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NORTH CAROLINA RESPIRATORY CARE BOARD

Financial Statements

June 30, 2018 and 2017

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TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-4
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-11



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, 2018 and 2017, 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, 2018 and 2017, 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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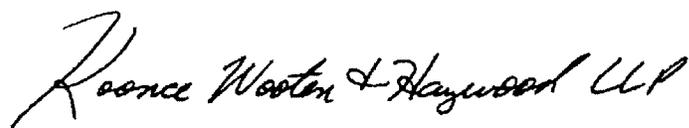
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Other Matters*Required Supplementary Information*

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
October 11, 2018

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 \$436,830, \$332,898, and \$270,669 as of June 30, 2018, 2017, and 2016, respectively.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current Assets	\$ 464,250	\$ 358,134	\$ 298,192
Capital Assets	<u>13,756</u>	<u>15,061</u>	<u>8,442</u>
Total Assets	<u>478,006</u>	<u>373,195</u>	<u>306,634</u>
Current Liabilities	<u>41,176</u>	<u>40,297</u>	<u>35,965</u>
Invested in Capital Assets	13,756	15,061	8,442
Net Position--Unrestricted	<u>423,074</u>	<u>317,837</u>	<u>262,227</u>
Total Net Position	<u>\$ 436,830</u>	<u>\$ 332,898</u>	<u>\$ 270,669</u>

The following table summarizes the revenues and expenses for the Board for the fiscal years ending June 30, 2018, 2017, and 2016:

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

	<u>Year Ending June 30, 2018</u>	<u>Year Ending June 30, 2017</u>	<u>Year Ending June 30, 2016</u>
Operating Revenues	\$ 457,825	\$ 443,275	\$ 465,659
Non-operating Revenues	<u>1,956</u>	<u>1,581</u>	<u>1,612</u>
Total Revenues	<u>459,781</u>	<u>444,856</u>	<u>467,271</u>
Operating Expenses	<u>355,849</u>	<u>382,627</u>	<u>380,931</u>
Increase in Net Position	103,932	62,229	86,340
Beginning Net Position	<u>332,898</u>	<u>270,669</u>	<u>184,329</u>
Ending Net Position	<u>\$ 436,830</u>	<u>\$ 332,898</u>	<u>\$ 270,669</u>

NORTH CAROLINA RESPIRATORY CARE BOARD
Management's Discussion and Analysis
June 30, 2018

Net position increased by \$103,932 for the year ended June 30, 2018. Operating revenues increased by \$14,550 and expenses decreased by \$26,778 during the year. The primary factor in the decrease in expenses was a decrease in professional fees of \$28,847.

Capital Assets

Capital assets, net of depreciation, decreased by \$1,305 during the year ended June 30, 2018. The following is a summary of the capital assets, net of depreciation:

Table 3
Capital Assets (net of depreciation)

	June 30, 2018	June 30, 2017	June 30, 2016
Furniture and Equipment	\$ 11,048	\$ 15,061	\$ 8,377
Computer Equipment	2,708		65
Total	\$ 13,756	\$ 15,061	\$ 8,442

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, 2018 and 2017

ASSETS	2018	2017
Current Assets:		
Cash and Cash Equivalents	\$ 445,897	\$ 340,101
Accounts Receivable	7,170	6,840
Prepaid Rent	2,563	2,507
Prepaid Insurance	8,620	8,686
Total Current Assets	464,250	358,134
Capital Assets:		
Furniture and Equipment	30,412	30,412
Computer Equipment	14,473	11,157
Total	44,885	41,569
Less Accumulated Depreciation	31,129	26,508
Net Capital Assets	13,756	15,061
Total Assets	478,006	373,195
 LIABILITIES		
Current Liabilities:		
Accounts Payable--Trade	3,455	6,815
Accrued Vacation	37,721	33,482
Total Current Liabilities	41,176	40,297
 NET POSITION		
Invested in Capital Assets	13,756	15,061
Unrestricted Net Position	423,074	317,837
Total Net Position	\$ 436,830	\$ 332,898

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, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Licenses and Background Fees	\$ 438,524	\$ 421,025
Verification and Approval Fees	14,930	17,375
Penalties and Assessments	1,500	3,250
Other Revenues	2,871	1,625
Total Operating Revenues	457,825	443,275
OPERATING EXPENSES:		
Salaries	180,454	175,761
Professional Fees	52,784	81,631
Rent	30,134	29,885
License Fees	15,370	12,624
Payroll Taxes	13,345	12,803
Bank Service Charges	11,244	10,508
Travel	10,918	15,997
Insurance	10,023	9,172
Telephone and Internet	8,958	10,016
Office Supplies	8,836	10,481
Depreciation	4,621	3,734
Board Members Per Diem	4,100	4,000
Postage	2,500	3,032
Printing	2,345	1,016
Civil Penalty Fund	217	1,967
Total Operating Expenses	355,849	382,627
INCOME FROM OPERATIONS	101,976	60,648
NON-OPERATING REVENUES:		
Interest Income	1,956	1,581
CHANGE IN NET POSITION	103,932	62,229
NET POSITION--Beginning of Year	332,898	270,669
NET POSITION--End of Year	\$ 436,830	\$ 332,898

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Licensees and Applicants	\$ 436,130	\$ 409,055
Cash Received from Others	21,365	32,510
Cash Paid to Vendors for Goods and Services	(160,779)	(196,237)
Cash Paid to Employees for Services	(189,560)	(181,587)
Net Cash Provided by Operating Activities	107,156	63,741
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(3,316)	(10,353)
Net Cash Used by Financing Activities	(3,316)	(10,353)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	1,956	1,581
Net Cash Provided by Investing Activities	1,956	1,581
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,796	54,969
CASH AND CASH EQUIVALENTS--Beginning of Year	340,101	285,132
CASH AND CASH EQUIVALENTS--End of Year	\$ 445,897	\$ 340,101
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Income from Operations	\$ 101,976	\$ 60,648
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation	4,621	3,734
Changes in Assets and Liabilities:		
Accounts Receivable	(330)	(1,710)
Prepaid Rent	(56)	(2,507)
Prepaid Insurance	66	(756)
Accounts Payable--Trade	(3,360)	(2,645)
Accrued Vacation	4,239	6,977
Net Cash Provided by Operating Activities	\$ 107,156	\$ 63,741

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

NORTH CAROLINA RESPIRATORY CARE BOARD

Notes to Financial Statements

June 30, 2018 and 2017

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, 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 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.

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2018 and 2017

1. Summary of Significant Accounting Policies (Continued)

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.

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 \$37,721 and \$33,482 at June 30, 2018 and 2017, respectively.

I. Net Position:

Net position in the financial statements is classified as invested in capital assets, restricted, and unrestricted. Restricted net position represents 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. 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.

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 \$171,050 and \$87,504 at June 30, 2018 and 2017, respectively.

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2018 and 2017

3. Capital Assets

Changes in capital assets for the year ended June 30, 2018 were as follows:

	<u>June 30,</u> <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2018</u>
Capital Assets:				
Furniture and Equipment	\$ 30,412	\$	\$	\$ 30,412
Computer Equipment	<u>11,157</u>	<u>3,316</u>	<u> </u>	<u>14,473</u>
Total Capital Assets	<u>41,569</u>	<u>3,316</u>	<u> </u>	<u>44,885</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	15,351	4,013	<u> </u>	19,364
Computer Equipment	<u>11,157</u>	<u>608</u>	<u> </u>	<u>11,765</u>
Total Accumulated Depreciation	<u>26,508</u>	<u>4,621</u>	<u> </u>	<u>31,129</u>
Net Capital Assets	<u>\$ 15,061</u>	<u>\$ (1,305)</u>	<u>\$</u>	<u>\$ 13,756</u>

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

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

4. Lease Obligations

The Board leases office space through an operating lease which expires in October 2019. Rent expense of \$30,134 and \$29,885 is included in operating expenses at June 30, 2018 and 2017, 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, 2018 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Commitment</u>
2019	\$ 31,466
2020	<u>10,602</u>
	<u>\$ 42,068</u>

NORTH CAROLINA RESPIRATORY CARE BOARD
Notes to Financial Statements
June 30, 2018 and 2017

5. Subsequent Events

Subsequent events have been evaluated through October 11, 2018, which is the date the financial statements were available to be issued.

6. Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform with the 2018 financial statement presentation. Such reclassifications have no effect on net assets or cash flows as previously reported.