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NORTH CAROLINA VETERINARY MEDICAL BOARD

Financial Statements

June 30, 2019 and 2018

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NORTH CAROLINA VETERINARY MEDICAL BOARD  
Management's Discussion and Analysis  
June 30, 2019 and 2018

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements which follow this section.

**Financial Highlights**

The operating revenues of the Board increased \$86,497 or 7.13%, due primarily to an increase in the number of renewing licensees and related fees.

The operating expenses of the Board decreased by \$42,153 or 4.11%, due to decreased computer support expenses.

**Overview of the Financial Statements**

This discussion and analysis is an introduction to the Board's financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements.

**Financial Statements**

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies.

The Statements of Net Position present the assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of the years' operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the years' activity.

The following presents condensed financial information on the operations of the Board:

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Current Assets	\$ 1,355,837	\$ 784,483
Capital Assets	531,426	782,952
Total Assets	<u>1,887,263</u>	<u>1,567,435</u>
Current Liabilities	529,278	512,209
Non-Current Liabilities	19,694	14,997
Total Liabilities	<u>548,972</u>	<u>527,206</u>
Invested in Capital Assets	531,426	782,952
Unrestricted	806,865	257,277
Total Net Position	<u>\$ 1,338,291</u>	<u>\$ 1,040,229</u>
Operating Revenues	\$ 1,299,705	\$ 1,213,208
Operating Expenses	<u>984,459</u>	<u>1,026,612</u>
Operating Income	315,246	186,596
Non-Operating Revenue (Expense)	<u>(17,184)</u>	<u>527</u>
Change in Net Position	<u>\$ 298,062</u>	<u>\$ 187,123</u>

NORTH CAROLINA VETERINARY MEDICAL BOARD  
Management's Discussion and Analysis  
June 30, 2019 and 2018

**Capital Assets**

Investment in capital assets as of June 30, 2019 totals \$531,426 (net of accumulated depreciation).

Major capital transactions during the year consisted of selling 1611 Jones Franklin Road, Suite 105, for \$252,000.

**Events Affecting Future Operations**

Due to increasing demand for veterinary services, the number of renewals and new applications should continue to increase moderately with a similar increase in income as in the past year.

**Contacting the Board's Management**

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact: North Carolina Veterinary Medical Board, 1611 Jones Franklin Road, Suite 106, Raleigh, North Carolina 27606.



Board of Directors  
North Carolina Veterinary Medical Board  
Raleigh, North Carolina

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Veterinary Medical Board as of and for the year ended June 30, 2019, 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 the 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 auditors' judgment, including the assessment of the risk 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 includes evaluating the appropriateness of accounting principles 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 Veterinary Medical Board as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Prior Period Financial Statements***

The financial statements of the North Carolina Veterinary Medical Board as of June 30, 2018 were audited by other auditors whose report dated October 17, 2018 expressed an unmodified opinion on those statements.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Koonce, Wooten & Hayward, LLP

Raleigh, North Carolina  
September 5, 2019

## NORTH CAROLINA VETERINARY MEDICAL BOARD

## Statements of Net Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current Assets:		
Cash	\$ 776,085	\$ 777,469
Certificate of Deposit	560,922	
Accrued Interest	2,868	
Prepaid Expenses	15,962	7,014
Total Current Assets	<u>1,355,837</u>	<u>784,483</u>
Capital Assets		
Land	150,000	275,000
Building and Improvements	334,367	479,945
Furniture and Office Equipment	47,059	28,007
Total Capital Assets - Net of Depreciation	<u>531,426</u>	<u>782,952</u>
Total Assets	<u>1,887,263</u>	<u>1,567,435</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	14,080	16,148
Unearned Revenue	511,545	487,130
SEP Retirement Contribution Payable	3,653	1,730
Withheld and Accrued Payroll Taxes	7,201	7,201
Total Current Liabilities	<u>529,278</u>	<u>512,209</u>
Non-Current Liabilities:		
Accrued Vacation	19,694	14,997
Total Liabilities	<u>548,972</u>	<u>527,206</u>
NET POSITION:		
Investment in Capital Assets	531,426	782,952
Unrestricted Net Position	806,865	257,277
Total Net Position	<u>\$ 1,338,291</u>	<u>\$ 1,040,229</u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
License and Renewal Fees	\$ 1,040,960	\$ 967,510
Examination/Application Fees	95,150	90,250
Hospital Inspection Fees	104,375	75,875
Reinstatement Fees	7,670	2,800
Temporary Permits	35,550	60,750
Service Verifications	5,580	5,328
Corporate Registration and Application Fees		6,240
Miscellaneous Income	10,420	4,455
Total Operating Revenues	<u>1,299,705</u>	<u>1,213,208</u>
OPERATING EXPENSES:		
Salaries	359,838	305,049
Payroll Taxes	30,457	27,526
Employee Benefits	63,349	43,449
Legal, Audit, and Other Professional Fees	231,418	249,887
Contractual Services--Impairment Fund	67,500	67,500
Travel	39,655	32,545
Computer Support	35,234	107,564
Online Processing Fees	32,251	29,345
Building Operating Expenses	23,452	30,337
Board Members and Meeting Expenses	23,448	30,606
Depreciation	22,418	21,105
Office Supplies	20,161	13,415
Insurance and Bonding	14,540	25,049
Telephone and Internet	6,634	12,037
Office Equipment Rental and Maintenance	5,354	12,081
Postage and Shipping	3,941	6,499
Registration Fees	2,762	2,680
Miscellaneous	1,091	3,025
Printing	956	6,913
Total Operating Expenses	<u>984,459</u>	<u>1,026,612</u>
INCOME FROM OPERATIONS	<u>315,246</u>	<u>186,596</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	5,023	464
Gain (Loss) on Disposal of Capital Assets	(22,207)	63
Total Non-Operating Revenue (Expense)	<u>(17,184)</u>	<u>527</u>
CHANGE IN NET POSITION	298,062	187,123
NET POSITION--Beginning of Year	<u>1,040,229</u>	<u>853,106</u>
NET POSITION--End of Year	<u>\$ 1,338,291</u>	<u>\$ 1,040,229</u>

The accompanying notes are an integral part of the financial statements.



## NORTH CAROLINA VETERINARY MEDICAL BOARD

## Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Fees and Other Income	\$ 1,324,120	1,261,068
Cash Payments to Employees for Services	(454,225)	(379,763)
Cash Payments for Operating Expenses	(519,413)	(607,642)
Net Cash Provided by Operating Activities	<u>350,482</u>	<u>273,663</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Disposition of Capital Assets	235,878	63
Acquisition of Capital Assets	(28,977)	(17,081)
Net Cash Provided (Used) by Financing Activities	<u>206,901</u>	<u>(17,018)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Certificate of Deposit	(560,922)	
Investment Income	2,155	464
Net Cash Provided (Used) by Investing Activities	<u>(558,767)</u>	<u>464</u>
NET INCREASE (DECREASE) IN CASH	(1,384)	257,109
CASH--Beginning of Year	<u>777,469</u>	<u>520,360</u>
CASH--End of Year	<u><u>\$ 776,085</u></u>	<u><u>\$ 777,469</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 315,246	\$ 186,596
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	22,418	21,105
Changes in Assets and Liabilities:		
Prepaid Expenses	(8,948)	35,327
Accounts Payable	(2,068)	(13,183)
Due to Other State Agencies		(303)
Unearned Revenue	24,415	47,860
SEP Retirement Contribution Payable	1,923	868
Withheld and Accrued Payroll Taxes	(7,201)	(1,314)
Accrued Vacation	4,697	(3,293)
Net Cash Provided by Operating Activities	<u><u>\$ 350,482</u></u>	<u><u>\$ 273,663</u></u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA VETERINARY MEDICAL BOARD  
Notes to Financial Statements  
June 30, 2019 and 2018

1. Summary of Significant Accounting Policies

A. Description of Organization and Purpose:

The North Carolina Veterinary Medical Board (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 eight members who are appointed by the Governor, the General Assembly, and the Commissioner of Agriculture 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 veterinarians.

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

B. 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 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.

C. 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 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.

D. Basis of Accounting:

In accordance with *Statement of Governmental Accounting Standards 34*, 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 funds or component units.

The financial statements report all activities of the North Carolina Veterinary Medical Board using the full 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.

NORTH CAROLINA VETERINARY MEDICAL BOARD  
Notes to Financial Statements  
June 30, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

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. Non-operating revenues consist of those revenues that are related to investing types of activities and are classified as non-operating in the financial statements.

E. Cash:

For purposes of the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

F. Capital Assets:

Capital assets 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 \$500 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: building, 40 years; furniture and equipment, 5 to 7 years.

G. Compensated Absences (Vacation and Sick Leave):

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. At year end, accrued vacation in excess of the limits are transferred and added to sick leave balances. Accumulated earned vacation payable at June 30, 2019 and 2018 was \$19,694 and \$14,997, respectively.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

H. Unearned Revenue:

The Board's fees are assessed and collected on both an annual and a biennial basis, some of which correspond with the Board's accounting period and some of which correspond with the calendar year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the periods to which they relate.

I. 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 at year end.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

J. Use of Estimates:

The presentation of financial statements in conformity with GAAP 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.

## NORTH CAROLINA VETERINARY MEDICAL BOARD

## Notes to Financial Statements

June 30, 2019 and 2018

2. Deposits and Investments

*Custodial Credit Risk.* The Board maintains a demand deposit and certificates of deposit at one commercial bank in North Carolina. At June 30, 2019 and 2018, the Board had carrying amounts of \$1,337,007 and \$777,649, respectively, and bank balances of \$1,347,670 and \$803,021, respectively. Of these bank balances, which include a non-interest bearing checking account, \$250,000 was covered by federal depository insurance and \$1,097,670 and \$553,021, respectively, were uninsured.

3. Capital Assets

Changes in capital assets as of and for the year ended June 30, 2019 and 2018 are as follows:

	Cost 6/30/2018	Acquisitions	Disposals	Cost 6/30/2019	Accumulated Depreciation	Net Amount
Land	\$ 275,000	\$	\$ 125,000	\$ 150,000	\$	\$ 150,000
Building/Improvements	672,905		136,129	536,776	202,409	334,367
Furniture/Equipment	328,528	28,977	278,057	79,448	32,389	47,059
	<u>\$ 1,276,433</u>	<u>\$ 28,977</u>	<u>\$ 539,186</u>	<u>\$ 766,224</u>	<u>\$ 234,798</u>	<u>\$ 531,426</u>

  

	Cost 6/30/2017	Acquisitions	Disposals	Cost 6/30/2018	Accumulated Depreciation	Net Amount
Land	\$ 275,000	\$	\$	\$ 275,000	\$	\$ 275,000
Building/Improvements	672,905			672,905	192,960	479,945
Furniture/Equipment	313,815	17,081	2,368	328,528	300,521	28,007
	<u>\$ 1,261,720</u>	<u>\$ 17,081</u>	<u>\$ 2,368</u>	<u>\$ 1,276,433</u>	<u>\$ 493,481</u>	<u>\$ 782,952</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$22,418 for the year ended June 30, 2019 and \$21,105 for the year ended June 30, 2018.

4. Insurance

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company.

5. Operating Leases

The Board leased office equipment under operating leases. Total rent expense charged to operations under the lease agreements was \$5,354 in 2019 and \$3,933 in 2018.

Rental commitments under noncancelable operating leases at June 30, 2019 are as follows:

Year Ended June 30	
2020	\$ 4,921
2021	<u>971</u>
	<u>\$ 5,892</u>

## NORTH CAROLINA VETERINARY MEDICAL BOARD

## Notes to Financial Statements

June 30, 2019 and 2018

6. Pension Plan and Postemployment Benefits other than Pensions***Simplified Employee Pension Plan***

On April 14, 1997, the Board entered into a Simplified Employee Pension Plan agreement on behalf of employees of the Board. Four employees were covered under the plan. 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 employees covered by the plan for the year ended June 30, 2019 was \$238,819; the Board's total payroll was \$359,838. The Board's payroll for employees covered by the plan for the year ended June 30, 2018 was \$84,771; the Board's total payroll was \$305,049. The Board's pension contribution amounted to \$7,628 for 2019 and \$4,328 for 2018. The Board had outstanding liabilities to the plan in the amount of \$3,653 at June 30, 2019 and \$1,730 at June 30, 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 contributions retirement plan.

7. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in 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 were filed during the last three fiscal years.

8. Contingencies

The Board is involved in a number of 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 years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

9. Payments to Impairment Fund

The Board contributes to the North Carolina Physicians Health Program, Inc., pursuant to a contractual agreement with the program. The Board paid into the program \$67,500 for both of the years ended June 30, 2019 and 2018. These payments were made to benefit veterinarians in need of the services of the program. The North Carolina Physicians Health Program was created in accordance with North Carolina General Statute 90-21.22.

According to the Federation of State Physician Health Programs, Inc., the purpose of a physician health program is to "provide a non-disciplinary therapeutic program for health care practitioners with health conditions which may compromise their ability to practice with reasonable skill and safety." A memorandum of understanding between the North Carolina Medical Board (Medical Board) and the North Carolina Medical Society (Medical Society) establishes the provisions for administering the Program. The memorandum also establishes the North Carolina Physicians Health Program, Inc., a nonprofit affiliate organization of the Medical Society, as the Program's administrator. The North Carolina Physicians Health Program, Inc. has a 15-member Board of Directors that consists of five members from the Medical Society, three members from the Medical Board, and seven members from other health care provider organizations.

NORTH CAROLINA VETERINARY MEDICAL BOARD  
Notes to Financial Statements  
June 30, 2019 and 2018

10. Subsequent Events

Management evaluated subsequent events through September 5, 2019, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

11. Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. Such reclassifications had no effects on net position or cash flows.