



Bernard Robinson & Company, L.L.P.

July 21, 2020

Members of the Board  
North Carolina State Board of Certified  
Public Accountant Examiners  
Raleigh, North Carolina

We have audited the financial statements of the North Carolina State Board of Certified Public Accountant Examiners (the “Board”) for the year ended March 31, 2020, and have issued our report thereon dated July 21, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2020. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation is based on the estimated useful lives of capitalized assets.

Management’s estimate of non-operating expenses related to the rented portion of the Board’s building is allocated based on square footage of the rental unit in proportion to the total square footage of the building.

Management's estimate of current and noncurrent portions of compensated absences is based on vacation taken during the current year and amounts accrued for employees who are known to be terminating in the next fiscal year.

**NORTH CAROLINA STATE BOARD  
OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS**

**FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2020 AND 2019**



**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS**

**Board Members**

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**BOARD MEMBERS**

Arthur M. Winstead, Jr., CPA, President  
Michael S. Massey, CPA, Vice-President  
Gary R. Massey, CPA, Secretary-Treasurer  
Barton W. Baldwin, CPA  
Bernita W. Demery, CPA  
Wanda Blanche Taylor, Esquire  
Jennifer K. Van Zant, Esquire

**ADMINISTRATIVE STAFF**

Robert N. Brooks, Executive Director  
David R. Nance, CPA, Deputy Director  
Frank X. Trainor, Esquire, Staff Attorney

**OUTSIDE LEGAL COUNSEL**

Allen & Pinnix, P.A.  
Noel L. Allen, Esquire

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
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**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

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**Introduction**

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina State Board of Certified Public Accountant Examiners' (Board) management in conjunction with the issuance of the accompanying financial statements.

**Overview of the Basic Financial Statements**

The Statements of Net Position provide information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year. Assets and liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. The Board currently has no elements that meet the definition of deferred inflows or deferred outflows. Net position on these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statements of Net Position provide information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of accountancy in the State. Non-operating activities primarily include investment income and office rental activities for a portion of the Board-owned building. Overall, the Statements of Revenues, Expenses, and Changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position reported on both statements.

The Statements of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities, and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the Statements of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statements of Net Position.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balance.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risk, and uncertainty associated with amounts reported in the basic financial statements.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

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**Brief Agency Highlights**

The Board is an occupational licensing board that grants certificates of qualification as certified public accountants (CPAs) to those individuals who meet the statutory requirements. The Board also adopts and enforces the Rules of Professional Ethics and Conduct to be observed by CPAs in this State. Other functions of the Board include registration of CPA firms; renewal of CPA certificates and CPA firm registrations; administration of the Uniform CPA Examination; administration of the continuing professional education (CPE) compliance program; disposition of administrative hearings with respect to State statutes and rules; and administration of other provisions of Chapter 93 of the *North Carolina General Statutes*.

**Analysis of Financial Position and Results of Operations**

The Board's net position as of March 31, 2020 and March 31, 2019, was approximately \$3.71 million and \$3.38 million, respectively, an increase of approximately \$332,000 during the year. *(With the exception of the dollar and percentage amounts detailed in the following tables, all other dollar amounts have been rounded/ approximated for presentation purposes.)*

**Condensed Financial Information**

The following table summarizes the Board's assets, liabilities and net position as of March 31, 2020, 2019 and 2018.

	Condensed Statements of Net Position					
	2020	2019	% Change	2019	2018	% Change
<b>Assets:</b>						
Current assets	\$ 2,702,266	\$2,291,043	17.95%	\$2,291,043	\$2,239,080	2.32%
Noncurrent assets	503,506	767,199	-34.37%	767,199	502,146	52.78%
Capital assets, net	872,932	883,099	-1.15%	883,099	931,691	-5.22%
Total assets	4,078,704	3,941,341	3.49%	3,941,341	3,672,917	7.31%
<b>Liabilities:</b>						
Current liabilities	282,786	471,320	-40.00%	471,320	486,522	-3.12%
Noncurrent liabilities	83,283	89,016	-6.44%	89,016	80,350	10.79%
Total liabilities	366,069	560,336	-34.67%	560,336	566,872	-1.15%
<b>Net Position:</b>						
Invested in capital assets	872,932	883,099	-1.15%	883,099	931,691	-5.22%
Unrestricted	2,839,703	2,497,906	13.68%	2,497,906	2,174,354	14.88%
Total net position	\$ 3,712,635	\$ 3,381,005	9.81%	\$3,381,005	\$3,106,045	8.85%

**Current Assets**

Current assets as of March 31, 2020, consisted primarily of cash - \$1,131,000, investments - \$1,562,000, and prepaids - \$9,000. Current assets as of March 31, 2019, consisted primarily of cash, \$738,000, investments, \$1,543,000, prepaids - \$9,000, and receivables - \$1,000.

Current assets increased during the fiscal year March 31, 2020, due to an increase in money market investments held by the Board. The Board's current assets consist of a mix of money market and short-term certificates of deposit accounts. The rising interest rates during the current year allowed the Board to take advantage of the flexibility offered through money market accounts while maintaining beneficial higher interest rates.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

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**Noncurrent and Capital Assets**

Noncurrent assets as of March 31, 2020, consisted of investments - \$504,000, and capital assets totaling \$873,000. Noncurrent assets as of March 31, 2019, consisted of investments - \$767,000, and capital assets totaling \$883,000.

Noncurrent assets decreased during the fiscal year March 31, 2020 due to the Board's investment in money market accounts with greater liquidity versus its investment in certificates of deposit with maturity periods of greater than one year. This resulted in a decrease of \$264,000. In addition, capital assets decreased by \$10,000 related to annual depreciation costs and equipment identified as obsolete.

**Liabilities**

Current liabilities as of March 31, 2020, consisted of accounts payable - \$13,000, due to examination vendors - \$259,000, and accrued compensated absences - \$11,000. Current liabilities as of March 31, 2019, consisted of accounts payable - \$33,000, due to examination vendors - \$434,000, and accrued compensated absences - \$4,000. The \$188,000 decrease during the current year is mainly related to the amount due to the Board's examination vendor. The number of open exam sections was greatly reduced during the year significantly lowering the amount due. In addition, the Board made an adjustment of \$45,000 reducing the amount due to the examination vendor to more closely align with the Board's monitoring of the payable amount.

Noncurrent liabilities consisted entirely of accrued compensated absences in the amount of \$83,000 and \$89,000 as of March 31, 2020 and 2019, respectively. The decrease during the current year reflects a shift to a more current projected payout of employee earned annual leave balances for the upcoming fiscal year.

**Net Position**

The Board's net position consists of net assets invested in capital assets and unrestricted net assets. Net assets invested in capital assets were \$873,000 and \$883,000 as of March 31, 2020 and 2019, respectively. Unrestricted net assets of \$2.84 and \$2.49 million as of March 31, 2020 and 2019, respectively, represent amounts not subject to externally imposed stipulations, but subject to internal designations for various activities and initiatives.

For the year ended March 31, 2020, there was an increase in net assets of \$331,000. The Board saw a slight increase in revenue - \$14,500, a mix of reduced examination fees offset by slightly higher certificate renewal fees. The number of candidates sitting for the exam have been comparable to the prior year; however, candidates sitting for the exam have not increased to the levels seen prior to the update to the CPA examination format that occurred in 2018. As such, exam fee revenue fell short of Board expectations. The Board also saw its investment earnings increase - \$13,000 due to higher market interest rates on renewal of its certificates of deposit. Examination costs decreased - \$20,500 during the year mostly due to the slight uptick in the number of candidates sitting for the exam offset by the Board's adjustment of \$45,000 reducing the examination vendor expense to more closely align the liability with the Board's monitoring of the payable amount. Board legal and investigative costs were reduced as the Board did not incur additional expenses related to outside counsel or hearing costs. Other expenditure categories aligned with both budget expectations and prior year experience.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

The Statements of Revenues, Expenses, and Changes in Net Position present the results of the Board's operations for the report period. The following table summarizes the Board's revenues, expenses, and changes in net position for the years ended March 31, 2020, 2019 and 2018.

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended March 31,						
	<b>2020</b>	2019	% Change	2019	2018	% Change
Operating revenues:						
Exam fees	<b>\$ 1,271,047</b>	\$ 1,284,009	-1.01%	\$ 1,284,009	\$ 1,277,736	0.49%
Licensing fees	<b>1,483,265</b>	1,463,815	1.33%	1,463,815	1,438,950	1.73%
Miscellaneous	<b>15,976</b>	8,025	99.08%	8,025	6,137	30.76%
Operating expenses	<b>(2,527,588)</b>	(2,557,501)	-1.17%	(2,557,501)	(2,589,381)	-1.23%
Operating income	<b>242,700</b>	198,348	22.36%	198,348	133,442	48.64%
Non-operating revenues	<b>111,335</b>	97,040	14.73%	97,040	69,321	39.99%
Non-operating expenses	<b>(22,405)</b>	(20,428)	9.68%	(20,428)	(19,073)	7.10%
	<b>88,930</b>	76,612	16.08%	76,612	50,248	52.47%
Increase in net position	<b>331,630</b>	274,960	20.61%	274,960	183,690	49.69%
Net position beginning of year	<b>3,381,005</b>	3,106,045	8.85%	3,106,045	2,922,355	6.29%
Net position end of year	<b>\$ 3,712,635</b>	\$ 3,381,005	9.81%	\$ 3,381,005	\$ 3,106,045	8.85%

**Operating Revenues**

For the fiscal year ended March 31, 2020, operating revenues totaled \$2.77 million, consisting primarily of examination fee revenue of \$1.27 million and licensing fee revenues of \$1.48 million. For the fiscal year ended March 31, 2019, operating revenues totaled \$2.76 million, consisting primarily of exam fee revenue of \$1.28 million and licensing fee revenues of \$1.46 million. Exam fee revenue showed a slight decrease by \$13,000. Licensing revenue increased by \$19,000 due to an increase in the number of CPA licensees renewing in the State.

**Non-Operating Revenues**

For the fiscal year ended March 31, 2020, non-operating revenues totaled \$111,000, primarily from interest income of \$67,000 and rental income of \$44,000. For the fiscal year ended March 31, 2019, non-operating revenues totaled \$97,000, primarily from interest income of \$54,000 and rental income of \$43,000. The \$14,000 increase in non-operating revenue activity is attributable to increased investment income due to higher market interest rates on certificates of deposit during the fiscal year.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

The following table summarizes the Board's expenses (operating and non-operating) for the years ended March 31, 2020, 2019 and 2018.

	Operating and Non-Operating Expenses For the Fiscal Years Ended March 31,					
	2020	2019	% Change	2019	2018	% Change
Operating expenses:						
Salaries and employee benefits	\$ 1,216,465	\$ 1,235,251	-1.52%	\$ 1,235,251	\$ 1,190,760	3.74%
Examination	817,190	837,772	-2.46%	837,772	878,054	-4.59%
Office related expenses	329,756	313,627	5.14%	313,627	363,872	-13.81%
Depreciation	40,058	40,501	-1.09%	40,501	39,710	1.99%
Other expenses	124,119	130,350	-4.78%	130,350	116,985	11.42%
Total operating expenses	<u>\$ 2,527,588</u>	<u>\$ 2,557,501</u>	<u>-1.17%</u>	<u>\$ 2,557,501</u>	<u>\$ 2,589,381</u>	<u>-1.23%</u>
Non-operating expenses	<u>\$ 22,405</u>	<u>\$ 20,428</u>	<u>9.68%</u>	<u>\$ 20,428</u>	<u>\$ 19,073</u>	<u>7.10%</u>

For the fiscal year ended March 31, 2020, examination costs decreased by \$20,500 as the Board costs were reduced by candidates failing to complete the examination process. Office expenses increased by \$17,000, primarily due to contracted service and maintenance and computer support costs. The Board contracted with litigation support services during the year and many of the Board's computer software systems have moved to a subscription base resulting in slightly higher costs. The Board's overall operating and non-operating costs did not vary greatly from the prior year.

**Economic Factors That Will Affect the Future**

The main factors impacting the economic outlook for the Board are the number of candidates seeking to sit for the Uniform Certified Public Accountants examination and the number of licensees registered with the State. The Board is already seeing that the Coronavirus (COVID-19) pandemic is impacting candidates' ability to sit for the CPA examination.

The Board derives 99% of its revenues from examination and licensing fees. Examination revenues decreased slightly during the current year. This number was impacted by the closure of exam testing centers as of March 17, 2020. The impact will continue into the next fiscal year as testing centers remained fully closed through May 1, 2020, and testing on a limited basis after that date. The Board will continue to see candidates choosing to sit for the CPA examination during the current year; however, that number will be greatly reduced from prior years due to testing availabilities for CPA exam candidates. As such, the Board has budgeted a 25% reduction in the number of examination sections to be taken by examination candidates for the next fiscal year. Licensing fees have shown a minor increase as the number of active licensees in North Carolina has increased; however, some of that increase is tempered by retirements and licensees being granted inactive status. The Board did see a higher number of reciprocal CPA license applications during the current year. The Certified Public Accountant credential is highly regarded in the business world and the Board expects candidates to continue to seek licensure for the foreseeable future.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Management's Discussion and Analysis**

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**Contacting the Board's Management**

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact:

North Carolina State Board of Certified Public Accountant Examiners  
Post Office Box 12827  
Raleigh, North Carolina 27605-2827



## **Independent Auditor's Report**

Members of the Board  
North Carolina State Board of Certified Public Accountant Examiners  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina State Board of Certified Public Accountant Examiners (Board), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of March 31, 2020 and 2019, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2020 and 2019, and its 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.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Certified Public Accountant Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of March 31, 2020 and 2019, 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 Management's Discussion and Analysis, on pages 1 – 6, 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.

#### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of budget and actual - revenues, expenses, and changes in net position, on page 22, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
July 21, 2020

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Statements of Net Position  
March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,131,464	\$ 738,163
Short-term investments	1,561,561	1,542,627
Accounts receivable	-	1,000
Prepays	9,241	9,079
Deferred lease commission	-	174
Total current assets	<u>2,702,266</u>	<u>2,291,043</u>
Noncurrent assets:		
Investments	503,506	767,199
Capital assets, non-depreciable (Note 3)	300,000	300,000
Capital assets, depreciable, net (Note 3)	572,932	583,099
Total noncurrent assets	<u>1,376,438</u>	<u>1,650,298</u>
Total assets	<u>4,078,704</u>	<u>3,941,341</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	13,076	33,096
Due to examination vendors	258,856	434,312
Compensated absences - current portion	10,854	3,912
Total current liabilities	<u>282,786</u>	<u>471,320</u>
Noncurrent liabilities:		
Compensated absences (Note 5)	83,283	89,016
Total noncurrent liabilities	<u>83,283</u>	<u>89,016</u>
Total liabilities	<u>366,069</u>	<u>560,336</u>
<b>NET POSITION:</b>		
Net investment in capital assets	872,932	883,099
Unrestricted	2,839,703	2,497,906
Total net position	<u>\$ 3,712,635</u>	<u>\$ 3,381,005</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Examination fees	\$ 1,271,047	\$ 1,284,009
Licensing fees	1,483,265	1,463,815
Miscellaneous	15,976	8,025
Total operating revenues	<u>2,770,288</u>	<u>2,755,849</u>
Operating expenses:		
Salaries and employee benefits	1,216,465	1,235,251
Examination	817,190	837,772
Office expenses	113,776	101,438
Postage and printing	69,537	73,081
Travel	78,576	81,147
Maintenance and computer support	67,867	57,961
Depreciation	40,058	40,501
Legal and investigative costs	51,092	69,885
Insurance	21,107	21,696
Dues and subscriptions	14,325	11,245
Building	37,595	27,524
Total operating expenses	<u>2,527,588</u>	<u>2,557,501</u>
Operating income	<u>242,700</u>	<u>198,348</u>
Non-operating revenues (expenses):		
Interest income	66,935	54,064
Rental income	44,265	42,976
Rental building expenses	(22,405)	(20,428)
Gain on the sale of equipment	135	-
Total non-operating revenues	<u>88,930</u>	<u>76,612</u>
Changes in net position	331,630	274,960
Net position - beginning of year	<u>3,381,005</u>	<u>3,106,045</u>
Net position - end of year	<u>\$ 3,712,635</u>	<u>\$ 3,381,005</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Statements of Cash Flows  
Years Ended March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,754,312	\$ 2,747,704
Cash received from other sources	10,976	4,220
Cash payments to employees for services	(1,215,256)	(1,228,665)
Cash payments to suppliers for goods and services	(1,336,584)	(1,167,980)
Cash payments for other expenses	(124,119)	(130,350)
Net cash provided by operating activities	<u>89,329</u>	<u>224,929</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(38,468)	-
Proceeds from the sale of capital assets	135	-
Net cash used in capital and related financing activities	<u>(38,333)</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from maturing investments	1,538,068	1,266,265
Purchases of investments	(1,293,309)	(1,805,701)
Non-operating rental activities	30,611	32,731
Interest income	66,935	54,064
Net cash provided by (used in) investing activities	<u>342,305</u>	<u>(452,641)</u>
Increase (decrease) in cash	393,301	(227,712)
Cash - beginning of year	738,163	965,875
Cash - end of year	<u>\$ 1,131,464</u>	<u>\$ 738,163</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 242,700	\$ 198,348
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,058	40,501
Changes in assets and liabilities:		
Accounts receivable	1,000	1,695
Prepays	(162)	(9,079)
Accounts payable	(20,020)	11,139
Unearned revenue	-	(120)
Due to examination vendors	(175,456)	(24,141)
Accrued vacation	1,209	6,586
Total adjustments	<u>(153,371)</u>	<u>26,581</u>
Net cash provided by operating activities	<u>\$ 89,329</u>	<u>\$ 224,929</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Purpose**

The North Carolina State Board of Certified Public Accountant Examiners (Board) is an independent State agency. It is an occupational licensing board authorized by Chapters 93 and 93B of the North Carolina General Statutes. The Board is composed of seven members: five persons who are holders of valid and unrevoked certified public accountant certificates issued under the provisions of Chapter 93, and two persons who are not certified public accountants and represent the public at large.

The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant certificates of qualification as certified public accountants to qualified persons, to register certified public accounting firms, adopt and enforce the Rules of Professional Ethics and Conduct to be observed by CPAs in this State, and to enforce all statutes and rules of *North Carolina General Statutes* Chapter 93 and the *North Carolina Administrative Code*, Title 21, Chapter 08.

The Board had 22,174 and 21,903 licensees as of March 31, 2020 and 2019, respectively.

**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 is reported as such in the State's *Comprehensive Annual Financial Report* (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic 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.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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

**Basis of Accounting (Continued)**

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins on July 1st.

The Board classifies its revenues and expenses 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 examination and licensing fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Non-operating revenues and expenses consist primarily of rental and investing type activities. Building expenses are allocated to operating or non-operating activities based on square footage.

**Cash**

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

**Investments**

This classification includes non-negotiable certificates of deposit with original maturities of more than three months. Certificates of deposit maturing within one year are shown as current. The certificates of deposit are reported at fair market value, which is cost plus accrued interest to date.

**Accounts Receivable**

Accounts receivable consist of amounts due from administrative proceedings and are shown at book value with no provision for doubtful accounts considered necessary.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Board capitalizes assets that have a value or cost of \$500 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 estimated useful lives:

Building and improvements	10 - 40 years
Furniture	7 - 10 years
Equipment	5 - 10 years
Software	5 years

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 in non-operating revenue or expense for the year.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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

**Capital Assets (Continued)**

The Board occupies 75% of its building while leasing the other 25% of the building, which is accounted for as a non-operating activity.

**Noncurrent Liabilities**

Noncurrent liabilities consist of compensated absences that will not be paid within the next fiscal year.

**Compensated Absences**

Employees are permitted to accumulate earned but unused vacation pay benefits and all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. The Board's policy provides for a maximum accumulation of unused vacation leave of 30 days for staff members and 45 days for the Executive and Deputy Directors which can be carried forward each April 1st, or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of the allowed maximum accumulation as of March 31 is converted to sick leave.

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

**Net Position**

*Investment in capital assets* - This represents the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted net position* - This represents assets with no external restriction as to use or purpose. They can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

The following designations of net assets represent management's estimates that are subject to change based on perceived operating conditions and situations.

Litigation	\$1,000,000
Operating expenses	300,000
Capital asset acquisitions and/or improvements	100,000
	<u>\$1,400,000</u>

**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, resulting in adjustments in future periods.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit with private bank accounts, money market accounts, and certificates of deposit. At March 31, 2020, deposits in private financial institutions, with a carrying value of \$3,187,531 and a bank balance of \$3,201,480, consists of cash and investments, as shown on the Statements of Net Position. Included in the deposits in private financial institutions are certificates of deposit in the amount of \$2,065,067 reported as investments in the Statements of Net Position.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Also, the Board maintains funds in a Certificate of Deposit Account Registry Service (CDARS) account to help address custodial credit risk. With a CDARS account, investments are broken down and placed across a network of more than 3000 banks and savings associations around the United States. This allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the Federal Deposit Insurance Corporation deposit insurance limits for any one bank. The Board's bank deposits in excess of the FDIC insured limit totaled \$53,910 at March 31, 2020.

There are no legal limitations on the types of investments by the Board. The Board has adopted formal investment policies to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board.

The Board is subject to the following risks:

*Interest Rate Risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the Board manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. For its major investment type, certificates of deposit maturities may not exceed 24 months.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are limited to:

- Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States
- Obligations of the State of North Carolina
- Time deposits, certificates of deposit, and savings accounts in financial institutions with a physical presence in North Carolina
- Corporate bonds of North Carolina-based industries

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at March 31, 2020, for the Board's investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Properties of Debt Securities</u>	
		<u>Weighted Average Maturities</u>	<u>Ratings</u>
Other securities:			
Certificates of deposit	<u>\$2,065,067</u>	7.2 months	N/A

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

A reconciliation of deposits and investments for the Board to the basic financial statements at March 31, is as follows:

	<u>2020</u>	<u>2019</u>
Carrying amount of deposits with commercial financial institutions	\$ 130,510	\$ 270,452
Money market mutual funds	1,000,954	467,711
Investments in certificates of deposit	2,065,067	2,309,826
Total deposits and investments	<u>\$3,196,531</u>	<u>\$3,047,989</u>
Current:		
Cash	\$1,131,464	\$ 738,163
Short-term investments	1,561,561	1,542,627
Noncurrent:		
Investments	503,506	767,199
Total deposits and investments	<u>\$3,196,531</u>	<u>\$3,047,989</u>

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended March 31, 2020 are as follows:

	<u>Balance April 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2020</u>
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, depreciable:				
Building and improvements	1,039,056	31,550	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	144,540	6,918	(11,615)	139,843
Software	180,337	-	-	180,337
Total capital assets, depreciable	<u>1,476,319</u>	<u>38,468</u>	<u>(11,615)</u>	<u>1,503,172</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance April 1, 2019	Additions	Deletions	Balance March 31, 2020
Less accumulated depreciation:				
Building and improvements	\$ (488,115)	\$ (34,306)	\$ -	\$ (522,421)
Furniture	(112,386)	-	-	(112,386)
Equipment	(112,384)	(14,329)	11,615	(115,098)
Software	(180,335)	-	-	(180,335)
	<u>(893,220)</u>	<u>(48,635)</u>	<u>11,615</u>	<u>(930,240)</u>
Total capital assets, depreciable, net	<u>583,099</u>	<u>(10,167)</u>	<u>-</u>	<u>572,932</u>
Capital assets, net	<u>\$ 883,099</u>	<u>\$ (10,167)</u>	<u>\$ -</u>	<u>\$ 872,932</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2020 was \$40,058 and \$8,577, respectively.

Changes in capital assets for the year ended March 31, 2019 are as follows:

	Balance April 1, 2018	Additions	Deletions	Balance March 31, 2019
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, depreciable:				
Building and improvements	1,039,056	-	-	1,039,056
Furniture	112,386	-	-	112,386
Equipment	144,540	-	-	144,540
Software	180,337	-	-	180,337
Total capital assets, depreciable	<u>1,476,319</u>	<u>-</u>	<u>-</u>	<u>1,476,319</u>
Less accumulated depreciation:				
Building and improvements	(454,861)	(33,254)	-	(488,115)
Furniture	(112,386)	-	-	(112,386)
Equipment	(97,046)	(15,338)	-	(112,384)
Software	(180,335)	-	-	(180,335)
	<u>(844,628)</u>	<u>(48,592)</u>	<u>-</u>	<u>(893,220)</u>
Total capital assets, depreciable, net	<u>631,691</u>	<u>(48,592)</u>	<u>-</u>	<u>583,099</u>
Capital assets, net	<u>\$ 931,691</u>	<u>\$ (48,592)</u>	<u>\$ -</u>	<u>\$ 883,099</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2019 was \$40,501 and \$8,091, respectively.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 4 - NONCURRENT LIABILITIES**

A summary of changes in noncurrent liabilities for the year ended March 31, 2020, is presented as follows:

	Balance April 1, 2019	Additions	Deletions	Balance March 31, 2020	Current Portion
Compensated absences	\$ 92,928	\$ 87,081	\$ 85,872	\$ 94,137	\$ 10,854

A summary of changes in noncurrent liabilities for the year ended March 31, 2019, is presented as follows:

	Balance April 1, 2018	Additions	Deletions	Balance March 31, 2019	Current Portion
Compensated absences	\$ 86,342	\$ 86,236	\$ 79,650	\$ 92,928	\$ 3,912

**NOTE 5 - EMPLOYEE PENSION PLAN**

The Board participates in the North Carolina Licensing Board Retirement Savings Plan (Plan), which is a defined contribution plan created under Internal Revenue Code Section 401(k) for eligible employees. The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator. The Plan is administered by Prudential Insurance Company of America.

Employees are eligible to participate in the Plan immediately upon employment. For each year of service, employer contributions and the applicable earnings vest 20% per year. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee to the individual employee accounts. Employees are permitted to make additional voluntary contributions to the Plan up to the applicable Internal Revenue Code limits. Employee contributions and the applicable earnings on those contributions vest immediately. Nonvested Board contributions and the applicable earnings are forfeited upon termination from employment to the applicable participating occupational licensing board. Administrative expenses are paid by the participating occupational licensing boards in accordance to the boards' percentage of plan assets.

Board pension costs including administrative fees, totaled \$58,725 and \$58,302 for fiscal years 2020 and 2019, respectively. Employee contributions totaled \$70,677 and \$70,707 for fiscal years 2020 and 2019, respectively. The Board had forfeitures in the fiscal year 2020 of \$1,885 that will be applied to reduce employer contributions. There were no forfeitures for fiscal year 2019.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 6 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

**Public Officers and Employees Liability Insurance** - Tort claims against Board members of up to \$1,000,000 are retained by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board through the purchase of excess public officers' and employees' liability insurance with a private insurance company.

**Fire, Automobile, and Other Loss Insurance** - Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with a private insurance company.

**Cyber Risk Insurance** - The Board is protected for losses due to risks associated with e-business, the Internet, networks and informational assets with a private insurance company.

**Employee and Computer Fraud** - The Board is protected for losses from employee dishonesty and computer fraud with a private insurance company.

**Comprehensive Major Medical Plan** - Employees are provided health care coverage by United Healthcare. The Plan is funded by employer and employee contributions.

The Board makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

**NOTE 7 - LEASE REVENUE - NON-OPERATING**

The Board renewed its lease agreement with Allen & Pinnix, P.A. effective May 1, 2019. The lease agreement calls for monthly payments of \$3,698 to be paid the first year with a three percent annual increase in the monthly payment amounts for the second and third years. Lease payments received for the years ended March 31, 2020 and 2019 totaled \$44,265 and \$42,976, respectively. Future minimum lease payments to be received under the lease agreement are as follows:

2021	\$ 45,593
2022	46,961
2023	3,923
	<u>\$ 96,477</u>

In connection with leasing the office space, the Board paid \$6,276 of commission expense to a real estate agency. The commission expense is amortized over the life of the lease. The Board recognized \$174 of the commission expense in fiscal year 2020, the final year for the amortization of those costs.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 8 - SOFTWARE LICENSING AGREEMENT**

The Board renewed its software licensing agreement with GL Suite, Inc. for three years effective January 1, 2018. The agreement called for monthly payments of \$4,176 to be paid the first year. The monthly payments may be increased by a percentage not to exceed the consumer price index of the most recent twelve-month period reported by the United States Department of Labor. Notification of any increase must be provided to the Board not less than three months prior to the commencement of the next fiscal year. The Board was notified that its monthly payment amount for the current year would be \$4,264.

The Board entered into a software licensing agreement with LexisNexis for three years effective January 1, 2019. The agreement calls for monthly payments of \$300 for the duration of the agreement.

Future minimum lease payments under the software licensing agreement are as follows:

2021	\$ 42,702
2022	<u>2,700</u>
	<u>\$ 45,402</u>

Total expenses related to the software licensing agreement for the year ended March 31, 2020 equaled \$58,176.

**NOTE 9 - EDUCATIONAL AWARD PROGRAMS**

The North Carolina General Statute 93B-11 allows occupational licensing boards to use the interest earned on its funds for educational purposes to benefit licensees or the public. The Board provides these services through a Uniform CPA Examination “coupon” program.

The Board awards a coupon, available to one financially-needy student graduating with an undergraduate degree in accounting, to each of the 36 North Carolina colleges and universities which grant undergraduate accounting degrees. Additional coupons are awarded at each of North Carolina’s historically black colleges and universities. The coupons provide candidates an 18-month timeframe from the date of issue to sit for all four parts of the Uniform CPA Examination. The coupon covers the student’s initial exam application fee, re-exam application fees, and the cost of sitting for each section of the Uniform CPA Examination. The current maximum value of each coupon is \$1,295. The Board accounts for the coupon program by netting the costs associated with the actual redeemed coupons against its examination fee revenues. The cost of the coupon program totaled \$30,271 and \$28,205 for fiscal years 2020 and 2019, respectively.

The costs for the educational awards program include the use of interest earned on the Board’s funds during the year.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS  
Notes to Financial Statements**

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**NOTE 10 - CHANGE IN ACCOUNTING ESTIMATE**

At the time an exam candidate applies to take the Uniform CPA Examination, the Board records examination fee revenue and a Due to Examination Vendors Payable. The exam candidate is granted a six-month period of time to schedule and take the applicable CPA exam section(s). The Board subsequently pays its examination vendors the applicable exam fees for the month of the scheduled exam section(s).

A new exam candidate gateway was implemented by the Board's examination vendor partners that provided new information allowing for better tracking of open exam test sections. The Board performed an analysis during the year that determined that the Due to Examination Vendors Payable estimate was overstated by approximately \$45,000. The variance was created over time by exam candidates failing to sit for exam sections that were previously paid for. The Board made an adjustment for the change in estimate in the current year reducing the Due to Examination Vendors Payable by \$45,000 with a corresponding decrease to Examination Expense by the same amount.

**NOTE 11 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through July 21, 2020, 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 88 hours at a cost of \$12,000.

**SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC  
ACCOUNTANT EXAMINERS**  
**Schedules of Budget and Actual - Revenues, Expenses, and Changes in Net Position**  
**Years Ended March 31, 2020 and 2019**

	2020			2019		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Operating revenues:						
Examination fees	\$ 1,311,125	\$ 1,271,047	\$ (40,078)	\$ 1,318,275	\$ 1,284,009	\$ (34,266)
Licensing fees	1,504,400	1,483,265	(21,135)	1,459,300	1,463,815	4,515
Miscellaneous	7,000	15,976	8,976	6,500	8,025	1,525
Total operating revenues	<u>2,822,525</u>	<u>2,770,288</u>	<u>(52,237)</u>	<u>2,784,075</u>	<u>2,755,849</u>	<u>(28,226)</u>
Operating expenses:						
Salaries and employee benefits	1,240,026	1,216,465	(23,561)	1,244,201	1,235,251	(8,950)
Examination	1,000,000	817,190	(182,810)	910,000	837,772	(72,228)
Office expenses	110,450	113,776	3,326	114,125	101,438	(12,687)
Postage and printing	75,600	69,537	(6,063)	74,100	73,081	(1,019)
Travel	108,139	78,576	(29,563)	107,747	81,147	(26,600)
Maintenance and computer support	74,400	67,867	(6,533)	89,200	57,961	(31,239)
Legal and investigative costs	63,000	51,092	(11,908)	67,000	69,885	2,885
Insurance	23,500	21,107	(2,393)	22,500	21,696	(804)
Dues and subscriptions	11,500	14,325	2,825	11,000	11,245	245
Building	48,382	37,595	(10,787)	38,800	27,524	(11,276)
Depreciation	45,000	40,058	(4,942)	45,000	40,501	(4,499)
Total operating expenses	<u>2,799,997</u>	<u>2,527,588</u>	<u>(272,409)</u>	<u>2,723,673</u>	<u>2,557,501</u>	<u>(166,172)</u>
Operating income	22,528	242,700	220,172	60,402	198,348	137,946
Non-operating revenues (expenses)	<u>98,265</u>	<u>88,930</u>	<u>(9,335)</u>	<u>70,976</u>	<u>76,612</u>	<u>5,636</u>
Changes in net position	120,793	331,630	210,837	131,378	274,960	143,582
Net position - beginning of year	<u>3,381,005</u>	<u>3,381,005</u>	-	<u>3,106,045</u>	<u>3,106,045</u>	-
Net position - end of year	<u>\$ 3,501,798</u>	<u>\$ 3,712,635</u>	<u>\$ 210,837</u>	<u>\$ 3,237,423</u>	<u>\$ 3,381,005</u>	<u>\$ 143,582</u>

**Budgetary Information**

Annual budgets are adopted by the Board and prepared and reported on the accrual basis of accounting. The budget prepared for the fiscal year ended March 31, 2020 identifies major sources of revenue and expenses. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding years.

Management's estimate of the exam vendor payable is based on reports obtained from the exam vendor.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected the misstatement on the attached schedule.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 21, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion & Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Budget and Actual - Revenues, Expenses and Changes in Net Position, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the North Carolina State Board of Certified Public Accountant Examiners and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Bernard Robinson & Company, L.L.P.*

BERNARD ROBINSON & COMPANY, L.L.P.

Client: 4217.0 - North Carolina State Board of Certified Public Accountant Examin  
 Engagement: 2020 Audit - NC State Board of CPA Examiners  
 Period Ending: 3/31/2020  
 Trial Balance: TB  
 Workpaper: 1320 - AJE Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To record gift card balances as of 03/31/2020				
BRC1000	Gift Cards	4020	9,000.00	
8250	Gift Card Revenue			9,000.00
<b>Total</b>			<u>9,000.00</u>	<u>9,000.00</u>
	<b>Total Adjusting Journal Entries</b>		<u>9,000.00</u>	<u>9,000.00</u>
	<b>Total All Journal Entries</b>		<u>9,000.00</u>	<u>9,000.00</u>