

NORTH CAROLINA BOARD OF NURSING

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013



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# **NORTH CAROLINA BOARD OF NURSING**

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## **NORTH CAROLINA BOARD OF NURSING**

### **Management's Discussion and Analysis**

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As management of the North Carolina Board of Nursing ("the Board") we offer this discussion and analysis of the financial position for the fiscal years ended June 30, 2014 and 2013 with emphasis on the current year. This discussion and analysis is designed to provide an overview of the Board's activities that have a financial impact and to present the change in the Board's financial position. This discussion should be read along with the financial statements and notes to the financial statements.

#### **Financial Highlights**

Assets of the Board totaled \$17,801,389, an increase of \$581,734 from the prior year. Liabilities totaled \$9,027,108, a decrease of \$450,530 due primarily to reduction of mortgage debt.

Net position was \$8,774,281, of which \$5,686,865 reflects equity in capital assets. An additional \$2,335,624 is designated for risk management, i.e. loss due to litigation, disaster preparedness and succession planning.

Operating revenues totaled \$8,282,108, an increase of \$286,215 or 3.6%, primarily due to an increase in the number of licensees renewing for a two-year cycle and increases in the number of newly licensed nurses as a result of examination and nurses from other states applying for licensure in North Carolina. Also, there was an increase in the number of advanced practice registered nurses seeking approval to practice.

Operating expenses totaled \$7,523,367, an increase of \$94,981 or 1.3%.

Non-operating revenues totaled \$273,523, an increase of \$467,111, or 241.3% due to an increase in value of the Board's investment portfolio.

#### **Overview of the Basic Financial Statements**

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. Supplementary schedules are included which compare actual to budget for the current and prior year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Overall, the Statement of Net Position provides information relative to the Board's ability to meet its current and long-term financial obligations.

#### **Basic Financial Statements**

The financial statements present information about the Board using accounting methods similar to those used by private businesses. The major difference being that the focus of governmental reporting is fiscal and operational accountability to assure that sufficient resources are available to cover cost of providing services over the long term as opposed to the market-driven focus reported in the private sector.

The Statements of Net Position present assets (current and noncurrent), liabilities (current and noncurrent), and net position (total assets less total liabilities) and provide a comparative analysis for the years ended June 30, 2014 and June 30, 2013.

**NORTH CAROLINA BOARD OF NURSING**  
**Management's Discussion and Analysis**

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**Basic Financial Statements (Continued)**

The Statements of Revenues, Expenses and Changes in Net Position present the activities that show the change in net position. Operating revenues are received from services provided, primarily initial and renewal of nurse licensing fees, nurse aide II registry fees and advanced practice - RN revenue. Non-operating revenue is derived from earnings on investments. Operating expenses are used to acquire goods and services in return for the operating revenues in order to carry out the mission of the Board.

Statements of Cash Flows present information relative to the sources and uses of cash for operating activities, capital activities and investing activities. The Statements of Cash Flows are useful in analyzing the short-term viability of the Board; i.e., its ability to meet its financial obligations.

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

	Years Ended June 30,		
	2014	2013	2012
Current assets	\$ 1,468,704	\$ 1,394,148	\$ 2,087,757
Noncurrent asset	9,075,838	8,287,459	7,433,859
Net capital assets	7,256,847	7,538,048	7,762,371
Total assets	17,801,389	17,219,655	17,283,987
Current liabilities	3,786,455	3,664,370	3,652,016
Noncurrent liabilities	5,240,653	5,813,268	6,263,873
Total liabilities	9,027,108	9,477,638	9,915,889
Net investment in capital assets	5,686,865	5,299,355	5,121,845
Unrestricted	3,087,416	2,442,662	2,246,253
Total net position	\$ 8,774,281	\$ 7,742,017	\$ 7,368,098
Operating revenues	\$ 8,282,108	\$ 7,995,893	\$ 7,805,033
Operating expenses	7,523,367	7,428,386	7,240,563
Operating income	758,741	567,507	564,470
Non-operating revenues (expenses)	273,523	(193,588)	154,140
Changes in net position	\$ 1,032,264	\$ 373,919	\$ 718,610

**Factors Impacting Future Periods**

The Board's financial position remains strong. The main factor having an economic impact on future periods is the number of nurses that renew their biennial license. The primary revenue source consists of renewal and reinstatement fees paid by licensed nurses which accounts for 75.2% of operating revenue. The number of licensees has shown a steady increase and this trend is expected to continue based on the number of newly licensed nurses by the Board per year.

Each year, subject to availability of funds, the Board will make a 13th mortgage payment of an amount up to \$500,000. This additional payment will greatly shorten the term of the loan and reduce the cost of the loan.

**NORTH CAROLINA BOARD OF NURSING**  
**Management's Discussion and Analysis**

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**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 funds it receives and expends. If you have any questions about this report or need additional information, contact North Carolina Board of Nursing, P.O. Box 2129, Raleigh, NC 27602 or 919-782-3211.

## **Independent Auditor's Report**

Members of the Board  
North Carolina Board of Nursing  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina Board of Nursing (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Nursing as of June 30, 2014 and 2013, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina Board of Nursing and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2014 and 2013, 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 – 3, 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 pages 17 - 18, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
October 21, 2014

**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,161,582	\$ 919,541
Accrued interest receivable	42,637	46,320
Accounts receivable	11,379	12,979
Prepaid expenses and other assets	73,109	63,295
Current portion of investments	179,997	352,013
Total current assets	<u>1,468,704</u>	<u>1,394,148</u>
Non-current assets:		
Investments	9,017,709	8,250,894
Deferred compensation investments	58,129	36,565
Total noncurrent assets	<u>9,075,838</u>	<u>8,287,459</u>
Capital assets, net of depreciation	<u>7,256,847</u>	<u>7,538,048</u>
Total assets	<u>17,801,389</u>	<u>17,219,655</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	228,171	169,931
Current portion of accrued vacation	-	11,507
Current portion of unearned revenues	3,370,697	3,318,305
Current portion of note payable	187,587	164,627
Total current liabilities	<u>3,786,455</u>	<u>3,664,370</u>
Noncurrent liabilities:		
Deferred compensation liability	58,129	36,565
Accrued vacation	429,432	449,849
Unearned revenues	3,370,697	3,252,788
Note payable	1,382,395	2,074,066
Total noncurrent liabilities	<u>5,240,653</u>	<u>5,813,268</u>
Total liabilities	<u>9,027,108</u>	<u>9,477,638</u>
<b>NET POSITION:</b>		
Invested in capital assets	5,686,865	5,299,355
Unrestricted net assets	<u>3,087,416</u>	<u>2,442,662</u>
Total net position	<u>\$ 8,774,281</u>	<u>\$ 7,742,017</u>



**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Operating revenues:		
License renewals	\$ 6,032,868	\$ 5,900,183
Examination fees	528,444	471,262
Reinstatements	198,944	204,508
Endorsements - in-state	795,609	752,935
Verifications - out-of-state	3,160	2,705
Mailing labels	59,470	42,638
Hearing and settlement fees	4,800	5,100
Nurses aide registry fees	229,199	233,174
APRN revenue	346,819	300,445
Other operating income	82,795	82,943
Total operating revenues	<u>8,282,108</u>	<u>7,995,893</u>
Operating expenses:		
Salaries and related benefits	5,597,882	5,433,817
Operations	1,697,865	1,763,598
Elections	4,700	4,900
Conferences and conventions	86,820	106,273
Board meetings	39,555	40,679
Hearings	21,201	20,237
Committee meetings	47,910	29,762
Contribution to Foundation	10,000	10,000
Other regulatory services	17,434	19,120
Total operating expenses	<u>7,523,367</u>	<u>7,428,386</u>
Operating income	<u>758,741</u>	<u>567,507</u>
Non-operating revenues (expenses):		
Net investment income (loss)	342,412	(107,822)
Interest expense	(68,889)	(85,766)
Total non-operating revenues (expenses)	<u>273,523</u>	<u>(193,588)</u>
Changes in net position	1,032,264	373,919
Net position - beginning of year	<u>7,742,017</u>	<u>7,368,098</u>
Net position - end of year	<u>\$ 8,774,281</u>	<u>\$ 7,742,017</u>

**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Cash received from fees	\$ 8,454,009	\$ 8,085,914
Cash payments to employees for services	(5,629,806)	(5,411,569)
Cash payments for operating expenses	(1,585,820)	(1,883,149)
Net cash provided by operating activities	<u>1,238,383</u>	<u>791,196</u>
Cash flows from capital and financing activities:		
Principal payments on note	(668,711)	(401,834)
Interest payments on note	(68,889)	(85,766)
Acquisition of capital assets	(10,038)	(55,000)
Net cash used in capital and financing activities	<u>(747,638)</u>	<u>(542,600)</u>
Cash flows from investing activities:		
Purchases of investments	(2,861,302)	(4,871,527)
Sales of investments	2,364,309	4,685,991
Net investment income	248,289	188,164
Net cash provided by (used in) investing activities	<u>(248,704)</u>	<u>2,628</u>
Increase in cash	242,041	251,224
Cash - beginning of year	919,541	668,317
Cash - end of year	<u>\$ 1,161,582</u>	<u>\$ 919,541</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 758,741	\$ 567,507
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	291,239	279,325
Changes in assets and liabilities:		
Accounts receivable	1,600	2,945
Prepaid expenses and other assets	(9,814)	(2,676)
Deferred compensation investments	(21,564)	(19,488)
Accounts payable and accrued liabilities	58,240	(165,229)
Deferred compensation liability	21,564	19,488
Accrued vacation	(31,924)	22,248
Unearned revenues	170,301	87,076
Total adjustments	<u>479,642</u>	<u>223,689</u>
Net cash provided by operating activities	<u>\$ 1,238,383</u>	<u>\$ 791,196</u>

## **NORTH CAROLINA BOARD OF NURSING**

### **Notes to Financial Statements**

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#### **NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

##### **Description of Organization**

The North Carolina Board of Nursing (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90 of the *North Carolina General Statutes*. The Governor of the State of North Carolina appoints one of the 14 board members and the General Assembly appoints two members. The remaining 11 members are elected by nurses holding active licenses to practice in the State of North Carolina. All of the members are subject to the State Government Ethics Act.

The Board's function is to maintain minimum standards of nursing care through the examination and licensure of all who engage in the practice of nursing and to monitor nursing education programs. The Board's operations are funded through license renewal fees and various other fees.

##### **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 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.

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. 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.

The Board classifies its revenues 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 license 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*.

**NORTH CAROLINA BOARD OF NURSING**  
**Notes to Financial Statements**

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

**Basis of Accounting**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Other revenues and expenses are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash.

**Investments**

Investments consist of money market funds, government and corporate bonds, mutual funds, and certificates of deposit held in a brokerage account. Money market funds are shown as current. Investments are reported at fair value. The certificates of deposit are also reported at fair market value, which is cost plus accrued interest to date.

**Accounts Receivable**

Accounts receivable is comprised of administrative hearing and settlement fees due from licensees. Management uses the direct write off method for uncollectible amounts because it closely approximates the expense under the allowance method.

**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. Capital assets that have a cost over \$5,000 and are not considered software are capitalized and are depreciated using the straight-line method over their useful lives. Capital assets that are considered software and have a total installation cost over \$500,000 are capitalized and are depreciated using the straight-line method over their useful lives.

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 period.

**Long-Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

**Accrued Vacation Pay**

The vacation policy of the Board provides for the accumulation of up to 40 days earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation at June 30, 2014 and 2013, is \$429,432 and \$461,356, respectively.

## NORTH CAROLINA BOARD OF NURSING

### Notes to Financial Statements

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

##### Unearned Revenues

Licenses are renewed for a period of two years on a birth month renewal system. License renewal fees received are deferred and recognized as revenue over the two-year period to which they relate. Examinations and endorsements are processed at any time during the year. The initial license period includes the period from the examination or endorsement date to the birth month of the licensee which occurs in the following thirteen to twenty-four month period. In addition, a portion of the examination or endorsement fee representing estimated direct costs is recognized upon initial application with the remaining fee being deferred and recognized as revenue over the license period.

##### Net Position

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

*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.

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

##### Budgetary Data

A budget for fiscal year ended June 30, 2014, was adopted by the Board and is prepared and reported on the accrual basis of accounting. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

Investments are comprised of the following:

	2014	2013
	Fair Value	Fair Value
Government bonds	\$ 4,805,277	\$ 4,815,004
Certificates of deposit	1,728,084	2,362,030
Corporate bonds	853,424	1,073,860
Money market funds	179,997	352,013
Equities	1,630,924	-
Deferred compensation plan mutual funds	58,129	36,565
	<u>\$ 9,255,835</u>	<u>\$ 8,639,472</u>

## NORTH CAROLINA BOARD OF NURSING

### Notes to Financial Statements

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#### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Net investment income for the year ended June 30, 2014, is the amount of interest and dividends received and accrued of \$252,356, plus the net realized and unrealized gain on investments of \$90,056, for the net investment income of \$342,412. Net investment loss for the year ended June 30, 2013, is the amount of interest received and accrued of \$257,064, plus the net realized and unrealized loss on investments of \$364,886, for a net investment loss of \$107,822.

The Board has approved an investment strategy that seeks an investment portfolio comprised of 80% invested in fixed income securities and 20% invested in equities.

The Board is subject to the following risks:

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of the failure of the counterparty, the Board will not be able to recover the valuation of its investments or collateral securities that are in the possession of an outside party.

The Securities Investor Protection Corporation (SIPC) is 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. At June 30, 2014, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$8,697,707.

The Board had cash deposits and multiple certificates of deposit investments insured by the Federal Depositary Insurance Corporation (FDIC). At June 30, 2014, all of these deposits were insured under the FDIC limit of \$250,000. The Board also has cash deposits that are insured under FDIC. At June 30, 2014, the Board had \$911,231 of deposits in excess of FDIC limit of \$250,000.

*Interest Rate Risk.* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments.

The maturities of the Board's fixed income investments as of June 30, 2014, were as follows:

	Investment Amount
0 - 5 years	\$ 576,669
6 - 10 years	3,999,301
11 + years	2,810,815
	<u>\$ 7,386,785</u>

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2014, the Board's money market funds and certificates of deposit were unrated, and the Board's bond portfolio had the following credit ratings as rated by Moody's Investors Service:

Credit Rating	
AAA	\$ 4,805,278
AA3	79,775
A3	156,017
A2	231,173
A1	307,161
BAA1	79,297

**NORTH CAROLINA BOARD OF NURSING**  
**Notes to Financial Statements**

**NOTE 3 - CAPITAL ASSETS**

Capital assets are comprised of the following:

	Cost 6/30/13	Acquisitions	Retirements/ Disposals	Cost 6/30/14	Accum. Depreciation	Net Amount
Land	\$ 2,386,585	\$ -	\$ -	\$ 2,386,585	\$ -	\$ 2,386,585
Buildings	4,838,297	-	-	4,838,297	(499,483)	4,338,814
Furniture/ equipment	1,567,632	10,038	5,975	1,571,695	(1,040,247)	531,448
	<u>\$ 8,792,514</u>	<u>\$ 10,038</u>	<u>\$ 5,975</u>	<u>\$ 8,796,577</u>	<u>\$(1,539,730)</u>	<u>\$ 7,256,847</u>

	Cost 6/30/2012	Acquisitions	Retirements/ Disposals	Cost 6/30/2013	Accum. Depreciation	Net Amount
Land	\$ 2,386,585	\$ -	\$ -	\$ 2,386,585	\$ -	\$ 2,386,585
Buildings	4,838,297	-	-	4,838,297	(378,400)	4,459,897
Furniture/ equipment	1,512,632	55,000	-	1,567,632	(876,066)	691,566
	<u>\$ 8,737,514</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 8,792,514</u>	<u>\$(1,254,466)</u>	<u>\$ 7,538,048</u>

**NOTE 4 - NOTE PAYABLE**

The Board converted a construction loan payable into a note payable in July 2010, upon completion of the Board's operating facility. The original note payable balance was \$3,400,000 and called for 162 monthly payments of \$19,800 including interest at 3.54%. The Board has made additional principal payments of \$500,000 and \$250,000 during the fiscal years ended June 30, 2014 and 2013, respectively, and intends to pay off the note ahead of schedule. A final balloon payment is due January 15, 2024. The note is secured by the Board's land and building. Interest expense for the years ended June 30, 2014 and 2013, totaled \$68,889 and \$85,766, respectively.

Principal and interest payments are due as follows:

Years Ending June 30:	Principal	Interest	Total
2015	\$ 187,587	\$ 50,013	\$ 237,600
2016	191,755	45,845	237,600
2017	198,654	38,946	237,600
2018	205,802	31,798	237,600
2019	213,206	24,394	237,600
Thereafter	572,978	26,816	599,794
	<u>\$ 1,569,982</u>	<u>\$ 217,812</u>	<u>\$ 1,787,794</u>

# **NORTH CAROLINA BOARD OF NURSING**

## **Notes to Financial Statements**

### **NOTE 5 - CHANGE IN LONG-TERM LIABILITIES**

Change in long-term liabilities is as follows:

	Balance 6/30/13	Increase	Decreases	Balance 6/30/14	Current Portion of balance
Deferred compensation liability	\$ 36,565	\$ 21,564	\$ -	\$ 58,129	\$ -
Accrued vacation	461,356	302,858	334,782	429,432	-
Deferred revenues	6,571,093	6,325,143	6,154,843	6,741,393	3,370,697
Note payable	2,238,693	-	668,711	1,569,982	187,587
Long-term liabilities	<u>\$ 9,307,707</u>	<u>\$ 6,649,565</u>	<u>\$ 7,158,336</u>	<u>\$ 8,798,936</u>	<u>\$ 3,558,284</u>

  

	Balance 6/30/12	Increase	Decreases	Balance 6/30/13	Current Portion of balance
Deferred compensation liability	\$ 17,077	\$ 19,488	\$ -	\$ 36,565	\$ -
Accrued vacation	439,108	305,088	282,840	461,356	11,507
Deferred revenues	6,484,017	6,102,092	6,015,016	6,571,093	3,318,305
Note payable	2,640,527	-	401,834	2,238,693	164,627
Long-term liabilities	<u>\$ 9,580,729</u>	<u>\$ 6,426,668</u>	<u>\$ 6,699,690</u>	<u>\$ 9,307,707</u>	<u>\$ 3,494,439</u>

### **NOTE 6 - NET POSITION**

The Board has reserved a portion of the unrestricted net assets to indicate their plans for how financial resources will be used in a future period. Future uses are categorized as either pre-planned special projects or unforeseen financial emergencies which may require a large, non-recurring outlay of funds.

Capital asset replacement of \$6,000 is added each year per prior Board action. The Board's reserved unrestricted net assets at June 30, 2014 and 2013, are summarized as follows:

	Balance 6/30/13	Transfers and Receipts	Transfers and Expenditures	Balance 6/30/14
Property acquisition and replacement	\$ 1,685	\$ -	\$ (1,685)	\$ -
Information systems operations	475,483	175,000	(17,534)	632,949
Fixed asset replacement	50,070	56,000	-	106,070
Office operations	234,852	25,000	(74,522)	185,330
Disaster recovery	250,000	-	-	250,000
Legal defense/risk management	1,200,000	-	(38,727)	1,161,273
	<u>\$ 2,212,090</u>	<u>\$ 256,000</u>	<u>\$ (132,468)</u>	<u>\$ 2,335,622</u>



**NORTH CAROLINA BOARD OF NURSING**  
**Notes to Financial Statements**

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NOTE 6 - NET POSITION (Continued)

	Balance 6/30/12	Transfers and Receipts	Transfers and Expenditures	Balance 6/30/13
Property acquisition and replacement	\$ 1,685	\$ -	\$ -	\$ 1,685
Information systems operations	494,016	100,000	(118,533)	475,483
Fixed asset replacement	17,070	33,000	-	50,070
Office operations	187,246	87,000	(39,394)	234,852
Disaster recovery	250,000	-	-	250,000
Legal defense/risk management	800,000	400,000	-	1,200,000
	<u>\$ 1,750,017</u>	<u>\$ 620,000</u>	<u>\$ (157,927)</u>	<u>\$ 2,212,090</u>

NOTE 7 - RETIREMENT PLAN

The Board contributes to the North Carolina Licensing Boards Retirement Savings Plan ("Plan"), a defined contribution plan. The Plan was established to provide retirement benefits for employees of State boards or agencies who did not elect by resolution to cause their employees to be eligible to become members of the Teachers' and State Employees' Retirement System and for employees hired after July 1, 1983, by an electing board or agency. The Plan is administered by a committee with authority to amend the Plan, comprised of the executive directors of the participating boards and agencies.

Participating employees must contribute at least 6% of their gross compensation and the Board matches those contributions 100%. The employees' contributions are immediately 100% vested; the Board's matching contributions are 100% vested after 5 years of credited service. For vesting purposes, an employee must complete 1,000 hours of service during the Plan year.

Each participant's account is credited with their individual contributions, the Board's matching contributions, and Plan earnings and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings and account balances as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Total contributions to the Plan for the year ended June 30, 2014, were \$627,417, which consisted of \$245,048 from the Board and \$382,369 from employees. For the year ended June 30, 2013, total contributions to the Plan were \$604,493, which included \$238,121 from the Board and \$366,372 from employees.

NOTE 8 - OPERATING LEASES

The Board leases two copiers under five year operating leases, expiring in 2015. Total expense charged to operations under the copier leases was \$15,000 for the fiscal years ended June 30, 2014 and 2013. Future minimum lease payments are expected to be \$12,500 for the fiscal year ending June 30, 2015.

## **NORTH CAROLINA BOARD OF NURSING**

### **Notes to Financial Statements**

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#### **NOTE 9 - DEFERRED COMPENSATION PLAN**

In September 2011, the Board approved and established a deferred compensation plan for the Executive Director (ED) under Section 457 of the Internal Revenue Code. This plan allows the Board to fund the plan with up to the maximum amount allowed by law on a fiscal year basis and for the ED to select the investments that the funds are invested in. The balance in the deferred compensation account becomes fully vested conditional on, among other things, the ED's continuous employment for five years following the inception of the plan dated December 28, 2011. The investments are retained by the Board until the time that the ED becomes fully vested. Upon vesting, the entire account balance, including the Board's contributions and earnings, becomes the property of the ED. The Board contributed \$15,500 and \$17,500 to the plan for the years ended June 30, 2014 and 2013, respectively. The value of the deferred compensation plan investments was \$58,129 and \$36,565 at June 30, 2014 and 2013, respectively. A corresponding liability is recorded to reflect the balance due to the ED upon vesting.

#### **NOTE 10 - 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. Tort claims of Board members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company.

The Board also purchases general liability, workers' compensation, and dishonesty bond insurance through independent insurance agents.

#### **NOTE 11 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through October 21, 2014, which is the date the financial statements were available to be issued. Management discovered no other subsequent events that should be disclosed.

The audit was conducted in approximately 100 hours at a cost of \$14,000.

## **SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA BOARD OF NURSING****Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget  
Year Ended June 30, 2014**

	Actual	Budget	Actual Over/(Under) Budget
Operating revenues:			
License renewals	\$ 6,032,868	\$ 5,803,385	\$ 229,483
Examination fees	528,444	493,924	34,520
Reinstatements	198,944	208,120	(9,176)
Endorsements - in-state	795,609	744,912	50,697
Verifications - out-of-state	3,160	-	3,160
Mailing labels	59,470	32,500	26,970
Hearing and settlement fees	4,800	-	4,800
Nurses aide registry fees	229,199	237,400	(8,201)
APRN revenue	346,819	266,038	80,781
Other operating income	82,795	81,910	885
Total operating revenues	8,282,108	7,868,189	413,919
Operating expenses:			
Salaries and related benefits	5,597,882	6,014,084	(416,202)
Operations	1,697,865	1,784,723	(86,858)
Elections	4,700	8,800	(4,100)
Conferences and conventions	86,820	140,460	(53,640)
Board meetings	39,555	88,423	(48,868)
Hearings	21,201	26,102	(4,901)
Committee meetings	47,910	-	47,910
Contribution to Foundation	10,000	56,379	(46,379)
Other regulatory services	17,434	3,518	13,916
Total operating expenses	7,523,367	8,122,489	(599,122)
Operating income (loss)	758,741	(254,300)	1,013,041
Non-operating revenues (expenses):			
Net investment income	342,412	254,300	88,112
Interest	(68,889)	-	(68,889)
Total non-operating revenues (expenses)	273,523	254,300	19,223
Changes in net position	1,032,264	\$ -	\$ 1,032,264
Net position - beginning of year	7,742,017		
Net position - end of year	\$ 8,774,281		

**NORTH CAROLINA BOARD OF NURSING****Statements of Revenues, Expenses and Changes in Net Position - Actual and Budget  
Year Ended June 30, 2013**

	Actual	Budget	Actual Over/(Under) Budget
Operating revenues:			
License renewals	\$ 5,900,183	\$ 5,722,985	\$ 177,198
Examination fees	471,262	493,924	(22,662)
Reinstatements	204,508	190,520	13,988
Endorsements - in-state	752,935	642,051	110,884
Verifications - out-of-state	2,705	-	2,705
Mailing labels	42,638	32,500	10,138
Hearing and settlement fees	5,100	-	5,100
Nurses aide registry fees	233,174	229,000	4,174
APRN revenue	300,445	247,288	53,157
Other operating income	82,943	74,910	8,033
Total operating revenues	7,995,893	7,633,178	362,715
Operating expenses:			
Salaries and related benefits	5,433,817	5,752,264	(318,447)
Operations	1,763,598	1,677,582	86,016
Elections	4,900	8,500	(3,600)
Conferences and conventions	106,273	135,915	(29,642)
Board meetings	40,679	38,010	2,669
Hearings	20,237	42,938	(22,701)
Committee meetings	29,762	-	29,762
Contribution to Foundation	10,000	44,415	(34,415)
Other regulatory services	19,120	28,490	(9,370)
Total operating expenses	7,428,386	7,728,114	(299,728)
Operating income (loss)	567,507	(94,936)	662,443
Non-operating revenues (expenses)			
Net investment income (loss)	(107,822)	214,936	(322,758)
Interest	(85,766)	(120,000)	34,234
Total non-operating revenues (expenses)	(193,588)	94,936	(288,524)
Changes in net position	373,919	\$ -	\$ 373,919
Net position - beginning of year	7,368,098		
Net position - end of year	\$ 7,742,017		