

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

**Financial Statements for the
Year Ended September 30, 2019 and
Independent Auditor's Report**

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

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Year Ended September 30, 2019 and
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BOARD MEMBERS

Adam Mehlenbacher, AuD, Audiologist, Chairman

Nicole V. Jeffcoate, Speech-Language Pathologist

Elizabeth Roberts Maynor, Speech-Language Pathologist

Eileen M. Raynor, M.D.

Sherri L. Smith, PhD, AuD, Audiologist

Stephanie Rodriguez, Public Member

MaryJane Richardson, JD, Public Member

EXECUTIVE OFFICERS

Denise S. Brown, Executive Director

LEGAL COUNSEL

Nahale Freeland Kalfas

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

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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, 2019. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2019, the Board’s net position increased by \$58,617, or 6.20%, due primarily to the Board’s operating revenues exceeding its operating expenses.

During 2019, the operating revenues of the Board increased by \$22,095, or 4.69%, due primarily to an increase in renewal fees revenue.

During 2019, the non-operating revenues of the Board decreased by \$759, or 20.83%, due primarily to the fact that there was a loss on capital asset dispositions in 2019, but there was no capital asset disposition loss in 2018.

During 2019, the operating expenses of the Board increased by \$72,207, or 19.76%, due primarily to an increase in wage and fringe benefits expenses, website design expenses, and travel 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 the Governmental Accounting Standards Board (GASB). 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 \$1,004,660 for the year ended September 30, 2019. The largest component of net position was cash and investments. Cash and investments represented 118.61% of total net position. Current assets consist of cash and cash equivalents, and prepaid expenses. Noncurrent assets consist of capital assets (net of accumulated depreciation), long term investments and a noncurrent rental security deposit. Current liabilities consist of accounts payable, accrued leave, payroll liabilities, retirement payable, and unearned revenue. Long-term liabilities consist of accrued leave not expected to be used within the next twelve months after year end. Net position consists of net assets invested in capital assets and unrestricted net assets. Net investment in capital assets is a component of net position and consists of capital assets net of depreciation. The following is a summary of the Statements of Net Position.

	Current Year as of September 30, 2019	Current Year as of September 30, 2018	Amount of Change	Percentage Change
Current assets	\$ 992,223	\$ 927,767	\$ 64,456	6.95%
Capital assets	40,870	22,201	18,669	84.09%
Other assets	224,164	223,498	666	0.30%
Total assets	<u>\$ 1,257,257</u>	<u>\$ 1,173,466</u>	<u>\$ 83,791</u>	<u>7.14%</u>
Current liabilities	\$ 247,258	\$ 222,667	\$ 24,591	11.04%
Long-term liabilities	5,339	4,756	583	12.26%
Total liabilities	<u>\$ 252,597</u>	<u>\$ 227,423</u>	<u>\$ 25,174</u>	<u>11.07%</u>
Invested in capital assets	\$ 40,870	\$ 22,201	\$ 18,669	84.09%
Unrestricted	963,790	923,842	39,948	4.32%
Total net position	<u>\$ 1,004,660</u>	<u>\$ 946,043</u>	<u>\$ 58,617</u>	<u>6.20%</u>

The following is a summary of the Statement of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended September 30, 2019	The year ended September 30, 2018	Amount of Change	Percentage Change
Operating revenues	\$ 493,395	\$ 471,300	\$ 22,095	4.69%
Operating expenses	(437,663)	(365,456)	(72,207)	19.76%
Non-operating revenues	2,885	3,644	(759)	-20.83%
Change in net position	<u>\$ 58,617</u>	<u>\$ 109,488</u>	<u>\$ (50,871)</u>	<u>-46.46%</u>
Ending net position	<u>\$ 1,004,660</u>	<u>\$ 946,043</u>	<u>\$ 58,617</u>	<u>6.20%</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. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended September 30, 2019	The year ended September 30, 2018	Amount of Change	Percentage Change
License renewal fees	\$ 406,680	\$ 390,720	\$ 15,960	4.08%
Permanent license fees	23,880	23,340	540	2.31%
Speech assistant fees	18,060	15,320	2,740	17.89%
Incorporation certificates	5,400	4,550	850	18.68%
Delinquent fees	3,950	3,975	(25)	-0.63%
Temporary license fees	9,080	8,440	640	7.58%
Application fees	17,940	16,500	1,440	8.73%
Verification fees	6,855	6,090	765	12.56%
Duplicate certificates	1,300	990	310	31.31%
Label sales	250	1,300	(1,050)	-80.77%
Other operating revenues		75	(75)	-100.00%
Total	<u>\$ 493,395</u>	<u>\$ 471,300</u>	<u>\$ 22,095</u>	<u>4.69%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended September 30, 2019	The year ended September 30, 2018	Amount of Change	Percentage Change
Interest income	\$ 3,947	\$ 3,644	\$ 303	8.32%
Gain (loss) on capital assets	(1,062)		(1,062)	-100.00%
Total	<u>\$ 2,885</u>	<u>\$ 3,644</u>	<u>\$ (759)</u>	<u>-20.83%</u>

The following is a schedule that compares capital assets for the fiscal years 2019 and 2018, net of accumulated depreciation.

	The year ended September 30, 2019	The year ended September 30, 2018	Amount of Change	Percentage Change
Office furniture/equipment	\$ 75,761	\$ 53,104	\$ 22,657	42.67%
Less accumulated depreciation	(34,891)	(30,903)	(3,988)	12.90%
Total net capital assets	<u>\$ 40,870</u>	<u>\$ 22,201</u>	<u>\$ 18,669</u>	<u>84.09%</u>

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

Events Affecting Future Operations

The Board is not aware of any significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements. The Board anticipates that revenues and expenses of the Board in the upcoming year will be comparable to preceding years.

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 S. Brown, Administrator, North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists, P.O. Box 16885, Greensboro, North Carolina 27416.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board of Examiners for Speech and Language Pathologists and Audiologists
Greensboro, 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 board 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, 2019, 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, 2019, 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)

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 28, 2020

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE
PATHOLOGISTS AND AUDIOLOGISTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	September 30, 2019
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 969,804
Prepaid expenses (Note 1)	<u>22,419</u>
Total current assets	992,223
Capital assets (Notes 1 and 3):	
Office furniture and equipment	<u>40,870</u>
Total capital assets - net of depreciation	40,870
Other assets:	
Investments (Note 2)	221,790
Accrued interest receivable (on certificates of deposit)	47
Rental security deposit	<u>2,327</u>
Total other assets	224,164
TOTAL ASSETS	\$ <u><u>1,257,257</u></u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 25,621
Accrued and withheld payroll taxes	3,633
Retirement payable (and related withholding)	3,454
Accrued compensated leave (Notes 1 and 6)	2,750
Unearned revenue (Note 1)	<u>211,800</u>
Total current liabilities	247,258
Long term debt:	
Accrued compensated leave (Notes 1 and 6)	<u>5,339</u>
Total long term debt	5,339
TOTAL LIABILITIES	<u><u>252,597</u></u>
NET POSITION (NOTE 1)	
Invested in capital assets	40,870
Unrestricted net position	<u>963,790</u>
TOTAL NET POSITION	<u><u>1,004,660</u></u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>1,257,257</u></u>

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, 2019**

	2019
	Proprietary- Enterprise Fund
OPERATING REVENUES:	
Fees, licenses and fines:	
License renewal fees	\$ 406,680
Permanent license fees	23,880
Speech assistant fees	18,060
Incorporation certificates	5,400
Delinquent fees	3,950
Temporary license fees	9,080
Application fees	17,940
Verification fees	6,855
Duplicate certificates	1,300
Sales and services:	
Label sales	250
Total operating revenues	\$ 493,395
OPERATING EXPENSES:	
Personal services (and board members expenses):	
Salaries and wages (including accumulated leave)	\$ 161,917
Payroll taxes	12,387
Retirement (Note 7)	11,068
Health insurance (Note 9)	27,057
Board members expenses - per diem	9,400
Professional development expenses	8,677
Supplies and materials:	
Office supplies and expenses	16,330
Services:	
Legal fees	58,975
Audit and accounting fees	8,995

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, 2019**

	<u>2019</u>
	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):	
Computer support	4,159
Website design expenses	18,573
Travel, motels, and meals (including related costs)	20,824
Printing and copying	4,640
Postage	14,251
Telephone	3,019
Bank charges	21
Equipment maintenance and repairs	733
Depreciation	6,679
Commercial insurance (Note 9)	17,884
Other expenses:	
Rent for office space (Note 5)	28,830
Office equipment lease (Note 5)	2,189
Miscellaneous expenses	1,055
Total operating expenses	<u>\$ 437,663</u>
Operating income (loss)	\$ 55,732
NON-OPERATING REVENUES (EXPENSES)	
Interest income	\$ 3,947
Gain (loss) on disposition of capital assets	<u>(1,062)</u>
Total non-operating revenues	\$ 2,885
Change in net position	<u>\$ 58,617</u>
Net position - beginning of year	<u>946,043</u>
Net position - end of year	<u><u>\$ 1,004,660</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, 2019**

	2019
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees	\$ 501,675
Cash payments to employee(s) for services	(211,020)
Cash payments for operating expenses	(206,975)
Net cash provided (used) by operating activities	<u>\$ 83,680</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (26,410)
Net cash used in capital and related financing activities	<u>\$ (26,410)</u>
Cash flows from investing activities:	
Interest income	\$ 3,947
Transfers to investments	(666)
Net cash provided (used) by investing activities	<u>\$ 3,281</u>
Net increase (decrease) in cash	<u>\$ 60,551</u>
Cash - beginning of year	<u>909,253</u>
Cash - end of year	<u><u>\$ 969,804</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, 2019**

	2019
	Proprietary- Enterprise Fund
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	\$ 55,732
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	\$ 6,679
Changes in assets and liabilities:	
Prepaid expense	(3,905)
Accounts payable	15,485
Payroll related liabilities	1,409
Unearned revenue	8,280
Total adjustments	\$ 27,948
Net cash provided (used) by operating activities	\$ 83,680

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, 2019**

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 board. 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, 2019**

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 at September 30, 2019.

Prepaid Expense

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

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE
PATHOLOGISTS AND AUDIOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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 half value if paid out, and is not cumulative. Accumulated earned compensated vacation leave payable at September 30, 2019 consisted of the following:

	<u>September 30, 2019</u>
Current portion	\$ 2,750
Long-term portion	<u>5,339</u>
Total	<u><u>\$ 8,089</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 \$4,741 at September 30, 2019.

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, 2019**

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

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 \$240,000, a reserve for consumer and licensee education expenses in the amount of \$28,000, and a reserve for expenses related to the potential enactment of the Audiology & Speech-Language Pathology Interstate Compact agreement in North Carolina (an interstate agreement between states that offers a pathway for licensure to qualified audiologists and speech-language pathologists who wish to practice in multiple states) in the amount of \$75,000, for the year ended September 30, 2019, for its unrestricted net position.

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.

Note 2 - Deposits and Investments

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, 2019, the Board's deposits had a carrying amount of \$1,191,594 and a bank balance of \$1,196,501. Of the bank balance, \$523,912 was covered by federal depository insurance (FDIC), \$250,000 was insured by the National Credit Union Administration (NCUA), and \$422,589 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$221,790 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE
PATHOLOGISTS AND AUDIOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

Note 2 - Deposits and Investments (Continued)

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, 2019, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificates of Deposit	\$ 221,790	13.4 Months	N/A

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at September 30, 2019 is as follows:

	September 30, 2019
Carrying Amount of Bank Deposits- Checking and Money Market	\$ 969,804
Certificates of Deposit	221,790
Total Deposits and Investments	<u>\$ 1,191,594</u>
Current:	
Cash and Cash Equivalents	\$ 969,804
Noncurrent:	
Investments	221,790
Total Deposits and Investments	<u>\$ 1,191,594</u>

**NORTH CAROLINA BOARD OF EXAMINERS FOR SPEECH AND LANGUAGE
PATHOLOGISTS AND AUDIOLOGISTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

Note 3- Capital Assets

Changes in capital assets as of and for the year ended September 30, 2019 is as follows:

	Cost 09-30-18	Acquisitions	Disposals	Cost 09-30-19	Accumulated Depreciation	Net Amount
Office/computer equipment	\$ 53,104	\$ 26,410	\$ 3,753	\$ 75,761	\$ 34,891	\$ 40,870
	<u>\$ 53,104</u>	<u>\$ 26,410</u>	<u>\$ 3,753</u>	<u>\$ 75,761</u>	<u>\$ 34,891</u>	<u>\$ 40,870</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 \$6,679 for the fiscal year ended September 30, 2019.

Note 4 - Accounts Payable

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

	September 30, 2019
Due to Vendors	\$ 25,621
Total Accounts Payable	<u>\$ 25,621</u>

Note 5 - Operating Leases

The Board leased office space and office equipment under operating leases. Total rent expense charged to operations under the lease agreements was \$31,019 (\$28,830 for the office space lease and \$2,189 for office equipment leases) during 2019.

Rental commitments under the noncancellable operating lease at September 30, 2019 are as follows:

Year Ended September 30,	
2020	\$ 30,579
2021	30,585
2022	<u>31,424</u>
	<u>\$ 92,588</u>

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Note 6 - Non-Current Liabilities

A summary of changes in non-current liabilities for the year ended September 30, 2019 follows:

	Balance 09-30-18	Additions	Deletions	Balance 09-30-19	Current	Non- Current
Compensated absences	\$ 5,945	\$ 6,930	\$ 4,786	\$ 8,089	\$ 2,750	\$ 5,339
	<u>\$ 5,945</u>	<u>\$ 6,930</u>	<u>\$ 4,786</u>	<u>\$ 8,089</u>	<u>\$ 2,750</u>	<u>\$ 5,339</u>

Note 7- 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. Three employees are covered under the plan at September 30, 2019, one management employee and two 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, 2019 was \$138,350; the Board's total payroll was \$161,917. The Board's pension contribution amounted to \$11,068 for 2019 (8% of covered compensation). The Board's payroll for employee(s) covered by the plan for the year ended September 30, 2018 was \$90,338; the Board's total payroll was \$131,978. The Board's pension contribution amounted to \$7,227 for 2018 (8% of covered compensation). The Board had no contingent liabilities to the plan at September 30, 2019 and 2018. 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. There were voluntary contributions to the plan by employees to the plan in the amount of \$7,821 (5%-8% of covered compensation) for the year ended September 30, 2018 and \$4,877 (5% of covered compensation) for September 30, 2018.

Note 8 - 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 9 - 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 last three fiscal years.

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Note 10 - Subsequent Events

Subsequent events have been evaluated through January 28, 2020, 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.

This audit required approximately 95 hours at a cost of \$9,495.