

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

**Financial Statements for the
Years Ended May 31, 2021 and 2020 and
Independent Auditor's Report**

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

**Financial Statements for the
Years Ended May 31, 2021 and 2020 and
Independent Auditor's Report**

BOARD MEMBERS (2020-2021)

Bruce D. Le, President

Cynthia Marshall, Secretary-Treasurer

Victoria Brattain

John Clell Hamm

Brendan O'Connell, MD

Schquthia Peacock

Marion Baker, MD

BOARD ADMINISTRATOR

Caitlin Schwab-Falzone

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

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NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended May 31, 2021 and 2020. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2021, the Board's net position increased by \$14,040, or 3.30%, due primarily to an annual recurrence of revenues exceeding expenses. During 2020, the Board's net position increased by \$41,323, or 10.77%, due primarily to an annual recurrence of revenues exceeding expenses.

During 2021, the operating revenues of the Board decreased by \$8,530, or 5.48%, due primarily to a decrease in application and related fees. During 2020, the operating revenues of the Board decreased by \$9,455, or 5.72%, due primarily to a decrease in application and related fees.

During 2021, the non-operating revenues of the Board decreased by \$2,988, or 51.52%, due primarily to a decrease in interest earnings rates. During 2020, the non-operating revenues of the Board increased by \$1,400, or 31.82%, due primarily to an increase in interest earnings rates.

During 2021, the operating expenses of the Board increased by \$15,765, or 13.11%, due primarily to an increase in exam expenses. During 2020, the operating expenses of the Board decreased by \$1,546, or 1.27%, due primarily to a decrease in exam expenses and board member expenses.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended May 31, 2021	Prior Year as of and for the year ended May 31, 2020
Current assets	\$ 235,074	\$ 220,275
Capital assets	2,810	0
Other assets	300,020	300,119
Total assets	<u>\$ 537,904</u>	<u>\$ 520,394</u>
Current liabilities	\$ 98,729	\$ 95,259
Total liabilities	<u>\$ 98,729</u>	<u>\$ 95,259</u>
Investment in capital assets	\$ 2,810	\$ 0
Unrestricted	436,365	425,135
Total net position	<u>\$ 439,175</u>	<u>\$ 425,135</u>
Operating revenues	\$ 147,245	\$ 155,775
Operating expenses	(136,017)	(120,252)
Operating income	11,228	35,523
Non-operating revenues	2,812	5,800
Change in net position	<u>\$ 14,040</u>	<u>\$ 41,323</u>

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$439,175 for the year ended May 31, 2021. The largest component of net position was cash and investments. Cash and investments represented 120.82% of total net position. Current assets consist of cash and prepaid expenses. Noncurrent assets consist of capital assets (net of accumulated depreciation) and long term investments. Capital assets are not a significant component of assets and are denoted below in the comparative summary of the Statements of Net Position. Current liabilities consist of accounts payable and unearned revenue. The Board has no long term liabilities. Net position consists of net assets invested in capital assets and unrestricted net assets. Net investment in capital assets is a component of net position and consists of capital assets net of depreciation. The following is a summary of the Statements of Net Position.

	Current Year as of May 31, 2021	Prior Year as of May 31, 2020	Amount of Change	Percentage Change
Current assets	\$ 235,074	\$ 220,275	\$ 14,799	6.72%
Capital assets	2,810	0	2,810	0.00%
Other assets	300,020	300,119	(99)	-0.03%
Total assets	<u>\$ 537,904</u>	<u>\$ 520,394</u>	<u>\$ 17,510</u>	<u>3.36%</u>
Current liabilities	\$ 98,729	\$ 95,259	\$ 3,470	3.64%
Total liabilities	<u>\$ 98,729</u>	<u>\$ 95,259</u>	<u>\$ 3,470</u>	<u>3.64%</u>
Invested in capital assets	\$ 2,810	\$ 0	\$ 2,810	100.00%
Unrestricted	436,365	425,135	11,230	2.64%
Total net position	<u>\$ 439,175</u>	<u>\$ 425,135</u>	<u>\$ 14,040</u>	<u>3.30%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended May 31, 2021	The year ended May 31, 2020	Amount of Change	Percentage Change
Operating revenues	\$ 147,245	\$ 155,775	\$ (8,530)	-5.48%
Operating expenses	(136,017)	(120,252)	(15,765)	13.11%
Non-operating revenues	2,812	5,800	(2,988)	-51.52%
Change in net position	<u>\$ 14,040</u>	<u>\$ 41,323</u>	<u>\$ (27,283)</u>	<u>-66.02%</u>
Ending net position	<u>\$ 439,175</u>	<u>\$ 425,135</u>	<u>\$ 14,040</u>	<u>3.30%</u>

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended May 31, 2021	The year ended May 31, 2020	Amount of Change	Percentage Change
Renewal fees	\$ 96,900	\$ 96,750	\$ 150	0.16%
Application fees	27,275	35,550	(8,275)	-23.28%
Continuing education fees	17,570	16,625	945	5.68%
Examination fees	4,125	5,550	(1,425)	-25.68%
Certificate fees	475	650	(175)	-26.92%
Late fees	300	200	100	50.00%
Miscellaneous income	600	450	150	33.33%
Total	<u>\$ 147,245</u>	<u>\$ 155,775</u>	<u>\$ (8,530)</u>	<u>-5.48%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended May 31, 2021	The year ended May 31, 2020	Amount of Change	Percentage Change
Interest income	\$ 2,812	\$ 5,800	\$ (2,988)	-51.52%
Total	<u>\$ 2,812</u>	<u>\$ 5,800</u>	<u>\$ (2,988)</u>	<u>-51.52%</u>

Events Affecting Future Operations

The Board is not aware of any significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements. The Board anticipates that revenues and expenses of the Board in the upcoming year will be comparable to preceding years.

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. If you have any questions about this report or need additional information, contact: North Carolina State Hearing Aid Dealers and Fitters Board, 701 Exposition Place, Suite 206, Raleigh, NC 27615.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Hearing Aid Dealers and Fitters Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Hearing Aid Dealers and Fitters Board (the "Board"), an independent state board which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended May 31, 2021 and 2020, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

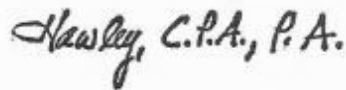
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Hearing Aid Dealers and Fitters Board as of May 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 historic 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.

A handwritten signature in black ink that reads "Hawley, C.P.A., P.A." The signature is written in a cursive, slightly slanted style.

Hawley, C.P.A., P.A.

Angier, North Carolina

September 22, 2021

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF NET POSITION
MAY 31, 2021 AND 2020

	May 31, 2021	May 31, 2020
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 230,574	\$ 215,775
Prepaid expenses (Note 1)	4,500	4,500
Total current assets	235,074	220,275
Capital assets (Notes 1 and 3):		
Office equipment	2,810	0
Total capital assets - net of depreciation	2,810	0
Other assets:		
Investments (Notes 1 and 2)	300,000	300,000
Accrued interest receivable (on investments)	20	119
Total other assets	300,020	300,119
TOTAL ASSETS	\$ 537,904	\$ 520,394
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable - vendors (Note 4)	\$ 262	\$ 0
Due to other state agencies (Note 4)	6,167	2,409
Unearned revenue (Note 1)	92,300	92,850
Total current liabilities	98,729	95,259
TOTAL LIABILITIES	98,729	95,259
NET POSITION (NOTE 1)		
Investment in capital assets	2,810	0
Unrestricted net position	436,365	425,135
TOTAL NET POSITION	439,175	425,135
TOTAL LIABILITIES AND NET POSITION	\$ 537,904	\$ 520,394

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
Renewal fees	\$ 96,900	\$ 96,750
Application fees (including initial licensure fees)	27,275	35,550
Continuing education fee	17,570	16,625
Examination fees	4,125	5,550
Certificate fees	475	650
Late fees	300	200
Other income:		
Miscellaneous operating income	<u>600</u>	<u>450</u>
Total operating revenues	\$ 147,245	\$ 155,775
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses	\$ 1,620	\$ 5,473
Staff continuing education expense		482
Staff transportation expense	61	116
Supplies and materials:		
Office and computer supplies	111	43
Services:		
Contractual management services (Note 5)	54,000	52,050
Legal and audit fees	34,251	33,144
Website management expenses	3,858	794
Printing and copying	781	555
Postage	656	839
Telephone	522	522
Exam expenses	35,520	21,996
Bank charges (including credit card discount fees)	3,705	3,997

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Depreciation expense	682	
Insurance and bonding	<u>250</u>	<u>241</u>
Total operating expenses	<u>\$ 136,017</u>	<u>\$ 120,252</u>
 Operating income (loss)	 \$ 11,228	 \$ 35,523
 NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>2,812</u>	<u>5,800</u>
Total non-operating revenues (expenses)	<u>\$ 2,812</u>	<u>\$ 5,800</u>
 Change in net position	 <u>\$ 14,040</u>	 <u>\$ 41,323</u>
 Net position - beginning of year	 <u>425,135</u>	 <u>383,812</u>
 Net position - end of year	 <u><u>\$ 439,175</u></u>	 <u><u>\$ 425,135</u></u>

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees	\$ 146,095	\$ 157,375
Cash received from other operating revenues	600	450
Cash payments for operating expenses	(131,315)	(125,972)
Net cash provided (used) by operating activities	\$ 15,380	\$ 31,853
Cash flows from investing activities:		
Transfer from certificate(s) of deposit to operating account	\$ 2,653	\$ 5,215
Transfer from operating account to certificate(s) of deposit	(2,653)	(5,215)
Purchase of office equipment	(3,492)	
Interest earned	2,911	5,818
Net cash provided (used) by investing activities	\$ (581)	\$ 5,818
Net increase (decrease) in cash	\$ 14,799	\$ 37,671
Cash and cash equivalents - beginning of year	215,775	178,104
Cash and cash equivalents - end of year	\$ 230,574	\$ 215,775

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ 11,228	\$ 35,523
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Depreciation	\$ 682	\$
Prepaid expense		(325)
Accounts payable	4,020	(5,395)
Unearned revenue	(550)	2,050
Total adjustments	\$ 4,152	\$ (3,670)
Net cash provided (used) by operating activities	<u>\$ 15,380</u>	<u>\$ 31,853</u>

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina State Hearing Aid Dealers and Fitters Board (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 93D of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by hearing aid dealers and fitters.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

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 (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. 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.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

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 resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. 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 cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. 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 of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash and Cash Equivalents

This classification include undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board only held non-negotiable certificates of deposits.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for management services.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 years.

Unearned Revenue

The Board's fees are assessed and collected on an annual basis for the period April 1 through March 31, which does not correspond with the Board's accounting period. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds (if any) that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 2 - Deposits and Investments

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

At May 31, 2021, the Board's deposits had a carrying amount of \$530,574 and a bank balance of \$544,371. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$294,371 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position. At May 31, 2020, the Board's deposits had a carrying amount of \$515,775 and a bank balance of \$517,475. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$267,475 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position.

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 36 months and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and money market mutual funds.

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at May 31, 2021, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 300,000	13.0 Months	N/A

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 2 - Deposits and Investments (Continued)

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at May 31, 2021 and 2020, is as follows:

	May 31, 2021	May 31, 2020
Carrying Amount of Bank Deposits	\$ 230,574	\$ 215,775
Certificates of Deposits	300,000	300,000
Total Deposits and Investments	<u>\$ 530,574</u>	<u>\$ 515,775</u>
Current:		
Cash and Cash Equivalents	\$ 230,574	\$ 215,775
Noncurrent:		
Investments	300,000	300,000
Total Deposits and Investments	<u>\$ 530,574</u>	<u>\$ 515,775</u>

Note 3 - Capital Assets

Changes in capital assets as of and for the years ended May 31, 2021 and 2020 are as follows:

	Cost 5-31-20	Acquisitions	Disposals	Cost 5-31-21	Accumulated Depreciation	Net Amount
Office equipment/software	\$ 1,530	\$ 3,492	\$ -	\$ 5,022	\$ 2,212	\$ 2,810
	<u>\$ 1,530</u>	<u>\$ 3,492</u>	<u>\$ 0</u>	<u>\$ 5,022</u>	<u>\$ 2,212</u>	<u>\$ 2,810</u>
	Cost 5-31-19	Acquisitions	Disposals	Cost 5-31-20	Accumulated Depreciation	Net Amount
Office equipment/software	\$ 1,530	\$ -	\$ -	\$ 1,530	\$ 1,530	\$ 0
	<u>\$ 1,530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,530</u>	<u>\$ 1,530</u>	<u>\$ 0</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. There was \$682 depreciation expense for the fiscal year ended May 31, 2021. There was no depreciation expense for the fiscal year ended May 31, 2020.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

Note 4 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	<u>May 31, 2021</u>	<u>May 31, 2020</u>
Due to Vendors	\$ 262	\$
Due to Other State Agencies	6,167	2,409
Total Accounts Payable	<u>\$ 6,429</u>	<u>\$ 2,409</u>

Note 5 - Contractual Management Services

The Board does not have any employees. The Board contracted with a management consultant service to provide services for the Board. The contract included all services related to the process of licensure application and renewal, and various other duties. The Board also reimbursed the management services for printing, postage, copying and miscellaneous office expenses. Payments to the management service totaled \$64,649 during the fiscal year ended May 31, 2021 and \$56,683 during the fiscal year ended May 31, 2020.

Note 6 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board has limited protection from exposure to loss through the purchase of certain commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims were filed during the past three fiscal years.

Note 7 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 8 - Subsequent Events

Subsequent events have been evaluated through September 22, 2021, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit was conducted in approximately 65 audit hours at a cost of 6,895.