

**STATE BOARD OF REFRIGERATION CONTRACTORS**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**



## **C O N T E N T S**

**DECEMBER 31, 2020**

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# **STATE BOARD OF REFRIGERATION CONTRACTORS**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**DECEMBER 31, 2020**

### **INTRODUCTION**

The following is a discussion and analysis of the State Board of Refrigeration Contractors (the "Board") financial performance for the year ended December 31, 2020. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

### **FINANCIAL HIGHLIGHTS**

During 2020, the operating revenues of the Board decreased by \$15,195 or 8% due primarily to a decrease of \$11,910 in CFC certification income. The decrease in CFC certification income was related to the disruption of in-person exams during the COVID-19 pandemic.

During 2020, the operating expenses of the Commission decreased by \$262 or 0%. Operating expenses were comparable to the prior year.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The financial report consists of two sections: Management's Discussion and Analysis and the basic financial statements. The financial statements also include notes to the basic financial statements that provide detail of the information included in 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 non-profit entities. These statements offer short and long-term financial information about the activities of the Board.

The Statement of Net Position (page 6) present the assets, liabilities, and net position of the Board.

The Statement of Revenues, Expenses and Changes in Net Position (page 7) present information on how the Board's net position changed as a result of the year's operations.

The Statement of Cash Flows (Page 8) present information on how the Board's cash changed as a result of the year's activity.

# STATE BOARD OF REFRIGERATION CONTRACTORS

## MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2020

### BASIC FINANCIAL STATEMENTS (Continued)

The following schedule presents condensed financial information on the operations of the Board as of December 31, and its operating and non-operating revenues and expenses for the years then ended:

|                                  | 2020               | 2019               |
|----------------------------------|--------------------|--------------------|
| Current Assets                   | \$ 104,627         | \$ 128,909         |
| Capital Assets                   | 1,758              | 2,328              |
| Total Assets                     | <u>106,385</u>     | <u>131,237</u>     |
| Current Liabilities              | 23,720             | 21,205             |
| Deferred Inflows of Resources    | 119,580            | 127,160            |
| Total Liabilities                | <u>143,300</u>     | <u>148,365</u>     |
| Net Investment in Capital Assets | 1,758              | 2,328              |
| Unrestricted                     | (38,673)           | (19,456)           |
| Total Net Position               | <u>\$ (36,915)</u> | <u>\$ (17,128)</u> |
| Operating Revenues               | \$ 171,240         | \$ 186,435         |
| Operating Expenses               | (191,334)          | (191,596)          |
| Operating Income                 | (20,094)           | (5,161)            |
| Non-Operating Revenue            | 307                | 7,579              |
| Changes in Net Position          | <u>\$ (19,787)</u> | <u>\$ 2,418</u>    |

### EVENTS AFFECTING FUTURE OPERATIONS

No significant events affecting future operations were noted.

### CONTACTING THE COMMISSION'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. If you have any questions about this report or need additional information, contact: State Board of Refrigeration Contractors 1027 US-70 #221, Garner, NC 27529.



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
State Board of Refrigeration Contractors  
Raleigh, North Carolina

We have audited the accompanying financial statements of the State Board of Refrigeration Contractors (the Board), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

### **CONTINUED**

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 financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Refrigeration Contractors as of December 31, 2020, and the changes in financial position and cash flows for the year 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 State Board of Refrigeration Contractors and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 2020, nor the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Board will continue as a going concern. As discussed in Note 10 to the financial statements, the Board has suffered recurring significant losses for the last several years that has raised substantial doubt about the ability to continue as a going concern. Management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**INDEPENDENT AUDITOR'S REPORT****CONTINUED****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 - 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.

A handwritten signature in black ink, appearing to read "Samuel PC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
May 20, 2021

# STATE BOARD OF REFRIGERATION CONTRACTORS

## STATEMENT OF NET POSITION

DECEMBER 31, 2020

### ASSETS

**Current Assets:**

|                             |                |
|-----------------------------|----------------|
| Cash and Cash Equivalents   | \$ 104,627     |
| <b>Total Current Assets</b> | <u>104,627</u> |

**Noncurrent Assets:**

|                                     |              |
|-------------------------------------|--------------|
| Capital Assets, Net of Depreciation | <u>1,758</u> |
|-------------------------------------|--------------|

|                     |                          |
|---------------------|--------------------------|
| <b>Total Assets</b> | <u><u>\$ 106,385</u></u> |
|---------------------|--------------------------|

### LIABILITIES AND NET POSITION

**Current Liabilities:**

|                                  |                |
|----------------------------------|----------------|
| Accrued Expenses                 | \$ 9,845       |
| Payroll Liabilities              | 2,515          |
| Accrued Vacation                 | 11,360         |
| Deferred Revenue                 | <u>119,580</u> |
| <b>Total Current Liabilities</b> | <u>143,300</u> |

**Net Position:**

|                                  |                 |
|----------------------------------|-----------------|
| Net Investment in Capital Assets | 1,758           |
| Unrestricted Net Position        | <u>(38,673)</u> |
| <b>Total Net Position</b>        | <u>(36,915)</u> |

|   |                          |
|---|--------------------------|
| <b>Total Liabilities and Net Position</b> | <u><u>\$ 106,385</u></u> |
|---|--------------------------|

# STATE BOARD OF REFRIGERATION CONTRACTORS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

### Operating Revenues:

|                                 |                |
|---------------------------------|----------------|
| License Renewal Fees            | \$ 127,760     |
| CFC Certification Income        | 20,360         |
| License Reinstatement Fees      | 15,240         |
| New Licenses and Exam Fees      | 7,070          |
| CFC Manual Income               | 810            |
| <b>Total Operating Revenues</b> | <u>171,240</u> |

### Operating Expenses

|                                      |                |
|--------------------------------------|----------------|
| Salaries and Contract Labor          | 114,346        |
| Audit, Legal Fees, and Investigative | 13,000         |
| Equipment Rental and Maintenance     | 10,674         |
| Office Rent                          | 10,400         |
| Retirement Expense                   | 9,845          |
| Payroll Taxes                        | 7,532          |
| Board Meeting Expense                | 6,824          |
| Office Supplies                      | 4,133          |
| Employee Benefits                    | 3,574          |
| Postage                              | 3,557          |
| Credit Card and Bank Fees            | 2,987          |
| Utilities                            | 1,905          |
| Travel                               | 938            |
| Per Diem, Board Members              | 800            |
| Depreciation                         | 570            |
| Miscellaneous                        | 132            |
| CFC Supplies                         | 117            |
| <b>Total Operating Expenses</b>      | <u>191,334</u> |

**Operating Loss** (20,094)

### Non-Operating Revenues

|                                     |            |
|-------------------------------------|------------|
| Investment Return                   | 307        |
| <b>Total Non-Operating Revenues</b> | <u>307</u> |

**Change in Net Position** (19,787)

**Net Position - Beginning of Year** (17,128)

**Net Position - End of Year** \$ (36,915)

# STATE BOARD OF REFRIGERATION CONTRACTORS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

### Cash Flows from Operating Activities:

|   |                 |
|---|-----------------|
| Cash Received from Fees                               | \$ 163,884      |
| Cash Received on Interest                             | 4               |
| Cash Payments to Employees for Services               | (111,836)       |
| Cash Payments to Other Suppliers of Goods or Services | (73,570)        |
| <b>Net Cash Flows Used by Operating Activities</b>    | <u>(21,518)</u> |

### Cash Flows from Investing Activities:

|  |               |
|--|---------------|
| Purchases of Investments                               | (217)         |
| Sales of Investments                                   | 42,947        |
| <b>Net Cash Flows Provided by Investing Activities</b> | <u>42,730</u> |

**Net Change in Cash** 21,212

**Cash - Beginning** 83,415

**Cash - Ending** \$ 104,627

### Reconciliation of Operating Loss

#### to Net Cash Used by Operating Activities:

|  |                           |
|--|---------------------------|
| Operating Loss   | \$ (19,787)               |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities |                           |
| Depreciation   | 570                       |
| Unrealized (Gain) Loss on Investments  | (84)                      |
| Changes in Assets and Liabilities:   |                           |
| Decrease in Prepaid Expenses   | 2,848                     |
| Decrease in Accrued Expenses   | 2,515                     |
| Increase in Deferred Revenue   | (7,580)                   |
| <b>Net Cash Flows Used by Operating Activities</b>                               | <u><u>\$ (21,518)</u></u> |

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### **f1. NATURE OF OPERATIONS:**

The State Board of Refrigeration Contractors (the "Board") is an occupational licensing board and is authorized by Chapter 87, Article 5 of the NC General Statutes. The Board is responsible for the regulation and supervision of refrigeration contractors licensed under the laws of North Carolina. Income is primarily derived from license and exam fees.

The Governor appoints seven members of the Board: One member who is a wholesaler or manufacturer of refrigeration equipment. One member from an accredited engineering school located in NC. One member from the field of public health with an environmental science background from an accredited college or university in NC. Two members who are licensed refrigeration contractors. One member who has no ties with the construction industry to represent the interest of the public at large. One member with an engineering background in refrigeration. The term of office of one member expires each year. All of the members are subject to the State Government Ethics Act.

#### **Reporting Entity**

The Board is a component unit of the State of North Carolina. GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor and General Assembly appoint Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the State Board of Refrigeration Contractors.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **Basis of Presentation**

The accompanying financial statements are presented 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.

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### **Basis of Accounting**

The Board presents a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary or component units.

The financial statements report all activities of the Board using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

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

#### **Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

#### **Concentrations**

*Custodial Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Board places its cash and cash equivalents and certificates of deposits with a financial institution in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The Board did not exceed these limits as of December 31, 2020.

#### **Accounts Receivable**

The Board records receivables for exam fees which are earned in advance of receipt. The Board recorded an allowance for doubtful accounts totaling \$0 for the year ended December 31, 2020, based on management's review of the collectability of specific accounts.

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Capital Assets

Capital assets are recorded at cost. Capital assets that have a cost over \$500 are capitalized and are depreciated using the straight-line method over their useful lives. The Board uses five years as an estimated life for all of its equipment.

Depreciation expense totaled \$570 for the fiscal year ended December 31, 2020. Capital assets with a cost basis of \$19,291 had accumulated depreciation of \$17,533 as of December 31, 2020.

#### Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Since vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. That portion of accrued vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the financial statements.

#### Deferred Revenue

The renewal cycle begins in September for licenses. Business license renewals are for one year. If they are received prior to December 31, the revenue is deferred until the following year to which it relates.

#### Income Taxes

The Board is a component of the State of North Carolina and is consequently exempt from federal and state income taxes.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 3. CAPITAL ASSETS:

|                            | Cost<br>December 31,<br>2019 | Acquisitions | Retirements/<br>Disposals | Cost<br>December 31,<br>2020 | Accumulated<br>Depreciation | Net<br>Amount   |
|----------------------------|------------------------------|--------------|---------------------------|------------------------------|-----------------------------|-----------------|
| Furniture and<br>Equipment | \$ 19,291                    | \$ -         | \$ -                      | \$ 19,291                    | \$ (17,533)                 | \$ 1,758        |
|                            | <u>\$ 19,291</u>             | <u>\$ -</u>  | <u>\$ -</u>               | <u>\$ 19,291</u>             | <u>\$ (17,533)</u>          | <u>\$ 1,758</u> |

### 4. NET POSITION:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation.

Unrestricted Net Position - This component of net position consists of net assets that do not meet the definition of restricted or invested in capital assets.

### 5. CFC CERTIFICATION PROGRAM:

In 1994, the Board was approved to administer the technician certification program in the State of North Carolina under Section 608 of the Clean Air Act issued by the Environmental Protection Agency. CFC Certification Income and CFC Manual Income is recognized by the Board in the period it is earned. A breakdown of revenue and expenses is as follows:

|   | 2020             |
|---|------------------|
| CFC Certification and CFC Manual Income | \$ 21,170        |
| CFC Expenses:                           |                  |
| Supplies                                | 117              |
| Postage                                 | 500              |
| Telephone                               | 500              |
| Total CFC Expenses                      | <u>1,117</u>     |
| Net CFC Income                          | <u>\$ 20,053</u> |

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 6. STATUTORY REQUIREMENTS:

Chapter 87, Article 5, of the General Statutes of North Carolina provides that after the payment of all necessary expenditures from license fees earned, the Board retains 25% of any excess, and pays the remaining 75% to the State Treasurer. The board experienced a net loss from operations excluding net CFC income and investment return for the year ended December 31, 2020. Therefore, no amount is due to the State Treasurer for the year ended December 31, 2020. A breakdown of the net loss from operations is as follows:

|                                      | <u>2020</u>               |
|--------------------------------------|---------------------------|
| Excess of revenues over expenditures | \$ (19,787)               |
| Less: Investment Return              | (307)                     |
| Less: CFC Income                     | (20,053)                  |
| Loss from Normal Operations          | <u><u>\$ (40,147)</u></u> |

### 7. LEASE COMMITMENTS:

#### Operating Leases

The Board rents office space on a month-to-month basis for \$800 per month.

In September 2018, the Board entered into a copier lease. Payments required under the lease are \$479 per month for 36 months.

In January 2020, the Board entered into a postage meter lease. Payments required under the lease are \$170 per month for 60 months.

Operating lease expense for the fiscal year ended December 31, 2020 totaled \$21,074.

# STATE BOARD OF REFRIGERATION CONTRACTORS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

### 7. LEASE COMMITMENTS: (Continued)

#### Operating Leases (Continued)

Future minimum lease commitments are as follows:

|              |                 |
|--------------|-----------------|
| December 31, |                 |
| 2021         | \$ 2,998        |
| 2022         | 2,040           |
| 2023         | 2,040           |
| 2024         | 2,040           |
| 2025         | 170             |
|              | <u>\$ 9,288</u> |

### 8. 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 disaster. 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.

### 9. RETIREMENT PLAN:

Under sections of the federal tax law, the Board may contribute a percentage of the employees' compensation to the employees' IRA. The Board pays 10% of eligible employees' salary to an individual retirement account. The employees' rights to the contributions are 100% vested. Retirement expense was \$9,845 for the year ended December 31, 2020.

**STATE BOARD OF REFRIGERATION CONTRACTORS****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020****10. GOING CONCERN:**

Management identified conditions as of December 31, 2020 that raised substantial doubt about the Board's ability to continue as a going concern. The Board has been incurring significant net losses for the last several years as a result of operating income not being sufficient to support the increasing costs of operational activities. Management subsequently evaluated that these conditions were significant and would impede the Board's ability to meet its future obligations within the coming year. Management has enacted the following plans to alleviate the concerns. Management has decreased staff hours as of January 1, 2021. Management expects the decreased staff hours to significantly reduce expenses in upcoming fiscal periods.

**11. EVENTS OCCURRING AFTER REPORTING DATE:**

The Board has evaluated events and transactions that occurred between December 31, 2020 and May 20, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**12. COST OF AUDIT:**

The number of hours used in conducting the audit and in preparation of the audit report for the year ended December 31, 2020 is approximately 60. The total cost of conducting the audit and preparing the audit report for the year ended December 31, 2020 is \$5,500.



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