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NORTH CAROLINA RESPIRATORY CARE BOARD

Financial Statements

June 30, 2017 and 2016

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Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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 an opinion 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, 2017 and 2016, 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.

Raleigh

4060 Barrett Drive
Post Office Box 17806
Raleigh, North Carolina 27619

919 782 9265
919 783 8937 FAX

Durham

3500 Westgate Drive
Suite 203
Durham, North Carolina 27707

919 354 2584
919 489 8183 FAX

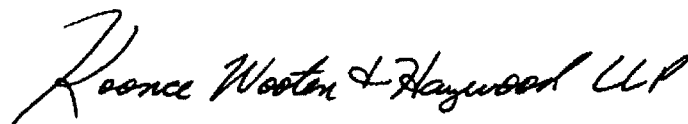
Pittsboro

10 Sanford Road
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

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 cursive script, reading "Rance Wooten & Haywood LLP".

Raleigh, North Carolina
October 12, 2017

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 \$332,898, \$270,669, and \$184,329 as of June 30, 2017, 2016, and 2015, respectively.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets	\$ 358,134	\$ 298,192	\$ 220,768
Capital Assets	<u>15,061</u>	<u>8,442</u>	<u>8,031</u>
Total Assets	<u>373,195</u>	<u>306,634</u>	<u>228,799</u>
Current Liabilities	<u>40,297</u>	<u>35,965</u>	<u>44,470</u>
Invested in Capital Assets, net of related depreciation	15,061	8,442	8,031
Net Position--Unrestricted	<u>317,837</u>	<u>262,227</u>	<u>176,298</u>
Total Net Position	<u>\$ 332,898</u>	<u>\$ 270,669</u>	<u>\$ 184,329</u>

The following table summarizes the revenues and expenses for the Board for the fiscal years ending June 30, 2017, 2016, and 2015:

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

	<u>Year Ending June 30, 2017</u>	<u>Year Ending June 30, 2016</u>	<u>Year Ending June 30, 2015</u>
Operating Revenues	\$ 443,275	\$ 465,659	\$ 429,078
Nonoperating Revenues	<u>1,581</u>	<u>1,612</u>	<u>1,220</u>
Total Revenues	<u>444,856</u>	<u>467,271</u>	<u>430,298</u>
Operating Expenses	<u>382,627</u>	<u>380,931</u>	<u>444,289</u>
Increase (Decrease) in Net Position	62,229	86,340	(13,991)
Beginning Net Position	<u>270,669</u>	<u>184,329</u>	<u>198,320</u>
Ending Net Position	<u>\$ 332,898</u>	<u>\$ 270,669</u>	<u>\$ 184,329</u>

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2017

Net position increased by \$62,229 for the year ended June 30, 2017. Operating revenues decreased by \$22,384 and expenses increased by \$1,696 during the year. The primary factor in the decrease in operating revenues was a decrease in license fee revenue of 15,628.

Capital Assets

Capital assets, net of depreciation, increased by \$6,619 during the year ended June 30, 2017. The following is a summary of the capital assets, net of depreciation:

Table 3
Capital Assets (net of depreciation)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Furniture and Equipment	\$ 15,061	\$ 8,377	\$ 7,706
Computer Equipment	<u> </u>	<u>65</u>	<u>325</u>
Total	\$ <u>15,061</u>	\$ <u>8,442</u>	\$ <u>8,031</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, 2017 and 2016

ASSETS

	2017	2016
Current Assets:		
Cash and Cash Equivalents	\$ 340,101	\$ 285,132
Accounts Receivable	6,840	5,130
Prepaid Rent	2,507	
Prepaid Insurance	8,686	7,930
Total Current Assets	<u>358,134</u>	<u>298,192</u>
Capital Assets:		
Furniture and Equipment	30,412	20,059
Computer Equipment	11,157	11,157
Total	<u>41,569</u>	<u>31,216</u>
Less Accumulated Depreciation	26,508	22,774
Net Capital Assets	<u>15,061</u>	<u>8,442</u>
Total Assets	<u>373,195</u>	<u>306,634</u>

LIABILITIES

Current Liabilities:		
Accounts Payable--Trade	6,815	9,460
Accrued Vacation	<u>33,482</u>	<u>26,505</u>
Total Current Liabilities	<u>40,297</u>	<u>35,965</u>

NET POSITION

Invested in Capital Assets	15,061	8,442
Unrestricted Net Position	<u>317,837</u>	<u>262,227</u>
Total Net Position	<u>\$ 332,898</u>	<u>\$ 270,669</u>

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, 2017 and 2016

	2017	2016
OPERATING REVENUES:		
Licenses	\$ 409,055	\$ 424,683
Background, Verification and Approval Fees	29,345	30,959
Penalties and Assessments	3,250	7,733
Other Revenues	1,625	2,284
Total Operating Revenues	<u>443,275</u>	<u>465,659</u>
OPERATING EXPENSES:		
Salaries	175,761	169,537
Professional Fees	81,631	91,636
Rent	29,885	29,391
Travel	15,997	12,347
Payroll Taxes	12,803	12,868
License Fees	12,624	16,104
Bank Service Charges	10,508	10,922
Office Supplies	10,481	7,485
Telephone and Internet	10,016	9,278
Insurance	9,172	9,223
Board Members Per Diem	4,000	3,700
Depreciation	3,734	2,142
Postage	3,032	2,093
Civil Penalty Fund	1,967	2,521
Printing	1,016	1,684
Total Operating Expenses	<u>382,627</u>	<u>380,931</u>
INCOME FROM OPERATIONS	60,648	84,728
NON-OPERATING REVENUES:		
Interest Income	<u>1,581</u>	<u>1,612</u>
CHANGE IN NET POSITION	62,229	86,340
NET POSITION--Beginning of Year	<u>270,669</u>	<u>184,329</u>
NET POSITION--End of Year	<u>\$ 332,898</u>	<u>\$ 270,669</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Licensees and Applicants	\$ 409,055	\$ 424,683
Cash Received from Others	32,510	39,016
Cash Paid to Vendors for Goods and Services	(196,237)	(202,416)
Cash Paid to Employees for Services	(181,587)	(182,581)
Net Cash Provided by Operating Activities	<u>63,741</u>	<u>78,702</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	<u>(10,353)</u>	<u>(2,552)</u>
Net Cash Used by Financing Activities	<u>(10,353)</u>	<u>(2,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>1,581</u>	<u>1,612</u>
Net Cash Provided by Investing Activities	<u>1,581</u>	<u>1,612</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,969	77,762
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>285,132</u>	<u>207,370</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 340,101</u>	<u>\$ 285,132</u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 60,648	\$ 84,728
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	3,734	2,142
Changes in Assets and Liabilities:		
Accounts Receivable	(1,710)	(1,960)
Prepaid Rent	(2,507)	2,235
Prepaid Insurance	(756)	63
Accounts Payable--Trade	(2,645)	(8,329)
Accrued Vacation	<u>6,977</u>	<u>(177)</u>
Net Cash Provided by Operating Activities	<u>\$ 63,741</u>	<u>\$ 78,702</u>

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

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 \$33,482 and \$26,505 at June 30, 2017 and 2016, 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 October 12, 2017, 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, 2017, the balances in the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Board had uninsured cash balances of \$87,504 and \$36,428 at June 30, 2017 and 2016, respectively.

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2017 and 2016

3. Capital Assets

Changes in capital assets for the year ended June 30, 2017 were as follows:

	June 30, 2016	Additions	Retirements	June 30, 2017
Capital Assets:				
Furniture and Equipment	\$ 20,059	\$ 10,353	\$	\$ 30,412
Computer Equipment	11,157	_____	_____	11,157
Total Capital Assets	31,216	10,353	_____	41,569
Less Accumulated Depreciation for:				
Furniture and Equipment	11,682	3,669		15,351
Computer Equipment	11,092	65		11,157
Total Accumulated Depreciation	22,774	3,734		26,508
Net Capital Assets	\$ 8,442	\$ 6,619	\$ _____	\$ 15,061

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

	June 30, 2015	Additions	Retirements	June 30, 2016
Capital Assets:				
Furniture and Equipment	\$ 17,507	\$ 2,552	\$	\$ 20,059
Computer Equipment	11,157	_____	_____	11,157
Total Capital Assets	28,664	2,552	_____	31,216
Less Accumulated Depreciation for:				
Furniture and Equipment	9,801	1,881		11,682
Computer Equipment	10,832	260		11,092
Total Accumulated Depreciation	20,633	2,141		22,774
Net Capital Assets	\$ 8,031	\$ 411	\$ _____	\$ 8,442

4. Lease Obligations

The Board leases office space through an operating lease which expires in October 2019. Rent expense of \$29,885 and \$29,391 is included in operating expenses at June 30, 2017 and 2016, 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, 2017 are as follows:

Year Ending June 30	Commitment
2018	\$ 30,591
2019	31,466
2020	10,602
	\$ 72,659

