

oOo

NORTH CAROLINA BOARD  
OF OCCUPATIONAL THERAPY

Financial Statements

June 30, 2017 and 2016

oOo

## TABLE OF CONTENTS

	<u>Pages</u>
Management's Discussion and Analysis	1-2
Independent Auditor's Report	3-4
Statements of Net Position	5
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-10

NORTH CAROLINA BOARD OF OCCUPATIONAL 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 \$37,415 or 10.5%, due primarily to an increase in the number of initial licensees and renewing licensees.

The operating expenses of the Board increased by \$45,219 or 15.4%, due to increases in storage/recall expenses relating to scanning in files to store electronically.

**Overview of the Financial Statements**

This discussion and analysis is an introduction to the Board's 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.

The Statements of Net Position present the 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	\$ 415,477	\$ 337,517
Non-Current Assets	700,000	700,000
Total Assets	<u>1,115,477</u>	<u>1,037,517</u>
Total Current Liabilities	<u>294,147</u>	<u>274,689</u>
Total Net Position--Unrestricted	<u>\$ 821,330</u>	<u>\$ 762,828</u>
Operating Revenues	\$ 394,480	\$ 357,065
Operating Expenses	<u>339,088</u>	<u>293,869</u>
Operating Income	55,392	63,196
Non-Operating Revenue	<u>3,110</u>	<u>2,269</u>
Change in Net Position	<u>\$ 58,502</u>	<u>\$ 65,465</u>

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

**Events Affecting Future Operations**

Due to the increasing demand for occupational therapy services, the number of renewals and new licensees should continue to increase moderately with a similar increase in income as in the past year.

**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 Occupational Therapy, PO Box 2280, Raleigh, North Carolina 27602-2280.



Board of Directors  
North Carolina Board of Occupational 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 Occupational 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.

### *Auditor's 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 Occupational Therapy as of June 30, 2017 and 2016, and the 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.

**Raleigh**  
4060 Barrett Drive  
Post Office Box 17806  
Raleigh, North Carolina 27619  
  
919 782 9265  
919 783 8937 FAX

**Durham**  
3500 Westgate Drive  
Suite 203  
Durham, North Carolina 27707  
  
919 354 2584  
919 489 8183 FAX

**Pittsboro**  
10 Sanford Road  
Post Office Box 1399  
Pittsboro, North Carolina 27312  
  
919 542 6000  
919 542 5764 FAX

**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 & Hayward, LLP*

Raleigh, North Carolina  
October 13, 2017

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY  
 Statements of Net Position  
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>		
Current Assets:		
Cash	\$ 412,712	\$ 335,759
Accrued Interest	2,765	1,758
Total Current Assets	<u>415,477</u>	<u>337,517</u>
Non-Current Assets:		
Certificates of Deposit	<u>700,000</u>	<u>700,000</u>
Total Assets	<u>1,115,477</u>	<u>1,037,517</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	13,197	9,789
Unearned Revenue	<u>280,950</u>	<u>264,900</u>
Total Liabilities	<u>294,147</u>	<u>274,689</u>
<b>NET POSITION</b>	<u><u>\$ 821,330</u></u>	<u><u>\$ 762,828</u></u>

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

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

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Fees	\$ <u>394,480</u>	\$ <u>357,065</u>
OPERATING EXPENSES:		
Contractual Services	180,765	175,500
Storage/Recall	36,601	4,039
Special Legal	34,850	26,488
Travel and Board	22,571	18,111
Internet Services	18,717	28,344
Merchant Fees	16,522	11,352
Part-Time Assistance	7,500	7,500
Audit and Accounting	4,300	4,200
Office Supplies	3,617	2,942
Copies and Postage	3,330	5,825
Strategic Planning Conference	2,497	
Telephone	2,289	2,289
Miscellaneous	1,903	100
Printing and Binding	1,282	3,980
Civil Penalties Remitted	960	2,240
Jurisprudence Exam	749	749
Disciplinary Hearings	635	210
Total Operating Expenses	<u>339,088</u>	<u>293,869</u>
INCOME FROM OPERATIONS	55,392	63,196
NON-OPERATING REVENUES:		
Interest Income	<u>3,110</u>	<u>2,269</u>
CHANGES IN NET POSITION	58,502	65,465
NET POSITION--Beginning of Year	<u>762,828</u>	<u>697,363</u>
NET POSITION--End of Year	<u>\$ 821,330</u>	<u>\$ 762,828</u>

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



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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Fees	\$ 410,530	372,415
Cash Payments for Operating Expenses	(335,680)	(288,564)
Net Cash Provided by Operating Activities	74,850	83,851
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments		(100,000)
Investment Income	2,103	970
Net Cash Provided (Used) by Investing Activities	2,103	(99,030)
<b>NET INCREASE (DECREASE) IN CASH</b>	76,953	(15,179)
<b>CASH--Beginning of Year</b>	335,759	350,938
<b>CASH--End of Year</b>	\$ 412,712	\$ 335,759
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Income from Operations	\$ 55,392	\$ 63,196
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Accounts Payable	3,408	5,305
Unearned Revenue	16,050	15,350
Net Cash Provided by Operating Activities	\$ 74,850	\$ 83,851

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

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY  
Notes to Financial Statements  
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

A. Description of Organization:

The North Carolina Board of Occupational Therapy was created by the 1983 N.C. General Assembly General Statute Chapter 90, Article 18D to become effective September 1, 1984. The Board was created to provide for the regulation of persons offering occupational therapy services to the public. The first board meeting was March 15, 1985. Financial operations of the Board began June 28, 1985.

The Board is considered an agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the Governor.

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.

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 operations of the Board. The Board has no fiduciary funds or component units.

The financial statements report all activities of the North Carolina Board of Occupational 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.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY  
Notes to Financial Statements  
June 30, 2017 and 2016

1. Summary of Significant Accounting Policies (Continued)

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 occupational therapy in the State of North Carolina. The contract includes office space, furniture and equipment, as well as the necessary administrative and bookkeeping requirements of the Board. The contract does not include litigation 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 to terminate.

G. Unearned Revenue:

Unearned revenue represents renewal fees received before the fiscal year-end that apply to the following fiscal year.

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.

2. Deposits and Investments

*Custodial Credit Risk.* The Board maintains a demand deposit and certificates of deposit at one commercial bank in North Carolina. At June 30, 2017 and 2016, the Board had carrying amounts of \$1,112,712 and \$1,035,759, respectively, and bank balances of \$1,099,812 and \$1,028,478, respectively. Of these bank balances, which include a non-interest bearing checking account, \$250,000 was covered by federal depository insurance and \$849,712 and \$778,478, respectively, were uninsured and the financial institution had pledged collateral to protect the uninsured balance.

3. Net Position

The Board has reserved a portion of the unrestricted net position for use in a future period. Future uses are categorized as either pre-planned special projects or unforeseen financial emergencies which may require a large, non-recurring outlay of funds. The Board reviews the fund on an annual basis and makes decisions as appropriate relative to reserved funds. The Board had reserved unrestricted net position of up to \$700,000 at June 30, 2017 and 2016, respectively, for legal contingencies.

4. 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.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY  
Notes to Financial Statements  
June 30, 2017 and 2016

5. Related Party

The Board's technical support is provided by a relative of a member of the law firm mentioned in Note 1, "Contractual Services" and is reported in internet services. Payments to the contractor totaled \$9,398 and \$11,098 for the years ended June 30, 2017 and 2016, respectively.

6. Subsequent Events

Management 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.

7. 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.

