

NORTH CAROLINA STATE  
BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS**  
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**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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**Introduction**

The following is a discussion and analysis of the North Carolina State Board of Examiners for Nursing Home Administrators' (the "Board") financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements which follow this section.

**Financial Highlights**

The operating revenues of the Board decreased by \$15,379 or 3.78%, due primarily to decreases in seminar fees.

The operating expenses of the Board increased by \$13,268 or 3.43%, due primarily to annual increases in salaries and copier lease.

The non-operating revenues of the Board decreased by \$1 or 1.45%.

**Overview of the Basic Financial Statements**

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements. This report also contains this required supplementary information in addition to the basic financial statements.

**Basic Financial Statements**

The basic 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 non-current 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 the year's operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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**Basic Financial Statements (Continued)**

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

	As of and for the Fiscal Year Ended June 30, 2018	As of and for the Fiscal Year Ended June 30, 2017	As of and for the Fiscal Year Ended June 30, 2016
Current assets	\$ 289,257	\$ 277,545	\$ 275,568
Capital assets - net of depreciation	6,591	9,477	6,079
Total assets	<u>295,848</u>	<u>287,022</u>	<u>281,647</u>
Current liabilities	141,221	129,498	142,224
Noncurrent liabilities	47,256	42,359	45,112
Total liabilities	<u>188,477</u>	<u>171,857</u>	<u>187,336</u>
Investment in capital assets	6,591	9,477	6,079
Unrestricted	100,780	105,688	88,232
Total net position	<u>\$ 107,371</u>	<u>\$ 115,165</u>	<u>\$ 94,311</u>
Operating revenues	\$ 391,748	\$ 407,127	\$ 396,634
Operating expenses	399,610	386,342	374,792
Operating income (loss)	<u>(7,862)</u>	<u>20,785</u>	<u>21,842</u>
Non-operating revenues	68	69	85
Changes in net position	<u>\$ (7,794)</u>	<u>\$ 20,854</u>	<u>\$ 21,927</u>

**Events Affecting Future Operations**

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility annually through 2021. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule.

**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 and expends. If you have any questions about this report or need additional information, contact: North Carolina State Board of Examiners for Nursing Home Administrators; 3733 National Drive, Suite 110; Raleigh, NC 27609.



## **Independent Auditor's Report**

Members of the Board  
North Carolina State Board of Examiners for  
Nursing Home Administrators  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the statements of net position of the North Carolina State Board of Examiners for Nursing Home Administrators (the "Board") as of June 30, 2018 and 2017, 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, which collectively comprise the Board's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 the basic 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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic 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 Board as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the North Carolina State Board of Examiners for Nursing Home Administrators and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2018 and 2017, or the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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, P.C.*

Raleigh, North Carolina  
September 18, 2018

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS**  
**Statements of Net Position**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 287,222	\$ 275,507
Prepaid expenses	2,035	2,038
Total current assets	<u>289,257</u>	<u>277,545</u>
Capital assets:		
Furniture, equipment and leasehold improvements, net of depreciation	<u>6,591</u>	<u>9,477</u>
Total capital assets	<u>6,591</u>	<u>9,477</u>
Total assets	<u>295,848</u>	<u>287,022</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and payroll taxes payable	6,935	2,967
Retirement payable	4,738	4,738
Unearned revenues	129,548	121,793
Total current liabilities	<u>141,221</u>	<u>129,498</u>
Non-current liabilities:		
Unearned revenues	26,375	22,449
Accrued vacation	20,881	19,910
Total non-current liabilities	<u>47,256</u>	<u>42,359</u>
Total liabilities	<u>188,477</u>	<u>171,857</u>
<b>NET POSITION:</b>		
Invested in capital assets	6,591	9,477
Unrestricted	100,780	105,688
Total net position	<u>\$ 107,371</u>	<u>\$ 115,165</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Biennial registrations	\$ 195,369	\$ 196,521
Initial registrations	21,500	22,500
Seminar fees	39,996	46,400
Seminar sponsorships	19,100	18,700
Temporary licenses	6,000	10,500
Reciprocity licenses	14,500	15,500
Reciprocity application fees	9,250	10,250
Exam fees	16,950	16,300
Administrator-in-training application fees	8,000	12,100
Inactive fees	9,200	8,600
Continuing education review fees	9,990	10,270
AIT 6-day lecture class	41,493	38,956
Duplicate licenses	275	225
Other revenue	125	305
Total operating revenues	<u>391,748</u>	<u>407,127</u>
Operating expenses:		
Salaries	196,175	188,592
Compensation to board members	3,900	3,750
Payroll taxes	14,933	14,332
Retirement	20,197	20,053
Employee insurance	14,373	12,904
Examination expense	-	1,020
Seminar expense	31,244	36,218
AIT 6-day lecture class	11,657	10,789
Legal and accounting	18,463	20,980
Repairs and maintenance	728	1,689
Office rent	35,444	35,087
Depreciation	6,755	2,603
Travel - staff	8,566	7,343
Travel - board	10,304	9,062
Telephone	1,017	1,040
Internet and website services	6,448	5,355
Postage	2,000	1,744
Printing	192	199
Insurance	1,084	334
Office supplies and expense	8,031	5,568
Honorariums	2,500	2,500
Miscellaneous	5,599	5,180
Total operating expenses	<u>399,610</u>	<u>386,342</u>
Operating income (loss)	<u>(7,862)</u>	<u>20,785</u>
Non-operating revenue:		
Interest income	68	69
Total non-operating revenue	<u>68</u>	<u>69</u>
Changes in net position	(7,794)	20,854
Net position - beginning of year	<u>115,165</u>	<u>94,311</u>
Net position - end of year	<u>\$ 107,371</u>	<u>\$ 115,165</u>

*See Notes to Financial Statements*

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from fees	\$ 403,429	\$ 393,794
Cash payments to employees for services	(195,204)	(187,344)
Cash payments to suppliers for goods and services	(145,655)	(156,906)
Cash payments for other expenses	(47,054)	(42,762)
Net cash provided by operating activities	<u>15,516</u>	<u>6,782</u>
Cash flows from investing activities:		
Interest income	68	69
Net cash provided by investing activities	<u>68</u>	<u>69</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,869)	(6,001)
Net cash used in capital and related financing activities	<u>(3,869)</u>	<u>(6,001)</u>
Net increase in cash	11,715	850
Cash - beginning of year	<u>275,507</u>	<u>274,657</u>
Cash - end of year	<u>\$ 287,222</u>	<u>\$ 275,507</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (7,862)	\$ 20,785
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	6,755	2,603
Changes in assets and liabilities:		
Prepaid expenses	3	(1,127)
Accounts payable	3,946	937
Payroll taxes payable	22	(5,020)
Retirement payable	-	689
Unearned revenues	11,681	(13,333)
Accrued vacation	971	1,248
Total adjustments	<u>23,378</u>	<u>(14,003)</u>
Net cash provided by operating activities	<u>\$ 15,516</u>	<u>\$ 6,782</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS  
Notes to Financial Statements**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization**

The North Carolina State Board of Examiners for Nursing Home Administrators (the "Board") is an occupational licensing board, established under Chapter 90 of the North Carolina General Statutes to maintain minimum standards for services provided by nursing home administrators within the State of North Carolina. The Board's operations are funded primarily through license renewals and license application fees.

The Board is considered an independent agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the Governor.

**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 the 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 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.

**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 may be included 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.

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

**Basis of Accounting**

The basic financial statements of the Board are 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.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS  
Notes to Financial Statements**

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

**Basis of Accounting (Continued)**

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 examination and license fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

**Cash**

Cash is comprised of amounts held in checking and savings accounts at a bank.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$500 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	10 years
Furniture and equipment	5-10 years

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

**Unearned Revenues**

The Board's license renewal fees are assessed and collected for a fiscal period of 2 years, beginning October 1st. License renewal fees received in advance are deferred and recognized as revenue over the 2-year period to which they relate. The Board also collects fees for training classes in advance of the year they are given; therefore the Board defers those revenues until the classes take place.

**Vacation and Sick Leave**

The Board has chosen to follow the state's policy which provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward at the end of each year, or for which an employee can be paid upon termination of employment.

The Board, in accordance with state policy, records the cost of sick leave taken when paid rather than when the leave is earned. The accumulation of sick leave is unlimited, but the employee cannot be compensated for any unused sick leave upon termination of employment.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent 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 and assumptions, resulting in adjustments in future periods.

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS  
Notes to Financial Statements**

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

**Net Position**

The Board's net position is classified as follows:

*Invested in Capital Assets* - This component of net position consists of the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted* - This component of net position consists of the Board's net position that does not meet the definition of restricted or invested in capital assets. The Board has reserved unrestricted net position up to \$500,000 for purposes of payment for legal services and the related costs for conducting administrative hearings and related appeals for the defense of Board members, employees and contractors of the Board in the event of claims against Board members, employees or contractors.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Board maintains its cash balances with a financial institution located in Raleigh, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2018, the Board had \$37,221 in uninsured deposits.

NOTE 3 - CAPITAL ASSETS

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

	Cost 6/30/2017	Acquisitions	Disposals	Cost 6/30/2018	Accumulated Depreciation	Net Amount
Furniture/ equipment	\$ 61,792	\$ 3,869	\$ -	\$ 65,661	\$ 59,070	\$ 6,591
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 64,864</u>	<u>\$ 3,869</u>	<u>\$ -</u>	<u>\$ 68,733</u>	<u>\$ 62,142</u>	<u>\$ 6,591</u>
	Cost 6/30/2016	Acquisitions	Disposals	Cost 6/30/2017	Accumulated Depreciation	Net Amount
Furniture/ equipment	\$ 55,791	\$ 6,001	\$ -	\$ 61,792	\$ 52,315	\$ 9,477
Leasehold improvements	3,072	-	-	3,072	3,072	-
	<u>\$ 58,863</u>	<u>\$ 6,001</u>	<u>\$ -</u>	<u>\$ 64,864</u>	<u>\$ 55,387</u>	<u>\$ 9,477</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
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Notes to Financial Statements**

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**NOTE 4 - ACCRUED VACATION**

Changes to accrued vacation are as follows:

	<u>2018</u>	<u>2017</u>
Beginning accrued vacation	\$ 19,910	\$ 18,662
Vacation earned	16,947	16,171
Vacation used	<u>(15,976)</u>	<u>(14,923)</u>
Ending accrued vacation	<u>\$ 20,881</u>	<u>\$ 19,910</u>

**NOTE 5 - RETIREMENT PLAN**

The Board has a simplified employee pension plan covering all employees who are at least 21 years of age, have performed services for the Board in at least 3 years of the immediately preceding 5 years, and whose total compensation during the year is more than \$450. Benefit terms are established by the board of directors and may be changed by the board of directors. The Board elects to contribute 10.83% of compensation. Employees are not permitted to defer additional amounts under the plan. For the years ended June 30, 2018 and 2017, the Board contributed \$20,197 and \$20,053, respectively, on behalf of its employees.

**NOTE 6 - RENT EXPENSE**

The Board had a lease for office space that was renewed with a three-year term beginning February 1, 2015 and ending January 31, 2018. This lease was renewed during the current fiscal year with a term beginning February 1, 2018 and ending December 31, 2019.

The Board negotiated a second lease in October 2013 for additional office space with a three-year term which began January 1, 2014 and ended December 31, 2016. The second lease for the additional office space was re-negotiated effective January 2017, extending the lease term through December 31, 2019. Total rent expense for the years ended June 30, 2018 and 2017, totaled \$35,444 and \$35,087, respectively.

The Board also has a lease for an office copier with a three-year term beginning September 1, 2017 and ending August 31, 2020. Copier rent expense for the year ended June 30, 2018 totaled \$3,977.

Under the current leases, future minimum rent payments are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 40,236
2020	22,570
2021	<u>729</u>
	<u>\$ 63,535</u>

**NORTH CAROLINA STATE BOARD OF EXAMINERS FOR  
NURSING HOME ADMINISTRATORS**  
**Notes to Financial Statements**

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**NOTE 7 - 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; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company.

**NOTE 8 - COMMITMENTS**

The Board has executed contracts with Kingston Plantation to hold the Preceptor Seminar in their facility from 2019 through 2021. Under these contracts, the Board is liable for certain cancellations when made according to a fixed schedule. There is also a performance damages clause if the event is held but Kingston Plantation does not realize a specified percentage of anticipated revenue from the event.

**NOTE 9 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through September 18, 2018, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 50 hours at a cost of \$6,400.