

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

**Financial Statements for the
Years Ended June 30, 2020 and 2019 and
Independent Auditor's Report**

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

Financial Statements for the Years Ended June 30, 2020 and 2019 and Independent Auditor's Report

BOARD MEMBERS (2019-2020)

Emmylou “Junie” Norfleet, L.AC, Chairperson

Chester Phillips, L.AC, Vice-Chairperson

Toni Rittenberg, L.AC, Secretary-Treasurer

Shandy “Shay” Cline, L.AC

Marc Cutler, L.AC

Gilda Hunt, L.AC

Keli Beck Jones, M.D.

Ji Fei Wang, L.AC

Jane Pippinger, Public Member

EXECUTIVE OFFICERS

Pat Pritchard, Executive Director

LEGAL COUNSEL

Michael J. Tadych
Stevens, Martin, Vaughn & Tadych, PLLC

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

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NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2020 and 2019. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2020, the Board's net position increased by \$8,887, or 4.74%, due primarily to an increase in revenue from donations. During 2019, the Board's net position increased by \$12,074, or 6.05%, due primarily to a decrease in expenses.

During 2020, the operating revenues of the Board increased by \$6,700, or 5.72%, due primarily to an increase in revenues from donations. During 2019, the operating revenues of the Board decreased by \$13,470, or 10.31%, due primarily to a decrease in license fees revenue.

During 2020, the non-operating revenues of the Board decreased by \$3, or 75.00%, due to the fact that the Board closed its money market account. During 2019, the non-operating revenues of the Board did not change, due to the fact that weighted average cash on hand was about the same.

During 2020, the operating expenses of the Board increased by \$9,884, or 9.40%, due primarily to an increase in insurance expense. During 2019, the operating expenses of the Board decreased by \$77,358, or 42.39%, due primarily to a decrease in legal 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 the Governmental Accounting Standards Board (GASB). The Financial Statements also include notes to the financial statements that provide detail of the information included in the 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 ACUPUNCTURE LICENSING BOARD

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, 2020	Current Year as of and for the year ended June 30, 2019
Current assets	\$ 43,013	\$ 73,827
Other assets	14,975	625
Total assets	<u>\$ 57,988</u>	<u>\$ 74,452</u>
Current liabilities	\$ 126,711	\$ 140,062
Long-term liabilities	109,899	121,899
Total liabilities	<u>\$ 236,610</u>	<u>\$ 261,961</u>
Restricted	\$ 14,975	\$ 625
Unrestricted	(193,597)	(188,134)
Total net position	<u>\$ (178,622)</u>	<u>\$ (187,509)</u>
Operating revenues	\$ 123,915	\$ 117,215
Operating expenses	(115,029)	(105,145)
Operating income	\$ 8,886	\$ 12,070
Non-operating revenues	1	4
Change in net position	<u>\$ 8,887</u>	<u>\$ 12,074</u>

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Net position is an indicator of the fiscal health of the Board. Liabilities exceeded assets by \$178,622 for the year ended June 30, 2020. Current assets consist of cash and prepaid expense. Noncurrent assets consist only of restricted cash for legal expenditures. The Board owns no capital assets. Current liabilities consist of accounts payable due within twelve months after year end, and unearned revenue. Long-term liabilities consist of accounts payable not due within twelve months after year end. Net position consists of net assets restricted for certain legal expenditures, and of unrestricted net assets. The following is a summary of the Statements of Net Position.

	Current Year as of June 30, 2020	Current Year as of June 30, 2019	Amount of Change	Percentage Change
Current assets	\$ 43,013	\$ 73,827	\$ (30,814)	-41.74%
Other assets	14,975	625	14,350	2296.00%
Total assets	<u>\$ 57,988</u>	<u>\$ 74,452</u>	<u>\$ (16,464)</u>	<u>-22.11%</u>
Current liabilities	\$ 126,711	\$ 140,062	\$ (13,351)	-9.53%
Long-term debt	109,899	121,899	(12,000)	-9.84%
Total liabilities	<u>\$ 236,610</u>	<u>\$ 261,961</u>	<u>\$ (25,351)</u>	<u>-9.68%</u>
Restricted	\$ 14,975	\$ 625	\$ 14,350	2296.00%
Unrestricted	(193,597)	(188,134)	(5,463)	-2.90%
Total net position	<u>\$ (178,622)</u>	<u>\$ (187,509)</u>	<u>\$ 8,887</u>	<u>4.74%</u>

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position. Further discussion of this is included in the preceding section entitled "Financial Highlights."

	The year ended June 30, 2020	The year ended June 30, 2019	Amount of Change	Percentage Change
Operating revenues	\$ 123,915	\$ 117,215	\$ 6,700	5.72%
Operating expenses	(115,029)	(105,145)	9,884	9.40%
Non-operating revenues	1	4	(3)	-75.00%
Change in net position	<u>\$ 8,887</u>	<u>\$ 12,074</u>	<u>\$ (3,187)</u>	<u>26.40%</u>
Ending net position	<u>\$ (178,622)</u>	<u>\$ (187,509)</u>	<u>\$ 8,887</u>	<u>4.74%</u>

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is a breakdown of operating revenues by source. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended June 30, 2020	The year ended June 30, 2019	Amount of Change	Percentage Change
Revenues from fees	\$ 107,790	\$ 114,565	\$ (6,775)	-5.91%
Revenue from donations	15,175	625	14,550	2328.00%
Other income	950	2,025	(1,075)	-53.09%
Total	<u>\$ 123,915</u>	<u>\$ 117,215</u>	<u>\$ 6,700</u>	<u>5.72%</u>

The following is a breakdown of non-operating revenues by source. Further discussion of this is included in the preceding section entitled “Financial Highlights.”

	The year ended June 30, 2020	The year ended June 30, 2019	Amount of Change	Percentage Change
Interest income	\$ 1	\$ 4	\$ (3)	-75.00%
Total	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ (3)</u>	<u>-75.00%</u>

Events Affecting Future Operations

The Board was involved in litigation concerning the use of a procedure called “dry needling” and it incurred significant legal expense during the years ended June 30, 2018, 2017, 2016 and 2015 concerning this matter. This lawsuit has concluded and the Board should incur no significant further legal expenses concerning this matter. Because of this, the Board believes that it is able to recover financially from its cash flow problems which resulted from this lawsuit.

The Board is not aware of any other significant events that may affect future operations of the Board which are reportable pursuant to GASB reporting requirements. The Board anticipates that revenues and expenses of the Board in the upcoming year will be comparable to the current and the preceding 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. If you have any questions about this report or need additional information, contact: North Carolina Acupuncture Licensing Board, PO Box 10686, Raleigh, NC 27605.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Acupuncture Licensing Board
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Acupuncture Licensing Board (the "Board"), an independent state board 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, 2020 and 2019, 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 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 Acupuncture Licensing Board as of June 30, 2020 and 2019, 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

October 8, 2020

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 35,915	\$ 44,632
Prepaid expense (Note 1)	7,098	29,195
Total current assets	43,013	73,827
Other assets:		
Cash - restricted (Notes 1 and 2)	14,975	625
Total other assets	14,975	625
TOTAL ASSETS	\$ 57,988	\$ 74,452
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable (Notes 3 and 4)	\$ 43,873	\$ 46,387
Unearned revenue (Note 1)	82,838	93,675
Total current liabilities	126,711	140,062
Long-term debt:		
Accounts payable (Notes 3 and 4)	109,899	121,899
Total long-term debt	109,899	121,899
TOTAL LIABILITIES	236,610	261,961
NET POSITION (NOTE 1)		
Restricted net position	14,975	625
Unrestricted net position	(193,597)	(188,134)
TOTAL NET POSITION	(178,622)	(187,509)
TOTAL LIABILITIES AND NET POSITION	\$ 57,988	\$ 74,452

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Fees, licenses, and fines:		
Revenue from fees	\$ 107,790	\$ 114,565
Other revenues:		
Revenue from donations - restricted	15,175	625
Other income	<u>950</u>	<u>2,025</u>
Total operating revenues	\$ 123,915	\$ 117,215
OPERATING EXPENSES:		
Personal services (and board members expenses):		
Board members expenses (including meeting expenses)	\$ 1,601	\$ 2,745
Supplies and materials:		
Office, printing, and postage expenses	615	1,022
Services:		
Contractual management services (Note 5)	33,000	30,900
Computer support expenses		349
Website expenses		350
Legal and audit fees	48,295	57,444
Commercial insurance	<u>31,518</u>	<u>12,335</u>
Total operating expenses	\$ 115,029	\$ 105,145
Operating income (loss)	<u>\$ 8,886</u>	<u>\$ 12,070</u>
NON- OPERATING REVENUES (EXPENSES):		
Interest income	<u>\$ 1</u>	<u>\$ 4</u>
Total non-operating revenues	\$ 1	\$ 4
Change in net position	<u>\$ 8,887</u>	<u>\$ 12,074</u>
Net position - beginning of year	<u>(187,509)</u>	<u>(199,583)</u>
Net position - end of year	<u><u>\$ (178,622)</u></u>	<u><u>\$ (187,509)</u></u>

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other income	\$ 113,078	\$ 122,240
Cash payments for operating expenses	(107,446)	(128,531)
Net cash provided (used) by operating activities	\$ 5,632	\$ (6,291)
Cash flows from investing activities:		
Interest income	\$ 1	\$ 4
Net cash provided by investing activities	\$ 1	\$ 4
Net increase(decrease) in cash	\$ 5,633	\$ (6,287)
Cash - beginning of year	45,257	51,544
Cash - end of year	<u>\$ 50,890</u>	<u>\$ 45,257</u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	\$ 8,886	\$ 12,070
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Prepaid expense	\$ 22,097	\$ (27,892)
Accounts payable	(14,514)	4,506
Unearned revenue	(10,837)	5,025
Total adjustments	\$ (3,254)	\$ (18,361)
Net cash provided (used) by operating activities	<u>\$ 5,632</u>	<u>\$ (6,291)</u>

See notes to financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization and Purpose

The North Carolina Acupuncture Licensing Board (the "Board") is an independent state board. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of nine 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 acupuncturists.

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

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.

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 ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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

Basis of Accounting

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus measures all assets that are available to the entity, not only cash or soon to be assets. Both long-term assets and long-term liabilities are measured and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of cash flows. Fees received for the various licenses are deemed earned when the license period begins.

The Statements of Revenues, Expenses, and Changes in Net Position classifies the Board's revenues as operating or non-operating revenues. 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 and includes activities that have characteristics of exchange transactions. 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.

Prepaid Expense

This classification includes expenses which were prepaid at year end for commercial insurance.

Unearned Revenue and Restricted Revenue

The Board's license renewal fees are assessed and collected on a biennial basis (for a period of two years) which coincides with the Board's fiscal year end. License fees received in the latter part of each fiscal year are deferred and recognized as revenue over the periods to which they relate.

Additionally, the Board received donations to fund its incurrence of significant legal expenses during the fiscal years ended June 30, 2020 and 2019 (and preceding years). There was expended from these restricted funds \$825 during the year ended June 30, 2020 and \$3,500 during the year ended June 30, 2019. These revenues are recorded as restricted revenues and, accordingly, the cash balance accumulated and the related net position are classified as restricted as denoted in Notes 1 and 2 herein. The purpose of these expenses is discussed in Note 3 to the financial statements.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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

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. The Board had no capital assets at June 30, 2020 and June 30, 2019.

Restricted net position - 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 monies restricted to fund legal expenses in the amount of \$14,975 at June 30, 2020 and \$625 at June 30, 2019.

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*.

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.

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 formal written policies regarding custodial credit risk for deposits.

At June 30, 2020, the Board's deposits had a carrying amount of \$50,890 and a bank balance of \$60,311, which was covered by federal depository insurance. Restricted cash in the amount of \$14,975 was held (to fund Board legal expenses) in a trust account on behalf of the Board and is classified as a non-current asset on the Statements of Net Position. At June 30, 2019, the Board's deposits had a carrying amount of \$45,257 and a bank balance of \$51,027, which was covered by federal depository insurance. Restricted cash in the amount of \$625 was held (to fund Board legal expenses) in a trust account on behalf of the Board and is classified as a non-current asset on the Statements of Net Position.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

Note 3 - Accounts Payable and Related Party Information

Accounts payable consists of amounts due to vendors in the ordinary operations of the Board. Accounts payable due in the ordinary operations of the Board which are due to other state agencies (if any) are reported separately.

The Board incurred substantial legal fees with two law firms during the fiscal years ended June 30, 2019 (and preceding years) such that the Board's liabilities exceeded its assets for the last several years. During the fiscal year ended June 30, 2016, the Board made arrangements with these law firm vendors to defer payments. Accordingly, the Board has classified as a deferred account payable/long term liability the balance due to one of these law firms. This is for an account payable which is extended beyond one year past the balance sheet date of this financial report.

These deferred long term payables amounted to \$109,899 at June 30, 2020 and \$121,899 at June 30, 2019. The current portion of all legal fees debt amounted to \$31,676 at June 30, 2020 and \$25,779 at June 30, 2019. The current portion of legal fees due to the law firm which entered into a deferred payment agreement with the Board amounted \$12,000 at June 30, 2020 and \$12,000 at June 30, 2019.

Legal fees accounts payable were for two law firms - the law firm which was handling the "dry needling" lawsuit (which has concluded), and the law firm which manages the Board and performs legal services for the Board.

At June 30, 2020, only the legal fees due to the law firm which was handling the "dry needling" lawsuit have been deferred beyond one year. At June 30, 2020, these legal fees were due in minimum monthly installments of \$1,000 (per month), at 0.00% interest, until paid in full. The balance due to this law firm was \$121,899 at June 30, 2020. At June 30, 2019, these legal fees were due in minimum monthly installments of \$1,000 (per month), at 0.00% interest, until paid in full. The balance due to this law firm was \$133,899 at June 30, 2019.

Of the total legal fees accounts payable (current and non-current) at June 30, 2020, \$19,676 was due to the law firm which manages the Board, all of which was a current liability. Of the total legal fees accounts payable (current and non-current) at June 30, 2019, \$13,779 was due to the law firm which manages the Board, all of which was a current liability.

Accounts payable, by type, at June 30, 2020 and 2019 were as follows:

	June 30, 2020	June 30, 2019
Due to Vendors (Other Than Legal Fees) - Current	\$ 12,197	\$ 20,608
Due to Vendors (Legal Fees) - Current	31,676	25,779
Total Accounts Payable - Current	43,873	46,387
Due to Vendors (Legal Fees) - Long Term	109,899	121,899
Total Accounts Payable - Long Term	109,899	121,899
Total Accounts Payable	\$ 153,772	\$ 168,286

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

Note 4 - Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended June 30, 2020 and 2019 is presented as follows:

	Balance 06-30-19	Additions	Reductions	Balance 06-30-20	Current Portion
Legal fees-accounts payable	\$ 147,678	\$ 48,620	\$ (54,723)	\$ 141,575	\$ 31,676
Total Long-Term Liabilities	<u>\$ 147,678</u>	<u>\$ 48,620</u>	<u>\$ (54,723)</u>	<u>\$ 141,575</u>	<u>\$ 31,676</u>

	Balance 06-30-18	Additions	Reductions	Balance 06-30-19	Current Portion
Legal fees-accounts payable	\$ 163,647	\$ 49,949	\$ (65,918)	\$ 147,678	\$ 25,779
Total Long-Term Liabilities	<u>\$ 163,647</u>	<u>\$ 49,949</u>	<u>\$ (65,918)</u>	<u>\$ 147,678</u>	<u>\$ 25,779</u>

Note 5 - Contractual Management Services and Related Party Information

The Board does not have any employees. The Board contracted with a legal firm to perform the management services of the Board. The legal firm is also the general legal counsel for the Board. The management services contract with the legal firm included all services related to the process of licensure applications and renewals and various other secretarial duties. The Board also reimbursed the legal firm who performed the management services for occasional purchases of miscellaneous office supplies and expenses. Payments to the legal firm for management services totaled \$33,305 during the fiscal year ended June 30, 2020 and \$31,672 during the fiscal year ended June 30, 2019. Payments to the legal firm (which also performs the management services of the Board) for legal services totaled \$42,723 during the fiscal year ended June 30, 2020 and \$49,557 during the fiscal year ended June 30, 2019.

Note 6 - 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 potential loss through the purchase of limited commercial insurance coverage. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year, and only one insurance claim was filed and paid during any of the last three fiscal years. A Directors and Officers Liability claim was paid during the fiscal year ended June 30, 2019.

Note 7 - 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.

NORTH CAROLINA ACUPUNCTURE LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

Note 8 - Government Conditions

The Board had an increase in net position of \$8,887 during the year ended June 30, 2020 and an increase in net position of \$12,074 for the year ended June 30, 2019, but had significant losses in the several preceding years. As of June 30, 2020 the Board's accumulated deficit was \$178,622 and as of June 30, 2019, the Board's accumulated deficit was \$187,509. Management of the Board believes that it will have subsequent years with increases in net position, and it believes that future increases in net position and the present financing terms with the law firm discussed in Note 3 will enable it to meet its obligations for at least twelve months from the date of these financials. Debt to these law firms in furtherance of the "dry needling" lawsuit and other legal and related fees have accumulated this net position deficit. That lawsuit concerning "dry needling" has concluded.

Note 9 - Subsequent Events

Subsequent events have been evaluated through October 8, 2020, 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.

This audit required 65 audit hours at a cost of \$6,295.