

**NORTH CAROLINA STATE
BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
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**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

Introduction

The following is a discussion and analysis of the North Carolina State Board of Examiners for Nursing Home Administrators' (the "Board") financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased by \$10,493 or 2.65%, due primarily to increases in seminar fees.

The operating expenses of the Board increased by \$11,550 or 3.08%, due primarily to annual increases in salaries and seminar expenses.

The non-operating revenues of the Board decreased by \$16 or 18.82%.

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 this 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, 2017

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, 2017	As of and for the Fiscal Year Ended June 30, 2016	As of and for the Fiscal Year Ended June 30, 2015
Current assets	\$ 277,545	\$ 275,568	\$ 231,430
Capital assets - net of depreciation	9,477	6,079	9,589
Total assets	<u>287,022</u>	<u>281,647</u>	<u>241,019</u>
Current liabilities	129,498	142,224	128,006
Noncurrent liabilities	42,359	45,112	40,629
Total liabilities	<u>171,857</u>	<u>187,336</u>	<u>168,635</u>
Investment in capital assets	9,477	6,079	9,589
Unrestricted	105,688	88,232	62,795
Total net position	<u>\$ 115,165</u>	<u>\$ 94,311</u>	<u>\$ 72,384</u>
Operating revenues	\$ 407,127	\$ 396,634	\$ 351,542
Operating expenses	386,342	374,792	373,520
Operating income (loss)	<u>20,785</u>	<u>21,842</u>	<u>(21,978)</u>
Non-operating revenues	69	85	85
Changes in net position	<u>\$ 20,854</u>	<u>\$ 21,927</u>	<u>\$ (21,893)</u>

Events Affecting Future Operations

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility annually through 2020. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule.

The Board plans to renegotiate the lease for its office space during fiscal year 2018.

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, 2017 and 2016, 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 audits 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 as of June 30, 2017 and 2016, and the changes in its financial position and its 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 June 30, 2017 and 2016, 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
August 24, 2017

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Current assets:		
Cash	\$ 275,507	\$ 274,657
Prepaid expenses	2,038	911
Total current assets	<u>277,545</u>	<u>275,568</u>
Capital assets:		
Furniture, equipment and leasehold improvements, net of depreciation	<u>9,477</u>	<u>6,079</u>
Total capital assets	<u>9,477</u>	<u>6,079</u>
Total assets	<u>287,022</u>	<u>281,647</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	2,967	2,030
Payroll taxes payable	-	5,020
Retirement payable	4,738	4,049
Unearned revenues	121,793	131,125
Total current liabilities	<u>129,498</u>	<u>142,224</u>
Non-current liabilities:		
Unearned revenues	22,449	26,450
Accrued vacation	19,910	18,662
Total non-current liabilities	<u>42,359</u>	<u>45,112</u>
Total liabilities	<u>171,857</u>	<u>187,336</u>
NET POSITION:		
Invested in capital assets	9,477	6,079
Unrestricted	105,688	88,232
Total net position	<u>\$ 115,165</u>	<u>\$ 94,311</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Biennial registrations	\$ 196,521	\$ 195,069
Initial registrations	22,500	19,000
Seminar fees	46,400	39,842
Seminar sponsorships	18,700	21,500
Temporary licenses	10,500	10,200
Reciprocity licenses	15,500	11,500
Reciprocity application fees	10,250	7,500
Exam fees	16,300	16,800
Administrator-in-training application fees	12,100	14,500
Inactive fees	8,600	7,500
Continuing education review fees	10,270	9,860
AIT 6-day lecture class	38,956	42,848
Duplicate licenses	225	275
Other revenue	305	240
Total operating revenues	<u>407,127</u>	<u>396,634</u>
Operating expenses:		
Salaries	188,592	179,871
Compensation to board members	3,750	4,950
Payroll taxes	14,332	13,652
Retirement	20,053	17,906
Employee insurance	12,904	13,111
Examination expense	1,020	1,365
Seminar expense	36,218	29,696
AIT 6-day lecture class	10,789	13,060
Legal and accounting	20,980	20,218
Repairs and maintenance	1,689	1,641
Office rent	35,087	34,190
Depreciation	2,603	4,264
Travel - staff	7,343	7,920
Travel - board	9,062	10,193
Telephone	1,040	1,039
Internet and website services	5,355	5,113
Postage	1,744	2,529
Printing	199	665
Insurance	334	1,042
Office supplies and expense	5,568	4,942
Honorariums	2,500	2,000
Miscellaneous	5,180	5,425
Total operating expenses	<u>386,342</u>	<u>374,792</u>
Operating income	<u>20,785</u>	<u>21,842</u>
Non-operating revenue:		
Interest income	69	85
Total non-operating revenue	<u>69</u>	<u>85</u>
Changes in net position	20,854	21,927
Net position - beginning of year	<u>94,311</u>	<u>72,384</u>
Net position - end of year	<u>\$ 115,165</u>	<u>\$ 94,311</u>

See Notes to Financial Statements

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from fees	\$ 393,794	\$ 413,615
Cash payments to employees for services	(187,344)	(178,463)
Cash payments to suppliers for goods and services	(156,906)	(144,063)
Cash payments for other expenses	(42,762)	(46,282)
Net cash provided by operating activities	6,782	44,807
Cash flows from investing activities:		
Interest income	69	85
Net cash provided by investing activities	69	85
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,001)	(754)
Net cash used in capital and related financing activities	(6,001)	(754)
Net increase in cash	850	44,138
Cash - beginning of year	274,657	230,519
Cash - end of year	\$ 275,507	\$ 274,657
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 20,785	\$ 21,842
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,603	4,264
Changes in assets and liabilities:		
Prepaid expenses	(1,127)	-
Accounts payable	937	79
Payroll taxes payable	(5,020)	233
Retirement payable	689	-
Unearned revenues	(13,333)	16,981
Accrued vacation	1,248	1,408
Total adjustments	(14,003)	22,965
Net cash provided by operating activities	\$ 6,782	\$ 44,807

**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 the 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 may be included 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

Cash is comprised of amounts held in checking and savings accounts at a bank.

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; therefore the Board defers those revenues until the classes take place.

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 and assumptions, 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, 2017, the Board had \$25,507 in 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:

	<u>Cost</u> <u>6/30/2016</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2017</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture/ equipment	\$ 55,791	\$ 6,001	\$ -	\$ 61,792	\$ 52,315	\$ 9,477
Leasehold improvements	<u>3,072</u>	<u>-</u>	<u>-</u>	<u>3,072</u>	<u>3,072</u>	<u>-</u>
	<u>\$ 58,863</u>	<u>\$ 6,001</u>	<u>\$ -</u>	<u>\$ 64,864</u>	<u>\$ 55,387</u>	<u>\$ 9,477</u>
	<u>Cost</u> <u>6/30/2015</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2016</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture/ equipment	\$ 55,037	\$ 754	\$ -	\$ 55,791	\$ 49,712	\$ 6,079
Leasehold improvements	<u>3,072</u>	<u>-</u>	<u>-</u>	<u>3,072</u>	<u>3,072</u>	<u>-</u>
	<u>\$ 58,109</u>	<u>\$ 754</u>	<u>\$ -</u>	<u>\$ 58,863</u>	<u>\$ 52,784</u>	<u>\$ 6,079</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:

	2017	2016
Beginning accrued vacation	\$ 18,662	\$ 17,254
Vacation earned	16,171	16,170
Vacation used	(14,923)	(14,762)
Ending accrued vacation	<u>\$ 19,910</u>	<u>\$ 18,662</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, 2017 and 2016, the Board contributed \$20,053 and \$17,906, respectively, on behalf of its employees.

NOTE 6 - RENT EXPENSE

The Board has a lease for office space that 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 term which began January 1, 2014 and ended December 31, 2016. The second lease for the additional office space was re-negotiated effective January 2017, extending the lease term through December 31, 2019. Total rent expense for the years ended June 30, 2017 and 2016, totaled \$35,057 and \$34,190, respectively. Under the current leases, future minimum rent payments are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 28,064
2019	17,886
2020	9,076
	<u>\$ 55,026</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 2018 through 2020. 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 August 24, 2017, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 50 hours at a cost of \$6,100.