

**NORTH CAROLINA LICENSING BOARD FOR
GENERAL CONTRACTORS**

Financial Statements

Year ended December 31, 2024



NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS
Board Members

BOARD MEMBERS (2024)

Eric Reichard, Chair

Elizabeth Phipps, Vice Chair

Robyn Hicks-Guinn

Carl Daniel

Leon Meyers

Henry Lanier

George Ratchford

William Rakatansky

James Pressly

EXECUTIVE DIRECTOR

Ryan Cody, Executive Director/Secretary-Treasurer

LEGAL COUNSEL

Anna Baird Choi

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

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NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2024

The following is a discussion and analysis of the North Carolina Licensing Board for General Contractors (the "Board") financial performance for the fiscal year ended December 31, 2024. 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 the previous two years are presented in the analysis. Please read it in conjunction with the financial statements and footnotes following this section which comprise our complete set of financial information.

Financial Highlights

During 2024, the Board's net position for its Operating Fund increased by \$800,325, or 10.66%, due primarily to an increase in renewals, other fees, and interest income, along with a decrease in operating expenses. During 2024, the Board's net position for its Recovery Fund decreased by \$176,996, or -39.23%, due primarily to the Board paying more recovery fund claims than it did in the preceding year.

During 2024, the Board's operating revenues for its Operating Fund increased by \$212,416, or 4.92%, due primarily to continued increases in renewals and other fees. During 2024, the Board's operating revenues for its Recovery Fund increased by \$44,606, or 6.01%, due to an increase in recovery fees collected.

During 2024, the Board's non-operating income (loss), for its Operating Fund increased by \$66,235, or 82.41%, due to an increase in interest income. During 2024, the Board's non-operating revenues for its Recovery Fund increased by \$2,388, or 33.37%, which is not considered a significant change.

During 2024, the Board's operating expenses for its Operating Fund decreased by \$189,412, or -4.66%, due primarily to a decrease in salaries and benefits, and computer and other IT related support, offset by an increase in legal and other professional fees. During 2024, the Board's operating expenses for its Recovery Fund increased by \$102,096 or 11.73%, due primarily to the Board awarding more Recovery Fund claims during 2024 than it did in the preceding 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).

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

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 current and non-current portions of assets, liabilities and net position of the Board. Current assets are those expected to be converted to cash within one year, and current liabilities are expected to be settled within one year.

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.

Condensed Financial Statements

The following table summarizes the Board's assets, liabilities and net position as of December 31, and its operating and non-operating revenues and expenses for the years then ended for the **Operating Fund**:

	2024	2023 *
Current assets	\$ 5,673,211	\$ 5,100,045
Capital assets, net	5,553,166	5,620,899
Leased assets, net	199,133	277,066
Total assets	11,425,510	10,998,010
Current liabilities	2,619,882	2,517,338
Long-term liabilities	498,325	973,694
Total liabilities	3,118,207	3,491,032
Net position:		
Net investment in capital assets	5,174,054	4,886,125
Unrestricted	3,133,249	2,620,853
Total net position	\$ 8,307,303	\$ 7,506,978
Operating revenues	\$ 4,526,268	\$ 4,313,852
Operating expenses	(3,872,551)	(4,061,963)
Operating income (loss)	653,717	251,889
Non-operating income (loss)	146,608	80,373
Changes in net position	\$ 800,325	\$ 332,262

* As described in Note 11, the Board restated unrestricted net position as of January 1, 2024 to reflect the implementation of GASB Statement No. 101. The effect on the change in unrestricted net position is included in long-term liabilities for the year ended December 31, 2023.

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2024

The following table summarizes the Board's assets, liabilities and net position as of December 31, and its operating and non-operating revenues and expenses for the years then ended for the **Recovery Fund**:

	2024	2023
Current assets	\$ 276,384	\$ 452,094
Total assets	276,384	452,094
Current liabilities	2,254	968
Net position:		
Restricted	274,130	451,126
Total net position	\$ 274,130	\$ 451,126
Operating revenues (recovery fees)	\$ 786,306	\$ 741,700
Operating expenses	(972,846)	(870,750)
Operating income (loss)	(186,540)	(129,050)
Non-operating income	9,544	7,156
Changes in net position	\$ (176,996)	\$ (121,894)

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$8,307,303 for the Operating Fund, and by \$274,130 for the Recovery Fund for the year ended December 31, 2024. The largest component of net position for the Operating Fund was net investments in capital assets. Net investments in capital assets represented 62.28% of total net position for the Operating Fund. The largest component of net position for the Recovery Fund was cash and cash equivalents. Cash and cash equivalents represented 100% of the total net position for the Recovery Fund.

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 money it receives. If you have any questions about this report or need additional information, contact:

North Carolina Licensing Board for General Contractors
5400 Creedmoor Road
Raleigh, NC 27612
Phone: (919) 571-4183
By email at: info@nclbgc.org



Independent Auditor's Report

Members of the Board
North Carolina Licensing Board for General Contractors
Raleigh, North Carolina

Opinion

We have audited the financial statements of the North Carolina Licensing Board for General Contractors (the "Board"), which comprise the statement of net position as of December 31, 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 Licensing Board for General Contractors as of December 31, 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 Licensing Board for General Contractors 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.

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 Licensing Board for General Contractors' 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 Licensing Board for General Contractors and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 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.

As discussed in Note 11 to the financial statements, management has restated unrestricted net position as of January 1, 2024 for the effects of implementing GASB Statement No. 101, *Compensated Absences*.

Our opinion is not modified with respect to these 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 - 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.

Gidewell CAA, PLLC

Cary, North Carolina

April 15, 2025

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

Statement of Net Position

December 31, 2024

	2024	
	Operating Fund	Recovery Fund
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,659,278	\$ 276,384
Prepaid expenses	13,933	-
Total current assets	<u>5,673,211</u>	<u>276,384</u>
Capital assets:		
Property and equipment:		
Land and building, net	5,446,306	-
Furniture and office equipment, net	106,860	-
Right-of-use leased assets, net	199,133	-
Total capital assets, net	<u>5,752,299</u>	<u>-</u>
Total assets	<u>11,425,510</u>	<u>276,384</u>
LIABILITIES:		
Current liabilities:		
Accounts payable - operations	\$ 148,802	\$ 2,254
Lease liabilities, current portion	73,572	-
Note payable, current portion	371,333	-
Accrued compensated absences, current	40,600	-
Unearned revenue	1,985,575	-
Total current liabilities	<u>2,619,882</u>	<u>2,254</u>
Long-term liabilities:		
Lease liabilities, net of current portion	133,340	-
Accrued compensated absences, net of current portion	364,985	-
Total long-term liabilities	<u>498,325</u>	<u>-</u>
Total liabilities	<u>3,118,207</u>	<u>2,254</u>
NET POSITION:		
Net investment in capital assets	5,174,054	-
Restricted net position - expendable	-	24,130
Restricted net position - nonexpendable	-	250,000
Unrestricted net position	<u>3,133,249</u>	<u>-</u>
Total net position	<u>\$ 8,307,303</u>	<u>\$ 274,130</u>

See Notes to Financial Statements

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2024

	2024	
	Operating Fund	Recovery Fund
Operating Revenues:		
Fees, licenses and fines:		
Renewals	\$ 2,626,900	\$ -
Processing fees	269,240	-
New application fees	379,575	-
Increase in limit fees	38,000	-
Recovery fees	-	786,306
Continuing education fees	828,156	-
Sales - publications	3,088	-
Administrative reimbursement from Recovery Fund	79,200	-
Other	302,109	-
Total operating revenues	<u>4,526,268</u>	<u>786,306</u>
Operating Expenses:		
Salaries	1,406,097	-
Payroll taxes	107,188	-
Retirement contributions	78,438	-
Employee benefits	248,154	-
Contracted temporary services	29,178	-
Board member expenses	52,740	-
Hearing expenses	-	1,003
Office supplies and expenses	13,053	1,667
Legal, auditing, accounting and other professional fees	1,118,875	2,500
Computer and website support	189,020	-
Continuing education	41,114	-
Staff travel	27,208	520
Printing and copying	4,100	-
Postage	10,045	-
Telephone	20,328	-
Credit card processing fees	129,581	-
Building operating costs	112,937	-
Depreciation	87,634	-
Insurance and bonding	12,440	-
Vehicle operating costs	31,638	-
Machine rental and maintenance	12,675	2,728
Lease amortization expense	77,933	-
Interest expense on lease liabilities	10,377	-
Dues and subscriptions	1,067	-
Contribution to NC Engineering Foundation	10,000	-
Claims paid	-	885,228
Administrative reimbursement to Operating Fund	-	79,200
Public awareness education	4,275	-
Other	36,456	-
Total operating expenses	<u>3,872,551</u>	<u>972,846</u>

See Notes to Financial Statements

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended December 31, 2024

	2024	
	Operating Fund	Recovery Fund
Operating income (loss)	\$ 653,717	\$ (186,540)
Non-operating income (expenses):		
Interest income	163,708	9,544
Interest expense	(17,100)	-
Total non-operating income (expenses)	146,608	9,544
Changes in net position	800,325	(176,996)
Net position - beginning of year - as originally reported	7,780,309	451,126
Restatement of beginning net position	(273,331)	-
Net position - beginning of year - as restated	7,506,978	451,126
Net position - end of year	\$ 8,307,303	\$ 274,130

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

Statement of Cash Flows

Year Ended December 31, 2024

	2024	
	Operating Fund	Recovery Fund
Cash flows from operating activities:		
Cash received from fees	\$ 4,206,946	\$ 786,306
Cash received from operating revenues	384,397	-
Cash payments to employees for services	(1,853,489)	-
Cash payments to suppliers of goods and services	(1,736,500)	(971,560)
Cash payments for other operating expenses	(89,948)	-
Net cash provided by operating activities	<u>911,406</u>	<u>(185,254)</u>
Cash flows from investing activities:		
Interest earnings	<u>163,708</u>	<u>9,544</u>
Net cash provided by (used in) investing activities	<u>163,708</u>	<u>9,544</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(19,901)	-
Payments on lease liabilities	(86,019)	-
Principal payments on note payable	(357,953)	-
Interest payments on note payable	<u>(17,100)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(480,973)</u>	<u>-</u>
Net increase (decrease) in cash	594,141	(175,710)
Cash and cash equivalents - beginning of year	<u>5,065,137</u>	<u>452,094</u>
Cash and cash equivalents - end of year	<u>\$ 5,659,278</u>	<u>\$ 276,384</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	<u>\$ 653,717</u>	<u>\$ (186,540)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	87,634	-
Amortization, leased assets	77,933	-
Interest expense on lease liabilities	10,377	-
Changes in assets and liabilities:		
Prepaid expenses	20,975	-
Accounts payable	9,307	1,286
Unearned revenue	65,075	-
Accrued compensated absences	<u>(13,612)</u>	<u>-</u>
Total adjustments	<u>257,689</u>	<u>1,286</u>
Net cash provided by (used in) operating activities	<u>\$ 911,406</u>	<u>\$ (185,254)</u>
Supplemental disclosure of cash flow information:		
Interest paid on note payable	<u>\$ 17,100</u>	<u>\$ -</u>

See Notes to Financial Statements

NORTH CAROLINA LICENSING BOARD FOR GENERAL CONTRACTORS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina Board of Examiners for General Contractors (the "Board"), is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes (NCGS). The Board is composed of nine members who are appointed by the Governor of the State of North Carolina.

The Board is established to maintain minimum standards for services provided by general contractors.

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

On March 10, 1925, upon creation of the Board pursuant to Article I, Chapter 87 of the General Statutes of the State of North Carolina, the Board began operations through its Operating Fund. The Board's Operating Fund has the right to retain as a reserve at least 10% of the total expense it incurs for each year's operation to meet any emergency that may arise. Any surplus may be paid over to the University of North Carolina for the use of the School of Engineering through the North Carolina Engineering Foundation. The revenues and expenses for the Operating Fund are shown as a proprietary (enterprise) fund.

On October 1, 1991, the Board established the Homeowners Recovery Fund (the "Recovery Fund"), as mandated by Section 87-15 of the General Statutes of the State of North Carolina. The North Carolina Licensing Board for General Contractors is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions of G.S. 87-15. The Recovery Fund reimburses the Board's Operating Fund for administrative costs on a monthly basis. The purpose of the fund is to reimburse homeowners who have suffered a reimbursable loss under the statute in constructing or altering a single family residential dwelling unit. Accordingly, it is customary for the Board to have a number of such claims pending. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. The Recovery Fund is required by statute to maintain a minimum balance of \$250,000. The revenues and expenses for the Recovery Fund are shown as a proprietary (enterprise) fund. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

Financial Reporting Entity

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.

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

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. 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 recognized when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies its revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board.. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and 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 consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities, and are classified as non-operating in the financial statements.

Changes in Financial Accounting and Reporting

During the year ended December 31, 2024, the Board adopted GASB Statement No. 101, *Compensated Absences* (GASB 101). This Statement establishes uniform recognition and measurement guidance for compensated absences, requiring that a liability be recognized when the leave is both earned and attributable to services already rendered. Additionally, a liability is recognized only if it is more likely than not that the leave will be either used or paid out. The liability is measured using the pay rates in effect as of the financial reporting date. The adoption of GASB 101 enhances comparability and consistency in financial reporting by simplifying the accounting for different types of leave.

Additionally, during the year ended December 31, 2024, the Board adopted GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* (GASB 100). This Statement classifies accounting changes into three categories: changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. GASB 100 also establishes accounting and financial reporting requirements for each type of accounting change, as well as the correction of errors in previously issued financial statements. The new guidance clarifies the distinctions between these categories and provides updated requirements for retrospective and prospective application.

Cash and Cash Equivalents

This classification includes cash on deposit and money market accounts with financial institutions.

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)

Compensated Absences

Board employees may accumulate up to thirty days (240 hours) of earned vacation, which is fully vested when earned. A liability for vacation leave is recognized as employees earn the leave, and the balance is measured at current pay rates as of the financial statement date. Accrued vacation leave amounts exceeding the limit at year-end are converted to sick leave. As of December 31, 2024, the accrued vacation liability included in accrued compensated absences on the accompanying Statements of Net Position totaled \$112,421.

The Board's sick leave policy allows employees to accumulate an unlimited amount of earned sick leave. Sick leave may be used in accordance with the policy and may be payable upon an employee's retirement, which requires reaching the age of 59 1/2. Employees hired before May 1, 2015, are eligible for a sick leave payout of up to 3,000 hours upon retirement, while employees hired on or after that date are eligible for a maximum payout of 240 hours. Sick leave is otherwise only available for use as time off and is not paid out upon termination for reasons other than retirement. A liability for compensated absences related to sick leave is recognized for amounts expected to be used as per policy or paid out upon retirement. As of December 31, 2024, the accrued sick leave liability included in accrued compensated absences on the accompanying Statements of Net Position totaled \$293,164.

Property and Equipment

Property and equipment items are stated at cost and are being depreciated over their useful lives on a straight-line basis. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction. The Board capitalizes assets that have a value or cost of \$2,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, estimated as follows: building and improvements, 10 to 75 years and office furniture and equipment, 5 to 10 years.

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records and any gain or loss on the disposition is reflected as a non-operating activity for the year.

Unearned Revenue

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in advance are deferred and recognized as revenue over the one year period to which they relate.

Net Position

The Board's net position is classified as follows:

Net Investment in Capital Assets - This represents the Board's total investment in capital assets. Capital assets include property and equipment, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition; and right-to-use leased assets, net of accumulated amortization and related lease liabilities.

Restricted - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Homeowners Recovery Fund is a restricted fund with expendable and nonexpendable components.

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

Net Position (Continued)

Unrestricted net position - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. The Board has designated a portion of unrestricted net position for legal expenses in the amount of \$600,000 and for accrued compensated leave due to employees upon termination in the amount of \$250,000 as of December 31, 2024.

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.

NOTE 2 - DEPOSITS

The Board's deposits include cash on deposit with financial institutions and money market accounts. At December 31, 2024, the Board's Operating Fund deposits in commercial financial institutions had a carrying value of \$5,659,278 and a bank balance of \$5,666,314. At December 31, 2024, the Board's Recovery Fund deposits in commercial financial institutions had a carrying value of \$276,384 and a bank balance of \$276,384.

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. The Board's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of December 31, 2024, the uninsured balances totaled \$5,442,699.

NOTE 3 - PROPERTY AND EQUIPMENT

Changes in property and equipment for the Board for the year ended December 31, 2024 are as follows:

	Cost			Cost	Accumulated	Net
	12/31/2023	Acquisitions	Disposals	12/31/2024	Depreciation	Amount
Land	\$1,078,039	\$ -	\$ -	\$1,078,039	\$ -	\$1,078,039
Building	5,376,861	19,901	-	5,396,762	1,028,495	4,368,267
Furniture/ equipment	984,220	-	(425,784)	558,436	451,576	106,860
	<u>\$ 7,439,120</u>	<u>\$ 19,901</u>	<u>\$ (425,784)</u>	<u>\$ 7,033,237</u>	<u>\$ 1,480,071</u>	<u>\$ 5,553,166</u>

Depreciation expense was \$87,634 for the year ended December 31, 2024.

NOTE 4 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

The Board has lease agreements for vehicles and office equipment with varying expiration dates ranging from 2024-2027.

For the year ended December 31, 2024, lease expense was comprised of the following:

Amortization expense by class of underlying asset:	
Office equipment	\$ 19,193
Vehicles	58,740
	<u>77,933</u>
Interest on lease liabilities	10,377
Total lease expense	<u>\$ 69,117</u>

Right-of-use leased assets activity:

	12/31/2023	Additions	Subtractions	12/31/2024
Office equipment	\$ 87,788	\$ -	\$ (29,906)	\$ 57,882
Vehicles	293,702	-	-	293,702
Less: accumulated amortization	(104,424)	(77,933)	29,906	(152,451)
Right-of-use assets, net	<u>\$ 277,066</u>	<u>\$ (77,933)</u>	<u>\$ -</u>	<u>\$ 199,133</u>

Lease liabilities were comprised of the following:

	12/31/2023	Additions	Subtractions	12/31/2024
Total lease liabilities	<u>\$ 282,554</u>	<u>\$ -</u>	<u>\$ (75,642)</u>	<u>\$ 206,912</u>

Future lease payments are comprised of the following:

Years ending December 31:	Principal	Interest	Total Payments
2025	\$ 73,572	\$ 7,185	\$ 80,757
2026	70,039	4,018	74,057
2027	63,300	1,376	64,676
	<u>\$ 206,912</u>	<u>\$ 12,579</u>	<u>\$ 219,490</u>

NOTE 5 - NOTE PAYABLE

The Board entered into a loan agreement with a local financial institution to fund the purchase of the land and office building in which it operates. The original issuance amount for this loan was \$4,500,000. The loan was refinanced with a lower interest rate and a lower payment amount effective January 2016. The note is due in monthly installments of \$31,254, at 2.95% interest, through December 17, 2025 and is secured by the land and building.

The estimated maturities of debt for each of the years subsequent to December 31, 2024, are as follows:

Years ending December 31:	Principal	Interest	Total Payments
2025	\$ 371,333	\$ 6,065	\$ 377,398

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities (note payable and accrued compensated absences) for the year ended December 31, 2024 is presented as follows.

	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Long-term Portion	Current Portion
Note payable	\$ 729,286	\$ -	\$ (357,953)	\$ 371,333	\$ -	\$ 371,333
Compensated absences	145,866	140,764	(174,209)	112,421	364,985	(252,564)
	<u>\$ 875,152</u>	<u>\$ 140,764</u>	<u>\$ (532,162)</u>	<u>\$ 483,754</u>	<u>\$ 364,985</u>	<u>\$ 118,769</u>

NOTE 7 - PENSION AND RETIREMENT PLANS AND POSTEMPLOYMENT BENEFITS

On June 1, 1983, the General Assembly of North Carolina enacted legislation which excludes certain licensing boards (including the North Carolina Licensing Board for General Contractors) from membership in the Teachers' and State Employees' Retirement System (TSERS) of North Carolina. Accordingly, the Board has no employees eligible to participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS). Additionally, the Board has no previously employed persons eligible to participate in TSERS who qualify for postemployment benefits. The Board has established a separate retirement plan for its employees. The Board assumes no liability for retirement benefits provided other than its required contributions.

IRC 414(h) Plan

Effective January 1, 2001, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 414(h). Only the Board and Board employees contribute to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. Eligible employees must contribute at least 6% of their qualifying compensation each year and the Board matches those contributions 100%. Employees' contributions are immediately 100% vested; the Board's contributions are 100% vested after 5 years of credited service.

The Board's total covered payroll for 2024 was \$1,388,646. The total contribution for the year ended December 31, 2024 was \$164,446 which consisted of \$77,391 from the Board and \$87,055 from employees. During the year ended December 31, 2024, there were no forfeitures.

NOTE 8 - ADMINISTRATIVE REIMBURSEMENT FROM RECOVERY FUND TO OPERATING FUND

The Board provides office space and administrative and clerical services for the Recovery Fund's operation. A monthly administrative fee was reimbursed to the Board's Operating Fund for the fiscal year ended December 31, 2024. The annual administrative fee was \$79,200 for 2024. Additionally, direct operating expenses of the Recovery Fund such as professional fees, and specifically identifiable office expenses are paid from the Recovery Fund's separately maintained special account.

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims (other than claims by employees for health related coverages) were filed during any of the last three fiscal years.

NOTE 10 - CONTINGENCIES

Disciplinary Hearings

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year ended December 31, 2024.

Recovery Fund Claims

The Recovery Fund of the North Carolina Licensing Board for General Contractors is presented with a number of claims throughout each year requesting reimbursement for reimbursable losses as defined under North Carolina General Statute 87-15. There were no awarded but unpaid claims payable at December 31, 2024. There were \$4,616,499 of pending but unawarded claims at December 31, 2024. Further, there were incurred but unreported losses at each year end which are statistically inestimable. The Board may reject or allow part or all of a claim based on the amount of money in the Recovery Fund. Accordingly, in the opinion of management of the Board, the resulting liabilities of such claims do not materially affect the Board's operations, changes in financial position, or cash flows for the year ended December 31, 2024.

NOTE 11 - RESTATEMENT

Management has restated unrestricted net position as of January 1, 2024 to reflect the implementation of GASB Statement No. 101, which is reported as a restatement to unrestricted net position - beginning of year in the accompanying Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2024. The restatement results from the recognition of additional compensated absences. The impact to unrestricted net position as of January 1, 2024 is as follows:

	As Originally Reported	As Adjusted	Effect of Change
Operating Fund:			
Unrestricted net position - beginning of year	\$7,780,309	\$7,506,978	\$ (273,331)

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 15, 2025, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 80 hours at a cost of \$19,800.