u>	<u>\$ 3,452,487</u>
	2023			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ 47,772	\$ -	\$ -	\$ 47,772
Negotiable certificates of deposit	-	2,160,929	-	2,160,929
Equities	372,644	-	-	372,644
Mutual funds	331,720	-	-	331,720
	<u>\$ 752,136</u>	<u>\$ 2,160,929</u>	<u>\$ -</u>	<u>\$ 2,913,065</u>

The investment balances on the statements of net position include cash balances held temporarily in the investment portfolio until reinvestment, and therefore not included in the fair value hierarchy above in the amount of \$51,806 and \$300,574 at November 30, 2024 and 2023, respectively.

The Board is subject to the following risks:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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. At November 30, 2024, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$401,454.

The Board had multiple certificates of deposit investments totaling \$2,551,033, all of which were individually insured under the Federal Depositary Insurance Corporation (FDIC) limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At November 30, 2024, the Board had \$858,013 of deposits in excess of the FDIC limit.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board minimizes interest rate risk by structuring the investment portfolio so securities mature using a ladder approach in order to avoid the need to sell securities prior to maturity.

As of November 30, 2024, the weighted average maturity of the Board's corporate bonds and certificates of deposit was 0.62 years and 0.59 years, respectively. The maturities of the Board's fixed income securities as of November 30, 2024, were as follows:

	Investment Amount
0 - 5 years	<u>\$ 2,600,269</u>

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board minimizes credit risk by limiting investments to the following types:

- Obligations of the United States or obligations fully guaranteed both as to principle and interest by the United States
- Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, Government National Mortgage Association, The Federal Housing Administration, and the Farmers Home Administration
- Certificates of deposit and other time deposits of financial institutions
- Obligations of the State of North Carolina
- Investment grade bonds with a rating of "A" or above by a nationally recognized rating agency
- Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks
- Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks
- Asset backed securities provided they bear the highest rating of at least one nationally recognized service and do not have a rating below the highest rating by any nationally recognized rating service which rates the particular securities
- Equity market

At November 30, 2024, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investor Service:

	Investment Amount	Credit Rating
Corporate bonds	\$ 49,236	A2

NOTE 5 - PROPERTY AND EQUIPMENT

Changes in property and equipment for the Board for the years ended November 30, 2024 and 2023 are as follows:

	Cost 11/30/2023	Additions	Disposals	Cost 11/30/2024
Property and equipment:				
Leasehold improvements	\$ 116,847	\$ -	\$ -	\$ 116,847
Furniture and equipment	529,262	30,000	29,971	529,291
	<u>646,109</u>	<u>30,000</u>	<u>29,971</u>	<u>646,138</u>
Less accumulated depreciation for:				
Leasehold improvements	106,769	6,172	8,543	104,398
Furniture and equipment	478,464	29,489	21,428	486,525
Total accumulated depreciation	<u>585,233</u>	<u>35,661</u>	<u>29,971</u>	<u>590,923</u>
Property and equipment, net	<u>\$ 60,876</u>	<u>\$ (5,661)</u>	<u>\$ -</u>	<u>\$ 55,215</u>
	Cost 11/30/2022	Additions	Disposals	Cost 11/30/2023
Property and equipment:				
Leasehold improvements	\$ 116,847	\$ -	\$ -	\$ 116,847
Furniture and equipment	548,394	-	19,132	529,262
	<u>665,241</u>	<u>-</u>	<u>19,132</u>	<u>646,109</u>
Less accumulated depreciation for:				
Leasehold improvements	100,597	6,172	-	106,769
Furniture and equipment	455,553	42,043	19,132	478,464
Total accumulated depreciation	<u>556,150</u>	<u>48,215</u>	<u>19,132</u>	<u>585,233</u>
Property and equipment, net	<u>\$ 109,091</u>	<u>\$ (48,215)</u>	<u>\$ -</u>	<u>\$ 60,876</u>

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

The Board entered into a lease for new office space effective March 1, 2017 through December 31, 2026. The lease calls for escalating rent payments beginning at \$14,047 per month for six months and increasing approximately 3% a year thereafter.

For the years ended November 30, lease expense was comprised of the following:

	2024	2023
Amortization expense by class of underlying asset		
Office building	\$ 180,722	\$ 181,240
Equipment	4,883	-
	<u>185,605</u>	<u>181,240</u>
Interest on lease liabilities	18,239	23,693
Total lease expense	<u>\$ 198,961</u>	<u>\$ 204,933</u>

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

Right-to-use leased assets activity:

	<u>11/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2024</u>
Office building	\$ 1,283,787	\$ -	\$ -	\$ 1,283,787
Equipment	-	38,080	-	38,080
	<u>1,283,787</u>	<u>38,080</u>	<u>-</u>	<u>1,321,867</u>
Less: accumulated amortization	<u>(724,960)</u>	<u>(185,605)</u>	<u>-</u>	<u>(910,565)</u>
Right-to-use assets, net	<u>\$ 558,827</u>	<u>\$ (147,525)</u>	<u>\$ -</u>	<u>\$ 411,302</u>

	<u>11/30/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2023</u>
Office building	\$ 1,283,787	\$ -	\$ -	\$ 1,283,787
Less: accumulated amortization	<u>(543,720)</u>	<u>(181,240)</u>	<u>-</u>	<u>(724,960)</u>
Right-to-use assets, net	<u>\$ 740,067</u>	<u>\$ (181,240)</u>	<u>\$ -</u>	<u>\$ 558,827</u>

Lease liabilities were comprised of the following:

	<u>11/30/2023</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2024</u>
Total lease liabilities	<u>\$ 614,187</u>	<u>\$ 38,080</u>	<u>\$ (178,598)</u>	<u>\$ 473,669</u>

	<u>11/30/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>11/30/2023</u>
Total lease liabilities	<u>\$ 793,280</u>	<u>\$ -</u>	<u>\$ (179,093)</u>	<u>\$ 614,187</u>

Future lease payments are comprised of the following:

Years ending November 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 215,131	\$ 12,588	\$ 227,719
2026	228,935	5,238	234,173
2027	29,603	267	29,870
	<u>\$ 473,669</u>	<u>\$ 18,093</u>	<u>\$ 491,762</u>

NOTE 7 - COMPENSATED ABSENCES

Changes to accrued compensated absences are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 133,407	\$ 145,229
Increases	107,987	109,569
Decreases	<u>(107,987)</u>	<u>(121,391)</u>
Ending balance	<u>\$ 133,407</u>	<u>\$ 133,407</u>

NOTE 8 - RETIREMENT PLANS

The Board participates in the North Carolina Licensing Boards' Retirement Savings Plan (Plan) which is a multiple employer, cost-sharing defined contribution plan. Participating employees are required to contribute 6% of their gross pay and the Board matches those contributions 100%. Employees may also make voluntary contributions to the Plan over their 6% contribution. Employees are eligible to participate in the Plan immediately upon employment. Employees' contributions are immediately vested and the Board's contributions are 100% vested after five years of credited service. The 401(k) Plan is administered by Empower. The Board's contributions for the years ended November 30, 2024 and 2023 totaled \$83,072 and \$80,017, respectively. Employee contributions for the years ended November 30, 2024 and 2023 totaled \$142,170 and \$86,179 respectively. Forfeitures totaling \$882 and \$0 were utilized to reduce employer contributions during the years ended November 30, 2024 and 2023, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Board is subject to legal proceedings, claims, and litigation. The Board incurs legal fees for outside counsel. During the year ended November 30, 2024, the Board paid a settlement of \$247,278 for one claim, which is included in legal, accountiing, and audit fees in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. As of November 30, 2024, one claim remained open and is currently under appeal after originally being ruled in the Board's favor. The potential for the Board to incur a liability related to the outcome of the appeal is not considered probable or reasonably estimable at this time. Accordingly, no accrual has been recorded in the accompanying financial statements.

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. 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 with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, data breach, workers compensation and employers' liability, and vehicle.

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through March 19, 2025, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 65 hours at a cost of \$14,600.

SUPPLEMENTARY INFORMATION

NORTH CAROLINA BOARD OF EXAMINERS FOR ENGINEERS AND SURVEYORS
Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget
Years Ended November 30, 2024 and 2023

	2024			2023		
	(Unaudited)		Over	(Unaudited)		Over
	Budget	Actual	(Under) Budget	Budget	Actual	(Under) Budget
Revenues:						
Examination fees	\$ 14,000	\$ 30,800	\$ 16,800	\$ 12,000	\$ 28,050	\$ 16,050
Licensing fees	2,738,350	2,941,725	203,375	2,719,200	2,826,862	107,662
Other	1,000	810	(190)	1,000	1,385	385
Civil penalties collected	-	27,500	27,500	-	15,500	15,500
Total revenues	<u>2,753,350</u>	<u>3,000,835</u>	<u>247,485</u>	<u>2,732,200</u>	<u>2,871,797</u>	<u>139,597</u>
Expenses:						
Personnel	1,840,650	1,795,433	(45,217)	1,800,075	1,761,340	(38,735)
Office and board	721,300	723,023	1,723	685,200	666,374	(18,826)
Legal, accounting, and audit	51,400	370,964	319,564	48,000	193,664	145,664
Depreciation	-	35,661	35,661	-	48,215	48,215
Civil penalties remitted	-	27,500	27,500	-	15,500	15,500
Total expenses	<u>2,613,350</u>	<u>2,952,581</u>	<u>339,231</u>	<u>2,533,275</u>	<u>2,685,093</u>	<u>151,818</u>
Operating income	<u>140,000</u>	<u>48,254</u>	<u>(91,746)</u>	<u>198,925</u>	<u>186,704</u>	<u>(12,221)</u>
Total non-operating revenues	<u>20,000</u>	<u>312,416</u>	<u>292,416</u>	<u>20,000</u>	<u>76,653</u>	<u>56,653</u>
Changes in net position	<u>160,000</u>	<u>360,670</u>	<u>200,670</u>	<u>218,925</u>	<u>263,357</u>	<u>44,432</u>
Net position - beginning of year	<u>3,919,471</u>	<u>3,919,471</u>	<u>-</u>	<u>3,656,114</u>	<u>3,656,114</u>	<u>-</u>
Net position - end of year	<u>\$ 4,079,471</u>	<u>\$ 4,280,141</u>	<u>\$ 200,670</u>	<u>\$ 3,875,039</u>	<u>\$ 3,919,471</u>	<u>\$ 44,432</u>

See Independent Auditor's Report