

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

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022



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

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

Introduction

The following discussion and analysis provide an overview to assist the reader in interpreting and understanding the accompanying 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 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. 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 its 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 include primarily 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, along with the Notes to the Financial Statements, are the 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 like that required of a business enterprise. The Statements of Net Position are presented in a classified format to aid the reader in understanding the nature of the financial statement balance.

The Notes to the Financial Statements accompanying these financial statements are an integral part of the financial statements and should be read in conjunction with the financial statements. The Notes to the Financial Statements provide additional detail and explanation about the amounts reported in the financial statements.

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
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Brief Agency Highlights

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

Analysis of Financial Position and Results of Operations

The Board's net position as of March 31, 2023 and March 31, 2022, was approximately \$3.97 million and \$4.05 million, respectively, a decrease of approximately \$84,000 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, 2023, 2022 and 2021.

	Condensed Statements of Net Position					
	2023	2022	% Change	2022	2021	% Change
Assets:						
Current assets	\$ 2,151,909	\$ 2,155,962	-0.19%	\$ 2,155,962	\$ 3,497,305	-38.35%
Noncurrent assets	1,503,633	1,505,686	-0.14%	1,505,686	146,639	926.80%
Capital assets, net	1,104,833	825,492	33.84%	825,492	845,093	-2.32%
Total assets	4,760,375	4,487,140	6.09%	4,487,140	4,489,037	-0.04%
Liabilities:						
Current liabilities	523,456	234,305	123.41%	234,305	294,387	-20.41%
Noncurrent liabilities	167,052	54,086	208.86%	54,086	71,555	-24.41%
Total liabilities	690,508	288,391	139.43%	288,391	365,942	-21.19%
Deferred Inflows of Resources						
Deferred lease receipts	102,060	146,639	-30.40%	146,639	188,516	-22.21%
Net Position:						
Invested in capital assets	1,104,833	825,492	33.84%	825,492	845,093	-2.32%
Unrestricted	2,862,974	3,226,618	-11.27%	3,226,618	3,089,486	4.44%
Total net position	\$ 3,967,807	\$ 4,052,110	-2.08%	\$ 4,052,110	\$ 3,934,579	2.99%

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
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Current Assets

Current assets as of March 31, 2023, consisted primarily of cash and short-term investments- \$2,077,000, prepaids - \$21,000, and accounts and lease receivables - \$54,000. Current assets as of March 31, 2022, consisted primarily of cash, \$2,085,000, prepaids - \$23,000, and a lease receivable - \$45,000.

Current assets essentially remained the same during the fiscal year March 31, 2023. There was change in the composition as the Board directed more funds to short-term investments such as Treasury notes and certificates of deposit.

Noncurrent and Capital Assets

Noncurrent assets as of March 31, 2023, consisted of investments totaling \$1,449,000 and lease receivable of \$55,000. Capital assets totaled \$1,105,000. Noncurrent assets as of March 31, 2022, consisted of investments totaling \$1,404,000 and lease receivable of \$102,000. Capital assets totaled \$825,000.

Noncurrent assets essentially remained the same during the fiscal year March 31, 2023. There was a change in the composition by \$45,000 between the investment account and the lease receivable account. Capital assets increased by \$280,000. With the implementation of GASB Statement No. 96, the Board identified a software subscription asset in the amount of \$280,000 related to its licensing software. In addition, renovations to the Board office occurred during the year and the Board changed its capitalization policy effective April 1, 2022. See the Capital Assets footnote to the financial statements for further disclosures as to the impact of those changes.

Liabilities

Current liabilities as of March 31, 2023, consisted of accounts payable - \$59,000, due to examination vendors - \$358,000, subscription software payable - \$103,000, and accrued compensated absences - \$4,000. Current liabilities as of March 31, 2022, consisted of accounts payable - \$16,000, due to examination vendors - \$196,000, and accrued compensated absences - \$22,000. The increase of \$289,000 is due to a variety of factors. The accounts payable increase is due to amounts payable for updated office furniture received at year-end. During the year, the Board saw an increase in candidates sitting for the exam. Those costs are payable at the time the candidate actually sits for the exam; therefore, the payments are for future sittings by NC CPA exam candidates. The subscription software payable amount is a result of the Board implementation of GASB Statement No. 96. Finally, the reduction in the current portion of the compensated absences liability is due to the expected timing of when vacation leave amounts will become due.

Noncurrent liabilities consisted of long-term subscription software payables in the amount of \$82,000 and accrued compensated absences of \$85,000 as of March 31, 2023. Noncurrent liabilities consisted entirely of accrued compensated absences in the amount of \$54,000 as of March 31, 2022. The increase during the current year reflects the Board's implementation of GASB Statement No. 96 related to its licensing software subscription as well as the increase in the long-term portion of the compensated absences liability for the next fiscal year.

Deferred Inflows of Resources

The Deferred Inflows of Resources accounts for the Board's lessor obligations related to an office rental. Deferred lease receipts of \$102,000 and \$147,000 are presented as of March 31, 2023 and 2022, respectively. The decrease of \$45,000 recognizes the inflow of lease receipts during the year.

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

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 \$1,105,000 and \$825,000 as of March 31, 2023 and 2022, respectively. Unrestricted net assets of \$2.86 and \$3.23 million as of March 31, 2023 and 2022, 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, 2023, there was a decrease in net assets of \$84,000. The Board's revenues increased by \$165,000, mostly due to higher volume of candidates taking the CPA exam. Expenses increased by \$409,000 during the year. Examination costs increased by \$154,000, again related to the higher volume of exam sittings. Office costs increased by \$47,000, the biggest increase related to consulting costs paid for website development and office improvements. Postage and printing increased by \$13,000 related to the Board's monthly newsletter and mailings of successful candidate certificates. Travel costs increased by \$92,000. The comparison is against the prior year where travel was limited due to the pandemic. Finally, building costs increased by \$40,000 as part of the Board's renovations to its office building.

The Board had anticipated most of these changes in preparation of its annual budget that was projected with a net reduction of \$84,000. Overall, revenue was about \$99,000 more than budgeted due to increased examination fees. As the impact of the pandemic began to subside, there was a return of candidates sitting for the exam. Similarly, the Board's expenditure categories were higher than budget expectations based on increased operational activities by the Board. Exam expenditures generally mirror the anticipated revenues; therefore, those costs were increased due to increased test sections taken. Travel costs were increased as many meeting events moved to in-person versus prior virtual attendance. Expenses were \$114,000 more than budget in total. That overage, along with continued unrecognized losses related to the Board's investment account resulted in the decrease in net assets of \$84,000.

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, 2023, 2022, and 2021.

Condensed Statements of Revenues, Expenses, and Changes in Net Position						
For the Fiscal Years Ended March 31,						
	2023	2022	% Change	2022	2021	% Change
Operating revenues:						
Exam fees	\$ 1,273,024	\$ 1,116,436	14.03%	\$ 1,116,436	\$ 1,117,831	-0.12%
Licensing fees	1,498,895	1,495,210	0.25%	1,495,210	1,480,855	0.97%
Miscellaneous	6,648	1,450	358.48%	1,450	1,128	28.55%
Operating expenses	(2,845,132)	(2,436,131)	16.79%	(2,436,131)	(2,435,352)	0.03%
Operating income (loss)	(66,565)	176,965	-137.61%	176,965	164,462	7.60%
Non-operating revenues	69,819	58,231	19.90%	58,231	77,749	-25.10%
Non-operating expenses	(87,557)	(117,665)	-25.59%	(117,665)	(20,267)	480.57%
	(17,738)	(59,434)	-70.16%	(59,434)	57,482	-203.40%
Increase (decrease) in net position	(84,303)	117,531	-171.73%	117,531	221,944	-47.04%
Net position beginning of year	4,052,110	3,934,579	2.99%	3,934,579	3,712,635	5.98%
Net position end of year	\$ 3,967,807	\$ 4,052,110	-2.08%	\$ 4,052,110	\$ 3,934,579	2.99%

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
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Operating Revenues

For the fiscal year ended March 31, 2023, operating revenues totaled \$2.78 million, consisting primarily of exam fee revenue of \$1.27 million and licensing fee revenues of \$1.50 million. For the fiscal year ended March 31, 2022, operating revenues totaled \$2.61 million, consisting primarily of examination fee revenue of \$1.12 million and licensing fee revenues of \$1.49 million. Exam fee revenue increased by \$157,000 related to increased candidates sitting for the CPA exam during the year.

Non-Operating Revenues (Expenses)

For the fiscal year ended March 31, 2023, non-operating revenues totaled \$70,000, primarily from interest income of \$25,000 and rental income of \$45,000. For the fiscal year ended March 31, 2022, non-operating revenues totaled \$58,000, primarily from interest income of \$16,000, and rental income of \$42,000. The \$25,000 increase in non-operating revenue activity is attributable to increased investment income due to higher market interest rates during the fiscal year.

The following table summarizes the Board's expenses (operating and non-operating) for the years ended March 31, 2023, 2022 and 2021.

	Operating and Non-Operating Expenses For the Fiscal Years Ended March 31,					
	2023	2022	% Change	2022	2021	% Change
Operating expenses:						
Salaries and employee benefits	\$ 1,247,398	\$ 1,219,922	2.25%	\$ 1,219,922	\$ 1,191,902	2.35%
Examination	893,710	739,742	20.81%	739,742	752,648	-1.71%
Office related expenses	484,616	277,850	74.42%	277,850	254,380	9.23%
Depreciation	44,030	39,147	12.47%	39,147	38,063	2.85%
Other expenses	175,378	159,470	9.98%	159,470	198,359	-19.61%
Total operating expenses	<u>\$ 2,845,132</u>	<u>\$ 2,436,131</u>	<u>16.79%</u>	<u>\$ 2,436,131</u>	<u>\$ 2,435,352</u>	<u>0.03%</u>
Non-operating expenses:						
Non-operating expense	\$ 35,261	\$ 20,947	68.33%	\$ 20,947	\$ 20,267	3.36%
Unrealized loss on investments	52,296	96,374	100.00%	96,374	-	100.00%
Loss on equipment sale	-	344	100.00%	344	-	100.00%
Total non-operating expenses	<u>\$ 87,557</u>	<u>\$ 117,665</u>	<u>-25.59%</u>	<u>\$ 117,665</u>	<u>\$ 20,267</u>	<u>480.57%</u>

For the fiscal year ended March 31, 2023, the Board's overall operating costs increased by \$409,000, or 16.79%. Exam expenses increased by \$154,000 related to the increased sittings for the CPA exam. Office expenses were higher due to the Board moving to a higher service level with its licensing software provider in an effort to develop more online self-service options for its licensees, development costs related to an enhanced website, and general operations as the board operations moved out of the pandemic timeline.

The Board incurred high non-operating expenses due to building renovation activities that related to its leased office space. In addition, the Board continues to see unrealized losses on the Board's investments of \$53,000. As these are long-term investments held by the Board, the expectation is that the eventual market recovery will address the unrealized losses.

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

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. As the impacts of the COVID-19 pandemic began to subside, the Board saw an increase in sittings for the CPA exam; however, the number of candidates sitting for the CPA examination has not completely returned to previous norms. In addition, the format of the CPA examination is changing effective January 1, 2024. These changes bring uncertainties in the testing area and how it will impact candidate sitting patterns. The Board continues to license similar numbers of CPAs, helped by an influx of CPAs from other states applying for reciprocal licensure.

The Board derives 99% of its revenues from examination and licensing fees. Examination revenues were increased during the current year. There was a slight increase in licensing fees due to increased renewals for NC licensees. The Board anticipates an increase in candidate testing for those seeking to complete the CPA exam prior to the change in exam content expected January 2024; however, it also anticipates a drop-off in testing during the latter quarter of the upcoming fiscal year as candidates navigate the new testing arrangements. As such, the Board has budgeted no change 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 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

Opinion

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, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2023 and 2022, 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.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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, 2023 and 2022, 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 25, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina

July 13, 2023

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Net Position
March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets:		
Cash	\$ 1,521,122	\$ 2,085,155
Short-term investments	556,107	-
Receivables	6,719	3,035
Prepays	20,555	23,193
Lease receivable (Note 10)	47,406	44,579
Total current assets	<u>2,151,909</u>	<u>2,155,962</u>
Noncurrent assets:		
Investments	1,448,979	1,403,626
Lease receivable (Note 10)	54,654	102,060
Capital assets, non-depreciable (Note 4)	300,000	300,000
Capital assets, depreciable, net (Note 4)	804,833	525,492
Total noncurrent assets	<u>2,608,466</u>	<u>2,331,178</u>
Total assets	<u>4,760,375</u>	<u>4,487,140</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	59,161	15,981
Due to examination vendors	357,634	196,172
Subscription software payable (Note 8)	102,529	-
Unearned revenue	-	540
Compensated absences - current portion	4,132	21,612
Total current liabilities	<u>523,456</u>	<u>234,305</u>
Noncurrent liabilities:		
Subscription software payable (Note 8)	82,315	-
Compensated absences (Note 5)	84,737	54,086
Total noncurrent liabilities	<u>167,052</u>	<u>54,086</u>
Total liabilities	<u>690,508</u>	<u>288,391</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred lease receipts (Note 10)	<u>102,060</u>	<u>146,639</u>
NET POSITION:		
Net investment in capital assets	1,104,833	825,492
Unrestricted	2,862,974	3,226,618
Total net position	<u>\$ 3,967,807</u>	<u>\$ 4,052,110</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Examination fees	\$ 1,273,024	\$ 1,116,436
Licensing fees	1,498,895	1,495,210
Miscellaneous	6,648	1,450
Total operating revenues	<u>2,778,567</u>	<u>2,613,096</u>
Operating expenses:		
Salaries and employee benefits	1,247,398	1,219,922
Examination	893,710	739,742
Office expenses	150,083	102,615
Postage and printing	75,562	62,604
Travel	116,866	25,166
Maintenance and computer support	142,105	87,465
Depreciation	44,030	39,147
Legal and investigative costs	60,343	86,038
Insurance	24,212	22,860
Dues and subscriptions	17,854	17,960
Building	72,969	32,612
Total operating expenses	<u>2,845,132</u>	<u>2,436,131</u>
Operating income (loss)	<u>(66,565)</u>	176,965
Non-operating revenues (expenses):		
Interest income	25,240	16,354
Rental income	44,579	41,877
Rental building expenses	(35,261)	(20,947)
Unrealized loss on investments/advisory fees	(52,296)	(96,374)
Loss on the sale of equipment	-	(344)
Total non-operating revenues (expenses)	<u>(17,738)</u>	<u>(59,434)</u>
Changes in net position	(84,303)	117,531
Net position - beginning of year	<u>4,052,110</u>	<u>3,934,579</u>
Net position - end of year	<u>\$ 3,967,807</u>	<u>\$ 4,052,110</u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Cash Flows
Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,771,379	\$2,612,186
Cash received from other sources	6,648	1,836
Cash payments to employees for services	(1,234,227)	(1,248,359)
Cash payments to suppliers for goods and services	(995,748)	(1,084,861)
Cash payments for other expenses	(172,343)	(159,470)
Net cash provided by operating activities	<u>375,709</u>	<u>121,332</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(155,922)	(28,948)
Right-to-use software subscription	(279,684)	-
Software subscription liability	(94,840)	-
Loss on the sale of capital assets	-	344
Net cash used in capital and related financing activities	<u>(530,446)</u>	<u>(28,604)</u>
Cash flows from investing activities:		
Proceeds from maturing investments	211,397	1,560,537
Purchases of investments	(667,465)	(1,495,691)
Non-operating rental activities	21,532	32,346
Interest income	25,240	16,354
Net cash provided by (used in) investing activities	<u>(409,296)</u>	<u>113,546</u>
Increase (decrease) in cash	(564,033)	206,274
Cash - beginning of year	<u>2,085,155</u>	<u>1,878,881</u>
Cash - end of year	<u>\$ 1,521,122</u>	<u>\$ 2,085,155</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (66,565)</u>	<u>\$ 176,965</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	44,030	39,147
Changes in assets and liabilities:		
Receivables	(3,684)	(2,649)
Prepays	2,638	(11,878)
Lease receivable	(2,827)	(2,702)
Accounts payable	43,180	(8,249)
Unearned revenue	(540)	540
Due to examination vendors	161,462	(41,405)
Subscription software payable	184,844	-
Compensated absences	13,171	(28,437)
Total adjustments	<u>442,274</u>	<u>(55,633)</u>
Net cash provided by operating activities	<u>\$ 375,709</u>	<u>\$ 121,332</u>

See Notes to Financial Statements

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
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, to 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 22,469 and 22,363 licensees as of March 31, 2023 and 2022, 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 *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations.

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

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 as well as deposits held by the Board in an investment portfolio maintained by an investment advisor and consists of cash sweep accounts, Treasury notes, stocks, fixed income securities, and mutual funds. Investments are reported at fair value. Investments may experience significant increases and decreases in fair value.

Accounts Receivables

Accounts receivable consist of amounts due from vendors or 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 \$5,000 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

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

Capital Assets (Continued)

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.

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 as well as amounts payable related to the Board's licensing subscription software.

Compensated Absences

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

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

Net Position

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

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

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

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

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

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

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 investment accounts. At March 31, 2023, deposits in private financial institutions, with a carrying value of \$3,526,208 and a bank balance of \$3,567,699, consists of cash and investments, as shown on 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. 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 deposits with investment institutions are insured by the Securities Investor Protection Corporation (SPIC), a nonprofit member corporation funded by its member securities broker-dealers. The SPIC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. The Board's bank deposits in excess of the FDIC and SPIC insured limits totaled \$948,979 at March 31, 2023.

The types of investments available to the Board are identified at North Carolina General Statutes 147-69.2 and 147-69.3. 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 in accordance with statutory requirements.

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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. At March 31, 2023, the Board's money market funds were unrated and the Board's bond portfolio had the following credit ratings as rated by Moody's Investors Service:

<u>Credit Rating</u>	<u>Amount</u>
AAA	\$ 223,924
AA	11,891
A	33,720
BA	54,680
BAA	108,391

Investments are presented at fair value based on the market prices at March 31, 2023.

The Board has approved an investment policy that provides for an equity allocation range from 30% to 50% and the fixed income allocation can range from 50% to 70%, with target allocations established as 55%-65% for fixed income and 35%-45% for equities.

The maturities of the Board's fixed income investments at March 31, 2023, were as follows:

	<u>Amount</u>
0 - 5 years	\$ 96,730
6 - 10 years	76,870
11 -15 years	55,862
16 - 20 years	33,103
21 - 30 years	165,815
Over 30 years	4,226
Total	<u>\$ 432,606</u>

NOTE 3 - FAIR VALUE INVESTMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

NOTE 3 - FAIR VALUE INVESTMENTS (Continued)

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets accounted for at fair value on a recurring basis as of March 31, 2023 and 2022:

	Total Fair Value 2023	Level 1	Level 2	Level 3
Corporate bonds	\$ 179,036	\$ -	\$ 179,036	\$ -
Government bonds	72,677	72,677	-	-
Government backed securities	146,294	-	146,294	-
Municipal bonds	25,332	-	25,332	-
Foreign bonds	9,267	-	9,267	-
Equities	551,710	551,710	-	-
Mutual funds	431,469	-	431,469	-
US treasury notes	292,936	292,936	-	-
Negotiable certificates of deposit	253,756	-	253,756	-
Total deposits and investments	<u>\$1,962,477</u>	<u>\$ 917,323</u>	<u>\$1,045,154</u>	<u>\$ -</u>

The investment balances on the Statement of Net Position include cash balances held temporarily in the investment portfolio until reinvestment and therefore are not included in the fair value hierarchy above in the amount of \$42,609 as of March 31, 2023.

	Total Fair Value 2022	Level 1	Level 2	Level 3
Corporate bonds	\$ 166,406	\$ -	\$ 166,406	\$ -
Government bonds	92,116	92,116	-	-
Government backed securities	132,501	-	132,501	-
Municipal bonds	23,183	-	23,183	-
Foreign bonds	9,898	-	9,898	-
Equities	531,480	531,480	-	-
Mutual funds	409,689	-	409,689	-
Total deposits and investments	<u>\$1,365,273</u>	<u>\$ 623,596</u>	<u>\$ 741,677</u>	<u>\$ -</u>

The investment balances on the Statement of Net Position include cash balances held temporarily in the investment portfolio until reinvestment and therefore are not included in the fair value hierarchy above in the amount of \$38,353 as of March 31, 2022.

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

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended March 31, 2023 are as follows:

	Balance April 1, 2022	Additions	Deletions	Balance March 31, 2023
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, amortizable/depreciable:				
Building and improvements	1,070,606	93,991	(38,440)	1,126,157
Furniture	112,386	21,522	(99,906)	34,002
Equipment	171,136	40,409	(73,655)	137,890
Software	180,337	-	-	180,337
Subscription software	-	279,684	-	279,684
Total capital assets, amortizable/depreciable:	<u>1,534,465</u>	<u>435,606</u>	<u>(212,001)</u>	<u>1,758,070</u>
Less accumulated amortization/depreciation:				
Building and improvements	(592,084)	(37,550)	37,711	(591,923)
Furniture	(110,791)	-	99,907	(10,884)
Equipment	(125,763)	(15,871)	66,379	(75,255)
Software	(180,335)	-	-	(180,335)
Subscription software	-	(94,840)	-	(94,840)
	<u>(1,008,973)</u>	<u>(148,261)</u>	<u>203,997</u>	<u>(953,237)</u>
Total capital assets, amortizable/depreciable, net:	<u>525,492</u>	<u>287,345</u>	<u>(8,004)</u>	<u>804,833</u>
Capital assets, net	<u>\$ 825,492</u>	<u>\$ 287,345</u>	<u>\$ (8,004)</u>	<u>\$ 1,104,833</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2023 was \$44,030 and \$9,387, respectively.

The Board adopted GASB Statement No. 96 during the year that resulted in the establishment of a right-to-use subscription asset related to the Board's licensing software subscription. See Note 8 for further details related to the implantation of GASB No. 96; however, the subscription software and related amortization costs are separately presented in the above schedule.

In addition, the Board approved a change to its capitalization policy during the year effective April 1, 2022. The Board increased the value for capitalization of an asset from \$500 to \$5,000. The policy change resulted in the removal of equipment valued at \$22,199, furniture valued at \$4,630, and building and improvements valued at \$2,457. Those amounts are included in the deletion amounts identified for each category above.

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

NOTE 4 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended March 31, 2022 are as follows:

	Balance April 1, 2021	Additions	Deletions	Balance March 31, 2022
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, amortizable/depreciable:				
Building and improvements	1,070,606	-	-	1,070,606
Furniture	112,386	-	-	112,386
Equipment	150,044	28,948	(7,856)	171,136
Software	180,337	-	-	180,337
Total capital assets, amortizable/depreciable:	<u>1,513,373</u>	<u>28,948</u>	<u>(7,856)</u>	<u>1,534,465</u>
Less accumulated amortization/depreciation:				
Building and improvements	(557,252)	(34,832)	-	(592,084)
Furniture	(110,791)	-	-	(110,791)
Equipment	(119,902)	(13,024)	7,163	(125,763)
Software	(180,335)	-	-	(180,335)
	<u>(968,280)</u>	<u>(47,856)</u>	<u>7,163</u>	<u>(1,008,973)</u>
Total capital assets, amortizable/depreciable, net:	<u>545,093</u>	<u>(18,908)</u>	<u>(693)</u>	<u>525,492</u>
Capital assets, net	<u>\$ 845,093</u>	<u>\$ (18,908)</u>	<u>\$ (693)</u>	<u>\$ 825,492</u>

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2022 was \$39,147 and \$8,709, respectively.

NOTE 5 - NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended March 31, 2023, is presented as follows:

	Balance April 1, 2022	Additions	Deletions	Balance March 31, 2023	Current Portion
Compensated absences	<u>\$ 75,698</u>	<u>\$ 88,699</u>	<u>\$ 75,528</u>	<u>\$ 88,869</u>	<u>\$ 4,132</u>

A summary of changes in noncurrent liabilities for the year ended March 31, 2022, is presented as follows:

	Balance April 1, 2021	Additions	Deletions	Balance March 31, 2022	Current Portion
Compensated absences	<u>\$ 104,135</u>	<u>\$ 91,433</u>	<u>\$ 119,870</u>	<u>\$ 75,698</u>	<u>\$ 21,612</u>

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

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The Board adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* during the year that resulted in the establishment of a right-to-use subscription asset related to the Board's licensing software subscription and a corresponding subscription liability. See Note 8 for further details related to the implementation of GASB No. 96; however, the long-term portion of the subscription liability was \$82,315 for the year ended March 31, 2023. There was no such liability for the year ended March 31, 2022.

NOTE 6 - 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 \$62,084 and \$58,443 for fiscal years 2023 and 2022, respectively. Administrative fees were higher for 2023 due to the cost involved with the required IRS restatement of the plan. Employee contributions totaled \$69,947 and \$65,133 for fiscal years 2023 and 2022, respectively. For fiscal years 2023 and 2022, employer contributions were reduced by \$0 and \$0, respectively, by forfeited nonvested accounts.

NOTE 7 - 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.

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

NOTE 7 - RISK MANAGEMENT (Continued)

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 Blue Cross & Blue Shield. 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 8 - SOFTWARE LICENSING AGREEMENT

The Board adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SIBTAs) during the year that resulted in the establishment of a right-to-use subscription asset related to the Board's licensing software subscription and a corresponding subscription liability. A SIBTA is defined as a contract that conveys control of the right to use another party's information technology software for a period of time in an exchange-like transaction. The Board is party to a SIBTA with a third-party vendor and moved to a higher level of service agreement effective April 1, 2022, that will allow the Board to begin to making enhancements to its online offerings.

During the current fiscal year, the Board recognized a right-to-use subscription asset and a corresponding subscription liability in the amount of \$279,684, the present value of the subscription payments expected to be made during the subscription term. Future subscription payments have been discounted using the incremental borrowing rate of 7.82% as identified by the North Carolina Office of State Controller. The subscription payments will result in the reduction of the subscription liability payable, amortization of the right-to-use subscription asset, and interest expense for the use of the asset.

A schedule of the SIBTA transactions for this year and future years is identified below.

	<u>Payments</u>	<u>Amortization</u>	<u>Interest</u>
2023	\$ 108,109	\$ 94,840	\$ 13,269
2024	115,215	102,529	12,686
2025	89,245	82,315	6,930
	<u>\$ 312,569</u>	<u>\$ 279,684</u>	<u>\$ 32,885</u>

The Board's other subscription licensing agreements were evaluated and determined to not meet the requirements of GASB No. 96.

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

NOTE 9 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended March 31, 2023, the Board implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SIBTAs) for government end users. This statement (1) defines a SIBTA; (2) establishes that a SIBTA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires not disclosures regarding a SIBTA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

NOTE 10 - LESSOR REVENUE

The Board implemented GASB No. 87 for the fiscal year ending March 31, 2021. As such, the Board’s lessor agreement with Allen & Pinnix, P.A. is required to be recognized as a lease receivable and a deferred inflow of resources over the period of the lease.

The original lessor agreement was effective May 1, 2019. The lease agreement called 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. The lessor agreement was extended for an additional three-year period with the same lease terms effective May 1, 2022. A schedule of the total amount of inflows or resources expected to be recognized under the lease agreement are as follows:

2024	\$ 47,406
2025	50,362
2026	4,292
	<u>\$ 102,060</u>

NOTE 11 - 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 institution selected 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 with an 18-month timeframe from the date of issue to sit for all four parts of the Uniform CPA Examination.

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

NOTE 11 - EDUCATIONAL AWARD PROGRAMS (Continued)

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 \$1,408. 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 \$35,036 and \$45,490 for fiscal years 2023 and 2022, respectively.

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

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through July 13, 2023, 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 90 hours at a cost of \$15,000.

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, 2023 and 2022**

	2023			2022		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Operating revenues:						
Examination fees	\$1,163,925	\$1,273,024	\$ 109,099	\$1,176,875	\$1,116,436	\$ (60,439)
Licensing fees	1,514,800	1,498,895	(15,905)	1,507,000	1,495,210	(11,790)
Miscellaneous	1,000	6,648	5,648	1,000	1,450	450
Total operating revenues	<u>2,679,725</u>	<u>2,778,567</u>	<u>98,842</u>	<u>2,684,875</u>	<u>2,613,096</u>	<u>(71,779)</u>
Operating expenses:						
Salaries and employee benefits	1,232,278	1,247,398	15,120	1,211,855	1,219,922	8,067
Examination	800,000	893,710	93,710	850,000	739,742	(110,258)
Office expenses	134,850	150,083	15,233	107,550	102,615	(4,935)
Postage and printing	73,200	75,562	2,362	70,000	62,604	(7,396)
Travel	98,790	116,866	18,076	72,688	25,166	(47,522)
Maintenance and computer support	142,200	142,105	(95)	100,000	87,465	(12,535)
Legal and investigative costs	72,000	60,343	(11,657)	112,500	86,038	(26,462)
Insurance	26,000	24,212	(1,788)	24,500	22,860	(1,640)
Dues and subscriptions	17,000	17,854	854	14,500	17,960	3,460
Building	89,400	72,969	(16,431)	45,300	32,612	(12,688)
Depreciation	45,000	44,030	(970)	45,000	39,147	(5,853)
Total operating expenses	<u>2,730,718</u>	<u>2,845,132</u>	<u>114,414</u>	<u>2,653,893</u>	<u>2,436,131</u>	<u>(217,762)</u>
Operating income (loss)	(50,993)	(66,565)	(15,572)	30,982	176,965	145,983
Non-operating revenues (expenses)	(32,630)	(17,738)	14,892	34,961	(59,434)	(94,395)
Changes in net position	(83,623)	(84,303)	(680)	65,943	117,531	51,588
Net position - beginning of year	<u>4,052,110</u>	<u>4,052,110</u>	<u>-</u>	<u>3,934,579</u>	<u>3,934,579</u>	<u>-</u>
Net position - end of year	<u>\$3,968,487</u>	<u>\$3,967,807</u>	<u>\$ (680)</u>	<u>\$4,000,522</u>	<u>\$4,052,110</u>	<u>\$ 51,588</u>

Budgetary Information

Annual budgets are adopted by the Board and prepared and reported on the accrual basis of accounting. The budgets prepared for the fiscal years ended March 31, 2023 and 2022 identify 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.