

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

**Financial Statements for the
Years Ended May 31, 2023 and 2022 and
Independent Auditor's Report**

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

**Financial Statements for the
Years Ended May 31, 2023 and 2022 and
Independent Auditor's Report**

BOARD MEMBERS (2022-2023)

Cynthia Marshall, President

Schquthia Peacock, Secretary-Treasurer

Victoria Brattain

John "Clell" Hamm

Robert Humphreys

Dawn de Neef, MD

Dave Roberts

BOARD ADMINISTRATOR

Caitlin Schwab-Falzone

LEGAL COUNSEL

Alex Ward
North Carolina Department of Justice

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

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NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

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 years ended May 31, 2023 and 2022. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2023, the Board's net position increased by \$19,635, or 4.30%, due primarily to an annual recurrence of revenues exceeding expenses. During 2022, the Board's net position increased by \$17,664, or 4.02%, due primarily to an annual recurrence of revenues exceeding expenses.

During 2023, the operating revenues of the Board increased by \$3,930, or 2.55%, due primarily to an increase in continuing education fees. During 2022, the operating revenues of the Board increased by \$7,140, or 4.85%, due primarily to an increase in application and related fees.

During 2023, the non-operating revenues of the Board increased by \$1,667, or 262.52%, due primarily to an increase in interest earnings rates. During 2022, the non-operating revenues of the Board decreased by \$2,177, or 77.42%, due primarily to a decrease in interest earnings rates.

During 2023, the operating expenses of the Board increased by \$3,582, or 2.61%, due primarily to an increase in contractual investigation services. During 2022, the operating expenses of the Board increased by \$1,339, or 0.98%, due primarily to an increase in exam 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 Statements of Net Position present the current and long-term portions of assets and liabilities separately.

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

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

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

	Current Year as of and for the year ended May 31, 2023	Prior Year as of and for the year ended May 31, 2022
Current assets	\$ 271,190	\$ 252,043
Capital assets	19,242	2,128
Other assets	300,376	300,019
Total assets	<u>\$ 590,808</u>	<u>\$ 554,190</u>
Current liabilities	\$ 105,611	\$ 97,351
Noncurrent liabilities	8,723	
Total liabilities	<u>\$ 114,334</u>	<u>\$ 97,351</u>
Investment in capital assets	\$ 19,242	\$ 2,128
Unrestricted	457,232	454,711
Total net position	<u>\$ 476,474</u>	<u>\$ 456,839</u>
Operating revenues	\$ 158,315	\$ 154,385
Operating expenses	(140,938)	(137,356)
Operating income	<u>17,377</u>	<u>17,029</u>
Non-operating revenues	2,258	635
Change in net position	<u>\$ 19,635</u>	<u>\$ 17,664</u>

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$476,474 for the year ended May 31, 2023, and \$456,839 for the year ended May 31, 2022. The largest component of net position was cash and investments. Cash and investments represented 118.87% of total net position for the fiscal year ended May 31, 2023, and 119.85% of total net position for the fiscal year ended May 31, 2022. Current assets consist of cash, accrued interest receivable and prepaid expenses. Noncurrent assets consist of office equipment (net of accumulated depreciation) and right-to-use subscription asset (net of amortization). Other assets consist of long term investments and related accrued interest. Noncurrent assets (net of accumulated depreciation and amortization) are not a significant component of assets and are denoted below in the comparative summary of the Statements of Net Position. Current liabilities consist of accounts payable, due to other state agencies, current subscription software payable and related accrued interest payable, and unearned revenue. Noncurrent liabilities consist of long-term subscription software payable. Net position consists of net assets invested in capital assets and unrestricted net assets. Investment in capital assets is a component of net position and consists of capital assets (net of depreciation) and right-to-use subscription asset (net of amortization). The following is a summary of the Statements of Net Position.

	Current Year as of May 31, 2023	Prior Year as of May 31, 2022	Amount of Change	Percentage Change
Current assets	\$ 271,190	\$ 252,043	\$ 19,147	7.60%
Capital assets, net	19,242	2,128	17,114	804.23%
Other assets	300,376	300,019	357	0.12%
Total assets	<u>\$ 590,808</u>	<u>\$ 554,190</u>	<u>\$ 36,618</u>	<u>6.61%</u>
Current liabilities	\$ (105,611)	\$ (97,351)	\$ (8,260)	8.48%
Long-term liabilities	(8,723)		(8,723)	100.00%
Total liabilities	<u>\$ (114,334)</u>	<u>\$ (97,351)</u>	<u>\$ (16,983)</u>	<u>17.45%</u>
Invested in capital assets	\$ 19,242	\$ 2,128	\$ 17,114	804.23%
Unrestricted	457,232	454,711	2,521	0.55%
Total net position	<u>\$ 476,474</u>	<u>\$ 456,839</u>	<u>\$ 19,635</u>	<u>4.30%</u>

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

	The year ended May 31, 2023	The year ended May 31, 2022	Amount of Change	Percentage Change
Operating revenues	\$ 158,315	\$ 154,385	\$ 3,930	2.55%
Operating expenses	(140,938)	(137,356)	(3,582)	2.61%
Non-operating revenues	2,302	635	1,667	262.52%
Non-operating expenses	(44)	-	(44)	-100.00%
Change in net position	<u>\$ 19,635</u>	<u>\$ 17,664</u>	<u>\$ 1,971</u>	<u>11.16%</u>
Ending net position	<u>\$ 476,474</u>	<u>\$ 456,839</u>	<u>\$ 19,635</u>	<u>4.30%</u>

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD

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 May 31, 2023	The year ended May 31, 2022	Amount of Change	Percentage Change
Renewal fees	\$ 94,900	\$ 95,200	\$ (300)	-0.32%
Application fees	35,050	35,250	(200)	-0.57%
Continuing education fees	21,165	17,210	3,955	22.98%
Examination fees	5,250	4,950	300	6.06%
Certificate fees	650	625	25	4.00%
Late fees	100	250	(150)	-60.00%
Miscellaneous income	1,200	900	300	33.33%
Total	<u>\$ 158,315</u>	<u>\$ 154,385</u>	<u>\$ 3,930</u>	<u>2.55%</u>

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

	The year ended May 31, 2023	The year ended May 31, 2022	Amount of Change	Percentage Change
Interest income and expense	\$ 2,258	\$ 635	\$ 1,623	255.59%
Total	<u>\$ 2,258</u>	<u>\$ 635</u>	<u>\$ 1,623</u>	<u>255.59%</u>

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: North Carolina State Hearing Aid Dealers and Fitters Board, 701 Exposition Place, Suite 206, Raleigh, NC 27615.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Hearing Aid Dealers and Fitters Board
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina State Hearing Aid Dealers and Fitters Board (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 years ended May 31, 2023 and 2022, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina State Hearing Aid Dealers and Fitters Board as of May 31, 2023 and 2022, and the results of its operations, changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for one year after the date that the financial statements are issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Hawley, C.P.A., P.A." The signature is written in a cursive, flowing style.

Hawley, C.P.A., P.A.

Angier, North Carolina

September 21, 2023

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF NET POSITION
MAY 31, 2023 AND 2022

	May 31, 2023	May 31, 2022
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 266,390	\$ 247,513
Prepaid expenses (Note 1)	4,800	4,530
Total current assets	271,190	252,043
Capital assets:		
Office equipment, net of depreciation (Notes 1 and 3)	1,445	2,128
Right-to-use subscription asset, net of amortization (Notes 1 and 3)	17,797	
Total capital assets, net	19,242	2,128
Other assets:		
Investments (Notes 1 and 2)	300,000	300,000
Accrued interest receivable (on investments)	376	19
Total other assets	300,376	300,019
TOTAL ASSETS	\$ 590,808	\$ 554,190
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable - vendors (Note 4)	\$ 814	\$
Due to other state agencies (Note 4)	5,706	6,201
Subscription payable (Notes 5, 7 and 10)	8,897	
Accrued interest payable (Note 7)	44	
Unearned revenue (Note 1)	90,150	91,150
Total current liabilities	105,611	97,351
Noncurrent liabilities:		
Subscription payable (Notes 1, 5, 7 and 10)	8,723	
Total noncurrent liabilities	8,723	0
TOTAL LIABILITIES	114,334	97,351
NET POSITION (NOTE 1)		
Investment in capital assets	19,242	2,128
Unrestricted net position	457,232	454,711
TOTAL NET POSITION	476,474	456,839
TOTAL LIABILITIES AND NET POSITION	\$ 590,808	\$ 554,190

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
Renewal fees	\$ 94,900	\$ 95,200
Application fees (including initial licensure fees)	35,050	35,250
Continuing education fees	21,165	17,210
Examination fees	5,250	4,950
Certificate fees	650	625
Late fees	100	250
Other income:		
Miscellaneous operating income	<u>1,200</u>	<u>900</u>
Total operating revenues	\$ 158,315	\$ 154,385
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses	\$ 2,244	\$ 2,271
Staff continuing education expense		
Staff transportation expense	217	214
Supplies and materials:		
Office and computer supplies	379	190
Services:		
Contractual investigation services	4,473	
Contractual management services (Note 6)	54,270	54,000
Legal and audit fees	32,596	33,419
Website management expenses	866	2,578
Printing and copying	672	594
Postage	824	609
Telephone	522	492
Exam expenses	29,410	37,843
Bank charges (including credit card discount fees)	4,611	4,214

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MAY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Depreciation and amortization (Notes 1 and 3)	9,581	682
Insurance and bonding	<u>273</u>	<u>250</u>
Total operating expenses	<u>\$ 140,938</u>	<u>\$ 137,356</u>
 Operating income (loss)	 \$ 17,377	 \$ 17,029
 NON-OPERATING REVENUES (EXPENSES):		
Interest income	\$ 2,302	\$ 635
Interest expense on right-to-use subscription asset (Note 7)	<u>(44)</u>	<u></u>
Total non-operating revenues (expenses)	<u>\$ 2,258</u>	<u>\$ 635</u>
 Change in net position	 <u>\$ 19,635</u>	 <u>\$ 17,664</u>
 Net position - beginning of year	 <u>456,839</u>	 <u>439,175</u>
 Net position - end of year	 <u><u>\$ 476,474</u></u>	 <u><u>\$ 456,839</u></u>

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2023 AND 2022

	2023	2022
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees	\$ 156,115	\$ 152,335
Cash received from other operating revenues	1,200	900
Cash payments for operating expenses	(131,308)	(136,932)
Net cash provided (used) by operating activities	\$ 26,007	\$ 16,303
Cash flows from capital and related financing activities:		
Principal and interest paid on right-to-use subscription asset	\$ (9,075)	\$
Net cash provided (used) in capital and related financing activities	\$ (9,075)	\$ 0
Cash flows from investing activities:		
Transfer from certificate(s) of deposit to operating account	\$ 1,723	\$ 510
Transfer from operating account to certificate(s) of deposit	(1,723)	(510)
Interest on investments	1,945	636
Net cash provided (used) by investing activities	\$ 1,945	\$ 636
Net increase (decrease) in cash	\$ 18,877	\$ 16,939
Cash and cash equivalents - beginning of year	247,513	230,574
Cash and cash equivalents - end of year	\$ 266,390	\$ 247,513

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2023 AND 2022

	2023	2022
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ 17,377	\$ 17,029
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Depreciation and amortization	\$ 9,581	\$ 682
Prepaid expense	(270)	(30)
Accounts payable	319	(228)
Unearned revenue	(1,000)	(1,150)
Total adjustments	\$ 8,630	\$ (726)
Net cash provided (used) by operating activities	\$ 26,007	\$ 16,303

See notes to financial statements.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina State Hearing Aid Dealers and Fitters Board (the "Board") is an independent State board. It is an occupational licensing board and is authorized by Chapter 93D 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 Annual Comprehensive Financial Report (ACFR).

The Board is established to maintain minimum standards for services provided by hearing aid dealers and fitters.

The Board's operations are financed with self-generated revenues from fees charged to examinees and 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 Annual Comprehensive Financial Report (ACFR). 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 STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

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 Statements 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 (if any), 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 certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (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 net increase (decrease) in the fair value of investments for certificates of deposit is recognized as a component of investment interest income. The Board only held non-negotiable certificates of deposits.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for management services.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

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

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 and/or units of output method over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 years.

Right-to-use subscription assets are recorded at the present value of payments expected to be made during the subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Amortization for right-to-use subscription assets is computed using the straight-line method over the shorter of the subscription term or the underlying asset's estimated useful life, generally estimated as follows: right-to-use subscription asset, 2-30 years.

Unearned Revenue

The Board's fees are assessed and collected on an annual basis for the period April 1 through March 31, which does not correspond with the Board's accounting period. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of other long-term liabilities that will not be paid within the next fiscal year. Noncurrent liabilities include subscription liability.

Net Position

Investment in capital assets - This component of net position consists of total investment in capital assets (net of accumulated depreciation) and reduced by outstanding liabilities (if any) related to 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 investment in capital assets*.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

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

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 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 May 31, 2023, the Board's deposits had a carrying amount of \$566,390 and a bank balance of \$588,799. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$338,799 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position. At May 31, 2022, the Board's deposits had a carrying amount of \$547,513 and a bank balance of \$558,947. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$308,947 was uninsured and uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)]. Certificates of deposit in the amount of \$300,000 are considered time deposits for this disclosure and are classified as investments on the Statements of Net Position.

The Board is subject to the following risks:

Interest rate risk - Interest rate risk is the risk that 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 interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 36 months and to money market mutual funds.

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 and money market mutual funds.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

Note 2 - Deposits and Investments (Continued)

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at May 31, 2023 and 2022, for the Board's investments.

May 31, 2023				May 31, 2022			
Investment Type	Fair Value	Properties of Debt Securities		Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Avg Maturities	Ratings			Weighted Avg Maturities	Ratings
Securities:				Securities:			
Certificates of Deposit	300,000	13 Months	N/A	Certificates of Deposit	\$ 300,000	13 Months	N/A

Reconciliation of Deposits and Investments

A reconciliation of deposits and investments for the Board to the basic financial statements at May 31, 2023 and 2022, is as follows:

	May 31, 2023	May 31, 2022
Carrying Amount of Bank Deposits	\$ 266,390	\$ 247,513
Certificates of Deposits	300,000	300,000
Total Deposits and Investments	<u>\$ 566,390</u>	<u>\$ 547,513</u>
Current:		
Cash and Cash Equivalents	\$ 266,390	\$ 247,513
Noncurrent:		
Investments	300,000	300,000
Total Deposits and Investments	<u>\$ 566,390</u>	<u>\$ 547,513</u>

Note 3 - Capital Assets

Changes in capital assets as of and for the fiscal years ended May 31, 2023 and 2022 are as follows:

	Bal 5-31-2022	Increases	Decreases	Bal 5-31-2023
Capital Assets				
Office equip/software	\$ 5,022	\$ -	\$ -	\$ 5,022
Right-to-use subscription asset	-	26,695	-	26,695
Total capital assets	<u>5,022</u>	<u>26,695</u>	<u>0</u>	<u>31,717</u>
Less Accumulated Depr/Amort for:				
Office equip/software	(2,894)	(683)	-	(3,577)
Right-to-use subscription asset	-	(8,898)	-	(8,898)
Total Accumulate Depr/Amort	<u>(2,894)</u>	<u>(9,581)</u>	<u>0</u>	<u>(12,475)</u>
Capital Assets, Net	<u>\$ 2,128</u>	<u>\$ 17,114</u>	<u>\$ 0</u>	<u>\$ 19,242</u>

There was \$683 and \$682 depreciation expense for the fiscal years ended May 31, 2023 and 2022, respectively. The Board entered into a SBITA during the fiscal year ended May 31, 2023. There was \$8,898 amortization expense for the fiscal year ended May 31, 2023.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2023 AND 2022

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. Accounts payable and due to other state agencies at May 31, 2023 and 2022 are as follow:

	May 31, 2023	May 31, 2022
Due to Vendors	\$ 814	\$ -
Due to Other State Agencies	5,706	6,201
Total Accounts Payable	<u>\$ 6,520</u>	<u>\$ 6,201</u>

Note 5 - Long Term Liabilities

Changes in Long-Term Liability

A summary of changes in the long-term liabilities for the years ended May 31, 2023 and 2022 are presented as follows:

	Balance at 5-31-2023	Additions	Reductions	Balance at 5-31-2023	Current	Noncurrent
Subscription Liability	\$ -	\$ 26,695	\$ (9,075)	\$ 17,620	\$ 8,897	\$ 8,723
Total Long-Term Liability	<u>\$ 0</u>	<u>\$ 26,695</u>	<u>\$ (9,075)</u>	<u>\$ 17,620</u>	<u>\$ 8,897</u>	<u>\$ 8,723</u>

Additional information regarding right-to-use subscription asset and subscription liability are included in Notes 1, 7 and 10.

Note 6 - Contractual Management Services

The Board does not have any employees. The Board contracted with a management consultant service to provide services for the Board. The contract included all services related to the process of licensure application and renewal, and various other duties. The Board also reimbursed the management services for printing, postage, copying and miscellaneous office expenses. Payments to the management service totaled \$58,584 (which consisted of contractual management services in the amount of \$54,270 and reimbursements in the amount of \$4,314) during the fiscal year ended May 31, 2023. Payments to the management service totaled \$61,466 (which consisted of contractual management services in the amount of \$54,000 and reimbursements in the amount of \$7,466) during the fiscal year ended May 31, 2022.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
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Note 7 - Subscription-Based Information Technology Arrangement (SBITA)

The Board entered a SBITA for the right to use information technology software and cloud computing arrangement (network) asset from an external party. The subscription liability and the related right-to-use subscription asset are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the Board's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: (1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index), and (2) payments based on future performance or usage of the underlying assets. During the year the Board did not recognize any variable payment amounts.

During the fiscal year, the Board recognized a beginning right-to-use subscription asset and beginning subscription liability in the of \$26,695. Future subscription payments have been discounted using a rate of 2%. The subscription payments will result in the reduction of the subscription liability payable, amortization of the right-to-use subscription asset, and interest expense for the use of the asset. A subscription payment in the amount of \$9,075 was made during the fiscal year ended May 31, 2023 which reduced the subscription liability to \$17,620 as of May 31, 2023.

The annual requirements to pay principal and interest on SBITA at May 31, 2023, are as follows:

Fiscal Year	Annual Requirements		
	Subscription (SBITA) Liability		
	Principal	Interest	Payment
2024	\$ 8,723	\$ 352	\$ 9,075
2025	8,897	178	9,075
Total	<u>\$ 17,620</u>	<u>\$ 530</u>	<u>\$ 18,150</u>

Note 8 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; 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 has limited protection from exposure to loss through the purchase of certain 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 past three fiscal years.

NORTH CAROLINA STATE HEARING AID DEALERS AND FITTERS BOARD
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YEARS ENDED MAY 31, 2023 AND 2022

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 years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 10 - Changes in Financial Accounting and Reporting

For the fiscal year ended May 31, 2023, the Board implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

Note 11 - Subsequent Events

Subsequent events have been evaluated through September 21, 2023, 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 was conducted in approximately 80 audit hours at a cost of \$6,895.