

**NORTH CAROLINA SOCIAL WORK
CERTIFICATION AND LICENSURE
BOARD**

Financial Statements

Years Ended June 30, 2017 and 2016



Rives & Associates, LLP
Certified Public Accountants and Consultants

**NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
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NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Management's Discussion and Analysis
June 30, 2017

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2017. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The operating revenues of the Board increased by \$15,783 or 1.86%. Although renewal activity reflected a slight decrease in volume, there was a noted increase in the volume of initial applications, examinations, verification of credentials and professional corporation/limited liability applications received.
- The non-operating revenues of the Board increased \$3,978 or 39.82%, due to an increase in cash balances earning interest.
- The operating expenses of the Board decreased by \$4,061 or 0.70% due primarily to prior year expenses for website development. The Board expended an initial payment for website development in SFY 2015-2016 which is still underway so the final payment was not made in SFY 2016-2017. In addition, one employee dropped health insurance coverage in SFY 2016-2017 by moving to a Medicaid program, and as part of the Board's continued solvency plan, additional costs saving efforts were implemented to reduce expenses such as discontinuing the publication of a newsletter and discontinuing the maintenance contract for an older model printer that is used only rarely.

Overview of the Basic Financial Statements

The financial report consists of three sections:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*

The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB) Statement No. 34. The financial statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic 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 SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Management's Discussion and Analysis
June 30, 2017

Basic Financial Statements (Continued)

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

	<u>As of and for the year ended June 30, 2017</u>	<u>As of and for the year ended June 30, 2016</u>
Current assets	\$1,805,426	\$1,517,551
Capital assets – net of depreciation	<u>2,748</u>	<u>4,362</u>
Total assets	<u>1,808,174</u>	<u>1,521,913</u>
Current liabilities	<u>41,151</u>	<u>33,864</u>
Total liabilities	<u>41,151</u>	<u>33,864</u>
Investment in capital assets	2,748	4,362
Board designated	1,000,000	1,000,000
Unrestricted	<u>764,275</u>	<u>483,687</u>
Total net position	<u>\$1,767,023</u>	<u>\$1,488,049</u>
Operating revenues	\$ 846,599	\$ 830,816
Operating expenses	<u>577,613</u>	<u>581,674</u>
Operating income	268,986	249,142
Non-operating income	<u>9,988</u>	<u>6,010</u>
Change in net position	<u>\$ 278,974</u>	<u>\$ 255,152</u>

Contacting the Board's Management

This financial report is intended to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it received and expends. If you have any questions about his report or need additional information, contact:

North Carolina Social Work Certification and Licensure Board
1207 S Cox Street, Suite F
Asheboro, NC 27203



Independent Auditor's Report

Board of Directors
North Carolina Social Work Certification
and Licensure Board
Asheboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Social Work Certification and Licensure Board (a nonprofit organization), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the 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 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 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 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 the North Carolina Social Work Certification and Licensure Board as of June 30, 2017 and 2016, and the changes in net position and its cash flows for the years 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 the 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 inquires 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 any assurance.

Rives & Associates LLP

Lexington, North Carolina
August 22, 2017

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Statements of Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,805,426	\$ 1,517,551
Capital assets:		
Furniture and fixtures	47,313	48,079
Computer and office equipment	10,838	31,549
	<u>58,151</u>	<u>79,628</u>
Less accumulated depreciation	<u>(55,403)</u>	<u>(75,266)</u>
	<u>2,748</u>	<u>4,362</u>
Intangible assets:		
Website development	7,725	7,725
Less accumulated amortization	<u>(7,725)</u>	<u>(7,725)</u>
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,808,174</u>	<u>\$ 1,521,913</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	\$ 7,470	\$ 5,532
Accrued salaries	11,180	5,984
Accrued payroll taxes	1,097	1,265
Accrued compensated absences	21,404	21,083
Total liabilities	<u>41,151</u>	<u>33,864</u>
Net position:		
Unrestricted:		
Board designated	1,000,000	1,000,000
Undesignated	764,275	483,687
Investment in capital assets	2,748	4,362
Total unrestricted net position	<u>1,767,023</u>	<u>1,488,049</u>
Total liabilities and net position	<u>\$ 1,808,174</u>	<u>\$ 1,521,913</u>

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Statements of Revenues, Expenses and Change in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Fees	\$ 846,599	\$ 830,816
Operating expenses:		
Travel - board members	23,439	28,635
Retirement	15,688	15,763
Salaries	278,685	270,088
Insurance	65,794	68,159
Payroll taxes	22,047	19,646
Office supplies	8,548	11,723
Lease payments	33,209	32,880
Printing	5,667	3,371
Postage	9,725	9,671
Utilities	3,421	3,241
Miscellaneous	15,620	14,104
Telephone	4,730	4,396
Professional fees - other	19,188	14,961
Professional fees - ethics	57,197	60,503
Newsletters	-	2,103
Depreciation	2,621	2,637
Dues and memberships	1,775	4,875
Maintenance and repairs	10,259	14,918
Total operating expenses	577,613	581,674
Operating income	268,986	249,142
Non-operating revenue:		
Interest income	9,988	6,010
Change in net position	278,974	255,152
Total net position, beginning of year	1,488,049	1,232,897
Total net position, end of year	\$ 1,767,023	\$ 1,488,049

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

**Statements of Cash Flows
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from fee income	\$ 846,599	\$ 830,816
Cash paid to employees and professionals	(378,509)	(374,187)
Cash paid to suppliers	(189,196)	(211,445)
Net cash flows provided by operating activities	<u>278,894</u>	<u>245,184</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(1,007)</u>	<u>(1,282)</u>
Net cash used by capital and related financing activities	<u>(1,007)</u>	<u>(1,282)</u>
Cash flows from investing activities:		
Receipt of interest income	<u>9,988</u>	<u>6,010</u>
Net cash provided by investing activities	<u>9,988</u>	<u>6,010</u>
Net increase in cash and cash equivalents	287,875	249,912
Cash and cash equivalents, beginning of year	<u>1,517,551</u>	<u>1,267,639</u>
Cash and cash equivalents, end of year	<u>\$ 1,805,426</u>	<u>\$ 1,517,551</u>
Reconciliation of operating income		
to net cash flows from operating activities		
Operating income	\$ 268,986	\$ 249,142
Adjustments to reconcile increase in net position		
to net cash provided by operating activities:		
Depreciation	2,621	2,637
Cash provided (used) by change in:		
Accounts payable	1,938	(9,630)
Accrued salaries	5,196	3,054
Accrued payroll taxes	(168)	(2,258)
Accrued compensated absences	321	2,239
Net cash provided by operating activities	<u>\$ 278,894</u>	<u>\$ 245,184</u>

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

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD
Notes to Financial Statements
June 30, 2017 and 2016

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

Established by Chapter 90B of the North Carolina General Statutes, the North Carolina Social Work Certification and Licensure Board (Board) is an occupational licensing board that grants certificates of qualification to those individuals who meet the legal requirements as a certified/licensed social worker. The Board's essential governmental function is to protect the public by setting standards for qualifications, training, and experience for those who seek to represent themselves to the public as a certified/licensed social worker and by promoting high standards of professional performance for those engaged in the practice of social work. The Board consists of seven members appointed by the Governor, and its income is derived primarily from licensure applications and renewal fees.

Basis of Presentation:

The accompanying 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").

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 non-major 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.

Basis of Accounting:

The financial statements have been prepared using the accrual basis of accounting. 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 the cash flows. The Board classifies its revenues and expenses as operating and non-operating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of application and license renewal fees. Non-operating revenues include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position:

All net positions of the Board are unrestricted. Net positions consist of the following:

- a. Board designated – The Board of Directors has chosen to place an internal designation on unrestricted net positions of \$1,000,000 for future legal expenses.
- b. Undesignated – This component of net positions consists of net positions that do not meet the definition of restricted or invested in property and equipment.
- c. Investment in capital assets – This component of net positions consists of capital assets net of accumulated depreciation, and reduced by any related debt, if applicable.

Cash and Cash Equivalents:

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents. The cash classification includes undeposited receipts, petty cash, checking accounts and pooled-cash deposited with the North Carolina State Treasurer. These funds are considered cash equivalents since they are immediately available for expenditures.

Capital Assets:

The Board's policy is to capitalize property and equipment over \$300. Lesser amounts are expensed. Property and equipment are carried at cost, less accumulated depreciation. Assets are depreciated using the straight-line method over the useful life of the assets as follows:

Furniture	7 to 10 years
Computer and office equipment	5 years

The Board reviews its long-lived assets for impairment annually or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if the estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For the assets to be disposed of, impairment is determined to exist if the estimated realizable value is less than the carrying amount. At June 30, 2017, the Board has determined that no impairment indicators exist.

Intangible Assets:

Costs incurred for the development of the Board's website and software updates are capitalized. Intangible assets are carried at cost, less accumulated amortization and are amortized over three years.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for depreciation. Actual results could differ from those estimates.

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Board places its cash and cash equivalents on deposit with financial institutions in the United States. Combined deposits with a financial institution are insured up to \$250,000. The amount of deposits in excess of the Federal Deposit Insurance Corporation limit totaled \$107,809 and \$28,267, respectively, at June 30, 2017 and 2016.

NOTE 3 – CASH AND CASH EQUIVALENTS

The deposits of the Board are governed by the North Carolina General Statute Section 147-86. The Board may establish official depositories with any bank or savings and loan association whose principal office is located in North Carolina. The Board may also establish time deposits in the form of NOW accounts, Super NOW accounts, money market accounts and certificates of deposit. At June 30, 2017 and 2016, the carrying amount of the Board's State Treasurer's deposits were \$1,300,335 and \$990,449, respectively, and bank balances of \$505,091 and \$527,102, respectively. All deposits with the State Treasurer are either insured or collateralized and is a Short-Term Investment Fund. The difference between cost and fair value is immaterial, therefore no adjustment is necessary.

NOTE 4 – INCOME TAXES

The Board was created pursuant to North Carolina General Statutes to carry out an essential government function; therefore, it is considered exempt from state and federal income tax laws under Internal Revenue Code Section 115, and is not required to file annual tax returns.

NOTE 5 – CAPITAL ASSETS

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	Cost			Cost	Accumulated	Net
	6/30/2016	Acquisitions	Disposals	6/30/2017	Depreciation	Amount
Office Equipment	\$ 48,079	\$ -	\$ 766	\$ 47,313	\$ 46,265	\$ 1,048
Computer Equipment	31,549	1,007	21,718	10,838	9,138	1,700
	<u>\$ 79,628</u>	<u>\$ 1,007</u>	<u>\$ 22,484</u>	<u>\$ 58,151</u>	<u>\$ 55,403</u>	<u>\$ 2,748</u>

	Cost			Cost	Accumulated	Net
	6/30/2015	Acquisitions	Disposals	6/30/2016	Depreciation	Amount
Office Equipment	\$ 48,079	\$ -	\$ -	\$ 48,079	\$ 45,354	\$ 2,725
Computer Equipment	30,267	1,282	-	31,549	29,912	1,637
	<u>\$ 78,346</u>	<u>\$ 1,282</u>	<u>\$ -</u>	<u>\$ 79,628</u>	<u>\$ 75,266</u>	<u>\$ 4,362</u>

NORTH CAROLINA SOCIAL WORK CERTIFICATION AND LICENSURE BOARD

Notes to Financial Statements

June 30, 2017 and 2016

NOTE 6 – RETIREMENT PLAN

The Board sponsors a Simplified Employee Pension Plan. All employees are eligible to participate in the plan and the Board makes discretionary contributions to the plan. For the years ended June 30, 2017 and 2016, the Board has contributed 6% of each participating employee’s wages. The retirement expense for the years ended June 30, 2017 and 2016 amounted to \$15,688 and \$15,763, respectively.

NOTE 7 – OPERATING LEASE COMMITMENTS

The Board has an operating lease for its office facilities from an unrelated party through April 30, 2021. The lease has a 1% rate increase for each 12-month rental period ending April 30, 2021. Lease payments amounted to \$33,209 and \$32,880 at June 30, 2017 and 2016, respectively. Future minimum lease payments required for the duration of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Future Minimum Lease Payments</u>
2018	\$ 33,485
2019	33,820
2020	34,158
2021	34,500
	<u>\$ 135,963</u>

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The Board’s vacation policy states that permanent, probationary, trainee and provisional employees may accrue at least 94 hours each year. As length of service increases, the amount of earned vacation increases. Full-time employees may carry 240 hours of earned annual leave to the following year. Three-quarter time employees may carry 180 hours of earned annual leave to the following year. Any hours exceeding 240 or 180, respectively, are forfeited. Accrued compensated absences were \$21,404 and \$21,083 as of June 30, 2017 and 2016, respectively.

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

The Board has evaluated events and transactions that occurred subsequent to August 22, 2017, which is the date the financial statements were available to be issued. There were no recognized subsequent events requiring disclosure.

The audit was conducted in approximately 75 hours at a cost of \$6,000.