

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS**

**Financial Statements for the  
Year Ended September 30, 2017 and  
Independent Auditor's Report**

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS**

**Financial Statements for the  
Year Ended September 30, 2017 and  
Independent Auditor's Report**

**BOARD MEMBERS**

P. David Blalock, M.A, SLP, Chairman

Joseph M. Abernethy, III, Public Member

Allison Harrington, M. Ed., SLP

Adam Mehlenbacher, Au.D., Audiologist

Emily W. Page, Public Member

Carey Pahel, Au.D., Audiologist

Eileen M. Raynor, M.D.

**EXECUTIVE OFFICERS**

Denise Sherwood, Administrator

**LEGAL COUNSEL**

Nahale Freeland Kalfas

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS**

**TABLE OF CONTENTS**

---

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1-3
INDEPENDENT AUDITOR’S REPORT	4-5
FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7-8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-18

# **NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **Introduction**

This section of the Board’s financial report represents Management’s analysis of the Board’s financial performance during the year ended September 30, 2017. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2017, the Board’s net position increased by \$110,505, or 15.22%, due primarily to the Board’s operating revenues exceeding its operating expenses.

During 2017, the operating revenues of the Board increased by \$8,887, or 1.94%, due primarily to an increase in renewal fees revenue.

During 2017, the non-operating revenues of the Board decreased by \$1,116, or 61.02%, due primarily to an increase in loss on capital asset dispositions.

During 2017, the operating expenses of the Board decreased by \$93,766, or 20.81%, due primarily to a decrease in legal fees, and a decrease in payroll and related expenses.

### **Overview of the Financial Statements**

This financial report consists of two sections: Management’s Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by Governmental Accounting Standards Board (GASB) Statement No. 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

The 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 Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board’s assets changed as a result of its operations. The Statement of Cash Flows presents information on how the Board’s cash changed as a result of its financial activities.

# NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$836,555 for the year ended September 30, 2017. The largest component of net position was cash and investments. The following is a summary of the Statement of Net Position.

	Current Year as of September 30, 2017	Current Year as of September 30, 2016 (as restated)	Amount of Change	Percentage Change
Current assets	\$ 799,761	\$ 699,636	\$ 100,125	\$ 14.31%
Capital assets	23,033	23,971	(938)	-3.91%
Other assets	222,890	220,953	1,937	0.88%
Total assets	<u>\$ 1,045,684</u>	<u>\$ 944,560</u>	<u>\$ 101,124</u>	<u>\$ 10.71%</u>
Current liabilities	\$ 206,781	\$ 200,433	\$ 6,348	\$ 3.17%
Long-term liabilities	2,348	18,077	(15,729)	-87.01%
Total liabilities	<u>\$ 209,129</u>	<u>\$ 218,510</u>	<u>\$ (9,381)</u>	<u>\$ -4.29%</u>
Invested in capital assets	\$ 23,033	\$ 23,971	\$ (938)	\$ -3.91%
Unrestricted	813,522	702,079	111,443	15.87%
Total net position	<u>\$ 836,555</u>	<u>\$ 726,050</u>	<u>\$ 110,505</u>	<u>\$ 15.22%</u>

The following is a summary of the Statement of Revenues, Expenses, and Changes in Net Position

	The year ended September 30, 2017	The year ended September 30, 2016 (as restated)	Amount of Change	Percentage Change
Operating revenues	\$ 466,505	\$ 457,618	\$ 8,887	\$ 1.94%
Operating expenses	(356,713)	(450,479)	93,766	-20.81%
Non-operating revenues	713	1,829	(1,116)	-61.02%
Change in net position	<u>\$ 110,505</u>	<u>\$ 8,968</u>	<u>\$ 101,537</u>	<u>\$ 1132.21%</u>
Ending net position	<u>\$ 836,555</u>	<u>\$ 726,050</u>	<u>\$ 110,505</u>	<u>\$ 15.22%</u>

# **NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE PATHOLOGISTS AND AUDIOLOGISTS**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following is a breakdown of operating revenues by source.

	The year ended September 30,	The year ended September 30, 2016 (as restated)	Amount of Change	Percentage Change
License renewal fees	\$ 376,740	\$ 366,680	\$ 10,060	\$ 2.74%
Permanent license fees	32,220	30,936	1,284	4.15%
Speech assistant fees	15,300	15,901	(601)	-3.78%
Incorporation certificates	3,550	4,107	(557)	-13.56%
Delinquent fees	3,325	3,675	(350)	-9.52%
Temporary license fees	9,400	9,430	(30)	-0.32%
Application fees	16,980	16,670	310	1.86%
Verification fees	6,690	6,508	182	2.80%
Duplicate certificates	842	849	(7)	-0.82%
Label sales	1,350	2,783	(1,433)	-51.49%
Other operating revenues	108	79	29	36.71%
Total	<u>\$ 466,505</u>	<u>\$ 457,618</u>	<u>\$ 8,887</u>	<u>\$ 1.94%</u>

The following is a breakdown of non-operating revenues by source.

	The year ended September 30,	The year ended September 30, 2016 (as restated)	Amount of Change	Percentage Change
Interest income	\$ 3,272	\$ 2,781	\$ 491	\$ 17.66%
Gain (loss) on capital assets	(2,559)	(952)	(1,607)	168.80%
Total	<u>\$ 713</u>	<u>\$ 1,829</u>	<u>\$ (1,116)</u>	<u>\$ -61.02%</u>

### **Events Affecting Future Operations**

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board’s operations in future years is not certain at this time.

### **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. If you have any questions about this report or need additional information, contact: Denise Sherwood, Administrator, North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists, P.O. Box 16885, Greensboro, North Carolina 27416.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

Suite B1  
800 N. Raleigh St.  
P.O. 1545  
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825  
Facsimile: (919) 639-3102

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists  
Wallace, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which comprise the Board's 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 the 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 of 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 judgement, 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.

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 North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

### ***Prior Period Restatement***

As a part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2016 financial statements' beginning net position. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2016 financial statements of the Board other than respect to these adjustments(s), and accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole. Our opinion for the 2017 financial statements is not modified with respect to this prior period restatement.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 historic 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 supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

January 24, 2018



**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	<b>September 30, 2017</b>
	<b>Proprietary- Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 782,346
Prepaid expense (Note 1)	16,482
Rental security deposit	933
Total current assets	799,761
Capital assets (Notes 1 and 3):	
Office furniture and equipment	23,033
Total capital assets - net of depreciation	23,033
Other assets:	
Investments (Note 2)	220,563
Rental security deposit	2,327
Total other assets	222,890
<b>TOTAL ASSETS</b>	<b>\$ 1,045,684</b>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 7,565
Accrued and withheld payroll taxes	2,957
Retirement payable (and related withholding)	2,276
Accrued compensated leave (Notes 1 and 7)	783
Unearned revenue (Note 4)	193,200
Total current liabilities	206,781
Long term debt:	
Accrued compensated leave (Notes 1 and 7)	2,348
Total long term debt	2,348
<b>TOTAL LIABILITIES</b>	<b>209,129</b>
<b>NET POSITION (NOTES 5 and 12)</b>	
Invested in capital assets	23,033
Unrestricted net position	813,522
<b>TOTAL NET POSITION</b>	<b>836,555</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,045,684</b>

See notes to financial statements.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2017**

		<b>2017</b>
		<b>Proprietary- Enterprise Fund</b>
<b>OPERATING REVENUES:</b>		
License renewal fees	\$	376,740
Permanent license fees		32,220
Speech assistant fees		15,300
Incorporation certificates		3,550
Delinquent fees		3,325
Temporary license fees		9,400
Application fees		16,980
Verification fees		6,690
Duplicate certificates		842
Label sales		1,350
Other operating income		108
Total operating revenues	\$	466,505
<b>OPERATING EXPENSES:</b>		
Salaries and wages (including accumulated leave)	\$	112,886
Payroll taxes		8,636
Retirement (Note 8)		5,896
Health insurance (Note 10)		19,325
Board members expenses - per diem		9,300
Travel, motels, and meals (including related costs)		22,237
Professional development expenses		12,596
Legal fees		58,407
Audit and accounting fees		18,500
Public awareness expenses		7,494
Website expenses		720
Equipment maintenance and repairs		4,155

See notes to financial statements.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED)):	
Rent for office space (Note 6)	20,502
Office equipment lease (Note 6)	2,954
Telephone	5,087
Printing and copying	5,042
Postage	11,466
Commercial insurance (Note 10)	16,151
Office supplies and expenses	9,257
Depreciation	3,412
Bank charges	135
Miscellaneous expenses	2,555
Total operating expenses	<u>\$ 356,713</u>
Operating income (loss)	\$ 109,792
NON-OPERATING REVENUES (EXPENSES)	
Interest income	\$ 3,272
Gain (loss) on disposition of capital assets	<u>(2,559)</u>
Total non-operating revenues	\$ 713
Change in net position	<u>\$ 110,505</u>
Net position - beginning of year (Note 12)	<u>726,050</u>
Net position - end of year	<u><u>\$ 836,555</u></u>

See notes to financial statements.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2017**

	<b>2017</b>
	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:	
Cash received from fees	\$ 468,426
Cash payments to employee(s) for services	(159,989)
Cash payments for operating expenses	(209,251)
Net cash provided (used) by operating activities	<u>\$ 99,186</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (5,033)
Net cash used in capital and related financing activities	<u>\$ (5,033)</u>
Cash flows from investing activities:	
Interest income	\$ 3,272
Transfers to investments	(543)
Net cash provided (used) by investing activities	<u>\$ 2,729</u>
Net increase (decrease) in cash	<u>\$ 96,882</u>
Cash - beginning of year	<u>685,464</u>
Cash - end of year	<u><u>\$ 782,346</u></u>

See notes to financial statements.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2017**

	<b>2017</b>
	<b>Proprietary- Enterprise Fund</b>
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	\$ 109,792
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	\$ 3,412
Changes in assets and liabilities:	
Prepaid expense	(2,310)
Security deposit	(2,327)
Accounts payable	1,943
Payroll related liabilities	(13,245)
Unearned revenue	1,921
Total adjustments	\$ (10,606)
Net cash provided (used) by operating activities	\$ 99,186
Supplemental disclosure(s) of noncash investing, capital, and financing activities:	
Capital asset write-offs	\$ (2,559)

See notes to financial statements.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization and Purpose**

The North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists (the "Board") is an independent state agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. It 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).

The Board is established to maintain minimum standards for services provided by speech and language pathologists and audiologists.

The Board's operations are financed with self-generated revenues from fees charged to licensees.

**Financial Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (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.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

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.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Basis of Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statement of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

**Investments**

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certificates of deposits held by the Board for investment. Investments are generally reported at fair value. Certificates of deposit are reported at cost plus accrued interest (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The Board only held non-negotiable certificates of deposit.

**Prepaid Expense**

This classification includes expense which was prepaid at year end for commercial insurance coverage and for rent.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Capital Assets**

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$100 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 10 years.

**Compensated Absences**

After meeting the years of aggregate service qualification period worked requirements and other Board requirements, Board employees accumulate vacation and sick leave. Accumulation of vacation leave is unlimited and may be paid out at termination or retirement from the Board. Sick leave is used or is paid out annually at the respective employee's hire date, at half value if paid out, and is not cumulative. Accumulated earned compensated vacation leave payable at September 30, 2017 consisted of the following:

	<u>September 30, 2017</u>
Current portion	\$ 783
Long-term portion	<u>2,348</u>
Total	<u><u>\$ 3,131</u></u>

Since the Board has no obligation for the accumulated sick leave until it is actually taken, or until an employee decision is made to take a payout, no accrual for sick leave has been made. The Board has a contingent liability for sick leave in the amount of \$1,459 at September 30, 2017.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 2 - Deposits and Investments

**Deposits**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NCGS 159-31 and NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

At September 30, 2017, the Board's deposits had a carrying amount of \$1,002,909 and a bank balance of \$1,009,475. Of the bank balance, \$586,596 was covered by federal depository insurance (FDIC), \$250,000 was insured by the National Credit Union Administration (NCUA), and \$172,879 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$220,563 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

**Investments**

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from market fluctuations and interest rate variances, the Board limits its investments to certificates of deposits with maturities of no more than 60 months.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits with maturities of no more than 60 months.

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at September 30, 2017, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 220,563	18.0 Months	N/A

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 2 - Deposits and Investments (Continued)

**Reconciliation of Deposits and Investments**

A reconciliation of deposits and investments for the Board to the basic financial statements at September 30, 2017 is as follows:

	<u>September 30, 2017</u>
Carrying Amount of Bank Deposits- Checking and Money Market	\$ 782,346
Certificates of Deposit	220,563
Total Deposits and Investments	<u>\$ 1,002,909</u>
Current:	
Cash and Cash Equivalents	\$ 782,346
Noncurrent:	
Investments	220,563
Total Deposits and Investments	<u>\$ 1,002,909</u>

Note 3- Capital Assets

Changes in capital assets as of and for the year ended September 30, 2017 is as follows:

	Cost 09-30-16	Acquisitions	Disposals	Cost 09-30-17	Accumulated Depreciation	Net Amount
Office/computer equipment	<u>\$ 51,166</u>	<u>\$ 5,033</u>	<u>\$ 6,111</u>	<u>\$ 50,088</u>	<u>\$ 27,055</u>	<u>\$ 23,033</u>
	<u>\$ 51,166</u>	<u>\$ 5,033</u>	<u>\$ 6,111</u>	<u>\$ 50,088</u>	<u>\$ 27,055</u>	<u>\$ 23,033</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation is removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$3,412 for the fiscal year ended September 30, 2017.

Note 4 - Unearned Revenue

The Board's licensing term is on an annual basis, which begins with each respective licensee's inception date, and ends on each respective licensee's subsequent year anniversary date. Licenses are renewed for a period of one year. License fees are deferred and recognized as revenue over the period to which they relate.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 5 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no *restricted net position*.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or invested in capital assets*. The Board has designated a reserve for legal expenses in the amount of \$200,000 and a reserve for consumer and licensee education in the amount of \$28,000 for the year ended September, 2017 for its unrestricted net position.

Note 6 - Operating Leases

The Board leased office space and office equipment under operating leases. Total rent expense charged to operations under the lease agreements was \$23,456 (\$20,502 for the office space lease and \$2,954 for the office equipment lease) during 2017.

Rental commitments under the noncancellable operating lease at September 30, 2017 are as follows:

**Year Ended September 30,**

2018	\$	30,433
2019		31,070
2020		29,694
2021		30,585
2022		31,424
	<u>\$</u>	<u>153,206</u>

Note 7 - Non-Current Liabilities

A summary of changes in non-current liabilities for the year ended September 30, 2017 follows:

	Balance 09-30-16	Additions	Deletions	Balance 09-30-17	Current	Non- Current
Compensated absences	\$ 20,086	\$ 4,849	\$ 21,804	\$ 3,131	\$ 783	\$ 2,348
	<u>\$ 20,086</u>	<u>\$ 4,849</u>	<u>\$ 21,804</u>	<u>\$ 3,131</u>	<u>\$ 783</u>	<u>\$ 2,348</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 8- Retirement Plan(s) and Postemployment Benefits Other Than Retirement Plan(s)

***Salary Reduction Simplified Employee Pension Plan***

On January 1, 1997, the Board entered into a Salary Reduction Simplified Employee Pension (SARSEP) plan agreement on behalf of eligible employee(s) of the Board. Two employees are covered under the plan at September 30, 2017, one management employee and one clerical staff employee. Only the Board contributes to the plan, and only the Board has the authority to authorize and amend the plan. There are no forfeitures inuring to other employees under this type plan. The Board's payroll for employee(s) covered by the plan for the year ended September 30, 2017 was \$73,700; the Board's total payroll was \$112,886. The Board's pension contribution amounted to \$5,896 for 2017. The Board's payroll for employee(s) covered by the plan for the year ended September 30, 2016 was \$123,188; the Board's total payroll was \$170,025. The Board's pension contribution amounted to \$9,855 for 2016. The Board had no contingent liabilities to the plan at September 30, 2017 and 2016. The Board assumes no liability for retiree benefits provided by this program other than its required contributions. The Board has no postemployment benefits other than this defined contribution retirement plan.

Note 9 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit does not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 10 - 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. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior year, and no insurance claims (other than claims by employees for health coverage) were filed during the year ended September 30, 2017.

Note 11 - Subsequent Events

Subsequent events have been evaluated through January 24, 2018, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE  
PATHOLOGISTS AND AUDIOLOGISTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017**

---

Note 12- Restatement of Net Position

The Board restated its beginning net position as of October 1, 2016 related to an overstatement of cash in its primary checking account in a preceding year (a year prior to the year ended September 30, 2016) and the omission of prepaid expenses and accrued compensated absences during the year ended September 30, 2016. These changes had a current year effect and a retroactive years' effect on the Board's financial statements. These changes resulted in a decrease in revenues in excess of expenses in the amount of \$4,975 for the year ended September 30, 2016.

In connection with these changes, the beginning net position (for 2017) has been restated as follows:

Net Position at October 1, 2016, as previously reported	\$	756,326
Correct overstatement of cash in checking account		(12,704)
Record omitted prepaid insurance and security deposit		2,514
Record omitted accrued compensated absences		(20,086)
Net Position at October 1, 2016, as restated	\$	<u>726,050</u>

Note 13 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 140 audit hours at a cost of \$12,995.