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NORTH CAROLINA BOARD OF
MASSAGE AND BODYWORK THERAPY

Financial Statements

June 30, 2017 and 2016

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NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Management's Discussion and Analysis
June 30, 2017 and 2016

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased \$43,640 or 6.6% due to an increase in the civil penalties collected, disciplinary costs, and late renewal fees received.

The operating expense of the Board increased \$159,977 or 27%. The increase is primarily due to a \$92,786 increase in professional services, hearings, and investigations. The professional service fee is calculated based on fees collected on the cash basis as well as per hour payments for litigation in the courts. In the current year, there was a significant increase in the cash basis fees collected due to the timing of when licenses were initially issued.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements.

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 non-current 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 the years' operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the years' activity.

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

| | As of and for the Year Ended June 30, 2017 | As of and for the Year Ended June 30, 2016 |
|----------------------------------|--|--|
| Current Assets | \$ 275,709 | \$ 233,772 |
| Non-Current Assets | 300,000 | 300,000 |
| Total Assets | <u>575,709</u> | <u>533,772</u> |
| Current Liabilities | 436,655 | 377,116 |
| Non-Current Liabilities | 139,025 | 106,538 |
| Total Liabilities | <u>575,680</u> | <u>483,654</u> |
| Total Net Position--Unrestricted | <u>\$ 29</u> | <u>\$ 50,118</u> |
| Operating Revenues | \$ 703,125 | \$ 659,485 |
| Operating Expenses | 753,214 | 593,237 |
| Operating Income | <u>(50,089)</u> | <u>66,248</u> |
| Non-Operating Revenue | <u> </u> | <u>1,685</u> |
| Change in Net Position | <u>\$ (50,089)</u> | <u>\$ 67,933</u> |

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Management's Discussion and Analysis
June 30, 2017 and 2016

Events Affecting Future Operations

New licensees are expected to remain consistent with the prior year and license renewals are expected to be consistent with renewals reported two years ago.

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 and expends. If you have any questions about this report or need additional information, contact: North Carolina Board of Massage and Bodywork Therapy, PO Box 2539, Raleigh, NC 27602-2539.



Board of Directors
North Carolina Board of Massage and Bodywork Therapy
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Massage and Bodywork Therapy as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Board's basic 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 auditors' judgment, including the assessment of the risk 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 includes evaluating the appropriateness of accounting principles 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 Massage and Bodywork Therapy as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 1 through 2 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
October 13, 2017

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
 Statements of Net Position
 June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|----------------|------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash | \$ 272,697 | \$ 230,460 |
| Accrued Interest | 212 | 512 |
| Prepaid Expenses | <u>2,800</u> | <u>2,800</u> |
| Total Current Assets | 275,709 | 233,772 |
| Non-Current Assets: | | |
| Certificates of Deposit | <u>300,000</u> | <u>300,000</u> |
| Total Assets | <u>575,709</u> | <u>533,772</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Accounts Payable | 39,050 | 15,099 |
| Unearned Revenue--Licenses | 383,980 | 349,017 |
| Unearned Revenue--Schools | <u>13,625</u> | <u>13,000</u> |
| Total Current Liabilities | <u>436,655</u> | <u>377,116</u> |
| Non-Current Liabilities: | | |
| Unearned Revenue--Licenses | 134,650 | 104,038 |
| Unearned Revenue--Schools | <u>4,375</u> | <u>2,500</u> |
| Total Non-Current Liabilities | <u>139,025</u> | <u>106,538</u> |
| Total Liabilities | <u>575,680</u> | <u>483,654</u> |
| NET POSITION | <u>\$ 29</u> | <u>\$ 50,118</u> |

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

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---------------------------------|------------|------------|
| OPERATING REVENUES: | | |
| Fees | \$ 703,125 | \$ 659,485 |
| OPERATING EXPENSES: | | |
| Contractual Services | 504,038 | 391,526 |
| Background Checks | 37,126 | 35,340 |
| School Approvals | 32,520 | 40,341 |
| Hearing/Investigations | 30,623 | 6,974 |
| Office Supplies/Storage/Recall | 27,302 | 13,863 |
| Printing and Binding | 22,973 | 24,802 |
| Travel and Board Expense | 18,395 | 21,115 |
| Computer and Internet | 18,020 | 11,881 |
| Fines Remitted | 18,017 | 6,600 |
| Copies and Postage | 15,468 | 16,503 |
| Merchant Fees | 13,024 | 9,105 |
| Miscellaneous | 5,632 | 6,503 |
| Accounting | 4,800 | 4,750 |
| Seminars and Training | 2,987 | 1,710 |
| Telephone | 2,289 | 2,224 |
| Total Operating Expenses | 753,214 | 593,237 |
| INCOME FROM OPERATIONS | (50,089) | 66,248 |
| NON-OPERATING REVENUES: | | |
| Interest Income | | 1,685 |
| CHANGES IN NET POSITION | (50,089) | 67,933 |
| NET POSITION--Beginning of Year | 50,118 | (17,815) |
| NET POSITION--End of Year | \$ 29 | \$ 50,118 |

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

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
 Statements of Cash Flows
 For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Fees | \$ 771,200 | \$ 610,051 |
| Cash Payments for Operating Expenses | <u>(729,263)</u> | <u>(587,712)</u> |
| Net Cash Provided by Operating Activities | <u>41,937</u> | <u>22,339</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest Income | <u>300</u> | <u>1,173</u> |
| Net Cash Provided by Investing Activities | <u>300</u> | <u>1,173</u> |
| NET INCREASE IN CASH | 42,237 | 23,512 |
| CASH--Beginning of Year | <u>230,460</u> | <u>206,948</u> |
| CASH--End of Year | <u>\$ 272,697</u> | <u>\$ 230,460</u> |
| RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Income (Loss) from Operations | \$ (50,089) | \$ 66,248 |
| Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by Operating Activities: | | |
| Changes in Assets and Liabilities: | | |
| Accounts Payable | 23,951 | 5,525 |
| Unearned Revenue | <u>68,075</u> | <u>(49,434)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 41,937</u> | <u>\$ 22,339</u> |

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

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2013 2017 and 2016

1. Summary of Significant Accounting Policies

A. Organization:

The North Carolina Board of Massage and Bodywork Therapy was created by the 1998 NC General Assembly General Statute Chapter 90, Article 36, to become effective July 1, 1999. The mission and purpose of the Board is to regulate the practice of massage and bodywork therapy in the State of North Carolina in order to ensure minimum standards of competency and to protect the public health, safety and welfare.

The Board regulates the practice of massage and bodywork therapy by:

1. Determining the qualifications of persons seeking to practice massage and bodywork therapy and authorizing persons who have met the statutory requirements to so practice; and
2. Enforcing the provisions of laws governing the practice of massage and bodywork therapy and those duly enacted rules designed to ensure its safe and ethical practice.

The Board is considered an agency of the State of North Carolina for financial reporting purposes.

The Board is comprised of seven members: five members are massage and bodywork therapists; one is a medical doctor, and one is a member of the general public. Members serve three-year terms, and may not serve more than two consecutive terms.

The Governor appoints one therapist member, the physician, and the public member. The Speaker of the House of Representatives appoints two therapist members. The President Pro Tempore of the Senate appoints two therapist members.

B. 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.

C. 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 BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting:

In accordance with *Statement of Governmental Accounting Standards 34*, the Board presents a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements reflect 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 State Board of Massage and Bodywork Therapy using 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.

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.

Non-operating revenues consist of those revenues that are related to investing types of activities and are classified as non-operating in the financial statements.

E. Cash:

For purposes of the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

F. Contractual Services:

The Board does not have any employees. The Board contracts with a law firm to provide legal representation, advice, consultation and assistance in all matters relating to the practice of massage and bodywork therapy in the State of North Carolina. The contract includes providing to the Board consultation and assistance in all matters relating to the practice of massage and bodywork therapy in the State of North Carolina, including approval of massage and bodywork therapy schools, and shall provide office space and equipment as well as the necessary administrative and bookkeeping requirements of the Board. The contract does not include litigation. A fee of 65% of cash collected after certain adjustments is to be paid for contracted services. The contract may be terminated at any time upon mutual consent of both parties or 180 days after one of the contracting parties gives notice of termination; provided, however, the Board pays the law firm for all months worked and expenses incurred to date of termination.

G. Unearned Revenue:

The Board's fees which represent license renewals are recorded as unearned revenue and recognized over the two-year license period. Fees received for initial licenses are either deferred over eighteen months or two years depending on the time of collection. School renewal fees are collected in advance and recorded as deferred revenue at year-end and recognized as revenue over the renewal period. The renewal period is either one or two years depending on the past compliance of the school.

H. Use of Estimates:

The presentation of financial statements in conformity with U.S. 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

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2017 and 2016

2. Concentration of Credit Risk

Custodial Credit Risk. The Board maintains a demand deposit and certificates of deposit at a commercial bank in North Carolina. At June 30, 2017 and 2016, the Board had carrying amounts of \$572,697 and \$530,460, respectively, and bank balances of \$589,934 and \$585,448, respectively. Of these bank balances, \$250,000 was covered by federal depository insurance and \$339,934 and \$335,448, respectively, was uninsured and the financial institution had pledged collateral to protect the uninsured balance.

3. Insurance

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. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company.

4. Related Parties

The Board had a contract for consulting services relative to school approvals. A member of the contracting company is the spouse of a member of the law firm mentioned in Note 1, "Contractual Services." Payments to the contractor totaled \$16,768 and \$21,191 for the years ended June 30, 2017 and 2016, respectively. The Board also contracts with a related party for computer service who is a relative of a member of the above mentioned law firm. Payments to the contractor totaled \$6,104 and \$7,904 for the years ended June 30, 2017 and 2016, respectively.

5. Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. Such reclassifications had no effects on net assets or cash flows.

6. Subsequent Events

Management of the Board evaluated subsequent events through October 13, 2017, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

