



North Carolina Licensing Board for General Contractors

New Application Help: Limitation and Financial Statement Information

License Limitation: The license's limitation is based on the financial information demonstrated by the applicant/licensee and determines the maximum project dollar value that can be performed using the license.

- **Limited License:** Valid for individual projects up to \$750,000 each.
 - Requires \$17,000 Working Capital, or \$80,000 Net Worth, or a \$175,000 Surety Bond
- **Intermediate License:** Valid for individual projects up to \$1,500,000 each.
 - Requires \$75,000 Working Capital demonstrated by an Agreed-Upon Procedure Report, or an AUDITED Financial statement, or a \$500,000 Surety Bond
- **Unlimited License:** Valid for individual projects of any size.
 - Requires \$150,000 Working capital demonstrated by an Agreed-Upon Procedure Report, an AUDITED financial statement, or a \$1,000,000 Surety Bond.

PLEASE NOTE: Applications submitting for a license with the Intermediate or Unlimited Limitations are required to submit an Audited Financials Statement, an Agreed-Upon Procedure Engagement Report, or a Surety Bond.

Public Records: Information submitted with any application may be considered a public record as defined under N.C.G.S. §132-1 et. seq. and may be subject to disclosure to the public upon request.

As per N.C.G.S. §93B-14, every occupational licensing board shall require applicants for licensure to provide to the Board the applicant's social security number. This information shall be treated as confidential and may be released only to the governmental agencies listed in N.C.G.S. §93B-14.

Financial Statements/Bonds:

An applicant for license must demonstrate a level of financial responsibility. The measure of financial responsibility is demonstrated through submission of a financial statement that meets the required minimum working capital or net worth requirement based on the limitation of license.

Working Capital = Total Current Assets – Total Current Liabilities

Net Worth = Total Assets – Total Liabilities

Alternatively, an applicant may submit a surety bond in lieu of the financial statement.

Financial statement Requirements:

- Financial statements shall be no older than 12 months from the date of submission.
- Financial statements shall be prepared in conformity with generally accepted accounting principles (GAAP).
- Financial statements must be in the name of the applicant.



North Carolina Licensing Board for General Contractors

- Consolidated financial statements of affiliated corporations are not accepted unless the statement provides a breakout for the financial statements of the affiliated entities.
- Financial statements with subsidiaries cannot be accepted unless the entity applying is the parent company or the financial statement provides a breakout financial statement of the subsidiaries.
- Applicants must meet a working capital or net worth requirement based on the limitation of license. (Working Capital = Total Current Assets – Total Current Liabilities; Net Worth = Total Assets – Total Liabilities)
 - Limited License: \$17,000 working capital or \$80,000 net worth.
 - Intermediate License: \$75,000 working capital. Agreed-upon Procedure Report or audit REQUIRED.
 - Unlimited Limitation: \$150,000 working capital. Agreed-upon Procedure Report or audit REQUIRED.

Bankruptcy: If the applicant or any owner, principal, or qualifier is in bankruptcy or have been in bankruptcy within five years prior to filing the application, an Agreed-Upon Procedure Report or AUDITED financial statement is required. This requirement shall not apply to shareholders of an applicant that is a publicly traded corporation.

Board Financial Worksheet: The Board's online financial worksheet is only available for applicants applying for the limited limitation who have not been in bankruptcy within the last 5 years.

To complete the worksheet you will need to type the financial values into the corresponding fields of the worksheet. If you need assistance completing the financial worksheet you will need to contact an accountant or book-keeper.

Audited Financial Statements: Audited financial statements must be performed by a certified public accountant or an independent accountant engaged in the public practice of accountancy. Audits must include an unqualified opinion, classified balance sheet, and notes to the financial statement. Reviewed financial statements and compilation reports cannot be accepted.

Agreed-Upon Procedure Engagement Report: An Agreed-Upon Procedure Engagement Report is a specific type of financial statement that must be performed by a certified public accountant or an independent accountant engaged in the public practice of accountancy using the guidelines provided by the Board. Agreed-Upon Procedure Engagement Reports must conform to AICPA standards for Agreed-Upon Procedure Engagements and include the Agreed-Upon Procedure Engagement Report and the Working Capital Calculation.

Surety Bonds: In lieu of demonstrating the level of working capital as required, an applicant may obtain a surety bond. Surety bonds must meet the following requirements:

- Be provided by a surety authorized to transact surety business North Carolina.
- The surety provider shall maintain an AM Best rating of Superior (A++ or A+) or Excellent (A or A-)
- The bond shall be continuous and maintained for as long as the applicant maintains the license. If the bond is cancelled, the license will go invalid after 30 days unless an Agreed-Upon Procedure Report, an audit or a bond is submitted.
- List the State of North Carolina as the obligee.



North Carolina Licensing Board for General Contractors

- Be for the Benefit of any person who is damaged by an act or omission of the applicant constituting a breach of construction contract, breach of a contract for the furnishing of labor, materials, or professional services to be undertaken by the applicant, or by an unlawful act or omission of the applicant in the performance of a construction contract.
- Be for the following amounts based on limitation.
 - Limited: \$175,000
 - Intermediate: \$500,000
 - Unlimited: \$1,000,000

The North Carolina Licensing Board for General Contractors does not utilize a specific bond form.

STATUTES AND RULES

General Statute 87-10

(a1) The Board shall require an applicant to pay the Board or a provider contracted by the Board an examination fee not to exceed one hundred (\$100.00). In addition, the Board shall require an applicant to pay the Board a fee not to exceed one hundred twenty-five dollars (\$125.00) if the application is for an unlimited license, one hundred dollars (\$100.00) if the application is for an intermediate license, or seventy-five dollars (\$75.00) if the application is for a limited license. The fees accompanying any application or examination shall be nonrefundable. The holder of an unlimited license shall be entitled to act as general contractor without restriction as to value of any single project; the holder of an intermediate license shall be entitled to act as general contractor for any single project with a value of up to one million dollars (\$1,000,000), excluding the cost of land and any ancillary costs to improve the land; the holder of a limited license shall be entitled to act as general contractor for any single project with a value of up to five hundred thousand dollars (\$500,000), excluding the cost of land and any ancillary costs to improve the land. The license certificate shall be classified in accordance with this section.

NCAC Title 21 Chapter 12A.0204

(a) All licenses shall have an appropriate limitation as set forth in this Rule.

(b) Limited License. The applicant for a limited license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least seventeen thousand dollars (\$17,000) or have a total net worth of at least eighty thousand dollars (\$80,000);
- (3) pass the examination which shall contain subject matter related to the specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter; and
- (4) if the applicant or any owner, principal, or qualifier is in bankruptcy or has been in bankruptcy within five years prior to the filing of the application, provide to the Board an agreed-upon procedures report on a form provided by the Board or an audited financial



North Carolina Licensing Board for General Contractors

statement with a classified balance sheet as part of the application. This requirement shall not apply to shareholders of an applicant that is a publicly traded corporation.

(c) Intermediate License. The applicant for an intermediate license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least seventy-five thousand dollars (\$75,000), as reflected in an agreed-upon procedures report on a form provided by the Board or an audited financial statement prepared by a certified public accountant or an independent accountant who is engaged in the public practice of accountancy; and
- (3) pass the examination which shall contain subject matter related to the specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter.

(d) Unlimited License. The applicant for an unlimited license shall:

- (1) meet the requirements set out in G.S. 87-10 and Section .0400 of this Chapter;
- (2) have current assets that exceed the total current liabilities by at least one hundred fifty thousand dollars (\$150,000), as reflected in an agreed-upon procedures report on a form provided by the Board or an audited financial statement prepared by a certified public accountant or an independent accountant who is engaged in the public practice of accountancy;
- (3) pass the examination which shall contain subject matter related to the 35 specific contracting classification chosen by the applicant with a score as set out in Rule .0404 of this Chapter.

(e) Surety Bonds. In lieu of demonstrating the level of working capital as required in Subparagraphs (c)(2) and (d)(2) of this Rule or net worth under Subparagraph (b)(2) of this Rule, an applicant may obtain a surety bond from a surety authorized to transact surety business in North Carolina pursuant to G.S. 58 Articles 7, 16, 21, or 22. The surety shall maintain a rating from A.M. Best, or its successor rating organization, of either Superior (A++ or A+) or Excellent (A or A-). The bond shall be continuous in form and shall be maintained in effect for as long as the applicant maintains a license to practice general contracting in North Carolina or until the applicant demonstrates the required level of working capital as required by Subparagraphs (c)(2) and (d)(2) of this Rule. The applicant shall submit proof of a surety bond meeting the requirements of this Rule with the application form and subsequent annual license renewal forms. The applicant shall maintain the bond in the amount of one hundred seventy-five thousand dollars (\$175,000) for a limited license, five hundred thousand dollars (\$500,000) for an intermediate license, and one million dollars (\$1,000,000) for an unlimited license. The bond shall list the State of North Carolina as obligee and be for the benefit of any person who is damaged by an act or omission of the applicant constituting breach of a construction contract, breach of a contract for the furnishing of labor, materials, or professional services to construction undertaken by the applicant, or by an unlawful act or omission of the applicant in the performance of a construction contract. The bond required by this Rule shall be in addition to and not in lieu of any other bond required of the applicant by law, regulation, or any party to a contract with the applicant. Should the surety cancel the bond, the surety and the applicant both shall notify the Board within 30



North Carolina Licensing Board for General Contractors

days in writing. If the applicant fails to provide written proof of financial responsibility in compliance with this Rule within 30 days of the bond's cancellation, then the applicant's license shall be suspended until written proof of compliance is provided.

(f) Financial statements, accounting, and reporting standards. Financial statements submitted by applicants to the Board shall be no older than twelve months from the date of submission. Financial statements shall conform to United States "generally accepted accounting principles" (GAAP). The Board may require non-GAAP financial statements from applicants wherein the only exception to GAAP is that such presentation is necessary to ascertain the working capital or net worth of the particular applicant. Examples of the circumstances when non-GAAP presentation may be necessary to ascertain the working capital or net worth of the applicant shall be when the only exception to GAAP is that assets and liabilities are classified as "current" and "noncurrent" on personal financial statements and when the only exception to GAAP is that the particular applicant is not combined with a related entity into one financial statement pursuant to AICPA Financial Interpretation 46R (ASC 810). The terminologies, working capital, balance sheet with current and fixed assets, current and long term liabilities, and any other accounting terminologies, used herein shall be construed in accordance with GAAP Standards as promulgated by the Financial Accounting Standards Board (FASB). The terminologies, audited financial statement, unqualified opinion, and any other auditing terminologies used herein shall be construed in accordance with those standards referred to as "generally accepted auditing standards" (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA).