

**NORTH CAROLINA BOARD  
OF CHIROPRACTIC EXAMINERS**

**Financial Statements**

**As of June 30, 2014**

**Together with Independent Auditors' Report**

**GERALD O. DRY, PA**

*Certified Public Accountants*

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**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS**

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# Gerald O. Dry, PA

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## INDEPENDENT AUDITORS' REPORT

North Carolina Board of Chiropractic Examiners  
Concord, North Carolina

We have audited the accompanying financial statements of the North Carolina Board of Chiropractic Examiners (a governmental entity), which comprise the statement of net assets as of June 30, 2014, and the related statement of revenues, expenses and changes in net assets, and the statement of cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Chiropractic Examiners as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Gerald O. Dry, PA*

GERALD O. DRY, PA  
Certified Public Accountants  
Concord, North Carolina

August 28, 2014



Member of the American Institute of Certified Public Accountants

# NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

## Statement of Net Assets

June 30, 2014

### ASSETS

#### CURRENT ASSETS

Petty cash	\$	100
Cash and cash equivalents		588,331
Investments - certificates of deposit		226,363
Prepaid rent		<u>1,200</u>
TOTAL CURRENT ASSETS		815,994

#### FIXED ASSETS

Furniture and equipment		38,905
Accumulated depreciation		<u>(38,491)</u>
TOTAL FIXED ASSETS		<u>414</u>

TOTAL ASSETS \$ 816,408

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts payable	\$	<u>5,085</u>
TOTAL LIABILITIES		5,085

#### NET ASSETS

Invested in fixed assets		414
Unrestricted		<u>810,909</u>
TOTAL NET ASSETS		<u>811,323</u>

TOTAL LIABILITIES AND NET ASSETS \$ 816,408

The accompanying notes to financial statements  
are an integral part of this statement.

# NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

## Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2014

### REVENUES

Renewal fees	\$ 308,160
Examination fees	30,893
Interest income	1,955
Miscellaneous income	<u>5,583</u>

TOTAL REVENUES 346,591

### EXPENSES

Legal and professional fees	122,015
Salaries	81,225
Payroll taxes	6,259
Board member travel and per diem	27,509
Hearings, seminars and meetings	55,171
Education	2,076
Background search fees	3,610
Office supplies and postage	18,170
Telephone	5,088
Office rent	7,200
Insurance	33,620
Dues	1,530
Depreciation expense	256
Investigation expenses	2,900
Miscellaneous	<u>354</u>

TOTAL EXPENSES 366,983

### OTHER INCOME (EXPENSE)

Unrealized gain (loss) on investments	<u>5,909</u>
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CHANGE IN NET ASSETS (14,483)

TOTAL NET ASSETS, JULY 1, 2013 825,806

TOTAL NET ASSETS, JUNE 30, 2014 \$ 811,323

The accompanying notes to financial statements  
are an integral part of this statement.

# NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

## Statement of Cash Flows For the Year Ended June 30, 2014

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from renewals	\$ 308,160
Cash received from exam applicants	30,893
Other operating revenues	5,583
Cash paid to employees and suppliers	<u>(367,767)</u>
Net cash provided by operating activities	(23,131)

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	<u>1,955</u>
Net cash used by investing activities	1,955

### CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used by financing activities	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(21,176)
Cash and cash equivalents at beginning of year	<u>609,607</u>
Cash and cash equivalents at end of year	<u>\$ 588,431</u>

### RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net assets	\$ (14,483)
Adjustments not affecting cash:	
Depreciation	256
Unrealized (gain) loss on investments	(5,909)
Changes in assets and liabilities:	
(Increase) decrease in prepaid rent	(600)
Increase (decrease) in accounts payable	(440)
Investment income	<u>(1,955)</u>
Total adjustments	<u>(8,648)</u>
Net cash provided by operating activities	<u>\$ (23,131)</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The North Carolina Board of Chiropractic Examiners (“the Board”) is an occupational licensing board established by the general statutes of the State of North Carolina to maintain minimum standards for services provided by chiropractic practitioners. The Board’s operations are funded through license renewal fees and license examination fees.

The Board is considered an agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the governor, lieutenant governor and state legislature. This licensing board is reported as an enterprise fund within the State of North Carolina Comprehensive Annual Financial Report (CAFR).

***Basis of Presentation - Fund Accounting***

The financial activities of the Board are organized on the basis of individual funds, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The financial activities of the Board accounted for in the accompanying financial statements have been classified into the following fund category:

Proprietary Fund Type: Enterprise Fund - The enterprise fund accounts 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for using an economic resources measurement focus.

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. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

***Basis of Accounting***

In accordance with current GASB statements, the Board presents Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting (continued)***

The Statement of Revenues, Expenses, and Changes in Net Assets demonstrates the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the North Carolina Board of Chiropractic Examiners using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable. 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 examination and license fees.

***Budgets***

The Board is not required by law to have an annual budget. Therefore, no budget to actual comparisons are shown in these financial statements.

***Deposits and Investments***

State law does not limit the types of deposit and investment accounts the Board may have. Collateralization of these accounts is not required. Investments are carried at fair value and consist of certificates of deposit with varying maturities.

***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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Fixed Assets***

The purchase of fixed assets is recorded at historical cost. Maintenance and repairs are charged as an expense in the year incurred. Betterments and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.



**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Cash and Cash Equivalents*

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

*Subsequent Events*

The Board has evaluated all subsequent events, as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-50 through August 28, 2014, the date the financial statements were available to be issued, and noted nothing requiring further disclosure.

**NOTE B - DEPOSITS**

The Board maintains accounts consisting of cash, certificates of deposit, and money market funds with four banks in which the Federal Depository Insurance Corporation (FDIC) insurance of \$250,000 per depositor was exceeded by a combined total of \$261,354 on June 30, 2014. Throughout the fiscal year, the Board's deposits exceeded the amounts insured by the FDIC.

**NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The financial assets included in the Statement of Net Assets requiring fair value classification are the certificates of deposit. The investments are considered Level 1 inputs. There were no changes during the year ended June 30, 2014, to the Board's valuation technique used to measure these investments.

The fair values of all of the certificates of deposit listed below as of June 30, 2014, are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs).

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Wells Fargo certificate of deposit (12 month term/ maturity)	\$ 127,859	\$ 127,923	\$ 64
Barclays Bank certificate of deposit (7 year term/ maturity)	50,000	45,515	(4,485)
BMO Harris Bank certificate of deposit (7 year term/ maturity)	<u>50,000</u>	<u>52,925</u>	<u>2,925</u>
Total	\$ <u>227,859</u>	\$ <u>226,363</u>	\$ <u>(1,496)</u>

**NOTE D - CHANGES IN FIXED ASSETS**

A summary of changes in fixed assets follows:

	<u>Fixed Assets July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Fixed Assets June 30, 2014</u>
Furniture and equipment	\$ 38,905	\$ 0	\$ 0	\$ 38,905
Total fixed assets	\$ <u>38,905</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>38,905</u>

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE E - NET ASSETS**

Invested in capital assets - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTE F - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Board carries commercial insurance for all risks of loss related to assets. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE G - OPERATING LEASE**

The Board leased office space for the year and paid rent of \$600 per month. The lease agreement is renewable yearly and contains a provision allowing the Board to opt out of the agreement if written notice is given sixty days before the lease renews. Total rent expense during the fiscal year ended June 30, 2014, was \$7,200.

**NOTE H - RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2014, the Board paid \$4,804 for services and expenses to three individuals related to the Executive Director.