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NORTH CAROLINA RESPIRATORY CARE BOARD

Financial Statements

June 30, 2016 and 2015

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To the Board of Directors
North Carolina Respiratory Care Board
Cary, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the North Carolina Respiratory Care Board, an agency of the State of North Carolina, as of and for the years ended June 30, 2016 and 2015, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 North Carolina Respiratory Care Board, an agency of the State of North Carolina, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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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 3 through 4 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.

A handwritten signature in black ink that reads "Rance Wooten & Haywood LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 10, 2016

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2016

This section of the North Carolina Respiratory Care Board's (the Board) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Overview of the Financial Statements

The audited financial statements of the Board consist of the following components:

- Management's Discussion and Analysis
- Financial Statements
- Notes to Financial Statements

The financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

Financial Analysis

Net position is an indicator of the financial health of the Board. Assets exceeded liabilities by \$270,669, \$184,329, and \$198,320 as of June 30, 2016, 2015, and 2014, respectively.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$ 298,192	\$ 220,768	\$ 245,430
Capital Assets	<u>8,442</u>	<u>8,031</u>	<u>962</u>
Total Assets	<u>306,634</u>	<u>228,799</u>	<u>246,392</u>
Current Liabilities	<u>35,965</u>	<u>44,470</u>	<u>48,072</u>
Invested in Capital Assets, net of related depreciation	8,442	8,031	962
Net Position--Unrestricted	<u>262,227</u>	<u>176,298</u>	<u>197,358</u>
Total Net Position	<u>\$ 270,669</u>	<u>\$ 184,329</u>	<u>\$ 198,320</u>

The following table summarizes the revenues and expenses for the Board for the fiscal years ending June 30, 2016, 2015, and 2014:

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Year Ending June 30, 2016</u>	<u>Year Ending June 30, 2015</u>	<u>Year Ending June 30, 2014</u>
Operating Revenues	\$ 465,659	\$ 429,078	\$ 434,369
Nonoperating Revenues	<u>1,612</u>	<u>1,220</u>	<u>1,226</u>
Total Revenues	<u>467,271</u>	<u>430,298</u>	<u>435,595</u>
Operating Expenses	<u>380,931</u>	<u>444,289</u>	<u>354,302</u>
Increase (Decrease) in Net Position	86,340	(13,991)	81,293
Beginning Net Position	<u>184,329</u>	<u>198,320</u>	<u>117,027</u>
Ending Net Position	<u>\$ 270,669</u>	<u>\$ 184,329</u>	<u>\$ 198,320</u>

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2016

Net position increased by \$86,340 for the year ended June 30, 2016. Operating revenues increased by \$36,581 and expenses decreased by \$63,358 during the year. The primary factors in the decrease in expenses were 1) a decrease in salaries expense of \$13,581 as the Board paid out vacation/sick unused to the former Executive Director in the prior year and 2) a decrease in legal fees of \$27,192 due to a legal matter in the prior year.

Capital Assets

Capital assets, net of depreciation, increased by \$411 during the year ended June 30, 2016. The following is a summary of the capital assets, net of depreciation:

Table 3
Capital Assets (net of depreciation)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Furniture and Equipment	\$ 4,430	\$ 2,545	\$ 169
Computer Equipment	<u>4,012</u>	<u>5,486</u>	<u>793</u>
Total	\$ <u>8,442</u>	\$ <u>8,031</u>	\$ <u>962</u>

Requests for Information

This report is intended to provide a summary of the financial position of North Carolina Respiratory Care Board. Questions or requests for additional information should be addressed to:

William L. Croft, PhD, RRT, RCP Executive Director
North Carolina Respiratory Care Board
125 Edinburgh South Drive, Suite 100
Cary, North Carolina 27511

NORTH CAROLINA RESPIRATORY CARE BOARD
 Statements of Net Position
 Enterprise Fund
 June 30, 2016 and 2015

ASSETS

	2016	2015
Current Assets:		
Cash and Cash Equivalents	\$ 285,132	\$ 207,370
Accounts Receivable	5,130	3,170
Prepaid Rent		2,235
Prepaid Insurance	7,930	7,993
Total Current Assets	298,192	220,768
Capital Assets:		
Furniture and Equipment	13,987	11,435
Computer Equipment	17,229	17,229
Total	31,216	28,664
Less Accumulated Depreciation	22,774	20,633
Net Capital Assets	8,442	8,031
Total Assets	306,634	228,799

LIABILITIES

Current Liabilities:		
Accounts Payable--Trade	9,460	17,789
Accrued Vacation	26,505	26,681
Total Current Liabilities	35,965	44,470

NET POSITION

Invested in Capital Assets	8,442	8,031
Unrestricted Net Position	262,227	176,298
Total Net Position	\$ 270,669	\$ 184,329

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

NORTH CAROLINA RESPIRATORY CARE BOARD
 Statements of Revenues, Expenses and Changes in Net Position
 Enterprise Fund
 For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Licenses	\$ 424,683	\$ 394,660
Background, Verification and Approval Fees	30,959	26,377
Penalties and Assessments	7,733	5,150
Other Revenues	2,284	2,891
Total Operating Revenues	<u>465,659</u>	<u>429,078</u>
OPERATING EXPENSES:		
Salaries	169,537	183,118
Professional Fees	91,636	129,637
Rent	29,391	26,176
License Fees	16,104	16,620
Payroll Taxes	12,868	15,035
Travel	12,347	19,598
Bank Service Charges	10,922	10,117
Telephone and Internet	9,278	9,706
Insurance	9,223	10,567
Office Supplies	7,485	8,648
Board Members Per Diem	3,700	3,500
Civil Penalty Fund	2,521	2,400
Depreciation	2,142	1,548
Postage	2,093	6,286
Printing	1,684	1,333
Total Operating Expenses	<u>380,931</u>	<u>444,289</u>
OPERATING GAIN (LOSS)	84,728	(15,211)
NONOPERATING REVENUES:		
Interest Income	<u>1,612</u>	<u>1,220</u>
CHANGE IN NET POSITION	86,340	(13,991)
NET POSITION--Beginning of Year	<u>184,329</u>	<u>198,320</u>
NET POSITION--End of Year	<u>\$ 270,669</u>	<u>\$ 184,329</u>

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

NORTH CAROLINA RESPIRATORY CARE BOARD
 Statements of Cash Flows
 Enterprise Fund
 For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Licensees and Applicants	\$ 424,683	\$ 394,660
Cash Received from Others	39,016	32,918
Cash Paid to Vendors for Goods and Services	(202,416)	(235,472)
Cash Paid to Employees for Services	(182,581)	(213,444)
Net Cash Provided (Used) by Operating Activities	<u>78,702</u>	<u>(21,338)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	<u>(2,552)</u>	<u>(8,617)</u>
Net Cash Used by Financing Activities	<u>(2,552)</u>	<u>(8,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>1,612</u>	<u>1,220</u>
Net Cash Provided by Investing Activities	<u>1,612</u>	<u>1,220</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,762	(28,735)
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>207,370</u>	<u>236,105</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 285,132</u>	<u>\$ 207,370</u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ 84,728	\$ (15,211)
Adjustments to Reconcile Operating Gain to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,142	1,548
Changes in Assets and Liabilities:		
Accounts Receivable	(1,960)	(1,500)
Prepaid Rent	2,235	(2,235)
Prepaid Insurance	63	(338)
Accounts Payable	(8,329)	11,689
Accrued Vacation	<u>(177)</u>	<u>(15,291)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 78,702</u>	<u>\$ (21,338)</u>

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

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

A. Organization:

The North Carolina Respiratory Care Board (the Board) is an occupational licensing board authorized by Chapter 61 of the North Carolina General Statutes. The Board was established to maintain minimum standards for services provided by persons engaged in respiratory care.

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 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.

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 (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 or fees.

D. Basis of Accounting:

In accordance with *Statement of Governmental Accounting Standards No. 34*, the Board herewith presents Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

E. Accounting 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 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 reported period. Actual results could differ from those estimates.

F. Accounts Receivable:

Accounts receivable principally consists of amounts due for continuing education approval fees. The management of the Board reviews the collectibility of the accounts receivable on a periodic basis and utilizes the direct write-off method.

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets:

Capital assets (equipment) are recorded at original cost. Depreciation is provided using the straight-line method over the estimated useful lives of the capital assets. A capitalization threshold of \$500 is utilized.

Capital assets are depreciated over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Office Furniture	7
Office and Computer Equipment	5

H. Accrued Vacation and Sick Leave:

The vacation and sick leave policy of the Board provides for accumulation of earned vacation and sick leave with such leave being fully vested when earned. Because such leave is payable to employees at termination, a liability for the outstanding balances has been recorded. Accrued vacation and sick leave totaled \$26,505 and \$26,681 at June 30, 2016 and 2015, respectively.

I. Net Position:

Net position in the financial statements is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through state statute. The Board currently has no restricted net position.

J. Revenue Recognition:

The Board's license fees are assessed and collected according to each respective licensee's license inception date. Licenses are renewed for a period of one year. License fees are nonrefundable and are therefore recognized in the period received and are not deferred and recognized as revenue over the periods in which they relate. This revenue recognition method reasonably reflects the income of the Board.

K. Cash and Cash Equivalents:

The Board considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

L. Subsequent Events

Subsequent events have been evaluated through November 10, 2016, which is the date the financial statements were available to be issued.

2. Concentrations of Credit Risk

The Board maintains cash balances at a financial institution located in Raleigh, North Carolina. At June 30, 2016, the balances in the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Board had an uninsured cash balance of \$36,428 at June 30, 2016. The Board had no uninsured cash balance at June 30, 2015.

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2016 and 2015

3. Capital Assets

Changes in capital assets for the year ended June 30, 2016 were as follows:

	<u>June 30,</u> <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2016</u>
Capital Assets:				
Furniture	\$ 11,435	\$ 2,552	\$	\$ 13,987
Computer Equipment	<u>17,229</u>	<u></u>	<u></u>	<u>17,229</u>
Total Capital Assets	<u>28,664</u>	<u>2,552</u>	<u></u>	<u>31,216</u>
Less Accumulated Depreciation for:				
Furniture	8,890	667		9,557
Computer Equipment	<u>11,743</u>	<u>1,474</u>	<u></u>	<u>13,217</u>
Total Accumulated Depreciation	<u>20,633</u>	<u>2,141</u>	<u></u>	<u>22,774</u>
Net Capital Assets	<u>\$ 8,031</u>	<u>\$ 411</u>	<u>\$</u>	<u>\$ 8,442</u>

Changes in capital assets for the year ended June 30, 2015 were as follows:

	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2015</u>
Capital Assets:				
Furniture	\$ 8,889	\$ 2,546	\$	\$ 11,435
Computer Equipment	<u>12,808</u>	<u>6,071</u>	<u>1,650</u>	<u>17,229</u>
Total Capital Assets	<u>21,697</u>	<u>8,617</u>	<u>1,650</u>	<u>28,664</u>
Less Accumulated Depreciation for:				
Furniture	8,720	170		8,890
Computer Equipment	<u>12,015</u>	<u>1,378</u>	<u>1,650</u>	<u>11,743</u>
Total Accumulated Depreciation	<u>20,735</u>	<u>1,548</u>	<u>1,650</u>	<u>20,633</u>
Net Capital Assets	<u>\$ 962</u>	<u>\$ 7,069</u>	<u>\$</u>	<u>\$ 8,031</u>

4. Lease Obligations

The Board leases office space through an operating lease which expires in October 2019. Rent expense of \$29,391 and \$26,176 is included in operating expenses at June 30, 2016 and 2015, respectively. In addition, the Board leases an automated mailing machine, which is included in office expenses, through an operating lease which expires in September 2019.

Future minimum rentals under the leases in effect at June 30, 2016 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Commitment</u>
2017	\$ 29,742
2018	30,591
2019	31,466
2020	<u>10,602</u>
	<u>\$ 102,401</u>

