

NORTH CAROLINA STATE
BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019



**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, 2020**

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, 2020. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board decreased by \$78,947 or 19.76%, due primarily to the cancellation of the Preceptor Seminar scheduled for April 2020 and the suspension of AIT lecture classes as a direct effect of the COVID-19 pandemic.

The operating expenses of the Board decreased by \$41,015 or 9.99%, due primarily to the cancellation of the Preceptor Seminar scheduled for April 2020 as a direct effect of the COVID-19 pandemic.

The non-operating revenues of the Board decreased by \$7 or 18.42%.

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, 2020**

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, 2020	As of and for the Fiscal Year Ended June 30, 2019	As of and for the Fiscal Year Ended June 30, 2018
Current assets	\$ 202,709	\$ 257,302	\$ 289,257
Capital assets - net of depreciation	31,594	14,386	6,591
Total assets	<u>234,303</u>	<u>271,688</u>	<u>295,848</u>
Current liabilities	136,891	129,510	141,221
Noncurrent liabilities	50,146	45,890	47,256
Total liabilities	<u>187,037</u>	<u>175,400</u>	<u>188,477</u>
Investment in capital assets	31,594	14,386	6,591
Unrestricted	15,672	81,902	100,780
Total net position	<u>\$ 47,266</u>	<u>\$ 96,288</u>	<u>\$ 107,371</u>
Operating revenues	\$ 320,569	\$ 399,516	\$ 391,748
Operating expenses	369,622	410,637	399,610
Operating loss	<u>(49,053)</u>	<u>(11,121)</u>	<u>(7,862)</u>
Non-operating revenues	31	38	68
Changes in net position	<u>\$ (49,022)</u>	<u>\$ (11,083)</u>	<u>\$ (7,794)</u>

Events Affecting Future Operations

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility annually through 2022. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule.

The primary uncertainty concerning fiscal year 2020 is the ongoing response to the COVID-19 pandemic. During the year ended June 30, 2020, Board revenues decreased due to the cancellation of the Preceptor Seminar and the suspension of AIT lecture classes. The Preceptor Seminar is planned for April 2021 and the Board is resuming AIT lecture classes in September 2020. The Board will continue to remain in compliance with North Carolina Governor Cooper's orders and follow the guidance of the Center for Disease Control and Prevention.

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, 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 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, 2020 and 2019, 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, 2020 and 2019, 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
October 7, 2020

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash	\$ 201,698	\$ 255,264
Prepaid expenses	1,011	2,038
Total current assets	<u>202,709</u>	<u>257,302</u>
Capital assets:		
Furniture, equipment, software and leasehold improvements, net of depreciation	<u>31,594</u>	<u>14,386</u>
Total capital assets	<u>31,594</u>	<u>14,386</u>
Total assets	<u>234,303</u>	<u>271,688</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and payroll taxes payable	2,180	3,373
Retirement payable	5,012	5,163
Unearned revenues	129,699	120,974
Total current liabilities	<u>136,891</u>	<u>129,510</u>
Non-current liabilities:		
Unearned revenues	26,313	23,250
Compensated absences	23,833	22,640
Total non-current liabilities	<u>50,146</u>	<u>45,890</u>
Total liabilities	<u>187,037</u>	<u>175,400</u>
NET POSITION:		
Invested in capital assets	31,594	14,386
Unrestricted	15,672	81,902
Total net position	<u>\$ 47,266</u>	<u>\$ 96,288</u>

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

	2020	2019
Operating revenues:		
Biennial registrations	\$ 198,312	\$ 197,699
Initial registrations	19,500	14,500
Seminar fees	116	44,528
Seminar sponsorships	-	20,500
Temporary licenses	7,200	6,300
Reciprocity licenses	11,000	16,000
Reciprocity application fees	8,250	8,750
Exam fees	15,700	14,554
Administrator-in-training application fees	9,000	12,750
Inactive fees	7,500	8,300
Continuing education review fees	10,830	12,560
AIT 6-day lecture class	32,596	42,616
Duplicate licenses	250	225
Other revenue	315	234
Total operating revenues	<u>320,569</u>	<u>399,516</u>
Operating expenses:		
Salaries	213,066	206,668
Compensation to board members	2,750	3,350
Payroll taxes	16,211	15,676
Retirement	21,976	21,486
Employee insurance	17,463	15,329
Seminar expense	-	35,080
AIT 6-day lecture class	7,183	10,426
Legal and accounting	15,209	18,674
Repairs and maintenance	520	680
Office rent	36,395	35,820
Depreciation	1,792	1,705
Travel - staff	4,011	8,897
Travel - board	4,006	6,732
Telephone	1,027	1,018
Internet and website services	5,821	7,767
Postage	1,602	2,193
Printing	240	753
Insurance	2,288	1,199
Office supplies and expense	10,715	10,488
Honorariums	3,000	2,500
Miscellaneous	4,347	4,196
Total operating expenses	<u>369,622</u>	<u>410,637</u>
Operating loss	<u>(49,053)</u>	<u>(11,121)</u>
Non-operating revenue:		
Interest income	31	38
Total non-operating revenue	<u>31</u>	<u>38</u>
Changes in net position	(49,022)	(11,083)
Net position - beginning of year	<u>96,288</u>	<u>107,371</u>
Net position - end of year	<u>\$ 47,266</u>	<u>\$ 96,288</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR
NURSING HOME ADMINISTRATORS**
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from fees	\$ 332,357	\$ 387,817
Cash payments to employees for services	(211,873)	(204,909)
Cash payments to suppliers for goods and services	(116,696)	(162,521)
Cash payments for other expenses	(38,385)	(42,883)
Net cash used in operating activities	<u>(34,597)</u>	<u>(22,496)</u>
Cash flows from investing activities:		
Interest income	31	38
Net cash provided by investing activities	<u>31</u>	<u>38</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(19,000)	(9,500)
Net cash used in capital and related financing activities	<u>(19,000)</u>	<u>(9,500)</u>
Net decrease in cash	(53,566)	(31,958)
Cash - beginning of year	255,264	287,222
Cash - end of year	<u>\$ 201,698</u>	<u>\$ 255,264</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (49,053)	\$ (11,121)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,792	1,705
Changes in assets and liabilities:		
Prepaid expenses	1,027	(3)
Accounts payable	(1,193)	(3,562)
Retirement payable	(151)	425
Unearned revenues	11,788	(11,699)
Compensated absences	1,193	1,759
Total adjustments	<u>14,456</u>	<u>(11,375)</u>
Net cash used in operating activities	<u>\$ (34,597)</u>	<u>\$ (22,496)</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 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 ("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 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.

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.

**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 (Continued)

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.

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.

NOTE 2 - 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>6/30/2019</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2020</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture, equipment and software	\$ 75,161	\$ 19,000	\$ 436	\$ 93,725	\$ 62,131	\$ 31,594
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 78,233</u>	<u>\$ 19,000</u>	<u>\$ 436</u>	<u>\$ 96,797</u>	<u>\$ 65,203</u>	<u>\$ 31,594</u>
	<u>Cost</u> <u>6/30/2018</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2019</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture, equipment and software	\$ 65,661	\$ 9,500	\$ -	\$ 75,161	\$ 60,775	\$ 14,386
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 68,733</u>	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ 78,233</u>	<u>\$ 63,847</u>	<u>\$ 14,386</u>

NOTE 3 - 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.

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

NOTE 4 - COMPENSATED ABSENCES

Changes to compensated absences are as follows:

	<u>2020</u>	<u>2019</u>
Beginning compensated absences	\$ 22,640	\$ 20,881
Compensated absences earned	19,403	18,425
Compensated absences used	<u>(18,210)</u>	<u>(16,666)</u>
Ending compensated absences	<u>\$ 23,833</u>	<u>\$ 22,640</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, 2020 and 2019, the Board contributed \$21,976 and \$21,486, respectively, on behalf of its employees.

NOTE 6 - RENT EXPENSE

The Board had a lease for office space that was renewed with a term which began February 1, 2018 and ended December 31, 2019. The Board also had a second lease for additional office space with a term which began January 1, 2017 and ended December 31, 2019. As of January 1, 2020, the leases are operating on a month to month basis with monthly payments of \$3,033. Total rent expense for the years ended June 30, 2020 and 2019, totaled \$36,395 and \$35,820, respectively.

The Board also leases an office copier with a three-year term beginning September 1, 2017 and ending August 31, 2020. Copier rent expense for the year ended June 30, 2020 totaled \$4,793.

Under the current leases, future minimum rent payments are as follows:

<u>Years Ending June 30,</u>	
2021	<u>\$ 729</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, a Hilton and Embassy Suites property, to hold the Preceptor Seminar in their facility from 2021 through 2023. 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 October 7, 2020, which is the date the financial statements were available to be issued. Management discovered no other subsequent events which should be disclosed other than noted below.

As stated in Note 6, the Board has leases for office space that are operating on a month to month basis. Effective August 1, 2020, monthly rent was increased to \$3,269. Management is in the process of entering into a new operating lease for the combined office space. The lease is expected to require monthly payments of \$3,269 for a term of three years.

The Board's future operations may be affected by the ongoing outbreak of COVID 19; however, the Board is resuming AIT lecture classes in September 2020 and will continue to monitor board operations to remain in compliance with North Carolina Governor Cooper's orders regarding the pandemic.

The Board's audit was conducted in approximately 50 hours at a cost of \$7,000.