

MIDWIFERY JOINT COMMITTEE OF THE STATE
OF NORTH CAROLINA

FINANCIAL STATEMENTS

TWENTY MONTH PERIOD ENDED JUNE 30, 2014



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MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA

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MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Management's Discussion and Analysis
Twenty Month Period Ended June 30, 2014

Introduction

The following is a discussion and analysis of the Midwifery Joint Committee of the State of North Carolina financial statements for the twenty month period ended June 30, 2014. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous years are presented in the analysis.

Financial Highlights

In November 2012, the Midwifery Joint Committee changed its fiscal year end to June 30 instead of October 31 to align financial reporting with similar agencies. The financial statements represent the twenty month period that ended June 30, 2014.

Total assets were \$63,727, a decrease of 4.5% over last year due primarily to the use of cash to pay operating expenses. Liabilities totaled \$14,996, a decrease of 4.5% from the prior year. The resultant net position was \$48,731, a decrease of \$2,315, or 4.5% since October 31, 2012.

The \$63,727 in current assets covered current liabilities of \$14,996, resulting in a current ratio of \$4.25 in current assets for every \$1.00 in current liabilities.

The condensed financial information presents operating results for the twenty month period ended June 30, 2014 and the twelve month period ended October 31, 2012, due to a change in the year end of the Committee. Revenue remained constant when annualized over the twenty month period. Operating expenses in the current year increased as a result of increased legal fees associated with a revision of the Committee's bylaws and cases involving midwives. Non-operating revenue consists of earnings on the certificate of deposit and a savings account.

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Committee's basic financial statements, which are comprised of the following components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Basic Financial Statements

The basic financial statements of the Committee report information about the Committee 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 Committee.

The Statement of Net Position presents the current and noncurrent portions of assets and liabilities separately.

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Management's Discussion and Analysis
Twenty Month Period Ended June 30, 2014

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Committee's net position changed as a result of the year's operations.

The Statement of Cash Flows presents information on how the Committee's cash changed as a result of the period's activity.

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

	June 30, 2014	October 31, 2012
Total assets	\$ 63,727	\$ 66,746
Total liabilities	14,996	15,700
Total net position	<u>\$ 48,731</u>	<u>\$ 51,046</u>
	20 Months Ended June 30, 2014	12 Months Ended October 31, 2012
Operating revenues	\$ 29,954	\$ 17,945
Operating expenses	<u>32,294</u>	<u>14,781</u>
Operating income	(2,340)	3,164
Non-operating revenues	25	12
Changes in net position	<u>\$ (2,315)</u>	<u>\$ 3,176</u>

Events Affecting Future Operations

The Committee anticipates the number of applicants for approval to practice will remain constant; therefore, revenue and expenses should remain stable in future years.

Contacting the Committee's Management

This financial report is designed to provide a general overview of the Committee's finances and to demonstrate the Committee's accountability for the funds it receives and expends. If you have any questions about this report or need additional information, contact Midwifery Joint Committee of the State of North Carolina, P.O. Box 2129, Raleigh, NC 27602.

Independent Auditor's Report

Members of the Board
Midwifery Joint Committee of the State of North Carolina
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Midwifery Joint Committee of the State of North Carolina (the "Committee"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the twenty month period then ended, and the related notes to the basic financial statements, which collectively comprise the Committee's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee'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 Committee'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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Midwifery Joint Committee of the State of North Carolina as of June 30, 2014, and its changes in financial position and cash flows for the twenty month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the Midwifery Joint Committee of the State of North Carolina and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2014, nor the changes in its financial position and its cash flows thereof for the twenty month period then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina

October 21, 2014

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Statement of Net Position
June 30, 2014

Assets

Current assets:	
Cash	\$ 47,640
Certificate of deposit	<u>16,087</u>
Total assets	<u>\$ 63,727</u>

Liabilities and Net Position

Liabilities:	
Accounts payable	\$ 6,296
Unearned revenue	<u>8,700</u>
Total liabilities	<u>14,996</u>
Net position	<u>48,731</u>
Total liabilities and net position	<u>\$ 63,727</u>

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Net Position
Twenty Month Period Ended June 30, 2014

Operating revenues:	
Renewals	\$ 19,345
Approvals to Practice	10,400
Other	209
Total operating revenues	<u>29,954</u>
Operating expenses:	
Administrative	17,943
Legal	8,065
Accounting	600
Joint Committee	1,861
Postage	266
Printing	402
Insurance	1,200
Bank and other	1,957
Total operating expenses	<u>32,294</u>
Operating loss	<u>(2,340)</u>
Non-operating revenues:	
Interest income	<u>25</u>
Change in net position	(2,315)
Net position - beginning of year	<u>51,046</u>
Net position - end of year	<u>\$ 48,731</u>

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Statement of Cash Flows
Twenty Month Period Ended June 30, 2014

Cash flows from operating activities:	
Cash received from fees	\$ 32,954
Cash payments for operating expenses	<u>(35,998)</u>
Net cash used in operating activities	<u>(3,044)</u>
Cash flows from investing activities:	
Accrued interest on certificate of deposit	(13)
Interest	<u>25</u>
Net cash provided by investing activities	<u>12</u>
Net decrease in cash	(3,032)
Cash - beginning of year	<u>50,672</u>
Cash - end of year	<u><u>\$ 47,640</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,340)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts payable	(3,704)
Unearned revenue	<u>3,000</u>
Net cash used in operating activities	<u><u>\$ (3,044)</u></u>

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Midwifery Joint Committee of the State of North Carolina (the "Committee") is an occupational licensing board of midwives in the State of North Carolina, and is authorized by Chapter 90 of the *North Carolina General Statutes*. The Committee's primary responsibilities are to grant approvals to practice as midwives to qualified persons, and to enforce all statutes and rules of Chapter 90, Article 10A.

The Committee's operations are financed with self-generated revenues from fees charged to the applicants.

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 Committee is responsible.

For financial reporting purposes, the Committee is a nonmajor enterprise fund of the primary government of the State of North Carolina.

The accompanying financial statements present all funds and activities for which the Committee is responsible.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

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.

Basis of Accounting

The basic financial statements of the Committee have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows.

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Committee classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Committee's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of renewal and application fees. Operating expenses are all expense transactions 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*.

Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions and consist of investment activities.

Cash

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

Certificate of Deposit

The certificate of deposit is recorded at fair value which is cost plus accrued interest to date.

Unearned Revenue

Midwives are renewed for a period of one year on a birth month renewal system. Renewal fees received are recorded as unearned revenue and recognized as revenue ratably over the year, assuming equal numbers of midwives renewing each month.

Net Position

The Committee's net position consists of assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

MIDWIFERY JOINT COMMITTEE OF THE STATE OF NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DEPOSITS

The Committee's deposits include cash on deposit in checking and savings accounts and a certificate of deposit with financial institutions.

Custodial credit risk is the risk that in the event of a bank failure, the Committee's deposits may not be returned to it. The Committee's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2014, the Committee's deposits were fully insured.

The Committee holds a certificate of deposit at a bank which matures on June 5, 2015. The certificate of deposit is not rated.

NOTE 3 - RELATED PARTY

The Committee shares common board membership with the North Carolina Board of Nursing ("NCBON") and NCBON's staff oversees the daily operations of the Committee. Administrative expense is the fee paid to NCBON for the use of facilities, administrative duties performed by NCBON staff, and copying, and is based on the income received during the year. For the 20-month period ended June 30, 2014, total administrative expenses were \$17,943, which included \$6,296 payable to NCBON at June 30, 2014.

NOTE 4 - SUBSEQUENT EVENTS

Management of the Committee evaluated subsequent events through October 21, 2014, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed

The Committee's audit was conducted in approximately 24 hours at a total audit cost of \$3,300.