

**NORTH CAROLINA STATE
BOARD OF CHIROPRACTIC EXAMINERS**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Board Members

BOARD MEMBERS (2018)

Kevin Sharp, D.C., President

Thomas Ayres, III, D.C., Vice President

Richard K. Davis, Jr., D.C., Secretary

Mr. Adam Bridgers, Public Member, Treasurer

Bruce Hilton, D.C.

Jessica Benningfield, D.C.

John Hammer, D.C.

Mrs. Jacqueline S. Hobbs, Public Member

EXECUTIVE DIRECTOR

Thomas R. Sullivan

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis	1 - 4
Independent Auditor's Report	5 - 6
<i>Financial Statements</i>	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flow	9
Notes to Financial Statements	10 - 14

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Introduction

The following is a discussion and analysis of the North Carolina State Board of Chiropractic Examiners (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.

Board Overview

The North Carolina State Board of Chiropractic Examiners was established May 5, 1917 by the General Assembly to properly regulate doctors of chiropractic for the benefit and protection of the people of North Carolina. The North Carolina State Board of Chiropractic Examiners also regulates and certifies Chiropractic Clinical Assistants (G.S. 90-143.4) and Radiologic Technicians (X-Ray) (G.S. 90-143.2).

The practice of chiropractic is a privilege granted by the State of North Carolina. The North Carolina State Board of Chiropractic Examiners, through diligent oversight, will license, monitor, discipline and educate practitioners to assure their fitness and competence in serving the people of North Carolina. In fulfilling its mission, the Board will play a leading role in the ever-changing health care environment through dialogue with the public, the legislature, academia, and the chiropractic community.

Significant Events

In October 2017, the Board office relocated from Concord, NC to Raleigh, NC.

In May 2018, the Board released a new website.

Financial Highlights

The operating revenues of the Board decreased by \$7,945 or 1.18%, due to normal fluctuations in license renewals and exam applicants.

The operating expenses of the Board increased by \$4,760 or 0.73%, due primarily to the transition to outside Board Counsel offset by lower overall staffing costs and decreased travel and meeting expenses.

The non-operating revenues of the Board increased by \$3,954 or 117.40%, due to the donation of office furniture by a board member offset by a \$2,526 decrease in investment income.

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.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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.

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
Current assets	\$ 667,307	\$ 572,464
Noncurrent assets	2,360	49,715
Capital assets - net of depreciation	10,477	-
Total assets	<u>680,144</u>	<u>622,179</u>
Current liabilities	<u>53,345</u>	<u>14,396</u>
Total liabilities	<u>53,345</u>	<u>14,396</u>
Investment in capital assets	10,477	-
Unrestricted	616,322	607,783
Total net position	<u>\$ 626,799</u>	<u>\$ 607,783</u>
Operating revenues	\$ 667,215	\$ 675,160
Operating expenses	<u>655,521</u>	<u>650,761</u>
Operating income	11,694	24,399
Non-operating revenues	<u>7,322</u>	<u>3,368</u>
Changes in net position	<u>\$ 19,016</u>	<u>\$ 27,767</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Budget to Actual

The following presents a condensed analysis of budget and actual financial information for the fiscal year ended June 30, 2018:

	Actual	(Unaudited) Budget
	<u>Actual</u>	<u>Budget</u>
Operating revenues	\$ 667,215	\$ 669,780
Operating expenses		
Non-employment	210,842	262,674
Employment	444,679	436,468
Operating income (loss)	<u>11,694</u>	<u>(29,362)</u>
Non-operating revenues	7,322	-
Changes in net position	<u>\$ 19,016</u>	<u>\$ (29,362)</u>

The operating revenues of the Board were \$2,565 or 0.38% less than budgeted, due to normal fluctuations in license renewals and exam applicants. This change was more than offset by lower spending during the year, which generated a net gain of \$19,016 compared to a budgeted loss of \$29,362.

The non-employment expenses of the Board were \$51,832 or 19.73% less than budgeted, due primarily to significantly lower moving costs than planned.

The employment expenses of the Board were \$8,211 or 1.88% more than budgeted, due to a one-time expense associated with the transition to outside Board Counsel offset by lower overall staffing costs during the year.

Events Affecting Future Operations

As of the issuance of this financial report, there are no major events planned that may affect future operations.

Economic Factors Affecting Future Operations

The main factors impacting the economic outlook for the Board are 1) the number of existing license/certificate holders that annually renew their license/certification and 2) the number of new candidates seeking a license/certification.

The Board derives 100% of its revenues from examination and licensing/certification fees. Exam revenue has remained flat for DC's over the last two years as the number of net new licensees has remained constant at approximately 125. The number of applicants is expected to increase in late 2018 and early 2019 following the reduction of the minimum score requirements on Part IV of the National Boards that should support a spike in applicants. While transient positions, the number of both CCCA's and XT's certificate holders continues to grow year over year.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Economic Factors Affecting Future Operations (Continued)

North Carolina's population is expected to continue to grow as it remains a desirable place to live, work and retire. People are seeking alternative, and non-opioid based treatments for pain management/pain relief from various ailments. These demographic trends bode well for the continued growth of chiropractic in North Carolina.

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 the Executive Director, Tom Sullivan at:

North Carolina State Board of Chiropractic Examiners
6070 Six Forks Rd. Ste. L
Raleigh, NC 27609
Phone: (704) 793-1342 Ext. 1004
By email at: tom@ncchiroboard.com



Independent Auditor's Report

Members of the Board
North Carolina State Board of Chiropractic Examiners
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Chiropractic Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the year 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 audit. We conducted our audit 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 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 the changes in its financial position and its cash flows thereof for the year 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 Chiropractic Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2018, or the changes in its financial position and its cash flows thereof for the year 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 - 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.

Bernard Robinson & Company, P.C.

Raleigh, North Carolina
October 16, 2018

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statement of Net Position
June 30, 2018

ASSETS:

Current assets:

Cash and cash equivalents	\$ 618,397
Short-term investments, certificate of deposit	48,910
Total current assets	<u>667,307</u>

Noncurrent assets:

Security deposits	2,360
Capital assets, net of depreciation	10,477
Total noncurrent assets	<u>12,837</u>

Total assets	<u>680,144</u>
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LIABILITIES:

Current liabilities:

Accounts payable	2,373
Payroll liabilities	50,972
Total current liabilities	<u>53,345</u>

NET POSITION:

Invested in capital assets	10,477
Unrestricted	616,322
Total net position	<u>\$ 626,799</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:	
Renewal fees	\$ 617,630
Certification fees and licensure	44,635
Miscellaneous income	4,950
Total operating revenues	<u>667,215</u>
Operating expenses:	
Salaries and benefits	412,793
Payroll taxes	31,886
Board member travel and per diem	54,069
Hearings, seminars and meetings	9,532
Office expense and postage	10,523
Office supplies	854
Office rent	25,374
Insurance	14,892
Investigation expense	4,750
Payment processing fees	15,994
Communication	7,740
Computer and technology	12,350
Legal and professional fees	53,761
Depreciation	1,003
Total operating expenses	<u>655,521</u>
Operating income	<u>11,694</u>
Non-operating revenues:	
Interest income	12
Unrealized gain on investments	830
Donated capital assets	6,480
Total non-operating revenues	<u>7,322</u>
Changes in net position	19,016
Net position - beginning of year	<u>607,783</u>
Net position - end of year	<u><u>\$ 626,799</u></u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from renewals, applicants, and fees	\$ 667,215
Cash payments to employees for services	(375,777)
Cash payments to suppliers for goods and services	(171,556)
Cash payments for other expenses	(68,961)
Net cash provided by operating activities	<u>50,921</u>
Cash flows from investing activities:	
Interest income	<u>12</u>
Net cash provided by investing activities	<u>12</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,000)</u>
Net cash used in capital and related financing activities	<u>(5,000)</u>
Net increase in cash	45,933
Cash and cash equivalents - beginning of year	<u>572,464</u>
Cash and cash equivalents - end of year	<u><u>\$ 618,397</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 11,694</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,003
Changes in assets and liabilities:	
Security deposits	(725)
Accounts payable	1,933
Payroll liabilities	37,016
Total adjustments	<u>39,227</u>
Net cash provided by operating activities	<u><u>\$ 50,921</u></u>
Supplemental disclosure of noncash activities:	
Estimated acquisition value of donated capital assets	<u><u>\$ 6,480</u></u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina State Board of Chiropractic Examiners (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93B of the *North Carolina General Statutes*, and established under Chapter 90 of the *North Carolina General Statutes* to maintain minimum standards for services provided by chiropractic practitioners. The Board formally consists of eight members appointed by the Governor and General Assembly. The Board's operations are funded primarily through license renewal fees and license examination fees.

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 ("U.S. 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 only the 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 or changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP 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.

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. 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 CHIROPRACTIC EXAMINERS

Notes to Financial Statements

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include cash on deposit and money market accounts and highly liquid investment instruments, such as certificates of deposit with original maturity dates of three months or less.

Investments

This classification includes certificates of deposit with original maturities of more than three months. The certificate of deposit maturing within one year is shown as current. The certificate of deposit is reported at fair market value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. In the case of gifts, capital assets are recorded at acquisition value at the date of donation. The Board capitalizes assets that have a value or cost of \$2,500 or greater at the date of acquisition and an expected useful life greater than one year. Depreciation is computed using the straight-line method over a 3-5 year period. 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 as a non-operating activity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

Compensated Absences

Vacation and sick leave are expensed as taken and there is no accrued liability as of June 30, 2018, since Board policy does not allow the carryforward of accrued absences.

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 with no external restrictions that is not invested in capital assets.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's cash and cash equivalent deposits include cash on deposit with commercial bank accounts and a certificate of deposit held through the Certificate of Deposit Account Registry Service ("CDARS"). As of June 30, 2018, deposits held through CDARS totaled \$198,035 and have original maturities of three months or less.

Investments are recorded at fair value and consist of a certificate of deposit ("CD"). The CD has a 0.01% interest rate and will mature on November 28, 2018. The net increase (decrease) in the fair value of the certificate of deposit is recognized as a component of non-operating income.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposit accounts, at times, may exceed federally insured limits. At June 30, 2018, the Board had cash deposits that exceeded the FDIC limits by \$177,327.

Interest rate risk: Interest rate risk is the risk that the Board may face should interest rate variances affect the fair value of investments.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Board's current investments are limited to certificates of deposit.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1: Observable inputs such as quoted prices in active markets; Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2018:

	Total			
	Fair Value	Level 1	Level 2	Level 3
Investments, certificate of deposit	\$ 48,910	\$ -	\$ 48,910	\$ -
	<u>\$ 48,910</u>	<u>\$ -</u>	<u>\$ 48,910</u>	<u>\$ -</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u> <u>6/30/2017</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2018</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture and equipment	\$ -	\$ -	\$ -	\$ 6,480	\$ 864	\$ 5,616
Software	-	-	-	5,000	139	4,861
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,480</u>	<u>\$ 1,003</u>	<u>\$ 10,477</u>

NOTE 5 - RENT EXPENSE

During the year ended June 30, 2017, the Board leased office space in Concord, NC on a month-to-month basis for \$1,635 per month. Effective October 31, 2017, the Board terminated the month-to-month lease. The Board relocated its office to Raleigh, NC and entered into a three-year lease beginning October 1, 2017 and ending September 30, 2020, with monthly payments of \$1,677 escalating 3% annually. In addition, the Board entered into a lease agreement for storage space beginning October 1, 2017 and ending September 30, 2018, with monthly payments of \$580. Total rent expense for the year ended June 30, 2017 totaled \$25,374. Under the current leases, future minimum rent payments are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 22,323
2020	21,200
2021	5,339
	<u>\$ 48,862</u>

NOTE 6 - 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 through the purchase of excess public officers' and employees' liability insurance with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance including general liability, errors & omissions, and cybersecurity.

NOTE 7 - RELATED PARTIES

During the year ended June 30, 2018, the Board received donated office furniture with an estimated acquisition value of \$6,480 from a member of the board.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 8 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 16, 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 75 hours at a cost of \$9,500.