

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**

**Financial Statements for the  
Years Ended June 30, 2016 and 2015 and  
Independent Auditor's Report**

# **NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**

## **Financial Statements for the Years Ended June 30, 2016 and 2015 and Independent Auditor's Report**

### **BOARD MEMBERS (2015-2016)**

Elizabeth Bailey, LRT/CTRS, Chairman

Latetia Cheltenham, LRT, Vice Chair-Treasurer

Megan Janke, PhD, LRT/CTRS, Secretary

John Aguilar, MD

Michael Atkins

Doretha Maxwell, LRTA

Suzanne Thompson, LRT/CTRS

Tracey Warren

### **EXECUTIVE OFFICER**

Becky Garrett, LRT/CTRS, Executive Director

### **LEGAL COUNSEL**

North Carolina Department of Justice

# NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE

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# **NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**

## **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, 2016 and 2015. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2016, the Board's net position decreased by \$1,341, or 2.0%, due primarily to an increase in expenses. During 2015, the Board's net position increased by \$5,496, or 8.9%, due primarily to a consistent recurrence of revenues exceeding expenses and an increase in revenues.

During 2016, the operating revenues of the Board increased by \$533, or .8%, due to an increase in revenue from fees. During 2015, the operating revenues of the Board increased by \$3,310, or 5.0%, due to an increase in revenue from fees.

During 2016, the non-operating revenues of the Board decreased by \$181, or 96.3%, due to the fact that the board recognized a loss on a write off of a capital asset during the current year. During 2015, the non-operating revenues of the Board increased by \$237, or 483.7%, due to the fact that no loss was incurred on the disposition of capital assets as was the situation in the year prior to the year ended June 30, 2015.

During 2016, the operating expenses of the Board increased by \$7,189, or 11.3%, due primarily to an increase in payroll expenses, board member expenses, credit card processing fees and insurance expense. During 2015, the operating expenses of the Board increased by \$17,639, or 38.4%, due primarily to an increase in payroll and website design expenses.

### **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 Governmental Accounting Standards Board (GASB) Statement No. 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

### **Basic 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 BOARD OF RECREATIONAL THERAPY LICENSURE

## 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, 2016	Current Year as of and for the year ended June 30, 2015
Current assets	\$ 71,470	\$ 72,106
Capital assets	96	302
Total assets	<u>\$ 71,566</u>	<u>\$ 72,408</u>
Current liabilities	\$ 5,381	\$ 4,882
Total liabilities	<u>\$ 5,381</u>	<u>\$ 4,882</u>
Investment in capital assets	\$ 96	\$ 302
Unrestricted	66,089	67,224
Total net position	<u>\$ 66,185</u>	<u>\$ 67,526</u>
Operating revenues	\$ 69,425	\$ 68,892
Operating expenses	(70,773)	(63,584)
Operating income	(1,348)	5,308
Non-operating revenues	7	188
Change in net position	<u>\$ (1,341)</u>	<u>\$ 5,496</u>

### Events Affecting Future Operations

The Board has no significant events affecting future operations which are reportable pursuant to GASB 34.

### 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 Board of Recreational Therapy Licensure, PO Box 2655, Durham, NC 27715.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

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P.O. 1545  
Angier, North Carolina 27501-1545

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Board of Recreational Therapy Licensure  
Durham, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Board of Recreational Therapy Licensure (the "Board"), an independent state agency 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, 2016 and 2015, 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 auditors consider 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 Recreational Therapy Licensure as of June 30, 2016 and 2015, 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

September 1, 2016

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 69,165	\$ 71,885
Accrued interest receivable	16	16
Prepaid expense (Note 1)	2,289	205
Total current assets	<u>71,470</u>	<u>72,106</u>
Capital assets (Note 1):		
Furniture and office equipment	96	302
Total capital assets - net of depreciation	<u>96</u>	<u>302</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 71,566</u></b>	<b><u>\$ 72,408</u></b>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 549	\$ 327
Accrued payroll	3,309	3,124
Withheld and accrued payroll taxes	1,523	1,431
Total current liabilities	<u>5,381</u>	<u>4,882</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 5,381</u></b>	<b><u>\$ 4,882</u></b>
NET POSITION (NOTE 4)		
Investment in capital assets	96	302
Unrestricted net position	66,089	67,224
<b>TOTAL NET POSITION</b>	<b><u>66,185</u></b>	<b><u>67,526</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 71,566</u></b>	<b><u>\$ 72,408</u></b>

See notes to financial statements.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
<b>OPERATING REVENUES:</b>		
Revenue from fees	\$ 69,425	\$ 68,892
Total operating revenues	\$ 69,425	\$ 68,892
<b>OPERATING EXPENSES:</b>		
Salary- management	\$ 38,972	\$ 30,366
Payroll taxes	2,981	2,323
Staff travel	484	478
Other contracted services- clerical	360	
Board members expenses	2,199	52
Telephone	931	864
Office supplies, postage and printing	2,188	2,526
Credit card fees	3,915	568
Depreciation	43	417
Insurance	11,902	7,255
Professional fees- legal, audit and accounting	4,895	4,350
Website expense (design build and hosting)	1,390	14,153
Miscellaneous expenses	513	232
Total operating expenses	\$ 70,773	\$ 63,584
Operating income (loss)	\$ (1,348)	\$ 5,308
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on disposition of capital assets	\$ (163)	\$
Interest income	170	188
Total non-operating revenues	\$ 7	\$ 188
Change in net position	\$ (1,341)	\$ 5,496
Net position - beginning of year	67,526	62,030
Net position - end of year	\$ 66,185	\$ 67,526

See notes to financial statements.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:		
Cash received from fees and other sources	\$ 69,425	\$ 45,860
Cash payments to employees for services	(41,676)	(30,978)
Cash payments for operating expenses	(30,639)	(30,443)
Net cash provided (used) by operating activities	\$ (2,890)	\$ (15,561)
Cash flows from investing activities:		
Earnings on savings and investments	\$ 170	\$ 189
Net cash provided (used) by investing activities	\$ 170	\$ 189
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$	\$ (183)
Net cash provided (used) by capital and financing activities	\$ 0	\$ (183)
Net increase(decrease) in cash	\$ (2,720)	\$ (15,555)
Cash - beginning of year	71,885	87,440
Cash - end of year	<u>\$ 69,165</u>	<u>\$ 71,885</u>

See notes to financial statements.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ (1,348)	\$ 5,308
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	\$ 43	\$ 417
Changes in assets and liabilities:		
Prepaid expense	(2,084)	(205)
Accounts payable	222	240
Accrued payroll and payroll taxes	277	1,711
Unearned revenue		(23,032)
Total adjustments	\$ (1,542)	\$ (20,869)
Net cash provided by operating activities	<u>\$ (2,890)</u>	<u>\$ (15,561)</u>
Supplemental disclosure(s) of noncash investing, capital, and financing activities:		
Capital asset write-offs	<u>\$ (163)</u>	<u>\$</u>

See notes to financial statements.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization**

The North Carolina Board of Recreational Therapy Licensure (the "Board") is an independent state agency. During 2005, the Board had its name changed, pursuant to North Carolina General Statute, from the North Carolina Therapeutic Recreation Certification Board to the North Carolina Board of Recreational Therapy Licensure. The Board is an occupational licensing board and is authorized by Chapter 90C of the North Carolina General Statutes. The Board is composed of eight 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 recreational therapists and assistants.

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

**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.

**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.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016 AND 2015**

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

**Basis of Accounting**

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by license fees.

The financial statements report all activities of the North Carolina Board of Recreational Therapy Licensure using the economic resource measurement focus and the full 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, regardless of the timing of cash flows.

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. 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. Certain certificates of deposits, if any, are considered investments for Statements of Net Position presentation.

**Fair Value of Financial Instruments**

The carrying amounts of the Board's financial instruments approximate their fair value.

**Prepaid Expenses**

This classification includes expenses which were prepaid at year end for dues and other prepayments.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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

**Capital Assets**

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$100 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. Summaries follow:

	Cost			Cost	Accumulated	Net
	06-30-15	Acquisitions	Disposals	06-30-16	Depreciation	Amount
Furniture/Equipment	\$ 2,154	\$	\$ 1,971	\$ 183	\$ 87	\$ 96
	\$ 2,154	\$ 0	\$ 1,971	\$ 183	\$ 87	\$ 96

  

	Cost			Cost	Accumulated	Net
	06-30-14	Acquisitions	Disposals	06-30-15	Depreciation	Amount
Furniture/Equipment	\$ 1,971	\$ 183	\$ -	\$ 2,154	\$ 1,852	\$ 302
	\$ 1,971	\$ 183	\$ 0	\$ 2,154	\$ 1,852	\$ 302

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 in earnings for the period. Depreciation expense was \$43 for the year ended June 30, 2016 and \$417 for the year ended June 30, 2015

**Income Taxes**

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

**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.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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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 policies regarding custodial credit risk for deposits.

At June 30, 2016, the Board's deposits had a carrying amount of \$69,165 (including undeposited receipts) and a bank balance of \$68,407, which was covered by federal depository insurance (National Credit Union Administration). At June 30, 2015, the Board's deposits had a carrying amount of \$71,885 (including undeposited receipts) and a bank balance of \$70,810, which was covered by federal depository insurance (National Credit Union Administration).

Note 3 - Unearned Revenue Presentation

Prior to July 1, 2013, the Board's licensing term was on a biennial basis, which began with each respective licensee's inception date, and ended on each respective licensee's subsequent second year anniversary date (the former method). Further, in alternating years, licensing maintenance fees (in the same amount as the license renewal fee) were and continue to be collected. Pursuant to a change in the Board's administrative code, effective on July 1, 2013, the Board's licensing term is now on a biennial basis which coincides with the licensee's month of birth (the current method). For all periods through June 30, 2013, license renewal fees were reported as revenue in the period received and were not allocated to other years. During the latter part of the fiscal year ended June 30, 2014, additional fees (for renewals and for maintenance fees) were collected in advance from licensees in the amounts of a pro-rated fees beginning with the licensees' renewal date under the "former method" until the month of licensees' birth month (the current method). This unearned revenue calculation for the year ended June 30, 2014 was a one year-one time only calculation, which was employed in order to allocate those advance collected pro-rata fees to the year ended June 30, 2015. Except for this one time allocation for the year ended June 30, 2015 and 2014, license renewal fees are recognized as revenue in the period received and are not deferred and recognized as revenue over the periods to which they relate. This revenue recognition method reasonably reflects income of the Board.

Note 4 - 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.

Restricted net position - expendable - 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 no restricted net position at year end.

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*.

**NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 5 - 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 loss through the purchase of commercial insurance coverage.

Note 6 - 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.

Note 7 - Subsequent Events

Subsequent events have been evaluated through September 1, 2016, 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 8 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 40 audit hours at a cost of \$3,895.