PUBLIC SESSION MINUTES
North Carolina State Board of CPA Examiners
July 20, 2020
Via Videoconference
1101 Oberlin Road
Raleigh, NC 27605

MEMBERS ATTENDING: Michael S. Massey, CPA, President; Barton W. Baldwin, CPA, Vice President; Gary R. Massey, CPA, Secretary-Treasurer; Bernita W. Demery, CPA; Wanda B. Taylor, Esq.; Jennifer Van Zant, Esq.; and Arthur M. Winstead, Jr., CPA (all by simultaneous communication).

STAFF ATTENDING: Robert N. Brooks, Executive Director; David R. Nance, CPA, Deputy Director; Frank Trainor, Esq., Staff Attorney; Lisa R. Hearne, Communications Officer; Buck Winslow; Licensing Manager; and Noel L. Allen, Esq., Legal Counsel (all by simultaneous communication).

GUESTS: Sharon Bryson, NCACPA CEO; Mark Soticheck, CPA, NCACPA COO; Abi Raja, CPA, NCACPA Board of Directors; Cheryl Farrar, NASBA Chief Sourcing and Strategy Officer; Paul L. Erickson; Doug J. Brocker, Esq.; and Leslie Christian, Court Reporter (all by simultaneous communication).

CALL TO ORDER: President Massey called the meeting to order at 10:02 a.m.

PUBLIC HEARING: President Massey called the Public Hearing to order at 10:08 a.m. to hear Case No. C2020024 - Paul L. Erickson, - Request for Modification of Discipline. Mr. Erickson was present and not represented by legal counsel. Mr. Erickson was sworn in and presented testimony. After Mr. Erickson’s testimony, Board members could and did ask Mr. Erickson questions. Ms. Demery and Mr. G. Massey moved to enter Closed Session to discuss the matter. The Board re-entered the Public Hearing. Ms. Demery and Mr. Baldwin moved and seconded a motion to modify Mr. Erickson’s discipline and to allow Mr. Erickson to apply for reinstatement of his revoked CPA certificate. Motion passed with seven (7) affirmative votes and zero (0) negative votes. This Public Hearing is a matter of public record.

MINUTES: The minutes of the June 18, 2020, meeting were approved as submitted.

FINANCIAL AND BUDGETARY ITEMS: The June 2020 financial statements were accepted as submitted.

NATIONAL ORGANIZATION ITEMS: Mr. Brooks reviewed the NASBA Uniform Accountancy Act (UAA) Model Rules exposure draft on education requirements as well as the Board’s education requirements to sit for the Uniform CPA Examination. Mr. Brooks stated that the Board’s flexible education requirements allow students to select accounting curriculums and schools without being driven by specific education requirements. Ms. Demery and Mr. G. Massey moved and seconded a motion to communicate to NASBA that the Board is
satisfied with its current education requirements and that it appreciates for NASBA’s work on this matter. Motion passed.

REPORT OF THE PROFESSIONAL STANDARDS COMMITTEE: Mr. Winstead moved, and the Board approved the following recommendations of the Committee:


Case No. C2019345 - Jannie B. Mills - Approve the signed Consent Order (Appendix II).

Case No. C2020023 - Gregory T. Bryant - Approve a Notice of Hearing for September 21, 2020, at 10:00 a.m.

Case No. C2019106 - Close the case without prejudice.

Case No. C2020003 - Close the case without prejudice with a Letter of Warning.

Case Nos. C2020050-1 and C2020050-2 - Close the cases without prejudice with a Letter of Warning.

Case No. C2020074 - Close the case without prejudice.

Case No. C2018297 - Leon Little Rives, II - Approve an Amended Notice of Hearing to refer the matter to Office of Administrative Hearings for the appointment of an Administrative Law Judge and adjudication under Article 3A of the North Carolina Administrative Procedure Act (Appendix III).

REPORT OF THE PROFESSIONAL EDUCATION AND APPLICATIONS COMMITTEE: Mr. G. Massey moved, and the Board approved the following recommendations of the Committee:

Transfer of Grades Applications - The Committee recommended that the Board approve the following:

Jacob Lawrence Adams
Andrew James Howell
Lindsay Danae Luckett

Original Certificate Applications - The Committee recommended that the Board approve the following:

Jacob Lawrence Adams
Deedee Deborah Agu
Harrison Scott Allen
Georgianna Aubrey Anderson

Denieda Asia McCullough
Luke Michael Shoemaker

Joshua David Anderson
Stephen Edward Anderson
Joshua Brian Arrington
Christopher Nicholas Cox
Taylor Davidson Crowell
Adam Vincent Daland
Daniel Steven Fox
Toni Alyssa Frizzelle
Hayley Jeanne Henshaw
Brandon Lee Hibbard
Leigh Flynn Hooker
Jeffrey Michael Houston
Andrew James Howell
Diane Hall Jeffries
John R. Johnson, Jr.
Tabitha Faith Lambeth
Mary Jo Lennon
Lindsay Danae Luckett
Justin Daniel Mancuso
Edmund Wright Patrick Mangan, Jr.
Daniel Patrick McCarron
Denieda Asia McCullough
Nicole Sara McKee
Jeffrey Milton McLaurin
Alejandra Hernandez Medel
Janet Marie Murphy
Charise Marissa Neal
Brooke Taylor Phillips
Hillary Ann Preddy
Kari Dawn Pritchard
Sara Catherine Robinson
Nicole April Salmon
Angela McCullough Schuller
Vanessa Elizabeth Seiglie
Tegan Marie Shaver
Luke Michael Shoemaker
Tyran Javon Speed
Benjamin David Starr
Taylor Gayle Theni
Nataliya Volokh
Dallas Lee Warren
Joshua Sean Waters
Justin Ryan Watts
Kerrie Ann Williams

**Reciprocal Certificate Applications** - The Committee recommended that the Board approve the following:

Shana Widest Angers
Aubrey P. Castor
Meagan Claire Deyermond
Beverly Ann Erme-Cox
Hanseok Go
Jessica Anne Klein Goodman
Madeleine Griffin-Cone
Sally Jane Hawkins
Daniel Patrick Kelley
Timothy Lamont Krist
Nicole Marie Landes
Brittany Nicole Layton
Daniel Francis Lisewski
Elizabeth Ashley Loudermilk
Shu Dong Mallari
John Hardin Morris
Karla J. Murphy
Grayling Bennett Pruitt
Andrew David Reinsel
Adam Qureshi Sachee
Emily Newsome Schoonmaker
Brant John Sprunger
Megan Danielle Stanton
Peter Miguie Theuri
Rodney Allen Tillilghast
Calvin Wade Troup
Elizabeth Ashlea Tucker
Anthony Robert Welburn
Melissa Yael Winston
Jan Zimmermann
Corey William Zogg

**Temporary Permits** - The Committee recommended that the Board approve the following temporary permits that were approved by the Executive Director:

Austin Benjamin Shipe, T11972
Elizabeth Anne Chapman, T11973
Christopher Michael Forrest, T11974
Curtis Wayne Jones, T11975
Reinstatements - The Committee recommended that the Board approve the following:

Michele Chao Adams, #32550
Heidi Elizabeth Kiesenhofer, #28570
Charles Merriman King, Jr., #12748
Julie Adrienne Moore, #21499

Reissuance of New Certificate - The Committee recommended that the Board approve the following applications for reissuance of new certificate:

Michael Laurent Audet, #40545
Shanta Renee Johnson, #38473
Tabatha O’Neil Johnson, #41278
Jimmie Ruth Rice, #22221

FirmRegistrations - The Committee recommended that the Board approve the following professional corporation and professional limited liability companies that were approved by the Executive Director:

Latefa M. Abdalla, CPA, PLLC
Mindy A Distante CPA, PC

Extension Requests - The Committee recommended that the Board approve the following individuals for an extension to June 30, 2020, to complete CPE:

Wanda Gayle Watson Casteel, #32731
Jana Lynn Johnson, #39992
Lynn M. Johnson, #33488
Susan Beck Thomas, #1776
Darren Matthew Waugh, #2896
Michael David Woodson, #21750

The Committee recommended that the Board disapprove the following individuals for an extension to complete CPE:

Vicki K. Hafele, #13734
Marie Joelle Tupela Kabashi, #43200

Letters of Warning - The Committee recommended that the Board approve the requests to rescind the Letters of Warning issued to the following individuals:

Deborah Shutters Butt, #37577
Robert Bond Byrd, #12481
Examinations - The Committee recommended that the Board approve the following staff-approved applicants to sit for the Uniform CPA Examination:

William Abington
Corey Adams
Randall Adams
Michael Allen
Januarius Anyanwu
Jack Archibald
Sahr Bangai
Scarlett Beamon
Adam Beebe
Christopher Bone
Anjelica Boney
Skylar Bray
Thomas Brehm
K'La Brewington
Kayla Brown
Mary Brown
Brenda Bzdak
Jonathan Calcagne
Holly Campbell
Cauassin Carter
Brianna Casini
Kristen Castle
Chandler Caudill
Peter Cerquone
Matthew Cesca
Marina Chaconas
Munish Chadha
Rio Chamberlain
Nicholas Chilcutt
Jessica Cianfrocca
Tyler Coffey
Isabella Colasante
Travis Cone
Bryan Conner
Kayla Corbett
Lynn Couturier
Shannon Cowart
Caroline Cox
Sara Crow
John Deans
Daniel Deas

Susan Delaney
Brittiany Dickerson
Harry DiGiacomo
Conor Doherty
Ryan Donahue
Kathleen Eaton
Christopher Erwin
Katherine Field
Brianne Fitze
Kelly Fort
George Francis
Amanda Gadd
Lorena Gan
Devin Geinosky
Yan Geng
Michael Giannuzzi
Alexander Gibbons
Olivia Griffin
Matthew Griffith
Elizabeth Grubb
Thomas Hanshaw
A'vaja Harris-Simmons
Nathan Hayes
Jennifer Heinemeier
Margaret Helmig
Adam Herdrich
Joseany Hernandez Juarbe
Owen Hicks
Hannah Higgins
Tyler Hinnant
Jessica Hoff
Austin Holland
Tristan Holleman
Harold Holloman
Dylan Hooper
Michael Horne
Marsha Hughes
Ayokunle Ilesanmi
Hannah Jabusch
Ibreta Jackson
Nehemiah Jackson
Taylor Spell  
Heather Starnes  
Andrew Story  
Samuel Straw  
Kristyn Strum  
Savannah Sutton  
Bradley Thacker  
Cole Thompson  
Chelsea Tipton  
Jacob Tripp  
Susan Tucker  
Maria Clarete Urbina Salgado  
Vanessa Vandermeer  
Morgan Viers  
Andrew Ward

Spencer Warehime  
Mary Waterer  
Carter Watson  
Woodrow Watson  
Katherine Way  
Angela Webster  
Ella Webster  
Brian White  
Michael Wilkins  
Andrews Willetts  
Austin Williams  
Regina Willis  
Deborah Wood  
Brian Wright

The Committee recommended the Board disapprove a hypothetical Exam application because the applicant lacked enough accounting hours to sit for the Exam.

Firm Renewal and Peer Review Matters – The firm listed below has not submitted a renewal or termination notice less than 30 days after the deadline. Staff recommended referral to the Professional Standards Committee. The Committee recommended that the Board approve staff recommendation:

P.B. Fairchild PLLC  
Philip Brian Fairchild #40747

The firms listed below have not submitted a renewal or termination notice more than 120 days after the deadline. Staff recommended referral to the Professional Standards Committee. The Committee recommended that the Board approve staff recommendation:

BD Jones, PLLC  
Brian Darold Jones #N858  
John H. Kelley, CPA, RLLP  
John Haran Kelley #24074  
Jennifer B. Patterson, CPA  
Jennifer Borland Patterson #22873

Singer Lewak LLP  
Steven Jeffery Cupingood #N1085  
Donald A Stewart, CPA  
Donald Algic Stewart #4353

The firm listed below submitted a renewal more than 120 days after the deadline. Staff recommended referral to the Professional Standards Committee. The Committee recommended that the Board approve staff recommendation:

Joseph Reid, CPA, PLLC  
Joseph Denard Reid #36846
CPE Matters - Staff recommended approval of a request from an individual applying for reinstatement to take the NC Accountancy Law course by self-study rather than in-person. The Committee recommended that the Board approve staff recommendation.

REPORT OF THE AUDIT COMMITTEE: Mr. G. Massey provided the Board with the Audit Committee report and a draft of the 2019-2020 audit report. Mr. G. Massey moved, and the Board approved the recommendation of the Committee to accept the audit report (Appendix IV).

EXECUTIVE STAFF AND LEGAL COUNSEL REPORT: Cheryl Farrar, NASBA’s Chief Sourcing and Strategy Officer, reviewed her discussion with Mr. M. Massey regarding the Board’s current strategic plan and their thoughts in reviewing and updating the plan through one or more planning sessions. Ms. Demery and Mr. Baldwin moved and seconded the motion to proceed with multiple virtual planning sessions after the regular Board meeting agenda is finished starting with the August 17, 2020, meeting. Motion passed.

The monthly operational metrics and Executive Staff report were provided as part of the agenda.

ADJOURNMENT: Messrs. Winstead and Baldwin moved to adjourn the meeting at 12:19 p.m. Motion passed.

Respectfully submitted:  

[Signature]  
Robert N. Brooks  
Executive Director

Attested to by:  

[Signature]  
Michael S. Massey, CPA  
President
NORTH CAROLINA
Wake County
BEFORE THE NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
CASE #s: I2012404-1, I2012404-3, C2013084-2

IN THE MATTER OF:
Rives & Associates, LLP
Leon Little Rives, II, CPA, #29505
Respondents

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondent stipulate to the following:

1. Rives & Associates, LLP (hereinafter "Respondent Firm"), is a registered certified public accounting firm in North Carolina.

2. Leon Little Rives, II (hereinafter “Respondent”), is the holder of North Carolina certificate number 29505. The Respondent and Respondent Firm shall hereinafter be collectively referred to as the “Respondents.”

3. In 2010, the Respondent Firm entered into a consulting agreement with the Yadkin County Board of Education to perform an efficiency study ("Consulting Agreement"). Per that agreement, the fee paid by the Yadkin County Board of Education was based upon a percentage of revenue increases and/or operating cost decreases recognized as a result of the consulting agreement.

4. During the same period of time as the Consulting Agreement, the Respondent Firm also performed the audit for the same client.

5. Per 21 NCAC 08N .0303(1)(A), a CPA shall not be prohibited from receiving a contingent fee, except for the rendering of:

   professional services for any person for whom the CPA also performs attest services, during the period of the attest services engagement, and the period covered by any historical financial statements involved in such attest services...

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NC BOARD OF
CPA EXAMINERS
6. Subsequently, in August 2011, the Respondents formed School Efficiency Consultants ("SEC"). SEC performed substantially the same functions as previously performed by the Respondent Firm pursuant to the Consulting Agreement.

7. At the time that SEC was created, the Respondent Firm held a controlling interest in SEC. Further, many of SEC's administrative functions were performed at the Respondent Firm's Lexington office. The Respondent was the Organizer and Manager of SEC.

8. Since that time, SEC has performed consulting services for several of the Respondent Firm's audit clients. The time periods of those consulting services overlapped with the periods for which the Respondent Firm performed audits.

9. SEC is not a CPA or a CPA firm and, therefore, is not strictly prohibited from receiving a contingent fee from the Respondent Firm's audit clients. Nevertheless, the Respondents' professional responsibilities may be imputed to SEC per 21 NCAC 08N .0103:

   A CPA and CPA firm shall be responsible for assuring compliance with the rules in this Subchapter by anyone who is the CPA's partner, fellow shareholder, member, officer, director, licensed employee, unlicensed employee or agent of unlicensed principal, or by anyone whom the CPA supervises. A CPA or CPA firm shall not permit others (including affiliated entities) to carry out on the CPA's behalf, with or without compensation, acts that if carried out by the CPA would be a violation of these Rules.

10. Over time, the Respondent Firm's ownership, and resulting control in SEC, was diluted. SEC has also ceased receiving a contingent fee for its services.

11. The Respondents requested an opinion from the AICPA regarding whether the contingency fee arrangement violated the AICPA independence rules before the Respondent Firm undertook the 2010 Consulting Agreement, and received an opinion that there was not a violation of independence standards because the Consulting Agreement fee was set by a public authority.

12. Later, a former partner of the Respondent, who was at the time in litigation with the Respondent, and who was the engagement partner for the Yadkin County Board of Education audit, reported the Yadkin County Board of Education Audit Engagement as a potential independence violation. Upon Respondent receiving the indication of a potential independence violation, Respondent Firm contacted the Board, met with Board staff in order to obtain an additional opinion regarding independence. Following that consultation, and based upon the representations made by the Respondents, a staff member sent an email to Respondents dated October 3, 2012 at 11:34am saying: "The board staff does not think your firm has an independence problem."
13. The Respondents wish to resolve this matter by consent and agree that the Board staff and counsel may discuss this Consent Order with the Board ex parte, whether or not the Board accepts this Consent Order as written. The Respondents understand and agree that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.

14. There remain other outstanding issues before the Board against the Respondents, this Consent Order does not constitute a resolution of those issues and they will be addressed separately.

BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. The Respondents are subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.

2. By entering into the Consulting Agreement with the Yadkin County Board of Education for the same time period that the Respondent Firm performed the audit for that same client, the Respondents have violated 21 NCAC 08N .0303.

3. The subsequent consulting services rendered by SEC for clients that had their audits performed by the Respondent Firm created the appearance of a lack of independence in violation of 21 NCAC 08N .0402(a).

4. Per N.C. Gen. Stat. § 93-12(9), and also by virtue of the Respondents’ consent to this order, the Respondents are subject to the discipline set forth below.

BASED on the foregoing and in lieu of further proceedings, the Board and Respondents agree to the following Order:

1. The Respondents are censured.
2. For the violation of 21 NCAC 08N .0303, the Respondent Firm must pay a $1,000 civil monetary penalty. The penalty is due at the time of the execution of this Consent Order.


[Signature]
Respondent

Authorized Representative of Respondent Firm


[Signature]
President

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

[Seal]
IN THE MATTER OF:
Jannie Boyd Mills, CPA, #22192
Respondent

CONSENT ORDER

THIS CAUSE, coming before the North Carolina State Board of CPA Examiners ("Board") at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to N. C. Gen. Stat. § 150B-41, the Board and Respondent stipulate to the following:

1. Jannie Boyd Mills, CPA (hereinafter "Respondent"), is the holder of North Carolina certificate number 22192 as a Certified Public Accountant.

2. The Respondent informed the Board on her 2018-2019 individual certificate Renewal ("Renewal") that between January 1, 2017, and June 30, 2018, she had obtained the requisite forty (40) hours of continuing professional education ("CPE") to meet the 2017 CPE requirements.

3. Based on the Respondent's representation, the Board accepted her Renewal.

4. The Board staff requested that the Respondent provide certificates of completion for the CPE reported to meet her 2017 requirements.

5. The Respondent was unable to provide any documentation in support of the forty (40) hours of the 2017 CPE hours, including ethics, that she claimed on her 2018-2019 annual renewal.

6. The Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Consent Order with the Board ex parte, whether or not the Board accepts this Consent Order as written. The Respondent understands and agrees that this Consent Order is subject to review and approval by the Board and is not effective until approved by the Board at a duly constituted Board Meeting.
BASED upon the foregoing, the Board makes the following Conclusions of Law:

1. The Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.

2. The Respondent’s actions as set out above constitute violations of 21 NCAC 08N .0202(a), .0202(b)(3), and .0202(b)(4).

3. Per N.C. Gen. Stat. § 93-12(9), and also by virtue of the Respondent’s consent to this order, the Respondent is subject to the discipline set forth below.

BASED on the foregoing and in lieu of further proceedings, the Board and the Respondent agree to the following Order:

1. The Respondent’s failure to provide adequate documentation of CPE renders the Renewal insufficient and untimely. The Respondent’s failure to adequately renew her certificate results in a forfeiture pursuant to N.C. Gen. Stat. § 93-12(15).

2. The Respondent must return her certificate to the Board within fifteen (15) days of her receipt of the Board’s notification of its approval of this Consent Order.

3. The Respondent may apply for the reissuance of her certificate after one (1) year from the date the Board approves this Consent Order as long as the civil penalty required in number five (5) of this Order has been timely received by the Board.

4. The Respondent may apply to return her certificate to active status by submission and approval of a reissuance application which includes:

   a. Application form,
   b. Payment of the application fee,
   c. Three (3) moral character affidavits, and
   d. Eighty (80) hours of CPE in the twelve (12) months preceding the application including an eight (8) hour accountancy law course as offered by the North Carolina Association of CPAs.
Consent Order - 3
Jannie Boyd Mills, CPA

5. The Respondent shall pay a one thousand dollar ($1,000) civil penalty, to be remitted to the Board prior to submitting a reissuance application.

6. The Respondent agrees that failure to timely comply with any terms of this agreement and Consent Order shall be deemed sufficient grounds for revocation of her certificate.


[Signature]
Respondent


[Signature]
President

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
IN THE MATTER OF:
Leon Little Rives, II, #29505
Respondent

Pursuant to N.C. Gen. Stat. §§ 93-12, 150B-38 and 21 N.C.A.C. 8C, the North Carolina State Board of Certified Public Accountant Examiners ("Board") provides notice that it has received evidence that if admitted at a contested case hearing would show that:

Short Statement of Alleged Facts

1. Leon Little Rives, II (hereinafter "Respondent"), was the holder of North Carolina certificate number 29505. At all relevant times, Respondent was managing partner of Rives & Associates, LLP ("Firm").

2. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes and Title 21, Chapter 08 of the North Carolina Administrative Code, including the Rules of Professional Ethics and Conduct promulgated and adopted therein.

3. Respondent disclosed to the Board that he and the Firm had been sued in North Carolina Business Court by the other shareholder in and on behalf of Steel Tube, Inc. ("Steel Tube").

4. Steel Tube alleged, the Jury returned a verdict, and the Business Court rendered Judgment on that verdict that Respondent acted fraudulently and breached his fiduciary duty as an officer and director of Steel Tube. The Business Court's January 8, 2020, Judgment is attached hereto and incorporated by reference as Exhibit I.

5. The Jury returned a verdict and the Court rendered Judgment on that verdict that Respondent failed "to discharge his duties as a corporate director or officer."

6. The Jury returned a verdict and the Court rendered Judgment on that verdict that Respondent used "his position as officer or director to the detriment of Steel Tube and for his own benefit."

7. The Jury returned a verdict and the Court rendered Judgment on that verdict that Respondent "converted [] property of Steel Tube...."
Notice of Hearing - 2
Leon Little Rives, II

8. The Jury returned a verdict answering the following question in the affirmative: "Was Steel Tube damaged by the fraud of Rives?" The Court rendered Judgment on that verdict.

9. The underlying facts upon which the Verdict and Judgment were based include the following examples.

10. After becoming a shareholder in Steel Tube, Respondent improperly converted funds and other assets to his own benefit and to the detriment of Steel Tube and its other shareholder.

11. Additionally, Respondent engaged in transactions in which he had undisclosed conflict of interests and were the result of self-dealing to his benefit or the benefit of his family or related entities and to the detriment of Steel Tube and its other shareholder.

12. For instance, Respondent contracted with an entity owned by his family members to provide transportation services, which previously had been provided by Steel Tube, for the benefit of Respondent or his family members and to the detriment of Steel Tube and its other shareholder.

13. Respondent also made unauthorized transfers of funds and other assets to a different, competing entity owned in part by Respondent or his family and for the benefit of Respondent or his family members and to the detriment of Steel Tube and its other shareholder.

14. As further alleged in the lawsuit and subsequently found by a jury and included in the Business Court’s Judgment, Respondent and his Firm continued to prepare and file tax returns for Steel Tube and knowingly misrepresented his ownership in Steel Tube and payments to him or for his benefit. These intentional misrepresentations were made to the benefit of Respondent and to the detriment of Steel Tube and its other shareholder.

15. Respondent also made other false statements and misrepresentations to Steel Tube and its other shareholder.

16. The lawsuit was litigated in Business Court and a jury entered a verdict against Respondent based upon a breach of his fiduciary duty, conversion, and fraud. As a result, Respondent was held individually liable for a total of $1,675,846.

17. The jury also found by clear and convincing evidence that Respondent and the Firm committed fraud or engaged in willful or wanton conduct.
Accordingly, the jury awarded $300,000 in punitive damages against Respondent and $200,000 against the Firm.

18. The presiding judge upheld the verdicts and amounts awarded by the jury noted herein and rendered a final judgment against Respondent and his Firm on January 21, 2020.

19. After receiving the final judgment, the Board entered an Emergency Order summarily suspending Respondent's certificate as a CPA on March 17, 2020, contemporaneous with issuing a notice of contesting case hearing initially set before the Board on July 20, 2020.

20. Respondent through his counsel requested a continuance of the initial hearing date and a referral of this matter to the Office of Administrative Hearings (OAH) for appointment of an Administrative Law Judge (ALJ).

21. Respondent through his counsel indicated that he understood that the March 17, 2020, Emergency Order would remain in place during a potential referral to OAH for appointment of an ALJ until the Board could render a Final Agency Decision pursuant to N. C. Gen. Stat. § 150B-40(e).

Potential Violations of Rules and Statutes

22. Respondent engaged in fraudulent behavior, converted Steel Tube's property, and breached his fiduciary duties, as demonstrated by the jury verdict and resulting presiding judge's final judgment. Respondent's conduct constitutes violations of 21 NCAC 08N .0201 (Integrity), .0202 (Deceptive Conduct) and .0203 (Discreditable Conduct).

23. Respondent committed fraud or engaged in willful or wanton conduct with respect to Steel Tube, as demonstrated by the jury's supplemental verdict and award of punitive damages and resulting presiding judge's final judgment. Respondent's conduct constitutes violations of 21 NCAC 08N .0201 (Integrity), .0202 (Deceptive Conduct) and .0203 (Discreditable Conduct).

The discipline which the Board may impose on the Respondent for violation of the aforementioned rules pursuant to N. C. Gen. Stat. § 93-12(9) includes censure, revocation of license for a period of time, or permanent revocation. The Board will not pursue, or seek to impose, any civil monetary penalties against Respondent in this matter.

Pursuant to N. C. Gen. Stat. § 150B-38, Respondent is entitled to a public hearing on this matter. This notice is to advise Respondent that, pursuant to his request, this
Notice of Hearing - 4
Leon Little Rives, II

matter has been referred to OAH for appointment of an ALJ and adjudication pursuant to Article 3A of the North Carolina Administrative Procedure Act. If Respondent is not present, a decision may be reached in their absence, and Respondent may be deemed to have waived his right to a hearing.

Pursuant to N. C. Gen. Stat. § 150B-40(d), Respondent may not communicate regarding this matter, directly or indirectly, with any individual member of the Board.

This notice is issued the 20th day of July, 2020.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

BY
Chairman, Professional Standards Committee
STATE OF NORTH CAROLINA
IREDELL COUNTY

W. AVALON POTTS, derivatively on behalf of Steel Tube, Inc.,

Plaintiff,

v.

KEL, LLC; RIVES & ASSOCIATES, LLP;

Defendants,

and

STEEL TUBE, INC.,

Nominal Defendant,

and

LEON L. RIVES, II,

Defendant/
Counterclaimant/
Third-Party Plaintiff,

v.

AVALON 1, LLC,

Third-Party Defendant/
Counterclaimant.

IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION
16 CVS 2877

FINAL JUDGMENT

THIS CASE was designated a mandatory complex business case by Order of the Chief Justice of the North Carolina Supreme Court pursuant to N.C.G.S. § 7A-45.4(a)(l) and assigned to the undersigned Special Superior Court Judge for Complex Business Cases.

This case was tried from December 2, 2019 through December 11, 2019, in the Superior Court of Iredell County. The claims of Plaintiff Avalon Potts, brought
derivatively on behalf of Steel Tube, Inc., for breach of fiduciary duty, constructive fraud, conversion, and fraud against Defendant Leon L. Rives II and for professional negligence against Defendant Rives & Associates, LLP were tried to the jury. In addition, the claim of Counterclaimant Avalon1, LLC for deficiency under Article 9 of the North Carolina Uniform Commercial Code was tried to the jury. Finally, the issue of punitive damages against Rives and Rives & Associates was bifurcated pursuant to N.C.G.S. § 1D-30 and was tried to the jury following the jury's verdict finding both Defendants liable for compensatory damages.

At trial, the Court directed a verdict for Potts on Rives's counterclaims for breach of fiduciary duty, declaratory judgment, and quantum meruit, and directed a verdict for Avalon1 on Rives's claim for surplus under Article 9 of the North Carolina Uniform Commercial Code. In addition, the Court directed a verdict at trial for Rives and Rives & Associates on Potts's derivative claims for civil conspiracy and facilitation of fraud. The Court denied all other motions for directed verdict.

On December 11, 2019, the jury returned its verdict on the issues of liability and compensatory damages submitted as follows:

1. Was Steel Tube damaged by the failure of Rives to discharge his duties as a corporate director or officer?
   Yes.

2. Did Rives use his position as officer or director to the detriment of Steel Tube and for his own benefit?
   Yes.
3. Did Rives convert the following property of Steel Tube:
   a. The $20,000 payment to Roy Lazenby;
   b. The $7,500 monthly withdrawals or checks written to Rives;
   c. The $10,500 cashier's check to Rives;
   d. The $62,875 distribution to Rives; or
   e. The $4,221 balance in the Wells Fargo account?
      Yes.

4. What amount of damages, if any, is Steel Tube entitled to recover from Rives?
   $1,285,750

5. Was Steel Tube damaged by the fraud of Rives?
   Yes.

6. What amount, if any, is Steel Tube entitled to recover from Rives as damages for fraud?
   $390,096

7. Was Steel Tube damaged by the negligence, if any, of Rives & Associates?
   Yes.

8. What amount, if any, is Steel Tube entitled to recover from Rives & Associate's professional negligence?
   $40,000

9. Did AvalonI send Rives a reasonable notification of the public sale of Rives's shares of Steel Tube?
Yes.

10. Did Avalon I sell Rives's shares in a commercially reasonable manner?

Yes.

Subsequently, on December 11, 2019, the jury returned its verdict on the bifurcated issues of punitive damages submitted as follows:

1. Are Rives and Rives & Associates liable to Steel Tube for punitive damages?

   Rives: Yes.

   Rives & Associates: Yes.

2. What amount of punitive damages, if any, does the jury in its discretion award to Steel Tube?

   Rives: $300,000

   Rives & Associates: $200,000

The amount of punitive damages awarded by the jury is within the statutory limit provided in N.C.G.S. § 1D-25. The amount awarded against Rives does not exceed three times the amount of compensatory damages awarded, the amount awarded against Rives & Associates does not exceed $250,000, and the total amount awarded to Steel Tube does not exceed three times the amount of total compensatory damages awarded.

Given the jury's verdict finding that Avalon I provided notice and sold Rives's shares of Steel Tube in a commercially reasonable manner, the issue regarding the amount of deficiency owed by Rives to Avalon I was not submitted to the jury, but was rather stipulated by the parties to be $278,000. Given the jury's affirmative answers
on the issues related to commercial reasonableness of the sale, the Court finds, based on the stipulation of the parties, that Avalon1 is entitled to recover from Rives a deficiency in the amount of $278,000.

IT IS THEREFORE ORDERED, based on the verdict of the jury:

a. That judgment is entered for Steel Tube as to the claims for breach of fiduciary duty, constructive fraud, conversion, and fraud against Rives in the total amount of $1,675,346 plus prejudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date this action was commenced, November 29, 2016, through the date of entry of this judgment, plus postjudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date of entry of this judgment until the judgment is satisfied.

b. That judgment is entered for Steel Tube as to the claim for professional negligence against Rives & Associates in the total amount of $40,000 plus prejudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date this action was commenced against Rives & Associates, February 22, 2017, through the date of entry of this judgment, plus postjudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date of entry of this judgment until the judgment is satisfied.

c. That judgment is entered for Avalon1 as to its counterclaim for deficiency against Rives in the total amount of $278,000 plus
prejudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date this counterclaim was asserted in this action, October 30, 2017, through the date of entry of this judgment, plus postjudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date of entry of this judgment until the judgment is satisfied.

d. That judgment is entered for Steel Tube as to punitive damages against Rives in the total amount of $300,000 plus postjudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date of entry of this judgment until the judgment is satisfied.

e. That judgment is entered for Steel Tube as to punitive damages against Rives & Associates in the total amount of $200,000 plus postjudgment interest pursuant to N.C.G.S. § 24-5(b) at the legal rate of 8% per annum from the date of entry of this judgment until the judgment is satisfied.

f. That judgment is entered for Potts as to Rives's claims for breach of fiduciary duty, declaratory judgment, and quantum meruit, and those claims are DISMISSED WITH PREJUDICE.

g. That judgment is entered for Avalon I as to Rives's claim for surplus under Article 9 of the North Carolina Uniform Commercial Code, and that claim is DISMISSED WITH PREJUDICE.

h. That judgment is entered for Rives and Rives & Associates as to the claims of Potts, brought derivatively on behalf of Steel Tube, for civil
conspiracy and facilitation of fraud, and that those claims are

DISMISSED WITH PREJUDICE.

The Court shall address the taxation of costs as may be filed based on this judgment upon separate application by the parties.

SO ORDERED, this the 8th day of January, 2020.

/\ Adam M. Conrad
Adam M. Conrad
Special Superior Court Judge
for Complex Business Cases
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
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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<th>Page No.</th>
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<td>Statements of Revenues, Expenses, and Changes in Net Position</td>
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</tr>
<tr>
<td>Changes in Net Position</td>
<td></td>
</tr>
</tbody>
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NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Management's Discussion and Analysis

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

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.

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

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.
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.
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.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>% Change</th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exam fees</td>
<td>$1,271,047</td>
<td>$1,284,009</td>
<td>-1.01%</td>
<td>$1,284,009</td>
<td>$1,277,736</td>
<td>0.49%</td>
</tr>
<tr>
<td>Licensing fees</td>
<td>1,483,265</td>
<td>1,463,815</td>
<td>1.33%</td>
<td>1,463,815</td>
<td>1,438,950</td>
<td>1.73%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>15,976</td>
<td>8,025</td>
<td>99.08%</td>
<td>8,025</td>
<td>6,137</td>
<td>30.76%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(2,527,588)</td>
<td>(2,557,501)</td>
<td>-1.17%</td>
<td>(2,557,501)</td>
<td>(2,589,381)</td>
<td>-1.23%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>242,700</td>
<td>198,348</td>
<td>22.36%</td>
<td>198,348</td>
<td>133,442</td>
<td>48.64%</td>
</tr>
<tr>
<td><strong>Non-operating revenues</strong></td>
<td>111,335</td>
<td>97,040</td>
<td>14.73%</td>
<td>97,040</td>
<td>69,321</td>
<td>39.99%</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td>(22,405)</td>
<td>(20,428)</td>
<td>9.68%</td>
<td>(20,428)</td>
<td>(19,073)</td>
<td>7.10%</td>
</tr>
<tr>
<td><strong>Increase in net position</strong></td>
<td>88,930</td>
<td>76,612</td>
<td>16.08%</td>
<td>76,612</td>
<td>50,248</td>
<td>52.47%</td>
</tr>
<tr>
<td><strong>Net position beginning of year</strong></td>
<td>3,381,005</td>
<td>3,106,045</td>
<td>8.85%</td>
<td>3,106,045</td>
<td>2,922,355</td>
<td>6.29%</td>
</tr>
<tr>
<td><strong>Net position end of year</strong></td>
<td>$3,712,635</td>
<td>$3,381,005</td>
<td>9.81%</td>
<td>$3,381,005</td>
<td>$3,106,045</td>
<td>8.85%</td>
</tr>
</tbody>
</table>

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

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

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.
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.

Raleigh, North Carolina
July 21, 2020
NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
Statements of Net Position
March 31, 2020 and 2019

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,131,464</td>
<td>$738,163</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,561,561</td>
<td>1,542,627</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Prepaids</td>
<td>9,241</td>
<td>9,079</td>
</tr>
<tr>
<td>Deferred lease commission</td>
<td>-</td>
<td>174</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>2,702,266</strong></td>
<td><strong>2,291,043</strong></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>503,506</td>
<td>767,199</td>
</tr>
<tr>
<td>Capital assets, non-depreciable (Note 3)</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Capital assets, depreciable, net (Note 3)</td>
<td>572,932</td>
<td>583,099</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>1,376,438</strong></td>
<td><strong>1,650,298</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>4,078,704</strong></td>
<td><strong>3,941,341</strong></td>
</tr>
</tbody>
</table>

LIABILITIES:

<table>
<thead>
<tr>
<th>Current liabilities:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>13,076</td>
<td>33,096</td>
</tr>
<tr>
<td>Due to examination vendors</td>
<td>258,856</td>
<td>434,312</td>
</tr>
<tr>
<td>Compensated absences - current portion</td>
<td>10,854</td>
<td>3,912</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>282,786</strong></td>
<td><strong>471,320</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent liabilities:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences (Note 5)</td>
<td>83,283</td>
<td>89,016</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td><strong>83,283</strong></td>
<td><strong>89,016</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>366,069</strong></td>
<td><strong>560,336</strong></td>
</tr>
</tbody>
</table>

NET POSITION:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>872,932</td>
<td>883,099</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,839,703</td>
<td>2,497,906</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>$3,712,635</strong></td>
<td><strong>$3,381,005</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examination fees</td>
<td>$1,271,047</td>
<td>$1,284,009</td>
</tr>
<tr>
<td>Licensing fees</td>
<td>1,483,265</td>
<td>1,463,815</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>15,976</td>
<td>8,025</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>2,770,288</td>
<td>2,755,849</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>1,216,465</td>
<td>1,235,251</td>
</tr>
<tr>
<td>Examination</td>
<td>817,190</td>
<td>837,772</td>
</tr>
<tr>
<td>Office expenses</td>
<td>113,776</td>
<td>101,438</td>
</tr>
<tr>
<td>Postage and printing</td>
<td>69,537</td>
<td>73,081</td>
</tr>
<tr>
<td>Travel</td>
<td>78,576</td>
<td>81,147</td>
</tr>
<tr>
<td>Maintenance and computer support</td>
<td>67,867</td>
<td>57,961</td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,058</td>
<td>40,501</td>
</tr>
<tr>
<td>Legal and investigative costs</td>
<td>51,092</td>
<td>69,885</td>
</tr>
<tr>
<td>Insurance</td>
<td>21,107</td>
<td>21,696</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>14,325</td>
<td>11,245</td>
</tr>
<tr>
<td>Building</td>
<td>37,595</td>
<td>27,524</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,527,588</td>
<td>2,557,501</td>
</tr>
<tr>
<td>Operating income</td>
<td>242,700</td>
<td>198,348</td>
</tr>
<tr>
<td>Non-operating revenues (expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>66,935</td>
<td>54,064</td>
</tr>
<tr>
<td>Rental income</td>
<td>44,265</td>
<td>42,976</td>
</tr>
<tr>
<td>Rental building expenses</td>
<td>(22,405)</td>
<td>(20,428)</td>
</tr>
<tr>
<td>Gain on the sale of equipment</td>
<td>135</td>
<td>-</td>
</tr>
<tr>
<td>Total non-operating revenues</td>
<td>88,930</td>
<td>76,612</td>
</tr>
<tr>
<td>Changes in net position</td>
<td>331,630</td>
<td>274,960</td>
</tr>
<tr>
<td>Net position - beginning of year</td>
<td>3,381,005</td>
<td>3,106,045</td>
</tr>
<tr>
<td>Net position - end of year</td>
<td>$3,712,635</td>
<td>$3,381,005</td>
</tr>
</tbody>
</table>
## NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
### Statements of Cash Flows
#### Years Ended March 31, 2020 and 2019

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

*See Notes to Financial Statements*
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.
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.
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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litigation</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>300,000</td>
</tr>
<tr>
<td>Capital asset acquisitions and/or improvements</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td><strong>$1,400,000</strong></td>
</tr>
</tbody>
</table>

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.
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
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.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Properties of Debt Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>$2,065,067</td>
<td>Weighted Average Maturities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ratings</td>
</tr>
</tbody>
</table>
|                                     |            | 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:

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

NOTE 3 - CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>Balance April 1, 2019</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, non-depreciable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>$ 300,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 300,000</td>
</tr>
<tr>
<td>Capital assets, depreciable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building and improvements</td>
<td>1,039,056</td>
<td>31,550</td>
<td>-</td>
<td>1,070,606</td>
</tr>
<tr>
<td>Furniture</td>
<td>112,386</td>
<td>-</td>
<td>-</td>
<td>112,386</td>
</tr>
<tr>
<td>Equipment</td>
<td>144,540</td>
<td>6,918</td>
<td>(11,615)</td>
<td>139,843</td>
</tr>
<tr>
<td>Software</td>
<td>180,337</td>
<td>-</td>
<td>-</td>
<td>180,337</td>
</tr>
<tr>
<td>Total capital assets, depreciable</td>
<td>1,476,319</td>
<td>38,468</td>
<td>(11,615)</td>
<td>1,503,172</td>
</tr>
</tbody>
</table>
NOTE 3 - CAPITAL ASSETS (Continued)

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

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:

<table>
<thead>
<tr>
<th>Capital assets, non-depreciable:</th>
<th>Balance April 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$ 300,000</td>
<td>-</td>
<td>-</td>
<td>$ 300,000</td>
</tr>
</tbody>
</table>

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    | 1,476,319             | -         | -         | 1,476,319              |

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)              |
| Total capital assets, depreciable, net | (844,228)            | (48,592)  | -         | (893,220)              |
| Capital assets, net                  | $ 931,691             | (48,592)  | -         | $ 883,099              |

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2019 was $40,501 and $8,091, respectively.
NOTE 4 - NONCURRENT LIABILITIES

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

<table>
<thead>
<tr>
<th></th>
<th>Balance April 1, 2019</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance March 31, 2020</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$ 92,928</td>
<td>$ 87,081</td>
<td>$ 85,872</td>
<td>$ 94,137</td>
<td>$ 10,854</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Balance April 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance March 31, 2019</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$ 86,342</td>
<td>$ 86,236</td>
<td>$ 79,650</td>
<td>$ 92,928</td>
<td>$ 3,912</td>
</tr>
</tbody>
</table>

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.
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 Heathcare. 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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$45,593</td>
</tr>
<tr>
<td>2022</td>
<td>46,961</td>
</tr>
<tr>
<td>2023</td>
<td>3,923</td>
</tr>
<tr>
<td></td>
<td><strong>$96,477</strong></td>
</tr>
</tbody>
</table>

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.
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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 42,702</td>
</tr>
<tr>
<td>2022</td>
<td>2,700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 45,402</strong></td>
</tr>
</tbody>
</table>

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.
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

<table>
<thead>
<tr>
<th></th>
<th>2020 (Unaudited)</th>
<th></th>
<th>2019 (Unaudited)</th>
<th></th>
<th>Over (under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td></td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examination fees</td>
<td>$1,311,125</td>
<td>$1,271,047</td>
<td>$ (40,078)</td>
<td>$1,318,275</td>
<td>$1,284,009</td>
</tr>
<tr>
<td>Licensing fees</td>
<td>1,504,400</td>
<td>1,483,265</td>
<td>(21,135)</td>
<td>1,459,300</td>
<td>1,463,815</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>7,000</td>
<td>15,976</td>
<td>8,976</td>
<td>6,500</td>
<td>8,025</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>2,822,525</td>
<td>2,770,288</td>
<td>(52,237)</td>
<td>2,784,075</td>
<td>2,755,849</td>
</tr>
</tbody>
</table>

| **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** | 2,799,997 | 2,527,588 | (272,409) | 2,723,673 | 2,557,501 | (166,172) |

| Operating income      | 22,528          | 242,700  | 220,172          | 60,402   | 198,348            | 137,946 |
| Non-operating revenues (expenses) | 98,265 | 88,930 | (9,335) | 70,976 | 76,612 | 5,636 |
| Changes in net position | 120,793 | 331,630 | 210,837 | 131,378 | 274,960 | 143,582 |
| Net position - beginning of year | 3,381,005 | 3,381,005 | - | 3,106,045 | 3,106,045 | - |
| Net position - end of year | $3,501,798 | $3,712,635 | $210,837 | $3,237,423 | $3,381,005 | $143,582 |

**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.

*See Independent Auditor's Report*
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 Examiners
Engagement: 2020 Audit - NC State Board of CPA Examiners
Period Ending: 3/31/2020
Trial Balance: TB
Workpaper: 1320 - AJE Report

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>WIP Ref</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>4110</td>
<td>Adj. Journal Entries</td>
<td>4110</td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>BRG1000</td>
<td>Gift Cards</td>
<td></td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>5270</td>
<td>Gift Card Revenue</td>
<td></td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Total Adj. Journal Entries</td>
<td></td>
<td></td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Total All Journal Entries</td>
<td></td>
<td></td>
<td>9,000.00</td>
<td>9,000.00</td>
</tr>
</tbody>
</table>