



**NORTH CAROLINA STATE BOARD
OF
CHIROPRACTIC EXAMINERS**

FINANCIAL REPORT

For the Year Ended June 30, 2017

BOARD MEMBERS

Kevin Sharp, DC – President

Thomas Ayres, III, DC – Vice President

Richard Davis, Jr., DC – Secretary

Adam Bridgers, Esq. – Treasurer – Public Member

Jessica Benningfield, DC – Member

Bruce Hilton, DC – Member

John Hammer, DC – Member

Jacqueline Hobbs – Public Member

ADMINISTRATIVE STAFF

Thomas R. Sullivan – Executive Director

Vance Kinlaw – Counsel to the Board

Ricky Sides, DC – Director – Standards & Enforcement

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to determine the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact the Executive Director, Tom Sullivan at:

North Carolina State Board of Chiropractic Examiners
363 Church St. N. Ste. 250-R
Concord, NC 28025
Phone: (704) 793-1342
By email at: tom@ncchiroboard.com

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

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Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. The overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina State Board of Chiropractic Examiners' (Board) management in conjunction with the issuance of the accompanying financial statements.

Overview of the Basic Financial Statements

The Statements of Net Position provide information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year. Assets and Liabilities on these statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expense in the next fiscal year. Current liabilities are those payable in the next fiscal year. The Board currently has no elements that meet the definition of deferred inflows or deferred outflows. Net position in these statements is categorized as either invested in capital assets or unrestricted. Overall, the Statement of Net Position provides information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The Statements of Revenue, Expense and Changes in Net Position provide information relative to the results the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the licensure and examination activities for the public practice of Chiropractic in the State. Overall, the Statement of Revenues, Expenses, and Changes in Net Position provide information relative to the Board's management of its operations and its ability to maintain financial strength. The above statements are articulated by agreeing the ending position reported on both statements.

The Statement of Cash Flows provide information relative to the Board's sources and uses of cash funds for operating activities, capital financing activities and investing activities. These statements provide a reconciliation of beginning cash balances to ending cash balances and are representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in beginning and ending balances of noncash accounts on the Statement of Net Position.

The three statements described above are the basic financial statements required by the Government Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use the reporting concepts in a manner similar to that required of a business enterprise. The financial statements balances are reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the Notes to the Financial Statements should be read in conjunction with the basic financial statements. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits and investments, detailed information on capital assets and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risks and uncertainties associated with amounts reported in the basic financial statements.

The North Carolina Board of Chiropractic Examiners was established May 5, 1917 by the General Assembly to properly regulate doctors of chiropractic for the benefit and protection of the people of North Carolina. The North Carolina Board of Chiropractic Examiners also regulates and certifies Chiropractic Clinical Assistants (G.S. 90-143.4) and Radiologic (X-Ray) Technicians (G.S. 90-143.2).

The practice of chiropractic is a privilege granted by the State of North Carolina. The North Carolina Board of Chiropractic Examiners, through diligent oversight, will license, monitor, discipline and educate practitioners to assure their fitness and competence in serving the people of North Carolina. In fulfilling its mission, the Board will play a leading role in the ever-changing health care environment through dialogue with the public, the legislature, academia, and the chiropractic community.

Analysis of Financial Position and Results of Operations

The Board's net position as of June 30, 2017 and June 30, 2016, was approximately \$608K and \$580K respectively. A shortfall in expected revenue was more than offset by decreased spending during the year that generated a Net Gain of \$28K compared to a budgeted loss of (\$8K).

Condensed Financial Information

The following table summarizes the Board's assets, liabilities, and net position as of June 30, 2017 and 2016.

('000)	Year Ended 6/30/2017	Year Ended 6/30/2016	\$ Change	% Change	2017	
					Actual/Budget \$ Change	% Change
Assets	\$ 622	\$ 596	\$ 26	4.4%	\$ 28	4.7%
Liabilities	\$ 14	\$ 16	\$ 2	12.5%	\$ -	0.0%
Net Position	\$ 608	\$ 580	\$ 28	4.8%	\$ 28	4.7%

Assets

Total Assets as of June 30, 2017 were \$622K and consisted primarily of cash and cash equivalents of approximately \$572K

Liabilities

Current Liabilities consisting of accounts payable and accrued expenses of \$14K and \$16K, respectively, for the years ended June 30, 2017 and 2016 and are made up primarily of accrued payroll expenses.

Net Asset Position

For the year ended June 30, 2017, the increase in Net Position of \$28K was attributable to reduced spending that more than offsetting a shortfall in revenue

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the Board's operations for the report period. The following table summarizes the Board's revenue, expenses, and changes in net position for the years ended June 30, 2017 and June 30, 2016, respectively along with Actual/Budget variance for the year ended June 30, 2017.

	Year Ended	Year Ended	\$	%	2017		
('000)	6/30/2017	6/30/2016	Change	Change	Actual/Budget	%	
					\$ Change	Change	
Revenue	\$ 678	\$ 363	\$ 315	86.8%	\$ (25)	-3.6%	
Expenses							
Non-Employment	\$ 228	\$ 321	\$ 93	29.0%	\$ 13	5.4%	
Employment	\$ 422	\$ 243	\$ (179)	-73.7%	\$ (48)	-10.2%	
Total Expenses	\$ 650	\$ 564	\$ (86)	-15.2%	\$ 61	8.6%	
Net Gain/(Loss)	\$ 28	\$ (201)	\$ 401	213.9%	\$ 34	N/A	
Net Cash Position	622	596	26	4.4%	\$ 34	5.7%	

Operating Revenues and Expenses

For the fiscal year ended June 30, 2017, operating revenue totaled \$678K consisting primarily renewal fees of \$621K. For the fiscal year ended June 30, 2016, operating revenue totaled \$363K consisting of renewal fees of \$330K. Year-over-Year Renewal fee revenue increased due to the increase in the DC renewal fee from \$150 to \$300/year. The overall decline in operating revenue compared to budget was attributed to a budget assumption of more DC's renewing than actually renewed.

For the fiscal year ended June 30, 2017, operating expenses totaled \$650K compared to \$564K for the fiscal year ended June 30, 2016. Reclassification of employees drove the year-over-year changes between non-employ and employment expense. The increase in expense was mostly driven by a full-year of Board Office staffing compared to a partial year in 2015-16.

Fiscal Year 2017-2018

The coming year will be highlighted by the move of the Board office from Concord to Raleigh. One-time expenses associated with the move and staffing will drive an expected Net Loss for the year of approximately (\$30K). The Board expects to return to breakeven in 2018-19 and remain well within its targeted reserve balance of between \$550K to \$600K.

Economic Factors That Will Affect the Future

The main factors impacting the economic outlook for the Board are 1) the number of existing license/certificate holders that annually renew their license/certification and 2) the number of new candidates seeking a license/certification.

The Board derives 100% of its revenues from examination and licensing/certification fees. Exam revenue has remained flat for DC's over the last two years as the net number of licensees has remained constant. CCCA's and XT exam fees have shown year-over-year increases in the number of applicants.

North Carolina's population is expected to continue to grow as it remains a desirable place to live, work and retire. People are seeking alternative, and non-opioid based treatments for pain management/pain relief from various ailments. These demographic trends bode well for the continued growth of chiropractic in North Carolina.

INDEPENDENT AUDITORS' REPORT

North Carolina Board of Chiropractic Examiners
Concord, North Carolina

We have audited the accompanying financial statements of the North Carolina Board of Chiropractic Examiners (a governmental entity), which comprise the statement of net assets as of June 30, 2017, and the related statement of revenues, expenses and changes in net assets, and the statement of cash flows for the year then ended, and the related notes to the financial statements.

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.

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 Chiropractic Examiners as of June 30, 2017, and the changes in its net assets and its cash flows 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 Management's Discussion and Analysis, on pages 1-3, 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.

Gerald O. Dry, PA

GERALD O. DRY, PA

Certified Public Accountants
Concord, North Carolina

August 23, 2017



Member of the American Institute of Certified Public Accountants

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Net Assets

June 30, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 572,464
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TOTAL CURRENT ASSETS	572,464
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OTHER ASSETS

Long-term investments - certificates of deposit	48,080
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Security deposit	<u>1,635</u>
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TOTAL OTHER ASSETS	<u>49,715</u>
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TOTAL ASSETS	<u><u>\$ 622,179</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 440
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Accrued expenses	<u>13,956</u>
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TOTAL CURRENT LIABILITIES	14,396
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NET ASSETS

Unrestricted	<u>607,783</u>
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TOTAL NET ASSETS	<u>607,783</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 622,179</u></u>
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NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2017

REVENUES

Renewal fees	\$ 621,015
Certification fees and licensure	49,485
Miscellaneous income	<u>4,660</u>

TOTAL REVENUES 675,160

EXPENSES

Bank service fees	934
Payment processing fees	15,611
Communication	10,150
Computer and technology	9,500
Legal and professional fees	20,621
Salaries	422,379
Payroll taxes	31,020
Board member travel and per diem	56,978
Hearings, seminars and meetings	28,110
Office expense and postage	12,435
Office supplies	1,878
Office rent	20,310
Insurance	14,666
Investigation expenses	6,169
TOTAL EXPENSES	650,761

OTHER INCOME (EXPENSE)

Interest income	1,015
Unrealized gain (loss) on investments	<u>2,353</u>

CHANGE IN NET ASSETS 27,767

TOTAL NET ASSETS, JULY 1, 2016 580,016

TOTAL NET ASSETS, JUNE 30, 2017 \$ 607,783

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS

Statement of Cash Flows For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from renewals	\$ 621,015
Cash received from exam applicants	49,485
Other operating revenues	4,660
Cash paid to employees and suppliers	<u>(653,892)</u>
Net cash provided by operating activities	21,268

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	1,015
Proceeds from certificate of deposit investment	<u>52,413</u>
Net cash used by investing activities	53,428

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used by financing activities	<u>-</u>
Net (decrease) increase in cash and cash equivalents	74,696
Cash and cash equivalents at beginning of year	<u>497,768</u>
Cash and cash equivalents at end of year	<u><u>\$ 572,464</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net assets	\$ 27,767
Adjustments not affecting cash:	
Unrealized (gain) loss on investments	(2,353)
Changes in assets and liabilities:	
(Increase) decrease in security deposit	(1,635)
Increase (decrease) in accrued expenses	(936)
Increase (decrease) in accounts payable	(560)
Investment income	<u>(1,015)</u>
Total adjustments	<u>(6,499)</u>
Net cash provided by operating activities	<u><u>\$ 21,268</u></u>

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Carolina Board of Chiropractic Examiners (“the Board”) is an occupational licensing board established by the general statutes of the State of North Carolina to maintain minimum standards for services provided by chiropractic practitioners. The Board’s operations are funded through license renewal fees and license examination fees.

The Board is considered an agency of the State of North Carolina for financial reporting purpose. Board members are appointed by the governor, lieutenant governor and state legislature. This licensing board is reported as an enterprise fund within the State of North Carolina Comprehensive Annual Financial Report (CAFR).

Basis of Presentation - Fund Accounting

The financial activities of the Board are organized on the basis of individual funds, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The financial activities of the Board accounted for in the accompanying financial statements have been classified into the following fund category:

Proprietary Fund Type: Enterprise Fund - The enterprise fund accounts 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for using an economic resources measurement focus.

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.

Basis of Accounting

In accordance with current GASB statements, the Board presents Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

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

The financial statements report all activities of the North Carolina Board of Chiropractic Examiners using the 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 examination and license fees.

Budgets

The Board is not required by law to have an annual budget. Therefore, no budget to actual comparisons are shown in these financial statements.

Deposits and Investments

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit, when applicable, is recognized as a component of investment interest income.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The purchase of capital assets is recorded at historical cost. Maintenance and repairs are charged as an expense in the year incurred. Betterments and renewals are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. There were no material capital assets as of June 30, 2017.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include checking, savings deposits and money market accounts and highly liquid investment instruments, such as certificates of deposit with maturity dates of three months or less.

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.

Subsequent Events

The Board has evaluated all subsequent events, as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855-50 through August 4, 2017, the date the financial statements were available to be issued, and noted nothing requiring further disclosure.

NOTE B - DEPOSITS

The Board maintains accounts consisting of cash, savings and certificates of deposit with two banks having the Federal Depository Insurance Corporation (FDIC) insurance of \$250,000 per depositor. As consistent with the prior year, the Board continued a cash management banking program that maintains balances in separate accounts which maintain less than the FDIC insurance limits.

NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The financial assets included in the Statement of Net Assets requiring fair value classification are the certificates of deposit. The investments are considered Level 1 inputs. There were no changes during the year ended June 30, 2017, to the Board's valuation technique used to measure these investments.

The fair values of all of the certificates of deposit listed below as of June 30, 2017, are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs).

	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Barclays Bank certificate of deposit (7 year term/ matures 2018)	\$ 50,000	\$ 48,080	\$ (1,920)

NOTE D - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. The Board carries commercial insurance for all risks of loss related to assets. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NORTH CAROLINA BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE E – OPERATING LEASE

Total rent expense during the fiscal year ended June 30, 2017, was \$20,310. Total rent expense includes the rental of a storage building. The board continues a month to month lease for \$1,635 per month with the plans to move operations to Raleigh, NC in October 2017.

NOTE F – 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 G – NORTH CAROLINA LEGISLATIVE STATUTORY DISCLOSURE REQUIREMENT
CONCERNING AUDIT FEES**

This audit required 95 audit hours at a cost of \$8,500.