



NORTH CAROLINA STATE BOARD

OF

CHIROPRACTIC EXAMINERS

FINANCIAL REPORT

For the Year Ended June 30, 2016

BOARD MEMBERS

Bruce Hilton, DC – President

William Ray Armstrong, DC – Vice President

Richard Davis, Jr., DC – Secretary

Randy Schilsky, DC – Treasurer

Jessica Benningfield, DC – Member

Kevin Sharp, DC – Member

Adam Bridgers – Public Member

Jacqueline Hobbs – Public Member

ADMINISTRATIVE STAFF

Thomas R. Sullivan – Executive Director

Vance Kinlaw – Counsel to the Board

Ricky Sides, DC – Director – Standards & Enforcement

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to determine 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
363 Church St. N. Ste. 250-R
Concord, NC 28025
Phone: (704) 793-1342
By email at: tom@ncchiroboard.com

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Table of Contents

MANAGEMENT’S DISCUSSION AND ANALYSIS.....	1-3
INDEPENDENT AUDITORS’ REPORT	4
FINANCIAL STATEMENTS	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Net Assets	6
Statement of Cash Flows.....	7
Notes to Financial Statements	8-12

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. The overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions and conditions. This information is provided by the North Carolina State Board of Chiropractic Examiners' (Board) management in conjunction with the issuance of the accompanying financial statements.

Overview of the Basic Financial Statements

The Statements of Net Position provide information relative to the Board's assets, liabilities and the resulting net position as of the last day of the fiscal year. Assets and Liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expense in the next fiscal year. Current liabilities are those payable in the next fiscal year. The Board currently has no elements that meet the definition of deferred inflows or deferred outflows. Net position in these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statement of Net Position provides information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statements of Revenue, Expense and Changes in Net Position provide information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of Chiropractic in the State. Overall, the Statement of Revenues, Expenses, and Changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain financial strength. The above statements are articulated by agreeing the ending position reported on both statements.

The Statement of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and are representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statement of Net Position.

The three statements described above are the basic financial statements required by the Government Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use the reporting concepts in a manner similar to that required of a business enterprise. The financial statements balances are reported and presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risks and uncertainties associated with amounts reported in the basic financial statements.

Brief Agency Overview

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

The practice of chiropractic is a privilege granted by the State of North Carolina. The North Carolina 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.

Analysis of Financial Position and Results of Operations

The Board’s net position as of June 30, 2016 and June 30, 2015, was approximately \$580,000 and \$780,000, respectively, a decrease of approximately \$200,000 during the year. A decrease in exam fees and an increase in expense associated with increased staffing (including the hiring of an Executive Director) along with the beginning of a modernization of the Board office drove a majority of the decrease.

Condensed Financial Information

The following table summarizes the Board’s assets, liabilities and net position as of June 30, 2016 and 2015.

	Fiscal Year 2015	Fiscal Year 2016
Assets	\$794,293	\$595,908
Liabilities	\$13,547	\$15,892
Net Position	\$780,746	\$580,016

Current Assets

Current Assets as of June 30, 2016 consisted primarily of cash and cash equivalents of \$497,768. Current assets as of June 30, 2015, consisted of primarily cash and investments of \$794,000. A reclassification of investments from current to long-term totaling \$98,140 was made in 2016 from 2015.

Liabilities

Current Liabilities consisting of accounts payable and accrued expenses of \$15,892 and \$13,547, respectively for the years ended June 30, 2016 and 2015.

Net Position

For the year ended June 30, 2015, the decrease in net position of approximately \$200,000 was attributable to a combination of reduced revenue from exam fees and an increase in expense associated with increased staffing (including the hiring of an Executive Director) along with the beginning of a modernization of the Board office drove a majority of the decrease.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the Board’s operations for the report period. The following table summarizes the Board’s revenue, expenses and changes in net position for the years ended June 30, 2016 and June 30, 2015.

	Fiscal Year 2015	Fiscal Year 2016
Revenue	\$ 372,070	\$ 361,150
Expenses	\$ 404,302	\$ 563,771
Other	\$ 1,655	\$ 1,891
Net Gain/(Loss)	\$ (30,577)	\$ (200,730)
Net Position	\$ 780,746	\$ 580,016

Operating Revenues and Expenses

For the fiscal year ended June 30, 2016, operating revenue totaled \$361,150 consisting primarily renewal fees of \$330,235. For the fiscal year ended June 30, 2015, operating revenue totaled \$372,070 consisting of renewal fees of \$323,745. Renewal fee revenue increased due to an increase in the number licensed chiropractor's year over year. The overall decline in operating revenue was attributed to the initial impact of the new Certification program of Chiropractic Assistants instituted in 2015 that captured a larger group of existing practitioners compared to 2016 that totaled \$15,755.

For the fiscal year ended June 30, 2016, operating expenses totaled \$563,771 compared to \$404,302 for the fiscal year ended June 30, 2015. The increase in expense was driven by higher salary expense with the hiring of an Executive Director, the creation of a new full-time position of Director - Standards and Enforcement, and investment in office modernization (office and computer equipment).

Economic Factors That Will Affect the Future

The main factors impacting the economic outlook for the Board are the number of candidates seeking licensing and certification and the number of licensees/certificate holders registered with the State.

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 net number of licensees has remained constant. Increases have been seen for CCCA's and XT exam and renewal fees as both groups have shown year-over-year increases in the number of applicants but their exam fees are only \$20. In July 2016, the Legislature approved a request by the Board to increase the annual renewal fee for Chiropractic Doctor's from \$150 to \$300. This was the first increase of this fee in 15 years and will help modernize the Board's operations.

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 for various ailments. These demographic trends bode well for the continued growth of chiropractic in North Carolina.

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, 2016, the related statement of revenues, expenses and changes in net assets, and 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, 2016, 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 26, 2016



NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Net Assets

June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 497,768

TOTAL CURRENT ASSETS 497,768

OTHER ASSETS

Long-term investments - certificates of deposit 98,140

TOTAL OTHER ASSETS 98,140

TOTAL ASSETS \$ 595,908

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$ 1,000

Accrued expenses 14,892

TOTAL CURRENT LIABILITIES 15,892

NET ASSETS

Unrestricted 580,016

TOTAL NET ASSETS 580,016

TOTAL LIABILITIES AND NET ASSETS \$ 595,908

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2016

REVENUES	
Renewal fees	\$ 330,235
Certification fees and licensure	26,015
Miscellaneous income	<u>4,900</u>
TOTAL REVENUES	361,150
EXPENSES	
Bank service fees	1,761
Communication	7,503
Computer and technology	13,939
Legal and professional fees	130,836
Salaries	243,044
Payroll taxes	16,133
Board member travel and per diem	61,518
Hearings, seminars and meetings	30,672
Temporary labor	1,249
Office expense and postage	20,959
Office supplies	3,654
Office rent	11,000
Insurance	3,414
Dues	1,690
Depreciation expense	293
Investigation expenses	11,634
Miscellaneous	<u>4,472</u>
TOTAL EXPENSES	563,771
OTHER INCOME (EXPENSE)	
Interest income	1,320
Unrealized gain (loss) on investments	<u>571</u>
CHANGE IN NET ASSETS	(200,730)
TOTAL NET ASSETS, JULY 1, 2015	<u>780,746</u>
TOTAL NET ASSETS, JUNE 30, 2016	<u>\$ 580,016</u>

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Cash Flows For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from renewals	\$ 330,235
Cash received from exam applicants	26,015
Other operating revenues	4,900
Cash paid to employees and suppliers	<u>(560,533)</u>
Net cash provided by operating activities	(199,383)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	1,320
Proceeds from certificate of deposit investment	<u>127,923</u>
Net cash used by investing activities	129,243

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used by financing activities	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(70,140)
Cash and cash equivalents at beginning of year	<u>567,908</u>
Cash and cash equivalents at end of year	<u>\$ 497,768</u>

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

Change in net assets	\$ (200,730)
Adjustments not affecting cash:	
Depreciation	293
Unrealized (gain) loss on investments	(571)
Changes in assets and liabilities:	
(Increase) decrease in prepaid rent	600
Increase (decrease) in accrued expenses	5,984
Increase (decrease) in accounts payable	(3,639)
Investment income	<u>(1,320)</u>
Total adjustments	<u>1,347</u>
Net cash provided by operating activities	<u>\$ (199,383)</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Noncash investing and financing activities:	
Disposals of fully depreciated fixed assets	\$ 38,905

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 purpose. 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, 2016**

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. There were no material fixed assets as of June 30, 2016.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 26, 2016, 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, savings and certificates of deposit with two banks having the Federal Depository Insurance Corporation (FDIC) insurance of \$250,000 per depositor. During the fiscal year ended June 30, 2016, the Board began a cash management banking program that maintains balances in separate accounts which maintain less than the FDIC insurance limits.

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, 2016**

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, 2016, 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, 2016, 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>
Barclays Bank certificate of deposit (7-year term/matures 2018)	\$ 50,000	\$ 47,845	\$ (2,155)
BMO Harris Bank certificate of deposit (7-year term/matures 2018)	<u>50,000</u>	<u>50,295</u>	<u>295</u>
Total	<u>\$ 100,000</u>	<u>\$ 98,140</u>	<u>\$ (1,860)</u>

NOTE D - CHANGES IN FIXED ASSETS

Fixed assets were fully depreciated and thus had no net book value as of the disposal date. A summary of changes in fixed assets follows:

	<u>Fixed Assets July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Fixed Assets June 30, 2016</u>
Furniture and equipment	\$ <u>38,905</u>	\$ <u>0</u>	\$ <u>38,905</u>	\$ <u>0</u>
Total fixed assets	<u>\$ 38,905</u>	<u>\$ 0</u>	<u>\$ 38,905</u>	<u>\$ 0</u>

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE E - 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 F - OPERATING LEASE

Total rent expense during the fiscal year ended June 30, 2016, was \$11,000. The Board's existing office lease expired in July 2016. The lease was not renewed in July 2016, as the board entered into a new month to month lease for a different location for \$1,635 per month.