



July 21, 2025

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, 2025 and have issued our report thereon dated July 21, 2025. Professional standards require we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 21, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

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Significant Risks Identified

We have identified the following significant risks:

- Management override of controls – this risk is presumed to be present in every audit under professional standard, regardless of the control environment. The rationale is that even the most robust internal control system can be overridden by management.
- Improper revenue recognition – this risk refers to the intentional or unintentional misstatement of revenue in financial statements. This can include premature recognition or manipulation of cut-off procedures. It is one of the most common areas for financial reporting fraud and is therefore presumed to be a significant risk in every audit engagement.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Board is included in Note 1 to the financial statements. As described in Note 10 to the financial statements, during the year, the Board adopted Governmental Accounting Standards Board (GASB) Statement No. 101 - Compensated Absences. The overall effect to the Board's financial statements is that total assets decreased for the year ended March 31, 2024 by a total of \$47,110, which was reported as an increase to the compensated absences liability on the Statement of Net Position. The Board also adopted GASB Statement No. 104 - Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets such as leased assets recognized in accordance with Statement No 87, Leases, and Intangible Right-To-Use Assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription-based IT arrangements recognized in accordance with Statement No. 96, Subscription-Based IT Arrangements, also should be disclosed separately in the capital assets note disclosure. Accordingly, Note 4 of the financial statements has been updated to align with this standard.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. There are currently no significant estimates.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosure affecting the Board's financial statements relates to:

- The fair value measurements in Note 3 of the financial statements, which requires judgment by management related to the valuation level within the fair value hierarchy.
- The implementation of a new standard in Note 11, showing the impact on the net assets and related liabilities.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such misstatements were noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Board's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, dated July 21, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

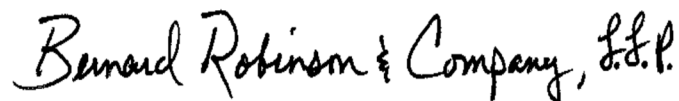
In the normal course of our professional association with the Board, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Board's auditors.

Other Matters

We applied certain limited procedures to the Management's Discussion & Analysis, which is required supplemental 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 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 appropriated 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.

Sincerely,

A handwritten signature in black ink that reads "Bernard Robinson & Company, L.L.P." in a cursive script.

BERNARD ROBINSON & COMPANY, L.L.P.

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

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 AND 2024



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

BOARD MEMBERS

Gary R. Massey, CPA, President

Bernita W. Demery, CPA, Vice-President

Jodi K. Kruse, CPA, Secretary-Treasurer

Maria M. Lynch, Esquire

D. Michael (Mickey) Payseur, CPA

Kecia Williams Smith, Ph.D., CPA

Jennifer K. Van Zant, Esquire

ADMINISTRATIVE STAFF

David R. Nance, CPA, Executive Director

S. Lynne Sanders, CPA, Deputy Director

Frank X. Trainor, Esquire, Staff Attorney

OUTSIDE LEGAL COUNSEL

Allen & Pinnix, P.A.

Noel L. Allen, Esquire

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

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. These 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 an explanation about the amounts reported in the financial statements.

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*.

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

Analysis of Financial Position and Results of Operations

The Board's net position as of March 31, 2025 and March 31, 2024, was approximately \$4.53 million and \$4.21 million, respectively, an increase of approximately \$319,000 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, 2025, 2024 and 2023.

	Condensed Statements of Net Position					
	2025	Restated 2024	% Change	Restated 2024	2023	% Change
Assets:						
Current assets	\$ 2,417,819	\$ 2,234,430	8.21%	\$ 2,234,430	\$ 2,151,909	3.83%
Noncurrent assets	1,801,977	1,587,270	13.53%	1,587,270	1,503,633	5.56%
Capital assets, net	983,571	1,000,734	-1.72%	1,000,734	1,104,833	-9.42%
Total assets	5,203,367	4,822,434	7.90%	4,822,434	4,760,375	1.30%
Liabilities:						
Current liabilities	424,401	465,397	-8.81%	465,397	523,456	-11.09%
Noncurrent liabilities	93,478	95,939	-2.57%	95,939	167,052	-42.57%
Total liabilities	517,879	561,336	-7.74%	561,336	690,508	-18.71%
Deferred Inflows of Resources						
Deferred lease receipts	160,218	54,654	193.15%	54,654	102,060	-46.45%
Net Position:						
Invested in capital assets	861,058	918,419	-6.25%	918,419	919,989	-0.17%
Unrestricted	3,664,212	3,288,025	11.44%	3,288,025	3,047,818	7.88%
Total net position	\$ 4,525,270	\$ 4,206,444	7.58%	\$ 4,206,444	\$ 3,967,807	6.01%

Current Assets

Current assets as of March 31, 2025, consisted primarily of cash and short-term investments - \$2,339,000, prepaids - \$24,000, and accounts, interest, and lease receivables - \$55,000. Current assets as of March 31, 2024, consisted of cash and short-term investments - \$2,155,000, prepaids - \$24,000, and accounts and lease receivables - \$55,000.

Current assets increased by \$184,000 during the fiscal year March 31, 2025. The increase identifies to increased cash and short-term investments as a result of operations.

Noncurrent and Capital Assets

Noncurrent assets as of March 31, 2025, consisted of investments totaling \$1,692,000 and lease receivable of \$110,000. Capital assets totaled \$984,000. Noncurrent assets as of March 31, 2024, consisted of investments totaling \$1,583,000 and lease receivable of \$4,000. Capital assets totaled \$1,001,000.

Noncurrent assets increased by \$198,000 during the fiscal year March 31, 2025. There was an increase in the investment account by \$109,000, and the lease receivable account increased by \$106,000. The increase in the investment account is a result of improved market results in regards to the Board's investments. A new lease was initiated between the Board and its tenant resulting in the increase in the lease receivable. There was a decrease in capital assets in the amount of \$17,000 as a result of depreciation activity.

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

Liabilities

Current liabilities as of March 31, 2025, consisted of accounts payable - \$25,000, due to examination vendors - \$227,000, subscription software payable - \$123,000, and accrued compensated absences - \$48,000. Current liabilities as of March 31, 2024, consisted of accounts payable - \$98,000, due to examination vendors - \$243,000, subscription software payable - \$82,000, and accrued compensated absences - \$42,000. The decrease of \$40,000 reflects several operational changes. Accounts payable and due to examination vendors decreased by \$88,000, mainly related to the Board's payable for exam costs. The subscription software payable increased by \$40,000 as the Board recognized its current year obligations for its licensing software. The accrued compensated absences payable increased by \$6,000 due to the amounts due to employees for leave amounts earned.

Noncurrent liabilities consisted of accrued compensated absences of \$93,000 as of March 31, 2025. Noncurrent liabilities consisted of accrued compensated absences of \$96,000 as of March 31, 2024. The decrease during the current year reflects the change in the current and long-term portion of the compensated absences balance as of March 31, 2025.

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 \$160,000 and \$55,000 are presented as of March 31, 2025 and 2024, respectively. The increase of \$105,000 recognizes the inflow of lease receipts during the year based on the renewed lease contract.

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 \$861,000 and \$918,000 as of March 31, 2025 and 2024, respectively. Unrestricted net assets of \$3.66 and \$3.29 million as of March 31, 2025 and 2024, 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, 2025, there was a increase in net position of \$319,000. The Board's revenues decreased by \$54,000, mostly due to a decrease in the volume of candidates taking the CPA exam. The decrease was anticipated, as a higher volume of candidates attempted to take the exam during the previous year before a new exam format was introduced in January 2024. Although the number of candidate sittings decreased this year, candidate sittings continue to trend in a positive direction. Operating expenses decreased by \$195,000 during the year. Examination costs decreased by \$97,000 related to the decreased volume of exam sittings. Salary and Employee Benefit costs decreased by \$60,000 due to the retirement of a long-term staff person. Postage and Printing costs also decreased by \$46,000 as the Board moved to provide its newsletter in an electronic format versus a printed and mailed format. Maintenance and Computer Support costs increased by \$30,000 based on cost-of-living increases for the Board's licensing software vendor and contracted IT service provider. Depreciation and amortization costs decreased by \$25,000 related to the reduced amortization costs for the Board's subscription software.

Net position was also impacted by the Board's non-operating revenues and expenses, decreasing by \$60,000. The Board increased its interest earnings by \$14,000 based on higher interest income rates during the year. However, the Board's unrealized gain on its investment activities was \$73,000 less than the prior year based on changes in the stock market.

The Board had anticipated a decrease in the number of candidates to sit for the exam, but the drop was not as significant as anticipated. The annual budget was projected with an exam revenue increase of \$137,000. However, revenue was about \$162,000 more than budgeted due to increased examination fees. Despite the uncertainty with the introduction of the new CPA exam, candidates continued to sit for the exam at a steady pattern throughout the year resulting in higher exam fee revenues.

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

Net Position (Continued)

Similarly, the Board's expenditure categories were lower than budget expectations. Exam expenditures generally mirror the anticipated revenues; therefore, those costs were decreased by \$97,000 due to lower volumes of test sections taken. Expenses were \$95,000 less than budgeted in total. The net increase from operations of \$132,000, along with positive results from the Board's non-operating activities of \$187,000 resulted in the increase in net position of \$319,000.

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, 2025, 2024, and 2023.

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended March 31,						
	2025	Restated 2024	% Change	Restated 2024	2023	% Change
Operating revenues:						
Exam fees	\$ 1,487,385	\$ 1,547,019	-3.85%	\$ 1,547,019	\$ 1,273,024	21.52%
Licensing fees	1,512,661	1,503,885	0.58%	1,503,885	1,498,895	0.33%
Miscellaneous	14,310	17,361	-17.57%	17,361	6,648	161.15%
Operating expenses	(2,881,831)	(3,076,805)	-6.34%	(3,076,805)	(2,845,132)	8.14%
Operating income (loss)	132,525	(8,540)	-1651.81%	(8,540)	(66,565)	-87.17%
Non-operating revenues	210,341	269,414	-21.93%	269,414	17,523	1437.49%
Non-operating expenses	(24,040)	(22,237)	8.11%	(22,237)	(35,261)	-36.94%
	186,301	247,177	-24.63%	247,177	(17,738)	-1493.49%
Increase (decrease) in net position	318,826	238,637	33.60%	238,637	(84,303)	-383.07%
Net position beginning of year	4,206,444	3,967,807	6.01%	3,967,807	4,052,110	-2.08%
Net position end of year	\$ 4,525,270	\$ 4,206,444	7.58%	\$ 4,206,444	\$ 3,967,807	6.01%

Operating Revenues

For the fiscal year ended March 31, 2025, operating revenue totaled \$3.01 million, consisting primarily of exam fee revenue of \$1.49 million and licensing fee revenue of \$1.51 million. For the fiscal year ended March 31, 2024, operating revenue totaled \$3.07 million, consisting primarily of examination fee revenue of \$1.55 million and licensing fee revenue of \$1.50 million. Exam fee revenue decreased by \$60,000 related to decreased candidates sitting for the CPA exam during the year.

Non-Operating Revenues (Expenses)

For the fiscal year ended March 31, 2025, net non-operating revenues totaled \$211,000, consisting of net interest income of \$99,000, and net rental income of \$50,000, and unrealized gains on investment of \$61,000. For the fiscal year ended March 31, 2024, net non-operating revenues totaled \$269,000 consisting of interest income of \$87,000, rental income of \$47,000, and unrealized gains on investments of \$135,000. The decrease in non-operating revenue activity is attributable to decreased investment income due to lower market interest rates during the fiscal year and the drops in the stock market resulting in lower unrealized gains on the Board's investment accounts.

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

Non-Operating Revenues (Expenses) (Continued)

The following table summarizes the Board's expenses (operating and non-operating) for the years ended March 31, 2025, 2024 and 2023.

Operating and Non-Operating Expenses For the Fiscal Years Ended March 31,						
	2025	Restated 2024	% Change	Restated 2024	2023	% Change
Operating expenses:						
Salaries and employee benefits	\$ 1,290,569	\$ 1,350,536	-4.44%	\$ 1,350,536	\$ 1,247,398	8.27%
Examination	953,468	1,050,228	-9.21%	1,050,228	893,710	17.51%
Office related expenses	333,843	358,075	-6.77%	358,075	376,507	-4.90%
Depreciation	149,503	173,799	-13.98%	173,799	152,139	14.24%
Other expenses	154,448	144,167	7.13%	144,167	175,378	-17.80%
Total operating expenses	<u>\$ 2,881,831</u>	<u>\$ 3,076,805</u>	<u>-6.34%</u>	<u>\$ 3,076,805</u>	<u>\$ 2,845,132</u>	<u>8.14%</u>
Non-operating revenue (expenses):						
Net rental income	\$ 26,775	\$ 25,169	6.38%	\$ 25,169	\$ 44,579	-43.54%
Net investment income	159,979	222,008	-27.94%	222,008	(62,317)	-456.26%
Loss on equipment sale	(453)	-	100.00%	-	-	0.00%
Total non-operating revenues (expenses)	<u>\$ 186,301</u>	<u>\$ 247,177</u>	<u>-24.63%</u>	<u>\$ 247,177</u>	<u>\$ (17,738)</u>	<u>-1493.49%</u>

For the fiscal year ended March 31, 2025, the Board's overall operating costs decreased by \$195,000, or 6.34%. Exam expenses decreased by \$97,000 related to the decreased sittings for the CPA exam. The previous year saw a large influx of exam candidates as a new CPA exam format was introduced and a long existing exam section was phased out. The decreased sittings were expected with a return to a more normal cadence for exam candidates as they work to complete their CPA requirements. Salary expenses were lower by \$60,000 due to the retirement of the Board's longtime Licensing Manager. That position is currently being re-purposed as part of the Board's strategic initiatives. Postage and Printing expenses were also significantly decreased by \$46,000 as the Board moved the delivery of its monthly newsletter to an online format versus the traditional print and mail version. The changes within both the Maintenance and Computer Support and Depreciation and SBITA Amortization categories represent the recognition of costs related to the Board's licensing software. Other expenses were limited in their fluctuations as costs tracked similarly as to the prior year.

The Board incurred lower non-operating revenue. Rental income and expenses related to the Board's leased office space returned to expectations. The Board's reported unrealized gains on its investment portfolio decreased from the prior year, which accounted for the majority of the reported decrease in non-operating revenue.

**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 Board. The Board anticipated a drop in sittings for the CPA exam as candidates tried to complete the CPA exam prior to the new format being introduced in January 2024. However, the number of candidates sitting for the CPA during the past year was greater than budgeted, and the Board expects that trend to continue for the near future. The number of candidates sitting for the CPA examination will be impacted by candidate pipeline issues such as a reduction in the number of students choosing to study accounting, those choosing to sit for the CPA exam, or those choosing alternate career paths than becoming a CPA. These changes bring uncertainties in the testing area and how it will impact candidate sitting patterns. The Board continues to see a steady pattern of candidates sitting for the CPA exam and licenses 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 decreased during the current year and there was a slight increase in licensing fees. The Board anticipates candidate testing to stabilize during the current year as many candidates currently in the CPA exam process work to complete their requirements to become licensed as a CPA. The new CPA exam format was implemented in January 2024 and score window extensions were granted for many candidates through June 30, 2025. The Board anticipates candidates will continue to work against the June 30, 2025, timeline to complete their CPA testing process. At this time, the Board has not seen a significant drop in the number of candidates applying to sit for the CPA exam.

As such, the Board anticipates the number of examination sections to be taken by candidates to remain steady for the next fiscal year. Licensing fees should show 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 (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of March 31, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2025 and 2024, 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 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, 2025 and 2024, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 26, 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.

Greensboro, North Carolina
July 21, 2025

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Net Position
March 31, 2025 and 2024**

	2025	Restated 2024
ASSETS:		
Current assets:		
Cash	\$ 1,549,408	\$ 1,588,238
Short-term investments	789,180	567,003
Accounts receivable	832	1,802
Interest receivable	4,086	3,305
Prepays	23,963	23,720
Lease receivable (Note 9)	50,350	50,362
Total current assets	<u>2,417,819</u>	<u>2,234,430</u>
Noncurrent assets:		
Investments	1,692,109	1,582,978
Lease receivable (Note 9)	109,868	4,292
Capital assets, non-depreciable (Note 4)	300,000	300,000
Capital assets, depreciable, net (Note 4)	683,571	700,734
Total noncurrent assets	<u>2,785,548</u>	<u>2,588,004</u>
Total assets	<u>5,203,367</u>	<u>4,822,434</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	25,218	97,827
Due to examination vendors	227,429	243,140
Subscription software payable (Note 8)	122,513	82,315
Unearned revenue	780	-
Compensated absences - current portion (Note 5)	48,461	42,115
Total current liabilities	<u>424,401</u>	<u>465,397</u>
Noncurrent liabilities:		
Compensated absences (Note 5)	93,478	95,939
Total noncurrent liabilities	<u>93,478</u>	<u>95,939</u>
Total liabilities	<u>517,879</u>	<u>561,336</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred lease receipts (Note 9)	<u>160,218</u>	<u>54,654</u>
NET POSITION:		
Net investment in capital assets	861,058	918,419
Unrestricted	<u>3,664,212</u>	<u>3,288,025</u>
Total net position	<u>\$ 4,525,270</u>	<u>\$ 4,206,444</u>

See Notes to Financial Statements

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended March 31, 2025 and 2024

	2025	Restated 2024
Operating revenues:		
Examination fees	\$ 1,487,385	\$ 1,547,019
Licensing fees	1,512,661	1,503,885
Miscellaneous	14,310	17,361
Total operating revenues	<u>3,014,356</u>	<u>3,068,265</u>
Operating expenses:		
Salaries and employee benefits	1,290,569	1,350,536
Examination	953,468	1,050,228
Office expenses	127,611	133,040
Postage and printing	28,457	73,862
Travel	101,203	103,476
Maintenance and computer support	76,572	47,697
Depreciation and SBITA amortization	149,503	173,799
Legal and investigative costs	68,284	65,842
Insurance	23,735	22,704
Dues and subscriptions	22,040	18,062
Building	40,389	37,559
Total operating expenses	<u>2,881,831</u>	<u>3,076,805</u>
Operating income (loss)	<u>132,525</u>	<u>(8,540)</u>
Non-operating revenues (expenses):		
Net investment income	159,979	222,008
Rental income	50,362	47,406
Rental building expenses	(23,587)	(22,237)
Other nonoperating expense	(453)	-
Total non-operating revenues (expenses)	<u>186,301</u>	<u>247,177</u>
Changes in net position	318,826	238,637
Net position - beginning of year	<u>4,206,444</u>	<u>3,967,807</u>
Net position - end of year	<u><u>\$ 4,525,270</u></u>	<u><u>\$ 4,206,444</u></u>

**NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC
ACCOUNTANT EXAMINERS
Statements of Cash Flows
Years Ended March 31, 2025 and 2024**

	2025	Restated 2024
Cash flows from operating activities:		
Cash received from fees	\$ 3,000,825	\$ 3,050,904
Cash received from other sources	14,310	17,361
Cash payments to employees for services	(1,286,685)	(1,348,461)
Cash payments to suppliers for goods and services	(1,375,428)	(1,438,365)
Cash payments for other expenses	(154,691)	(147,332)
Net cash provided by operating activities	198,331	134,107
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,586)	(65,064)
Proceeds from rental	50,362	47,406
SBITA principal payments	(82,315)	(102,529)
SBITA interest payments	(6,930)	(12,686)
Net cash used in capital and related financing activities	(50,469)	(132,873)
Cash flows from investing activities:		
Proceeds from maturing investments	786,620	1,145,756
Purchases of investments	(1,121,387)	(1,291,001)
Other non-operating expenses	(15,990)	(14,186)
Investment income, net	164,065	225,313
Net cash provided by (used in) investing activities	(186,692)	65,882
Increase (decrease) in cash	(38,830)	67,116
Cash - beginning of year	1,588,238	1,521,122
Cash - end of year	\$ 1,549,408	\$ 1,588,238
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 132,525	\$ (8,540)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and SBITA amortization	149,503	173,799
Changes in assets and liabilities:		
Accounts receivable	970	(1,558)
Interest receivable	(781)	3,170
Prepays	(243)	(3,165)
Lease receivable	12	(2,956)
Accounts payable	(72,609)	38,666
Unearned revenue	780	-
Due to examination vendors	(15,711)	(114,494)
Compensated absences	3,885	49,185
Total adjustments	65,806	142,647
Net cash provided by operating activities	\$ 198,331	\$ 134,107

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 who 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 22,743 and 22,525 licensees as of March 31, 2025 and 2024, 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 investment portfolios maintained by investment advisors 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.

Compensated Absences

The Board permits employees to accumulate vacation and sick leave. Employees are permitted to accumulate earned, but unused vacation pay benefits, and all vacation pay is accrued when incurred. The Board's sick leave policy provides for an unlimited accumulation of earned sick leave; however, the Board has no obligation to pay sick leave upon employee termination or retirement. 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 Director, 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 greater than the allowed maximum accumulation as of March 31 is converted to sick leave.

A liability for compensated absences is recognized for both vacation and sick leave that is more likely than not to be used or paid out. This is determined based on historical usage patterns and the Board's policies regarding leave. The Board uses a last in, first out (LIFO) flow assumption to determine the order in which leave is used or paid out. The liability for compensated absences is measured by multiplying the total hours of accrued leave by the applicable pay rate as of the end of the reporting period.

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)

Reclassification

Certain amounts in the prior year comparative information were reclassified to conform with the current year presentation.

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. On March 31, 2025, deposits in private financial institutions, with a carrying value of \$4,030,697 and a bank balance of \$4,133,097, 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 3,000 banks and savings associations around the United States. This allows depositors to deal with a single bank that participates in CDARS but avoids 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 (SIPC), a nonprofit member corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. The Board's bank deposits in excess of the FDIC and SIPC insured limits totaled \$1,292,109 at March 31, 2025.

The types of investments available to the Board are identified in North Carolina General Statutes 147-69.2 and 147-69.3. The Board has a formal investment policy 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. For its major investment type, certificates of deposit maturities may not exceed 24 months.

**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. On March 31, 2025, 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	\$ 240,419
AA	11,043
A	48,158
BAA	99,914
BA	73,337
B	4,950

Investments are presented at fair value based on the market prices on March 31, 2025.

The Board's investment policy 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 on March 31, 2025, were as follows:

	<u>Amount</u>
0 - 5 years	\$ 142,395
6 - 10 years	56,759
11 -15 years	33,426
16 - 20 years	55,945
21 - 30 years	169,224
Over 30 years	10,264
Total	<u>\$ 468,013</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, 2025 and 2024:

	Total Fair Value 2025	Level 1	Level 2	Level 3
Corporate bonds	\$ 212,734	\$ -	\$ 212,734	\$ -
Government bonds	60,148	60,148	-	-
Government backed securities	152,711	-	152,711	-
Corporate Mortgage Backed Securities	23,175	-	23,175	-
Municipal bonds	19,245	-	19,245	-
Foreign bonds	9,808	-	9,808	-
Equities	689,867	689,867	-	-
Mutual funds	491,855	-	491,855	-
US treasury notes	431,683	431,683	-	-
Negotiable certificates of deposit	354,651	-	354,651	-
Total deposits and investments	<u>\$ 2,445,877</u>	<u>\$ 1,181,698</u>	<u>\$ 1,264,179</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 \$35,412 as of March 31, 2025.

	Total Fair Value 2024	Level 1	Level 2	Level 3
Corporate bonds	\$ 183,890	\$ -	\$ 183,890	\$ -
Government bonds	63,591	63,591	-	-
Government backed securities	148,864	-	148,864	-
Corporate Mortgage Backed Securities	8,998	-	8,998	-
Municipal bonds	24,707	-	24,707	-
Foreign bonds	9,531	-	9,531	-
Equities	661,664	661,664	-	-
Mutual funds	454,567	-	454,567	-
US treasury notes	313,804	313,804	-	-
Negotiable certificates of deposit	251,510	-	251,510	-
Total deposits and investments	<u>\$ 2,121,126</u>	<u>\$ 1,039,059</u>	<u>\$ 1,082,067</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 \$28,855 as of March 31, 2024.

**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, 2025 are as follows:

	Balance April 1, 2024	Additions	Deletions	Balance March 31, 2025
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, amortizable/depreciable:				
Building and improvements	1,149,655	-	-	1,149,655
Furniture	61,443	-	-	61,443
Equipment	139,295	11,586	(17,602)	133,279
Software	180,337	-	-	180,337
Subscription software	279,684	122,513	(279,684)	122,513
Total capital assets, amortizable/depreciable:	1,810,414	134,099	(297,286)	1,647,227
Less accumulated amortization/depreciation:				
Building and improvements	(633,898)	(42,500)	-	(676,398)
Furniture	(18,108)	(7,224)	-	(25,332)
Equipment	(79,970)	(18,586)	16,965	(81,591)
Software	(180,335)	-	-	(180,335)
Subscription software	(197,369)	(82,315)	279,684	-
	(1,109,680)	(150,625)	296,649	(963,656)
Total capital assets, amortizable/depreciable, net:	700,734	(16,526)	(637)	683,571
Capital assets, net	\$ 1,000,734	\$ (16,526)	\$ (637)	\$ 983,571

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2025 was \$60,259 and \$8,050, respectively.

**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, 2024 are as follows:

	Balance April 1, 2023	Additions	Deletions	Balance March 31, 2024
Capital assets, non-depreciable:				
Land and improvements	\$ 300,000	\$ -	\$ -	\$ 300,000
Capital assets, amortizable/depreciable:				
Building and improvements	1,126,157	23,498	-	1,149,655
Furniture	34,002	27,441	-	61,443
Equipment	137,890	14,125	(12,720)	139,295
Software	180,337	-	-	180,337
Subscription software	279,684	-	-	279,684
Total capital assets, amortizable/depreciable:	1,758,070	65,064	(12,720)	1,810,414
Less accumulated amortization/depreciation:				
Building and improvements	(591,923)	(41,975)	-	(633,898)
Furniture	(10,884)	(7,224)	-	(18,108)
Equipment	(75,255)	(17,435)	12,720	(79,970)
Software	(180,335)	-	-	(180,335)
Subscription software	(94,840)	(102,529)	-	(197,369)
	(953,237)	(169,163)	12,720	(1,109,680)
Total capital assets, amortizable/depreciable, net:	804,833	(104,099)	-	700,734
Capital assets, net	\$ 1,104,833	\$ (104,099)	\$ -	\$ 1,000,734

Depreciation charged to operations and non-operating expenses for the year ended March 31, 2024 was \$58,584 and \$8,051, respectively.

NOTE 5 - LIABILITIES

A summary of changes in liabilities for the year ended March 31, 2025, is presented as follows:

	Balance April 1, 2024	Additions	Deletions	Balance March 31, 2025	Current Portion
Compensated absences	\$ 138,054	\$ 141,089	\$ 137,204	\$ 141,939	\$ 48,461
Subscription liabilities	82,315	122,513	82,315	122,513	122,513
	\$ 220,369	\$ 263,602	\$ 219,519	\$ 264,452	\$ 170,974

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

NOTE 5 - LIABILITIES (Continued)

A summary of changes in liabilities for the year ended March 31, 2024, is presented as follows:

	Balance April 1, 2023	Additions	Deletions	Balance March 31, 2024	Current Portion
Compensated absences	\$ 127,993	\$ 144,701	\$ 134,640	\$ 138,054	\$ 42,115
Subscription liabilities	184,844	-	102,529	82,315	82,315
	<u>\$ 312,837</u>	<u>\$ 144,701</u>	<u>\$ 237,169</u>	<u>\$ 220,369</u>	<u>\$ 124,430</u>

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 Empower. 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 with the boards' percentage of plan assets.

Board pension costs including administrative fees, totaled \$63,233 and \$64,196 for fiscal years 2025 and 2024, respectively. Employee contributions totaled \$74,828 and \$78,007 for fiscal years 2025 and 2024, respectively. Forfeitures are used to reduce employer contributions. For fiscal years 2025 and 2024, 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.

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
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Notes to Financial Statements

NOTE 7 - RISK MANAGEMENT (Continued)

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.

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 has a right-to-use subscription asset related to the Board's licensing software subscription and a corresponding subscription liability that is reported per GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITAs). A SBITA 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 SBITA with a third-party vendor for its licensing software.

The Board recognized a right-to-use subscription asset and a corresponding subscription liability in the amount of \$122,513, 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 7.50%, the prime rate at the time of the computation. 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.

The Board anticipates a continuation of the contractual relationship in the future. Upon a change in the payments or terms, the Board will perform a remeasurement of the subscription liability and assets.

A schedule of the SBITA transactions is identified below:

	<u>Payments</u>	<u>Amortization</u>	<u>Interest</u>
2026	<u>\$ 127,599</u>	<u>\$ 122,513</u>	<u>\$ 5,086</u>

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

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

NOTE 9 - LESSOR REVENUE

The Board accounts for its lessor activities per GASB No. 87 requirements. As such, the Board's lessor agreement with Allen & Pinnix, P.A. is 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, 2022. The lease agreement called for monthly payments of \$4,041 to be paid in 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, 2025. A schedule of the remaining amounts of inflows or resources expected to be recognized under the lease agreement are as follows:

2026	\$ 50,350
2027	51,881
2028	53,460
2029	4,527
Total	<u>\$ 160,218</u>

NOTE 10 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended March 31, 2025, the Board implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

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

NOTE 11- IMPLEMENTATION OF NEW STANDARD

GASB 101 is effective for the fiscal years beginning after December 15, 2023. The adoption of GASB 101 changed the Board's financial reporting for compensated absences. Under GASB 101, a liability for compensated absences is required to be recognized in the financial statements if the leave is attributable to services already rendered; accumulates and can be carried forward to future reporting years; and has not been used. Using those parameters, the definition of compensated absences was broadened such that a liability for sick leave is now also calculated and included in the compensated absences liability.

The Board performed an analysis at year-end to determine the impact of the changes and they are presented in the table below:

	As Restated in 2024	Previously Reported 2024
Assets	\$ 4,822,434	\$ 4,822,409
Total Assets	<u>4,822,434</u>	<u>4,822,409</u>
Liabilities:		
Current liabilities:		
Compensated absences - current portion	<u>42,115</u>	<u>4,329</u>
Total Current Liabilities	<u>465,397</u>	<u>427,611</u>
Noncurrent liabilities:		
Compensated absences - noncurrent portion	<u>95,939</u>	<u>86,615</u>
Total Noncurrent Liabilities	<u>95,939</u>	<u>86,615</u>
Deferred lease receipts	<u>54,654</u>	<u>54,654</u>
Net Position:		
Invested in Capital Assets	918,419	918,419
Unrestricted	<u>3,288,025</u>	<u>3,335,110</u>
	<u>\$ 4,206,444</u>	<u>\$ 4,253,529</u>
Total operating revenue	\$ 3,068,265	\$ 3,068,240
Total operating expenses	<u>3,076,805</u>	<u>3,029,695</u>
Operating income (loss)	<u>(8,540)</u>	<u>38,545</u>
Total non-operating revenues	<u>247,177</u>	<u>247,177</u>
Change in Net Position	<u>238,637</u>	<u>285,722</u>
Net Position - Beginning of Year	<u>3,967,807</u>	<u>3,967,807</u>
Net Position - End of Year	<u>\$ 4,206,444</u>	<u>\$ 4,253,529</u>

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

NOTE 11- IMPLEMENTATION OF NEW STANDARD (Continued)

The overall effect to the Board's Statement of Net Position is that total assets decreased for the year ended March 31, 2024, by the amount reported as an increase to the compensated absences liability, \$37,786 and \$9,324, respectively, for the current and noncurrent presentations. In addition, this change impacted the Salaries and Employee Benefits line item under operating expenses. The net change of \$47,085 impacted the income amount reported on the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 12 - 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 voucher program.

The Board awards a voucher, available to students graduating with an undergraduate degree in accounting, to each of the North Carolina colleges and universities which grant undergraduate and master's accounting degrees. Additional vouchers are awarded at each of North Carolina's historically minority-serving institutions (HMSIs). The voucher provides candidates with a timeframe from the date of issue to sit for all four parts of the Uniform CPA Examination.

The voucher 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 voucher is \$1,506. The Board accounts for the voucher program by netting the costs associated with the actual redeemed voucher against its examination fee revenues. The cost of the voucher program totaled \$36,898 and \$31,395 for fiscal years 2025 and 2024, respectively.

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

NOTE 13 - SUBSEQUENT EVENTS

The management of the Board evaluated subsequent events through July 21, 2025, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 90 hours at a cost of \$17,000.

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, 2025 and 2024

	2025			Restated 2024		
	(Unaudited) Budget	Actual	Over (under) Budget	(Unaudited) Budget	Actual	Over (under) Budget
Operating revenues:						
Examination fees	\$1,317,875	\$1,487,385	\$ 169,510	\$1,180,625	\$1,547,019	\$ 366,394
Licensing fees	1,523,200	1,512,661	(10,539)	1,520,200	1,503,885	(16,315)
Miscellaneous	11,000	14,310	3,310	6,000	17,361	11,361
Total operating revenues	<u>2,852,075</u>	<u>3,014,356</u>	<u>162,281</u>	<u>2,706,825</u>	<u>3,068,265</u>	<u>361,440</u>
Operating expenses:						
Salaries and employee benefits	1,355,200	1,290,569	(64,631)	1,292,581	1,350,536	57,955
Examination	925,000	953,468	28,468	800,000	1,050,228	250,228
Office	129,950	127,611	(2,339)	128,250	133,040	4,790
Postage and printing	45,500	28,457	(17,043)	81,400	73,862	(7,538)
Travel	110,955	101,203	(9,752)	117,655	103,476	(14,179)
Maintenance and computer support	66,000	76,572	10,572	53,000	47,697	(5,303)
Legal and investigative costs	77,500	68,284	(9,216)	75,500	65,842	(9,658)
Insurance	27,000	23,735	(3,265)	27,000	22,704	(4,296)
Dues and subscriptions	20,000	22,040	2,040	18,000	18,062	62
Building	55,200	40,389	(14,811)	52,200	37,559	(14,641)
Depreciation	165,000	149,503	(15,497)	148,000	173,799	25,799
Total operating expenses	<u>2,977,305</u>	<u>2,881,831</u>	<u>(95,474)</u>	<u>2,793,586</u>	<u>3,076,805</u>	<u>283,219</u>
Operating income (loss)	(125,230)	132,525	257,755	(86,761)	(8,540)	78,221
Non-operating revenues	<u>119,440</u>	<u>186,301</u>	<u>66,861</u>	<u>12,821</u>	<u>247,177</u>	<u>234,356</u>
Changes in net position	(5,790)	318,826	324,616	(73,940)	238,637	312,577
Net position - beginning of year	<u>4,206,444</u>	<u>4,206,444</u>	<u>-</u>	<u>3,967,807</u>	<u>3,967,807</u>	<u>-</u>
Net position - end of year	<u>\$4,200,654</u>	<u>\$4,525,270</u>	<u>\$ 324,616</u>	<u>\$3,893,867</u>	<u>\$4,206,444</u>	<u>\$ 312,577</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, 2025 and 2024 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.