

**NORTH CAROLINA BOARD OF NURSING**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**



# **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, 2020 and 2019 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 \$23,963,546, an increase of \$1,577,422 from the prior year, due primarily to increased cash and investment balances. Liabilities totaled \$9,296,647, an increase of \$369,331, reflecting increases in payables, accrued vacation and unearned revenues.

Net position was \$14,666,899, an increase of \$1,208,091 from prior year. Of total net position, \$6,130,429 reflects equity in capital assets. An additional \$6,389,995 is designated for risk management related to potential litigation, disaster preparedness, capital asset replacement, research projects, office operations, and IT operations.

Operating revenues totaled \$10,231,801, an increase of \$270,905, or 2.7%, primarily due to increases in the number of applications for renewal of licenses and APRN revenue.

Operating expenses totaled \$9,744,170, an increase of \$317,025 or 3.4%, due primarily to increases in salaries and related benefits, research projects, and operational expenses to facilitate a remote workforce; offset by a decrease in conference and convention expenses.

Non-operating revenues totaled \$720,460, a decrease of \$125,866, or -14.9%, due primarily to recent investment performance driven by fluctuating market conditions.

#### **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 costs 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, 2020 and June 30, 2019.

## **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.

The 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,		
	2020	2019	2018
Current assets	\$ 4,618,486	\$ 2,736,702	\$ 1,912,188
Noncurrent asset	13,214,631	13,371,211	12,405,291
Net capital assets	6,130,429	6,278,211	6,452,063
Total assets	23,963,546	22,386,124	20,769,542
Current liabilities	4,482,941	4,285,471	4,186,169
Noncurrent liabilities	4,813,706	4,641,845	4,504,642
Total liabilities	9,296,647	8,927,316	8,690,811
Net investment in capital assets	6,130,429	6,278,211	6,452,063
Unrestricted	8,536,470	7,180,597	5,626,668
Total net position	\$ 14,666,899	\$ 13,458,808	\$ 12,078,731
Operating revenues	\$ 10,231,801	\$ 9,960,896	\$ 9,723,606
Operating expenses	9,744,170	9,427,145	9,151,602
Operating income	487,631	533,751	572,004
Non-operating revenues	720,460	846,326	168,563
Changes in net position	\$ 1,208,091	\$ 1,380,077	\$ 740,567

#### **Factors Impacting Future Periods**

North Carolina Board of Nursing's financial position remains strong with key financial performance indicators met and/or exceeded during fiscal year 2019-2020. The primary factor having an economic impact is the continued increase in the number of RNs and LPNs licensed to practice in the state which total over 161,000. The number of new licenses issued averages 13,000 per year and it is expected that this trend will continue.

## **NORTH CAROLINA BOARD OF NURSING**

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

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#### **Factors Impacting Future Periods (Continued)**

North Carolina Board of Nursing is part of a Nurse Licensure Compact (“NLC”) which facilitates mobility of nurses across state lines without having to pay an additional licensing (Endorsement) fee in that state. There are currently 34 states that participate in the NLC. As more states join the NLC there could be some minimal impact on the amount of Endorsement fees received.

The Board’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain.

The majority of the Board’s investments are positioned well in safer fixed income securities and will be able to perform with less risk in tougher overall markets.

#### **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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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. Our opinion is not modified with respect to this matter.

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

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

Raleigh, North Carolina  
October 12, 2020

**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Net Position**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 1,218,623	\$ 1,014,553
Accrued interest receivable	37,928	45,774
Accounts receivable	15,732	39,612
Prepaid expenses and other assets	113,611	88,112
Current portion of investments	3,232,592	1,548,651
Total current assets	<u>4,618,486</u>	<u>2,736,702</u>
Noncurrent assets:		
Investments	13,214,631	13,371,211
Total noncurrent assets	<u>13,214,631</u>	<u>13,371,211</u>
Capital assets, net of depreciation	<u>6,130,429</u>	6,278,211
Total assets	<u>23,963,546</u>	<u>22,386,124</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	256,431	221,889
Current portion of unearned revenues	4,226,510	4,063,582
Total current liabilities	<u>4,482,941</u>	<u>4,285,471</u>
Noncurrent liabilities:		
Accrued vacation	587,197	578,264
Unearned revenues	4,226,509	4,063,581
Total noncurrent liabilities	<u>4,813,706</u>	<u>4,641,845</u>
Total liabilities	<u>9,296,647</u>	<u>8,927,316</u>
<b>NET POSITION:</b>		
Invested in capital assets	6,130,429	6,278,211
Unrestricted net assets	8,536,470	7,180,597
Total net position	<u>\$ 14,666,899</u>	<u>\$ 13,458,808</u>



**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Operating revenues:		
License renewals	<b>\$ 7,394,395</b>	\$ 7,259,300
Examination fees	<b>587,933</b>	539,181
Reinstatements	<b>150,960</b>	132,880
Endorsements - in-state	<b>879,559</b>	894,639
Verifications - out-of-state	<b>2,870</b>	3,640
Mailing labels	<b>103,539</b>	102,779
Hearing and settlement fees	<b>16,767</b>	32,760
Nurses aide registry fees	<b>176,261</b>	188,115
APRN revenue	<b>834,743</b>	723,738
Other operating income	<b>84,774</b>	83,864
Total operating revenues	<b>10,231,801</b>	9,960,896
Operating expenses:		
Salaries and related benefits	<b>7,805,843</b>	7,493,425
Operations	<b>1,765,984</b>	1,671,657
Elections	<b>-</b>	6,393
Conferences and conventions	<b>69,073</b>	123,753
Board meetings	<b>31,683</b>	33,484
Hearings	<b>44,889</b>	63,378
Committee meetings	<b>21,006</b>	24,440
Other regulatory services	<b>5,692</b>	10,615
Total operating expenses	<b>9,744,170</b>	9,427,145
Operating income	<b>487,631</b>	533,751
Non-operating revenues:		
Net investment income	<b>720,460</b>	846,326
Total non-operating revenues	<b>720,460</b>	846,326
Changes in net position	<b>1,208,091</b>	1,380,077
Net position - beginning of year	<b>13,458,808</b>	12,078,731
Net position - end of year	<b>\$ 14,666,899</b>	\$ 13,458,808

**NORTH CAROLINA BOARD OF NURSING**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from fees	\$ 10,581,537	\$ 10,057,051
Cash payments to employees for services	(7,796,910)	(7,415,019)
Cash payments to suppliers for goods and services	(1,586,162)	(1,467,191)
Cash payments for other operating expenses	(166,651)	(251,448)
Net cash provided by operating activities	<u>1,031,814</u>	<u>923,393</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(28,689)	-
Net cash used in capital and financing activities	<u>(28,689)</u>	<u>-</u>
Cash flows from investing activities:		
Purchases of investments	(1,141,423)	(1,345,036)
Net investment income	342,368	846,326
Net cash used in investing activities	<u>(799,055)</u>	<u>(498,710)</u>
Increase in cash	204,070	424,683
Cash - beginning of year	1,014,553	589,870
Cash - end of year	<u>\$ 1,218,623</u>	<u>\$ 1,014,553</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 487,631	\$ 533,751
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	176,471	173,852
Changes in assets and liabilities:		
Accounts receivable	23,880	(21,439)
Prepaid expenses and other assets	(25,499)	724
Accounts payable and accrued liabilities	34,542	40,505
Accrued vacation	8,933	78,406
Unearned revenues	325,856	117,594
Total adjustments	<u>544,183</u>	<u>389,642</u>
Net cash provided by operating activities	<u>\$ 1,031,814</u>	<u>\$ 923,393</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 ("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 may be 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 GAAP 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 resource 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.

**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 (Continued)**

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*. Non-operating revenues include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

**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. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

**Investments**

Investments consist of cash sweep accounts, government, corporate and foreign bonds, mutual funds, and certificates of deposit held in a brokerage account. Investments are reported at fair value. Cash sweep accounts and fixed income securities, which includes certificates of deposit and bonds, maturing within the next fiscal year are shown as current.

**Accounts Receivable**

Accounts receivable is comprised primarily 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. Write-offs totaled approximately \$23,500 and \$14,500 during the years ended June 30, 2020 and 2019, respectively.

**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.

Depreciation is computed over the following useful lives:

Buildings	40 years
Furniture, equipment and software	5 - 10 years

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.

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

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

**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, 2020 and 2019, is \$587,197 and \$578,264, respectively.

**Revenue Recognition**

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**

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

*Unrestricted net assets* - 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 (see Note 6).

**Budgetary Data**

A budget for fiscal year ended June 30, 2020, 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 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 and assumptions, resulting in adjustments in future periods.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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. The Board maintains investments in separate accounts managed by the same broker.

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

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

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit in financial institutions, money market accounts, fixed income securities, mutual funds, and equity securities. At June 30, 2020, deposits in financial institutions, with a carrying value of \$17,665,846, consists of cash and investments, as shown on the statements of net position. The investments are fixed income securities in the amount of \$8,575,677, mutual funds in the amount of \$3,255,948, equity securities in the amount of 4,217,380, and cash sweep balances in the amount of \$398,218 held in a money market sweep account until reinvested.

The Board is subject to the following risks:

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to the Board. The Board does not have a formal deposit policy for custodial credit risk.

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, 2020, board investments included fixed income securities, mutual funds, and equity securities totaling \$16,049,004. At June 30, 2020, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$15,549,004.

The Board's deposits include cash on deposit with financial institutions, money market accounts, and brokerage cash sweep accounts, with bank balances totaling \$1,616,842 at June 30, 2020. The Board's deposits with each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020, the Board had \$1,029,095 in deposits at financial institutions that exceeded amounts insured by the FDIC.

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

*Credit risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, 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:

<u>Credit Rating</u>	
AA3	\$ 79,286
A3	77,631
A2	311,924
A1	76,420
BAA1	77,620

Investments are presented at fair value based on the market prices at June 30, 2020 and 2019.

The Board has approved an investment policy that allows for a minimum of 65% - 70% invested in fixed income securities and a maximum of 30% - 35% invested in equities, with a target allocation of 75% - 80% fixed income securities and 20% - 25% equities. The maturities of the Board's fixed income investments as of June 30, 2020, were as follows:

	<u>Investment Amount</u>
0 - 5 years	<u>\$8,575,677</u>

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

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

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.

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 June 30, 2020 and 2019:

2020				
	Total Fair Value	Level 1	Level 2	Level 3
Government bonds	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	7,952,797	-	7,952,797	-
Corporate bonds	465,363	-	465,363	-
Foreign bonds	157,517	-	157,517	-
Equities	4,217,380	4,217,380	-	-
	<u>\$12,793,057</u>	<u>\$4,217,380</u>	<u>\$ 8,575,677</u>	<u>\$ -</u>
2019				
	Total Fair Value	Level 1	Level 2	Level 3
Government bonds	\$ 2,156,404	\$ -	\$ 2,156,404	\$ -
Certificates of deposit	6,680,679	-	6,680,679	-
Corporate bonds	690,778	-	690,778	-
Foreign bonds	154,421	-	154,421	-
Equities	3,771,900	3,771,900	-	-
	<u>\$13,454,182</u>	<u>\$3,771,900</u>	<u>\$ 9,682,282</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 not included in the fair value hierarchy above in the amount of \$398,218 and \$414,332 at June 30, 2020 and 2019, respectively.

In addition, the investment balance on the statement of net position includes open end mutual funds measured at the net asset value (NAV) and therefore not included in the fair value hierarchy. As of June 30, 2020 and 2019, investments measured at the NAV totaled \$3,255,948 and \$1,051,348, respectively.

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

**NOTE 4 - CAPITAL ASSETS**

Capital assets are comprised of the following:

	Cost 6/30/2019	Acquisitions	Retirements/ Disposals	Cost 6/30/2020	Accum. Depreciation	Net Amount
Land	\$2,386,585	\$ -	\$ -	\$2,386,585	\$ -	\$2,386,585
Buildings	4,838,297	-	-	4,838,297	(1,224,147)	3,614,150
Furniture/ equipment/ software	1,721,362	28,689	-	1,750,051	(1,620,357)	129,694
	<u>\$8,946,244</u>	<u>\$ 28,689</u>	<u>\$ -</u>	<u>\$8,974,933</u>	<u>\$(2,844,504)</u>	<u>\$6,130,429</u>

  

	Cost 6/30/2018	Acquisitions	Retirements/ Disposals	Cost 6/30/2019	Accum. Depreciation	Net Amount
Land	\$2,386,585	\$ -	\$ -	\$2,386,585	\$ -	\$2,386,585
Buildings	4,838,297	-	-	4,838,297	(1,103,676)	3,734,621
Furniture/ equipment/ software	1,721,362	-	-	1,721,362	(1,564,357)	157,005
	<u>\$8,946,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,946,244</u>	<u>\$(2,668,033)</u>	<u>\$6,278,211</u>

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

Change in long-term liabilities is as follows:

	Balance 6/30/2019	Increase	Decreases	Balance 6/30/2020	Current Portion of Balance
Accrued vacation	\$ 578,264	\$ 469,879	\$ 460,946	\$ 587,197	\$ -
Deferred revenues	8,127,163	7,832,160	7,506,304	8,453,019	4,226,510
Long-term liabilities	<u>\$8,705,427</u>	<u>\$ 8,302,039</u>	<u>\$7,967,250</u>	<u>\$ 9,040,216</u>	<u>\$4,226,510</u>

  

	Balance 6/30/2018	Increase	Decreases	Balance 6/30/2019	Current Portion of Balance
Accrued vacation	\$ 499,858	\$ 435,150	\$ 356,744	\$ 578,264	\$ -
Deferred revenues	8,009,569	7,478,818	7,361,224	8,127,163	4,063,582
Long-term liabilities	<u>\$8,509,427</u>	<u>\$ 7,913,968</u>	<u>\$7,717,968</u>	<u>\$ 8,705,427</u>	<u>\$4,063,582</u>

**NOTE 6 - DESIGNATED NET ASSETS**

The Board has designated 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.



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

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**NOTE 6 - DESIGNATED NET ASSETS (Continued)**

Office operation funds of at least \$6,000 are added each year per prior Board action. The Board's reserved unrestricted net assets at June 30, 2020 and 2019, are summarized as follows:

	Balance 6/30/2019	Transfers and Receipts	Transfers and Expenditures	Balance 6/30/2020
Information systems operations	\$ 656,958	\$ 218,316	\$ (90,405)	\$ 784,869
Capital asset replacement	950,000	50,000	-	1,000,000
Office operations	593,508	-	(50,978)	542,530
Research projects	475,960	220,000	(105,402)	590,558
Disaster recovery	500,000	-	(20,101)	479,899
Legal defense/risk management	2,500,000	500,000	(7,861)	2,992,139
	<u>\$ 5,676,426</u>	<u>\$ 988,316</u>	<u>\$ (274,747)</u>	<u>\$ 6,389,995</u>

  

	Balance 6/30/2018	Transfers and Receipts	Transfers and Expenditures	Balance 6/30/2019
Information systems operations	\$ 598,193	\$ 163,968	\$ (105,203)	\$ 656,958
Capital asset replacement	703,346	246,654	-	950,000
Office operations	398,225	208,599	(13,316)	593,508
Research projects	400,000	129,680	(53,720)	475,960
Disaster recovery	500,000	-	-	500,000
Legal defense/risk management	2,000,000	500,000	-	2,500,000
	<u>\$ 4,599,764</u>	<u>\$ 1,248,901</u>	<u>\$ (172,239)</u>	<u>\$ 5,676,426</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.

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

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**NOTE 7 - RETIREMENT PLAN (Continued)**

Total contributions to the Plan for the year ended June 30, 2020, were \$1,018,562, which consisted of \$344,615 from the Board and \$673,947 from employees. For the year ended June 30, 2019, total contributions to the Plan were \$921,957, which consisted of \$322,271 from the Board and \$599,686 from employees. During the years ended June 30, 2020 and 2019, forfeiture amounts of \$0 and \$8,938 were utilized to reduce employer matching contributions.

**NOTE 8 - OPERATING LEASES**

The Board signed a lease agreement in November 2019 for four copiers under a four-year operating lease expiring in 2023. Total expense charged to operations under the copier leases was \$18,195 and \$13,243 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments are as follows:

2021	\$ 18,631
2022	18,631
2023	18,631
2024	6,210
	<u>\$ 62,103</u>

**NOTE 9 - 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, dishonesty bond, cyber, anti-trust, employment practices and comprehensive security policies through independent insurance agents.

**NOTE 10 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through October 12, 2020, which is the date the financial statements were available to be issued. The Board's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Board's financial position, operations and cash flows. Management discovered no additional subsequent events that should be disclosed.

The audit was conducted in approximately 130 hours at a cost of \$19,000.

## **SUPPLEMENTARY INFORMATION**

**NORTH CAROLINA BOARD OF NURSING****Statement of Revenues, Expenses and Changes in Net Position - Actual and Budget  
Year Ended June 30, 2020**

	Actual	(Unaudited) Budget	Actual Over/(Under) Budget
Operating revenues:			
License renewals	\$ 7,394,395	\$ 7,318,964	\$ 75,431
Examination fees	587,933	537,162	50,771
Reinstatements	150,960	140,800	10,160
Endorsements - in-state	879,559	946,001	(66,442)
Verifications - out-of-state	2,870	-	2,870
Mailing labels	103,539	92,926	10,613
Hearing and settlement fees	16,767	-	16,767
Nurses aide registry fees	176,261	186,872	(10,611)
APRN revenue	834,743	685,720	149,023
Other operating income	84,774	83,610	1,164
Total operating revenues	10,231,801	9,992,055	239,746
Operating expenses:			
Salaries and related benefits	7,805,843	8,128,178	(322,335)
Operations	1,765,984	1,545,675	220,309
Elections	-	7,000	(7,000)
Conferences and conventions	69,073	194,825	(125,752)
Board meetings	31,683	84,374	(52,691)
Hearings	44,889	83,657	(38,768)
Committee meetings	21,006	98,846	(77,840)
Other regulatory services	5,692	39,500	(33,808)
Total operating expenses	9,744,170	10,182,055	(437,885)
Operating income (loss)	487,631	(190,000)	677,631
Non-operating revenues:			
Net investment income	720,460	190,000	530,460
Changes in net position	1,208,091	\$ -	\$ 1,208,091
Net position - beginning of year	13,458,808		
Net position - end of year	\$ 14,666,899		

**NORTH CAROLINA BOARD OF NURSING****Statement of Revenues, Expenses and Changes in Net Position - Actual and Budget  
Year Ended June 30, 2019**

	Actual	(Unaudited) Budget	Actual Over/(Under) Budget
Operating revenues:			
License renewals	\$ 7,259,300	\$7,151,336	\$ 107,964
Examination fees	539,181	494,203	44,978
Reinstatements	132,880	152,560	(19,680)
Endorsements - in-state	894,639	959,740	(65,101)
Verifications - out-of-state	3,640	-	3,640
Mailing labels	102,779	86,141	16,638
Hearing and settlement fees	32,760	-	32,760
Nurses aide registry fees	188,115	194,648	(6,533)
APRN revenue	723,738	601,345	122,393
Other operating income	83,864	80,610	3,254
Total operating revenues	<u>9,960,896</u>	<u>9,720,583</u>	<u>240,313</u>
Operating expenses:			
Salaries and related benefits	7,493,425	7,717,036	(223,611)
Operations	1,671,657	1,699,669	(28,012)
Elections	6,393	10,000	(3,607)
Conferences and conventions	123,753	189,550	(65,797)
Board meetings	33,484	78,808	(45,324)
Hearings	63,378	73,510	(10,132)
Committee meetings	24,440	92,010	(67,570)
Other regulatory services	10,615	50,000	(39,385)
Total operating expenses	<u>9,427,145</u>	<u>9,910,583</u>	<u>(483,438)</u>
Operating income (loss)	<u>533,751</u>	<u>(190,000)</u>	<u>723,751</u>
Non-operating revenues (expenses)			
Net investment income	<u>846,326</u>	<u>190,000</u>	<u>656,326</u>
Changes in net position	1,380,077	<u>\$ -</u>	<u>\$ 1,380,077</u>
Net position - beginning of year	<u>12,078,731</u>		
Net position - end of year	<u>\$ 13,458,808</u>		