

**NORTH CAROLINA STATE
BOARD OF CHIROPRACTIC EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019



NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Board Members

BOARD MEMBERS
as of September 1, 2020

Thomas Ayres, III, D.C., President

Christopher Outten, D.C., Vice President

John P. Hammer, D.C., Secretary

Kimberly Q. Swintosky, Public Member, Treasurer

Kevin Sharp, D.C., Past President

Thomas Mitchell, D.C.

Wallace Ray Chavez, D.C.

Lourdes Miranda, Public Member

EXECUTIVE DIRECTOR

Dr. Joseph Siragusa

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

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NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Introduction

The following is a discussion and analysis of the North Carolina State Board of Chiropractic Examiner's (the "Board") financial performance for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements which follow this section.

Board Overview

The North Carolina State 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 State Board of Chiropractic Examiners also regulates and certifies Chiropractic Clinical Assistants (G.S. 90-143.4) and Radiologic Technicians (X-Ray) (G.S. 90-143.2).

The practice of chiropractic is a privilege granted by the State of North Carolina. The North Carolina State 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.

Financial Highlights

The operating revenues of the Board increased by \$25,010 or 3.61%, due to net growth in license/certificate holder renewals as more people are renewing than are retiring.

The operating expenses of the Board increased by \$1,346 or 0.19%, due primarily to an increase in salaries, offset by a decrease in legal and travel expenses.

The non-operating revenues of the Board decreased by \$1,105 or 95.67%, due to the maturing of the certificate of deposit in the prior year.

Overview of the Basic 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. This report also contains this required supplementary information in addition to the basic financial statements.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Basic Financial Statements

The basic 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 Fiscal Year Ended June 30, 2020	As of and for the Fiscal Year Ended June 30, 2019
Current assets	\$ 657,124	\$ 644,392
Noncurrent assets	-	2,360
Capital assets - net of depreciation	4,549	7,513
Total assets	<u>661,673</u>	<u>654,265</u>
Current liabilities	52,455	47,536
Total liabilities	<u>52,455</u>	<u>47,536</u>
Investment in capital assets	4,549	7,513
Unrestricted	604,669	599,216
Total net position	<u>\$ 609,218</u>	<u>\$ 606,729</u>
Operating revenues	\$ 717,151	\$ 692,141
Operating expenses	714,712	713,366
Operating income (loss)	<u>2,439</u>	<u>(21,225)</u>
Non-operating revenues	50	1,155
Changes in net position	<u>\$ 2,489</u>	<u>\$ (20,070)</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Budget to Actual

The following presents a condensed analysis of budget and actual financial information for the fiscal year ended June 30, 2020:

	Actual	(Unaudited) Budget
Operating revenues	\$ 717,151	\$ 693,550
Operating expenses:		
Non-employment	381,317	412,132
Employment	333,395	274,961
Operating gain	2,439	6,457
Non-operating revenues	50	31
Changes in net position	\$ 2,489	\$ 6,488

The operating revenues of the Board were \$23,601 or 3.40% more than budgeted, due to net growth in license/certificate holder renewals as more people are renewing than are retiring.

The non-employment expenses of the Board were \$30,815 or 7.48% less than budgeted, due primarily to decrease in legal fees and traveling expenses.

The employment expenses of the Board were \$58,434 or 21.25% more than budgeted, due to a one-time expense associated with staffing transitions.

Events Affecting Future Operations

The Board has elected to close its brick-and-mortar office and is transitioning to an electronic commerce environment.

Economic Factors Affecting Future Operations

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's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain.

North Carolina remains a desirable place to live, work and retire. People continue to seek alternative, and non-opioid based treatments for pain management/pain relief from various ailments. These demographic trends bode well for the chiropractic market in North Carolina.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

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 the Executive Director, Dr. Joseph Siragusa at:

North Carolina State Board of Chiropractic Examiners
9121 Anson Way Ste. 200
Raleigh, NC 27615
Phone: (704) 793-1342 Ext. 1004
By email at: dr.joe@ncchiroboard.com



Independent Auditor's Report

Members of the Board
North Carolina State Board of Chiropractic Examiners
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Chiropractic Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Chiropractic Examiners as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements presented are only for the North Carolina State Board of Chiropractic Examiners and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2020 and 2019, or the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 - 4 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.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
September 24, 2020

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 652,369	\$ 644,392
Prepaid expenses	2,395	-
Security deposits	2,360	-
Total current assets	<u>657,124</u>	<u>644,392</u>
Noncurrent assets:		
Security deposits	-	2,360
Capital assets, net of depreciation	4,549	7,513
Total noncurrent assets	<u>4,549</u>	<u>9,873</u>
Total assets	<u>661,673</u>	<u>654,265</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	2,225	36,030
Payroll liabilities	41,730	11,506
Unearned revenues	8,500	-
Total current liabilities	<u>52,455</u>	<u>47,536</u>
NET POSITION:		
Invested in capital assets	4,549	7,513
Unrestricted	<u>604,669</u>	<u>599,216</u>
Total net position	<u>\$ 609,218</u>	<u>\$ 606,729</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Renewal fees	\$ 659,380	\$ 635,740
Certification fees and licensure	47,210	50,145
Miscellaneous income	10,561	6,256
Total operating revenues	<u>717,151</u>	<u>692,141</u>
Operating expenses:		
Salaries and benefits	333,395	313,045
Board member travel and per diem	41,094	53,598
Hearings, seminars and meetings	9,947	10,006
Office expense and postage	6,034	10,541
Office supplies	1,181	301
Office rent	29,164	27,685
Insurance	17,243	15,169
Investigation expense	5,532	7,330
Payment processing fees	20,693	17,540
Communication	5,704	6,406
Computer and technology	18,556	13,788
Legal and professional fees	221,300	232,846
Depreciation	2,964	2,964
Dues	1,905	2,147
Total operating expenses	<u>714,712</u>	<u>713,366</u>
Operating income (loss)	<u>2,439</u>	<u>(21,225)</u>
Non-operating revenues:		
Interest income	50	65
Realized and unrealized gain on investments	-	1,090
Total non-operating revenues	<u>50</u>	<u>1,155</u>
Changes in net position	2,489	(20,070)
Net position - beginning of year	<u>606,729</u>	<u>626,799</u>
Net position - end of year	<u>\$ 609,218</u>	<u>\$ 606,729</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from renewals, applicants, and fees	\$ 725,651	\$ 692,141
Cash payments to employees for services	(303,171)	(352,511)
Cash payments to suppliers for goods and services	(356,216)	(294,933)
Cash payments for other expenses	(58,337)	(68,767)
Net cash provided by (used in) operating activities	7,927	(24,070)
Cash flows from investing activities:		
Interest income	50	65
Proceeds from certificate of deposit maturity	-	50,000
Net cash provided by investing activities	50	50,065
Net increase in cash	7,977	25,995
Cash and cash equivalents - beginning of year	644,392	618,397
Cash and cash equivalents - end of year	\$ 652,369	\$ 644,392
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 2,439	\$ (21,225)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,964	2,964
Changes in assets and liabilities:		
Prepaid expenses	(2,395)	-
Accounts payable	(33,805)	33,657
Payroll liabilities	30,224	(39,466)
Unearned revenues	8,500	-
Total adjustments	5,488	(2,845)
Net cash provided by (used in) operating activities	\$ 7,927	\$ (24,070)

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina State Board of Chiropractic Examiners (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 93B of the *North Carolina General Statutes*, and established under Chapter 90 of the *North Carolina General Statutes* to maintain minimum standards for services provided by chiropractic practitioners. The Board formally consists of eight members appointed by the Governor and General Assembly. The Board's operations are funded primarily through license renewal fees and license examination fees.

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 ("U.S. 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 only the 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 may be included 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 or changes in the State's financial position and cash flows.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board ("GASB").

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.

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 cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board classifies its revenues and expenses as operating and non-operating in the accompanying statements of revenues, expenses and changes in net position. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license renewal fees. Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investing type activities.

Cash and Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition. In the case of gifts, capital assets are recorded at acquisition value at the date of donation. The Board capitalizes assets that have a value or cost of \$2,500 or greater at the date of acquisition and an expected useful life greater than one year. Depreciation is computed using the straight-line method over a 3-5 year period. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected as a non-operating activity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

Compensated Absences

Vacation and sick leave are expensed as taken and there is no liability since Board policy does not allow the carryforward of accrued absences.

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - This represents assets with no external restriction as to use or purpose. This equity can be employed for any purpose designated by the governing board.

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 2 - DEPOSITS

All funds of the Board are deposited in board-designated official depositories. The Board's cash and cash equivalent deposits include cash on deposit with commercial bank accounts.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposit accounts, at times, may exceed federally insured limits. At June 30, 2020, the Board had cash deposits that exceeded the FDIC limits by \$406,710.

NOTE 3 - CAPITAL ASSETS

Capital assets were comprised of the following:

	<u>Cost</u> <u>6/30/2019</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2020</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture and equipment	\$ 6,480	\$ -	\$ -	\$ 6,480	\$ 3,456	\$ 3,024
Software	5,000	-	-	5,000	3,475	1,525
	<u>\$ 11,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,480</u>	<u>\$ 6,931</u>	<u>\$ 4,549</u>

	<u>Cost</u> <u>6/30/2018</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>6/30/2019</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Furniture and equipment	\$ 6,480	\$ -	\$ -	\$ 6,480	\$ 2,160	\$ 4,320
Software	5,000	-	-	5,000	1,807	3,193
	<u>\$ 11,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,480</u>	<u>\$ 3,967</u>	<u>\$ 7,513</u>

NOTE 4 - RENT EXPENSE

The Board has an operating lease for office space and storage space. The lease term is for three years beginning October 31, 2017 and ending September 30, 2020, with monthly payments of \$2,344 escalating 3% annually. Rent expense for the years ended June 30, 2020 and 2019, totaled \$29,164 and \$27,685, respectively.

The Board also entered into an operating lease for a copier beginning March 28, 2019. The lease requires monthly payments of \$78 through March 2023. Rent expense related to this agreement was \$1,166 and \$189 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under these operating leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 8,121
2022	936
2023	702
	<u>\$ 9,759</u>

NORTH CAROLINA STATE BOARD OF CHIROPRACTIC EXAMINERS

Notes to Financial Statements

NOTE 5 - 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. 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 through the purchase of Directors' and Officers' liability insurance with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance including general liability, errors & omissions, and cybersecurity.

NOTE 6 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through September 24, 2020, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed other than noted below.

The Board elected to close its brick-and-mortar office and is transitioning to an electronic commerce environment. The current office lease expired on September 30, 2020 and its new virtual office address became effective September 1, 2020. The Board also entered into operating leases for two storage units beginning September 1, 2020. The leases are month to month and require monthly payments of \$224 for each unit.

The Board's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Board's financial position, operations and cash flows.

The Board's audit was conducted in approximately 65 hours at a cost of \$10,300.