

NORTH CAROLINA STATE BOARD OF EXAMINERS
FOR NURSING HOME ADMINISTRATORS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014



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**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Table of Contents

	<u>Page No.</u>
Management’s Discussion and Analysis	1 - 2
Independent Auditor’s Report	3 - 4
<i>Financial Statements</i>	
Statements of Net Position	5
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 12

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Introduction

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased by \$36,143 or 11.5%, due primarily to increases in license renewal, seminar fees, temporary license, reciprocity license, examination fees, and inactive fees. Those revenues were offset by a decrease in initial registration due to fewer number of applicants.

The operating expenses of the Board increased by \$36,003 or 10.7%, due primarily to annual increases in salaries, legal expenses, and seminar expenses. Those expenses were offset by a decrease in AIT 6-day lecture class costs which experienced a decline due to lower attendance.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Basic Financial Statements

The basic 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 non-current 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 the year's operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Basic Financial Statements (Continued)

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

	As of and for the Fiscal Year Ended June 30, 2015	As of and for the Fiscal Year Ended June 30, 2014	As of and for the Fiscal Year Ended June 30, 2013
Current assets	\$ 231,430	\$ 239,617	\$ 248,757
Capital assets - net of depreciation	9,589	13,643	9,001
Total assets	<u>241,019</u>	<u>253,260</u>	<u>257,758</u>
Current liabilities	128,006	120,839	106,664
Noncurrent liabilities	40,629	38,144	34,784
Total liabilities	<u>168,635</u>	<u>158,983</u>	<u>141,448</u>
Investment in capital assets	9,589	13,643	9,001
Unrestricted	62,795	80,634	107,309
Total net position	<u>\$ 72,384</u>	<u>\$ 94,277</u>	<u>\$ 116,310</u>
Operating revenues	\$ 351,542	\$ 315,399	\$ 310,979
Operating expenses	373,520	337,517	311,389
Operating loss	<u>(21,978)</u>	<u>(22,118)</u>	<u>(410)</u>
Non-operating revenues	85	85	442
Changes in net position	<u>\$ (21,893)</u>	<u>\$ (22,033)</u>	<u>\$ 32</u>

Events Affecting Future Operations

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility annually through 2017. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule.

The Board increased their fees effective July 1, 2014 and anticipates increased revenues.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact: North Carolina State Board of Examiners for Nursing Home Administrators; 3733 National Drive, Suite 110; Raleigh, NC 27609.

Independent Auditor's Report

Members of the Board
North Carolina State Board of Examiners for
Nursing Home Administrators
Raleigh, North Carolina

Report on the Financial Statements

We have audited the statements of net position of the North Carolina State Board of Examiners for Nursing Home Administrators (the "Board") as of June 30, 2015 and 2014, 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the basic financial statements are free of 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 Board's activities as of June 30, 2015 and 2014, and the changes in its financial position and cash flows thereof 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, the financial statements present only the North Carolina State Board of Examiners for Nursing Home Administrators and do not purport to and do not present fairly the financial position of the State of North Carolina as of and for the years June 30, 2015 and 2014, or 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1-2 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.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
September 8, 2015

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
Current assets:		
Cash	\$ 230,519	\$ 239,104
Prepaid expenses	911	513
Total current assets	<u>231,430</u>	<u>239,617</u>
Capital assets:		
Furniture, equipment and leasehold improvements, net of depreciation	<u>9,589</u>	<u>13,643</u>
Total capital assets	<u>9,589</u>	<u>13,643</u>
Total assets	<u>241,019</u>	<u>253,260</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	1,951	2,761
Payroll taxes payable	4,787	4,032
Retirement payable	4,049	3,737
Unearned revenues	<u>117,219</u>	<u>110,309</u>
Total current liabilities	<u>128,006</u>	<u>120,839</u>
Non-current liabilities:		
Unearned revenues	23,375	22,219
Accrued vacation	<u>17,254</u>	<u>15,925</u>
Total non-current liabilities	<u>40,629</u>	<u>38,144</u>
Total liabilities	<u>168,635</u>	<u>158,983</u>
NET POSITION:		
Invested in capital assets	9,589	13,643
Unrestricted	<u>62,795</u>	<u>80,634</u>
Total net position	<u>\$ 72,384</u>	<u>\$ 94,277</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Biennial registrations	\$ 177,434	\$ 162,122
Initial registrations	12,500	18,275
Seminar fees	45,134	37,650
Seminar sponsorships	19,500	17,000
Temporary licenses	10,200	5,600
Reciprocity licenses	12,500	8,925
Reciprocity application fees	7,700	5,600
Exam fees	13,250	8,575
Administrator-in-training application fees	8,350	6,300
Inactive fees	8,500	5,250
Continuing education review fees	10,655	10,150
AIT 6-day lecture class	25,544	29,600
Duplicate licenses	275	200
Other revenue	-	152
Total operating revenues	<u>351,542</u>	<u>315,399</u>
Operating expenses:		
Salaries	168,921	151,279
Compensation to board members	4,650	3,800
Payroll taxes	12,821	11,697
Retirement	16,923	15,550
Employee insurance	21,225	22,911
Examination expense	1,110	1,610
Seminar expense	29,004	24,797
AIT 6-day lecture class	11,116	18,754
Legal and accounting	30,666	22,500
Repairs and maintenance	1,462	1,036
Office rent	30,523	24,775
Depreciation	4,719	5,668
Travel - staff	8,823	5,234
Travel - board	8,005	7,745
Telephone	1,050	1,069
Internet and website services	6,685	3,849
Postage	1,327	2,081
Printing	637	466
Insurance	640	953
Office supplies and expense	5,168	5,087
Honorariums	3,000	2,000
Miscellaneous	5,045	4,656
Total operating expenses	<u>373,520</u>	<u>337,517</u>
Operating loss	<u>(21,978)</u>	<u>(22,118)</u>
Non-operating revenue:		
Interest income	85	85
Total non-operating revenue	<u>85</u>	<u>85</u>
Changes in net position	(21,893)	(22,033)
Net position - beginning of year	<u>94,277</u>	<u>116,310</u>
Net position - end of year	<u>\$ 72,384</u>	<u>\$ 94,277</u>

See Notes to Financial Statements

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from fees	\$ 359,608	\$ 332,027
Cash payments to employees for services	(167,592)	(151,704)
Cash payments for operating expenses	(200,021)	(173,038)
Net cash provided by (used in) operating activities	<u>(8,005)</u>	<u>7,285</u>
Cash flows from investing activities:		
Interest income	85	85
Net cash provided by investing activities	<u>85</u>	<u>85</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(665)	(10,310)
Net cash used in capital and related financing activities	<u>(665)</u>	<u>(10,310)</u>
Net decrease in cash	(8,585)	(2,940)
Cash - beginning of year	239,104	242,044
Cash - end of year	<u>\$ 230,519</u>	<u>\$ 239,104</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (21,978)	\$ (22,118)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	4,719	5,668
Changes in assets and liabilities:		
Prepaid expenses	(398)	6,200
Accounts payable	(810)	1,121
Payroll taxes payable	755	84
Retirement payable	312	127
Unearned revenues	8,066	16,628
Accrued vacation	1,329	(425)
Total adjustments	<u>13,973</u>	<u>29,403</u>
Net cash provided by (used in) operating activities	<u>\$ (8,005)</u>	<u>\$ 7,285</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina State Board of Examiners for Nursing Home Administrators (the "Board") is an occupational licensing board, established under Chapter 90 of the North Carolina General Statutes to maintain minimum standards for services provided by nursing home administrators within the State of North Carolina. The Board's operations are funded primarily through license renewals and license application fees.

The Board is considered an independent agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the Governor.

Basis of Presentation

The accompanying 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").

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.

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.

The accompanying basic financial statements present all funds and activities for which the Board is responsible.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, 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 STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Notes to Financial Statements**

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

Basis of Accounting (Continued)

The Board classifies its revenues and expenses as operating and non-operating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

Cash

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$500 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	10 years
Furniture and equipment	5-10 years

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 non-operating revenue or expense for the period.

Unearned Revenues

The Board's license renewal fees are assessed and collected for a fiscal period of 2 years, beginning October 1st. License renewal fees received in advance are deferred and recognized as revenue over the 2-year period to which they relate. The Board also collects fees for training classes in advance of the year they are given. The Board defers those revenues until the classes are given.

Vacation and Sick Leave

The Board has chosen to follow the state's policy which provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward at the end of each year, or for which an employee can be paid upon termination of employment.

The Board, in accordance with state policy, records the cost of sick leave taken when paid rather than when the leave is earned. The accumulation of sick leave is unlimited, but the employee cannot be compensated for any unused sick leave upon termination of employment.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent 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.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Notes to Financial Statements**

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

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This component of net position consists of the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - This component of net position consists of the Board's net position that does not meet the definition of restricted or invested in capital assets. The Board has reserved unrestricted net position up to \$500,000 for purposes of payment for legal services and the related costs for conducting administrative hearings and related appeals for the defense of Board members, employees and contractors of the Board in the event of claims against Board members, employees or contractors.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Board maintains its cash balances with a financial institution located in Raleigh, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2015, the Board had no uninsured deposits.

NOTE 3 - CAPITAL ASSETS

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	Cost 6/30/2014	Acquisitions	Disposals	Cost 6/30/2015	Accumulated Depreciation	Net Amount
Furniture/ equipment	\$ 54,372	\$ 665	\$ -	\$ 55,037	\$ 45,448	\$ 9,589
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 57,444</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 58,109</u>	<u>\$ 48,520</u>	<u>\$ 9,589</u>
	Cost 6/30/2013	Acquisitions	Disposals	Cost 6/30/2014	Accumulated Depreciation	Net Amount
Furniture/ equipment	\$ 44,063	\$ 10,309	\$ -	\$ 54,372	\$ 40,729	\$ 13,643
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 47,135</u>	<u>\$ 10,309</u>	<u>\$ -</u>	<u>\$ 57,444</u>	<u>\$ 43,801</u>	<u>\$ 13,643</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Notes to Financial Statements

NOTE 4 - ACCRUED VACATION

Changes to accrued vacation are as follows:

	2015	2014
Beginning accrued vacation	\$ 15,925	\$ 16,350
Vacation earned	14,950	13,799
Vacation used	(13,621)	(14,224)
Ending accrued vacation	<u>\$ 17,254</u>	<u>\$ 15,925</u>

NOTE 5 - RETIREMENT PLAN

The Board has a simplified employee pension plan covering all employees who are at least 21 years of age, have performed services for the Board in at least 3 years of the immediately preceding 5 years, and whose total compensation during the year is more than \$450. Benefit terms are established by the board of directors and may be changed by the board of directors. The Board elects to contribute 10.83% of compensation. Employees are not permitted to defer additional amounts under the plan. For the years ended June 30, 2015 and 2014, the Board contributed \$16,923 and \$15,550, respectively, on behalf of its employees.

NOTE 6 - RENT EXPENSE

The Board has a lease for office space with a three-year term beginning February 1, 2012 and ending January 31, 2015. This lease was renewed with a three-year term beginning February 1, 2015 and ending January 31, 2018. The Board negotiated a second lease in October 2013 for additional office space with a three-year beginning January 1, 2014 and ending December 31, 2017. Total rent expense for the years ended June 30, 2015 and 2014, totaled \$30,523 and \$24,775, respectively. Under the current leases, future minimum rent payments are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 34,190
2017	26,533
2018	10,699
	<u>\$ 71,422</u>

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 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.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Notes to Financial Statements**

NOTE 8 - COMMITMENTS

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility from 2015 through 2017. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule. There is also a performance damages clause if the event is held but Kingston Plantation does not realize a specified percentage of anticipated revenue from the event.

NOTE 9 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 8, 2015, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board audit was conducted in approximately 50 hours at a cost of \$5,400.