

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

**Financial Statements for the
Years Ended June 30, 2018 and 2017 and
Independent Auditor's Report**

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

Financial Statements for the Years Ended June 30, 2018 and 2017 and Independent Auditor's Report

BOARD MEMBERS (2017-2018)

Mary "Cissy" Majebe, L.AC, Chairperson

Chester Phillips, L.AC, Vice-Chairperson

Toni Rittenberg, L.AC, Secretary-Treasurer

Keli Beck, M.D.

Shandy "Shay" Cline, L.AC

Marc Cutler, L.AC

Nikole Byrd Mariencheck, M.D.

Ji Fei Wang, L.AC

Karen A. Vaughn, L.AC

EXECUTIVE OFFICERS

Pat Pritchard, Executive Director

LEGAL COUNSEL

Mike Tadych
Stevens, Martin, Vaughn & Tadych, PLLC

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

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NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2018 and 2017. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2018, the Board's net position decreased by \$51,814, or 35.06%, due primarily to annually recurring expenses in excess of revenues. During 2017, the Board's net position decreased by \$35,708, or 31.86%, due primarily to annually recurring expenses in excess of revenues.

During 2018, the operating revenues of the Board increased by \$4,574, or 3.63%, due primarily to an increase in license fees revenue. During 2017, the operating revenues of the Board increased by \$2,503, or 2.02%, due primarily to an increase in licensee renewal revenue

During 2018, the non-operating revenues of the Board increased by \$3, or 300.00%, due primarily to a slight variation in weighted average cash on hand. During 2017, the non-operating revenues of the Board decreased by \$1, or 50.00%, due primarily to a decrease in cash held in interest earning accounts.

During 2018, the operating expenses of the Board increased by \$20,683, or 12.78%, due primarily to an increase in legal fees. During 2017, the operating expenses of the Board decreased by \$127,570, or 44.08%, due primarily to a decrease in legal fees.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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 ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

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

	Current Year as of and for the year ended June 30, 2018	Current Year as of and for the year ended June 30, 2017
Current assets	\$ 52,347	\$ 54,565
Other assets	500	5,924
Total assets	<u>\$ 52,847</u>	<u>\$ 60,489</u>
Current liabilities	\$ 120,926	\$ 125,950
Long-term liabilities	131,504	82,308
Total liabilities	<u>\$ 252,430</u>	<u>\$ 208,258</u>
Investment in capital assets	\$ 0	\$ 0
Restricted	500	5,924
Unrestricted	(200,083)	(153,693)
Total net position	<u>\$ (199,583)</u>	<u>\$ (147,769)</u>
Operating revenues	\$ 130,685	\$ 126,111
Operating expenses	(182,503)	(161,820)
Operating income	\$ (51,818)	\$ (35,709)
Non-operating revenues	\$ 4	\$ 1
Change in net position	<u>\$ (51,814)</u>	<u>\$ (35,708)</u>

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$199,583 for the year ended June 30, 2018. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2018	Current Year as of June 30, 2017	Amount of Change	Percentage Change
Current assets	\$ 52,347	\$ 54,565	\$ (2,218)	-4.06%
Other assets	500	5,924	(5,424)	-91.56%
Total assets	<u>\$ 52,847</u>	<u>\$ 60,489</u>	<u>\$ (7,642)</u>	<u>-12.63%</u>
Current liabilities	\$ 120,926	\$ 125,950	\$ (5,024)	-3.99%
Long-term debt	131,504	82,308	49,196	59.77%
Total liabilities	<u>\$ 252,430</u>	<u>\$ 208,258</u>	<u>\$ 44,172</u>	<u>21.21%</u>
Unrestricted	\$ 500	\$ 5,924	\$ (5,424)	-91.56%
Restricted	(200,083)	(153,693)	(46,390)	30.18%
Total net position	<u>\$ (199,583)</u>	<u>\$ (147,769)</u>	<u>\$ (51,814)</u>	<u>35.06%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Operating revenues	\$ 130,685	\$ 126,111	\$ 4,574	3.63%
Operating expenses	(182,503)	(161,820)	(20,683)	12.78%
Non-operating revenues	4	1	3	300.00%
Change in net position	<u>\$ (51,814)</u>	<u>\$ (35,708)</u>	<u>\$ (16,106)</u>	<u>45.10%</u>
Ending net position	<u>\$ (199,583)</u>	<u>\$ (147,769)</u>	<u>\$ (51,814)</u>	<u>35.06%</u>

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Revenues from fees	\$ 123,357	\$ 111,750	\$ 11,607	10.39%
Revenue from donations	6,428	13,406	(6,978)	-52.05%
Other income	900	955	(55)	-5.76%
Total	<u>\$ 130,685</u>	<u>\$ 126,111</u>	<u>\$ 4,574</u>	<u>3.63%</u>

The following is a breakdown of non-operating revenues by source.

	The year ended June 30, 2018	The year ended June 30, 2017	Amount of Change	Percentage Change
Interest income	\$ 4	\$ 1	\$ 3	300.00%
Total	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>300.00%</u>

Events Affecting Future Operations

The Board is involved in litigation concerning the use of a procedure called “dry needling” and has incurred significant legal expense during the years ended June 30, 2018, 2017, 2016 and 2015 concerning this matter. The Board may incur significant further legal expenses to finalize these court proceedings.

A committee appointed by the North Carolina Legislature, The Joint Legislative Administrative Procedure Oversight Committee, has been performing a study concerning the deregulation, elimination and consolidation of occupational licensing boards in the State of North Carolina. The effect of any resulting legislation on the Board's operations in future years is not certain at this time.

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. If you have any questions about this report or need additional information, contact: North Carolina Acupuncture Licensing Board, PO Box 10686, Raleigh, NC 27605.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Acupuncture Licensing Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Acupuncture Licensing Board (the "Board"), an independent state board which is a nonmajor enterprise fund of the primary government 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 comprise the Board's 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 the 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 of 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 judgement, 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 Acupuncture Licensing Board as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 historic 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

October 18, 2018

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 51,044	\$ 53,686
Prepaid expenses (Note 1)	1,303	879
Total current assets	<u>52,347</u>	<u>54,565</u>
Other assets:		
Cash - restricted (Note 2)	500	5,924
Total other assets	<u>500</u>	<u>5,924</u>
TOTAL ASSETS	<u>\$ 52,847</u>	<u>\$ 60,489</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable (Notes 3 and 4)	\$ 32,276	\$ 37,375
Unearned revenue (Note 1)	88,650	88,575
Total current liabilities	<u>120,926</u>	<u>125,950</u>
Long-term debt:		
Accounts payable (Notes 3 and 4)	131,504	82,308
Total long-term debt	<u>131,504</u>	<u>82,308</u>
TOTAL LIABILITIES	<u>252,430</u>	<u>208,258</u>
NET POSITION (NOTE 1)		
Restricted net position	500	5,924
Unrestricted net position	<u>(200,083)</u>	<u>(153,693)</u>
TOTAL NET POSITION	<u>(199,583)</u>	<u>(147,769)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 52,847</u>	<u>\$ 60,489</u>

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
Revenue from fees	\$ 123,357	\$ 111,750
Other revenues:		
Revenue from donations - restricted	6,428	13,406
Other income	900	955
Total operating revenues	<u>\$ 130,685</u>	<u>\$ 126,111</u>
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses (including meeting expenses)	\$ 1,062	\$ 1,537
Supplies and materials:		
Office, printing, and postage expenses	860	1,500
Services:		
Contractual management services (Note 5)	30,900	30,900
Computer support expenses	462	279
Web site expenses	3,011	329
Legal and audit fees	135,576	116,609
Commercial insurance	10,632	10,666
Total operating expenses	<u>\$ 182,503</u>	<u>\$ 161,820</u>
Operating income (loss)	<u>\$ (51,818)</u>	<u>\$ (35,709)</u>
NON- OPERATING REVENUES (EXPENSES):		
Interest income	<u>\$ 4</u>	<u>\$ 1</u>
Total non-operating revenues	\$ 4	\$ 1
Change in net position	<u>\$ (51,814)</u>	<u>\$ (35,708)</u>
Net position - beginning of year	<u>(147,769)</u>	<u>(112,061)</u>
Net position - end of year	<u><u>\$ (199,583)</u></u>	<u><u>\$ (147,769)</u></u>

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other income	\$ 130,760	\$ 131,714
Cash payments for operating expenses	(138,830)	(137,430)
Net cash provided (used) by operating activities	<u>\$ (8,070)</u>	<u>\$ (5,716)</u>
Cash flows from investing activities:		
Interest income	\$ 4	\$ 1
Net cash provided by investing activities	<u>\$ 4</u>	<u>\$ 1</u>
Net increase(decrease) in cash	<u>\$ (8,066)</u>	<u>\$ (5,715)</u>
Cash - beginning of year	<u>59,610</u>	<u>65,325</u>
Cash - end of year	<u><u>\$ 51,544</u></u>	<u><u>\$ 59,610</u></u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (51,818)</u>	<u>\$ (35,709)</u>
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Other receivable	\$	\$ 15
Prepaid expense	(424)	2,708
Accounts payable	44,097	21,682
Unearned revenue	75	5,588
Total adjustments	<u>\$ 43,748</u>	<u>\$ 29,993</u>
Net cash provided (used) by operating activities	<u><u>\$ (8,070)</u></u>	<u><u>\$ (5,716)</u></u>

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Acupuncture Licensing Board (the "Board") is an independent state board. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor and the General Assembly of the State of North Carolina. It 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).

The Board is established to maintain minimum standards for services provided by acupuncturists.

The Board's operations are financed with self-generated revenues from fees charged to licensees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

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 assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. 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 cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees and includes activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for commercial insurance and prepaid management fees.

Unearned Revenue

The Board's license renewal fees are assessed and collected on a biennial basis (for a period of two years) which coincides with the Board's fiscal year end. License fees received in the latter part of each fiscal year are deferred and recognized as revenue over the periods to which they relate.

Additionally, the Board received donations to fund its incurrence of significant legal expenses during the fiscal years ended June 30, 2018 and 2017. There was expended from these restricted funds \$11,852 during the year ended June 30, 2018 and \$32,000 during the year ended June 30, 2017. These revenues are recorded as restricted revenues and, accordingly, the cash balance accumulated and the related net position are classified as restricted as denoted in Notes 1 and 2 in this section and in a foregoing section. The purpose of these expenses is discussed in the Management Discussion and Analysis section of this report

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets. The Board had no capital assets at June 30, 2018 and June 30, 2017.

Restricted net position - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had monies restricted to fund legal expenses in the amount of \$500 at June 30, 2018 and \$5,924 at June 30, 2017.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits

Deposits

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal written policies regarding custodial credit risk for deposits.

At June 30, 2018, the Board's deposits had a carrying amount of \$51,544 and a bank balance of \$54,657, which was covered by federal depository insurance. Restricted cash in the amount of \$500 was held (to fund Board legal expenses) in a trust account on behalf of the Board and is classified as a non-current asset on the Statements of Net Position. At June 30, 2017, the Board's deposits had a carrying amount of \$59,610 and a bank balance of \$59,610, which was covered by federal depository insurance. Restricted cash in the amount of \$5,924 was held (to fund Board legal expenses) in a trust account on behalf of the Board and is classified as a non-current asset on the Statements of Net Position.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 3 - Accounts Payable and Related Party Information

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

The Board incurred substantial legal fees during the fiscal years ended June 30, 2018 and 2017 (and preceding years) such that the Board's liabilities exceeded its assets at both years' end. During the fiscal year ended June 30, 2016, the Board made arrangements with these law firm vendors to defer payments. Accordingly, the Board has classified these deferred accounts payable (which are extended beyond one year past the balance sheet date) as long term liabilities.

These deferred long term payables amounted to \$131,504 at June 30, 2018 and \$82,308 at June 30, 2017. The current portion of this legal fees debt amounted to \$32,143 at June 30, 2018 and \$32,000 at June 30, 2017.

Legal fees accounts payable were for two law firms - the law firm handling the "dry needling" lawsuit, and the law firm which manages the Board and performs legal services for the Board.

At June 30, 2018, only the legal fees due to the law firm which is handling the "dry needling" lawsuit have been deferred beyond one year. At June 30, 2018, these legal fees are due in minimum monthly installments of \$1,000 (per month), at 0.00% interest, until paid in full. The balance due to this law firm was \$143,504 at June 30, 2018. At June 30, 2017, these legal fees were due in minimum monthly installments of \$1,000 (per month), at 0.00% interest, until paid in full. The balance due to this law firm was \$89,954 at June 30, 2017.

Of the total legal fees accounts payable (current and non-current) at June 30, 2018, \$20,143 was due to the law firm which manages the Board, all of which was a current liability. Of the total legal fees accounts payable (current and non-current) at June 30, 2017, \$24,354 was due to the law firm which manages the Board, and \$4,354 of this amount which was due to the law firm which manages the Board was classified as a long term liability. At June 30, 2017, the terms of these legal fees was to make a lump sum payment of \$14,000 shortly after year end, then monthly installments of \$500 (per month), at 0.00% interest, until paid in full.

Accounts payable, by type, at June 30, 2018 and 2017 were as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Due to Vendors (Other Than Legal Fees) - Current	\$ 133	\$ 5,375
Due to Vendors (Legal Fees) - Current	<u>32,143</u>	<u>32,000</u>
Total Accounts Payable - Current	<u>32,276</u>	<u>37,375</u>
Due to Vendors (Legal Fees) - Long Term	<u>131,504</u>	<u>82,308</u>
Total Accounts Payable - Long Term	<u>131,504</u>	<u>82,308</u>
Total Accounts Payable	<u>\$ 163,780</u>	<u>\$ 119,683</u>

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 4 - Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended June 30, 2018 and 2017 is presented as follows:

	Balance 06-30-17	Additions	Reductions	Balance 06-30-18	Current Portion
Legal fees-accounts payable	\$ 114,308	\$ 129,717	\$ (80,378)	\$ 163,647	\$ 32,143
Total Long-Term Liabilities	<u>\$ 114,308</u>	<u>\$ 129,717</u>	<u>\$ (80,378)</u>	<u>\$ 163,647</u>	<u>\$ 32,143</u>

	Balance 06-30-16	Additions	Reductions	Balance 06-30-17	Current Portion
Legal fees-accounts payable	\$ 83,066	\$ 81,646	\$ (50,404)	\$ 114,308	\$ 32,000
Total Long-Term Liabilities	<u>\$ 83,066</u>	<u>\$ 81,646</u>	<u>\$ (50,404)</u>	<u>\$ 114,308</u>	<u>\$ 32,000</u>

Note 5 - Contractual Management Services and Related Party Information

The Board does not have any employees. The Board contracted with a legal firm to perform the management services of the Board. The legal firm is also the general legal counsel for the Board. The management services contract with the legal firm included all services related to the process of licensure applications and renewals and various other secretarial duties. The Board also reimbursed the legal firm who performed the management services for occasional purchases of miscellaneous office supplies and expenses. Payments to the legal firm for management services totaled \$31,635 during the fiscal year ended June 30, 2018 and \$31,938 during the fiscal year ended June 30, 2017. Payments to the legal firm (which also performs the management services of the Board) for legal services totaled \$57,641 during the fiscal year ended June 30, 2018 and \$25,826 during the fiscal year ended June 30, 2017.

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. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of limited commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year, and no insurance claims were filed during any of the last three fiscal years.

Note 7 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Note 8 - Government Conditions

The Board had a loss of \$51,814 in the year ended June 30, 2018 and had significant losses in the several preceding years. As of June 30, 2018, its accumulated deficit is \$199,583. Management of the Board believes that present financing terms with the law firms discussed in Note 3 will enable it to meet its obligations for at least twelve months from the date of these financials. Debt to these law firms in furtherance of the “dry needling” lawsuit and other legal and related fees have accumulated this net position deficit. Further, management believes that future contributions to the Board will further alleviate this cash flow problem.

Note 9 - Subsequent Events

Subsequent events have been evaluated through October 18, 2018, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 10 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 80 audit hours at a cost of \$7,495.