

Financial Statements

NORTH CAROLINA SUBSTANCE ABUSE
PROFESSIONAL PRACTICE BOARD
Year Ended June 30, 2016

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD

**Financial Statements
Year Ended June 30, 2016**

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**A.T. ALLEN
& COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

A Registered Limited Liability Partnership

RONALD G. PITTMAN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
Raleigh, North Carolina

We have audited the accompanying financial statements of NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD (the "Board") as of and for the year ended June 30, 2016, and the related notes to the 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A. T. ALLEN & COMPANY, LLP

Raleigh, North Carolina
October 31, 2016

**NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ending June 30, 2016. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During the year ended June 30, 2016, the Board's net position increased by \$52,224, or 5%, due to the Board's operating revenues exceeding its operating expenses.

During the year ended June 30, 2016, the operating revenues of the Board increased by \$54,699, or 7%, due primarily to an increase in the State of North Carolina contract and license renewal fees.

During the year ended June 30, 2016, the operating expenses of the Board increased by \$57,314, or 7%, due primarily to an increase in legal expenses and consulting 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 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.

The Statement of Net Position presents the current and long-term portions, if any, of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information on how the Board's net position changed as a result of its operations.

The Statement of Cash Flows presents information on how the Board's cash changed as a result of its financial activities.

**NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2016**

Condensed Financial Information

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

	<u>6/30/2016</u>	<u>6/30/2015</u>	Change Increase / (Decrease)
Current assets	\$ 1,211,193	\$ 1,171,970	\$ 39,223
Total assets	<u>\$ 1,211,193</u>	<u>\$ 1,171,970</u>	<u>\$ 39,223</u>
Current liabilities	\$ 22,705	\$ 35,706	\$ (13,001)
Total liabilities	<u>\$ 22,705</u>	<u>\$ 35,706</u>	<u>\$ (13,001)</u>
Unrestricted net position	\$ 1,188,488	\$ 1,136,264	\$ 52,224
Total net position	<u>\$ 1,188,488</u>	<u>\$ 1,136,264</u>	<u>\$ 52,224</u>
Operating revenues	\$ 915,568	\$ 860,869	\$ 54,699
Operating expenses	<u>(863,894)</u>	<u>(806,580)</u>	<u>57,314</u>
Operating income	51,674	54,289	(2,615)
Non-operating revenues	<u>550</u>	<u>634</u>	<u>(84)</u>
Change in net position	<u>\$ 52,224</u>	<u>\$ 54,923</u>	<u>\$ (2,699)</u>

Events Affecting Future Operations

The Board has indicated it 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 Substance Abuse Professional Practice Board, P.O. Box 10126, Raleigh, North Carolina 27605.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD

Statement of Net Position

June 30, 2016

Assets

Current assets:

Cash	\$ 1,083,252
Investments	23,839
Accounts receivable - state contract	69,185
Prepaid expenses	<u>34,917</u>

Total assets \$ 1,211,193

Liabilities and Net Position

Current liabilities:

Accounts payable	\$ 22,705
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Net position:

Unrestricted	<u>1,188,488</u>
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Total liabilities and net position \$ 1,211,193

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD

Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2016

Operating revenues:	
License and exam fees	\$ 498,890
State of North Carolina contract	344,818
Criminal background fees	49,210
Training fees	20,650
Other operating income	<u>2,000</u>
Total operating revenues	<u>915,568</u>
Operating expenses:	
Administrative services	320,734
Bank fees	201
Meeting expense	47,562
Board insurance	3,060
Credit card processing fees	17,879
Criminal background expense	45,638
Computer repairs	423
Consultants	38,647
Investigative fees	25,751
Database management fees	25,425
Dues	10,652
Internet/website	354
Evaluation expenses	138,048
Printing	2,773
Office supplies	9,396
Postage	5,771
Professional fees	157,370
Telephone	1,727
Storage	1,823
Scholarships	2,155
Training	<u>8,505</u>
Total operating expenses	<u>863,894</u>
Operating income	51,674
Non-operating revenues:	
Interest income	<u>550</u>
Change in fund net position	52,224
Net position - beginning of year	<u>1,136,264</u>
Net position - end of year	<u>\$ 1,188,488</u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD

**Statement of Cash Flows
Year Ended June 30, 2016**

Cash flows from operating activities:	
Cash received from fees and other operating income	\$ 912,701
Cash payments for operating expenses	<u>(887,962)</u>
Net cash provided by operating activities	<u>24,739</u>
Cash flows from investing activities:	
Redemption of certificate of deposit	156,645
Interest on investments	<u>550</u>
Net cash provided by investing activities	<u>157,195</u>
Net increase in cash	181,934
Cash - beginning of year	<u>901,318</u>
Cash - end of year	<u><u>\$ 1,083,252</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 51,674</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(2,867)
Prepaid expenses	(11,067)
Accounts payable	<u>(13,001)</u>
Total adjustments	<u>(26,935)</u>
Net cash provided by operating activities	<u><u>\$ 24,739</u></u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
Notes to Financial Statements
June 30, 2016

1. NATURE OF ACTIVITIES

North Carolina Substance Abuse Professional Practice Board (the “Board”) is an occupational licensing board. It was established by the North Carolina General Statute Article 5C, GS 90.113.30. The Board is considered an agency of the State of North Carolina for financial reporting purposes and is granted independent authority by North Carolina General Statutes. The Board is composed of 25 members, in which some are appointed by the Governor and the General Assembly of the State of North Carolina.

The Board is established to maintain minimum standards for services provided by substance abuse professionals.

The Board’s operations are financed with self-generated revenues from fees charged to licensees and with a contract for service with the State of North Carolina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 a private business enterprise 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

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the state exercises oversight responsibility in that the Governor and the General Assembly appoint some of the Board Members, and public service is rendered within the State’s boundaries. The accompanying financial statements present only the activity of the North Carolina Substance Abuse Professional Practice Board.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

The financial statements report all activities of the North Carolina Substance Abuse Professional Practice Board using the economic resource measurement focus and the accrual basis of accounting appropriate for governmental entities. Under this method, revenues are recognized in the period when earned and available to finance the Board's operations, and expenses are recorded when the liabilities are incurred.

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

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operation of the Board. Operating revenues consist primarily of license fees and a State of North Carolina contract. Non-operating revenues and expenses, if any, consist of those revenues and expenses that are related to investing activities and are classified as non-operating in the financial statements.

Cash

This classification includes undeposited receipts, petty cash, checking accounts and time deposits held by the Board. Certificates of deposits (if any) are considered investments for the purposes of the Statement of Net Position and the Statement of Cash Flows.

Revenue Recognition

The Board's license fees are assessed and collected every two years, which begins with each respective licensee's license inception date, and ends on each respective licensee's subsequent second-year anniversary date. 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 the income of the Board.

Fair Value of Financial Instruments

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

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS

At June 30, 2016, the Board's deposits had a carrying amount of \$1,107,091 and a bank balance of \$1,107,459, which was covered by federal depository insurance to the extent of the \$250,000 per depositor FDIC limit. Certificates of deposit included in these amounts totaling \$23,839 are considered investments and are classified as such in the Statement of Net Position.

4. INVESTMENTS

At June 30, 2016, the Board had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months</u>
Certificates of Deposit	<u>\$ 23,839</u>	<u>\$ 23,839</u>

Interest rate risk – as a means of limiting its exposure to fair value losses arising from rising interest rates, the Board limits its investment in certificates of deposit to maturities of no more than 12 months.

Credit risk – State law limits the investments of the Board to certain types of investments, however, the Board's present policy for managing credit risk is to limit its investments to certificates of deposit.

Concentration of credit risk – The Board places no limit on the amount that it may invest in any one issuer. All of the Board's deposits and investments are with several financial institutions.

5. NET POSITION

The net position of the Board is classified as follows:

Net 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. As of June 30, 2016, the Board had no investment in 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. As of June 30, 2016, the Board had no restricted net position – expendable.

NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD
Notes to Financial Statements
June 30, 2016

5. NET POSITION (CONTINUED)

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

6. CONTRACTUAL MANAGEMENT SERVICES

The Board does not have any employees. The Board has an annual contract with a company located in Raleigh, North Carolina to provide administrative services. The contract includes all services related to the process of the license application, license renewal, testing, and various other duties. The Board also reimburses the management company for miscellaneous office supplies and expenses. The amount paid under the contract during the year ended June 30, 2016, was \$271,200.

7. 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; and natural disasters. The Board has purchased commercial insurance coverage to address these risks.

8. 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 year under audit do not materially affect the Board's operations, changes in financial position or cash flows for the year herein ended.