

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS

**Financial Statements for the
Year Ended May 31, 2014 and
Independent Auditor's Report**

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS

**Financial Statements and for the
Year Ended May 31, 2014 and
Independent Auditor's Report**

BOARD MEMBERS (2014)

Ronald A. Maskarinec, DPM, President

Richard S. Weinbaum, DPM, Vice President

David R. Kirlin, DPM, Secretary-Treasurer

Kenya Smith, Public Member

BOARD ADMINISTRATOR

Penney De Pas, CAE, Executive Secretary

LEGAL COUNSEL

Boxley, Bolton, Garber & Haywood, LLP

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1-2
INDEPENDENT AUDITOR’S REPORT	3-4
FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2014	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-14

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the year ending May 31, 2014. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2014, the Board's net position increased by \$8,730, or 3.1% due primarily to annually recurring revenues in excess of expenses.

During 2014 the operating revenues of the Board decreased by \$7,733, or 8.1%, due primarily to no recovery of civil penalties.

During 2014, the non-operating revenues of the Board decreased by \$731, or 38.5 %, due primarily to a decrease in interest earnings rates.

During 2014, the operating expenses of the Board decreased by \$1,120, or 1.4%, due primarily to a decrease in website expenses.

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 supplementary information required by Governmental Accounting Standards Board (GASB) Statement No. 34, however, the Board has included supplementary financial information for its own management purposes. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic 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 Statement of Net Position presents the current and long-term portions of assets and liabilities separately.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Board's assets changed as a result of its operations.

The Statement of Cash Flows presents information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS 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 May 31, 2014	Current Year as of and for the year ended May 31, 2013 (as restated)
Current assets	\$ 331,428	\$ 318,577
Total assets	<u>\$ 331,428</u>	<u>\$ 318,577</u>
Current liabilities	\$ 40,438	\$ 36,317
Total liabilities	<u>\$ 40,438</u>	<u>\$ 36,317</u>
Unrestricted	\$ 290,990	\$ 282,260
Total net position	<u>\$ 290,990</u>	<u>\$ 282,260</u>
Operating revenues	\$ 87,973	\$ 95,706
Operating expenses	<u>(80,410)</u>	<u>(81,530)</u>
Operating income	7,563	14,176
Non-operating revenues	<u>1,167</u>	<u>1,898</u>
Change in net position	<u>\$ 8,730</u>	<u>\$ 16,074</u>

Events Affecting Future Operations

The Board has indicated it has no significant events affecting future operations which are reportable pursuant to GASB 34.

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 Board of Podiatry Examiners, 1500 Sunday Drive, Suite 102, Raleigh, NC 27607.

Shelton L. Hawley, CPA, PA
Certified Public Accountant

Suite B1
800 N. Raleigh St.
P.O. 1545
Angier, North Carolina 27501-1545

Telephone: (919) 639-4825
Facsimile: (919) 639-3102

INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Board of Podiatry Examiners
Raleigh, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements and the related notes to the financial statements as listed in the table of contents of the North Carolina Board of Podiatry Examiners (the "Board"), a nonmajor enterprise fund of the primary government of the State of North Carolina, as of May 31, 2014.

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

My responsibility is to express an opinion on these financial statements based on the audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Board of Podiatry Examiners as of May 31, 2014, and the results of its operations, changes in financial position, and cash flows for the year 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. I 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 I obtained during my audit of the basic financial statements. I 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 NC

August 11, 2014

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
STATEMENT OF NET POSITION
YEAR ENDED MAY 31, 2014

	May 31, 2014
	Proprietary- Enterprise Fund
ASSETS	
Current assets:	
Cash in banks (Note 2)	\$ 92,668
Investments (Note 2)	234,924
Accrued interest receivable (on investments)	369
Prepaid expenses	3,467
Total current assets	331,428
TOTAL ASSETS	\$ 331,428
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 2,453
Unearned revenue (Note 3)	37,985
Total current liabilities	40,438
TOTAL LIABILITIES	40,438
NET POSITION (NOTES 4 AND 9)	
Unrestricted net position	290,990
TOTAL NET POSITION	290,990
TOTAL LIABILITIES AND NET POSITION	\$ 331,428

See notes to financial statements.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED MAY 31, 2014

	2014
	Proprietary- Enterprise Fund
OPERATING REVENUES:	
Individual renewal fees	\$ 70,683
New individual licenses	1,625
Corporate license renewals	5,027
New corporate licenses	392
Mailing list income	2,100
Late fee income	2,480
Exam fee income	5,600
Other income	66
Total operating revenues	\$ 87,973
OPERATING EXPENSES:	
Contracted management services - administrative fees (Note 5)	\$ 46,432
Board per diem expense (including meals and transportation)	5,463
Ethics training	659
Legal and accounting fees	7,748
Information technology expense	4,280
Telephone expense	1,161
Copying expense	1,238
Mailing/postage expense	1,658
Office supplies expense	957
Insurance expense	2,870
Staff travel expense	303
Exam expense (including exam supplies)	6,539
Bank charges (including merchant fees)	1,102
Total operating expenses	\$ 80,410
Operating income	\$ 7,563

See notes to financial statements.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED MAY 31, 2014

	<u>2014</u>
	<u>Proprietary- Enterprise Fund</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest (and investment) income	\$ 1,167
Total non-operating revenues	1,167
Change in net position	\$ 8,730
Net position - beginning of year (Note 9)	282,260
Net position - end of year	<u>\$ 290,990</u>

See notes to financial statements.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2014

	2014
	Proprietary- Enterprise Fund
Cash flows from operating activities:	
Cash received from fees and other revenues	\$ 90,845
Cash payments for operating expenses	(79,235)
Net cash provided by operating activities	\$ 11,610
Cash flows from investing activities:	
Transfers (to) from investments	\$ 149
Net cash provided by investing activities	\$ 149
Net increase in cash	\$ 11,759
Cash - beginning of year	80,909
Cash - end of year	\$ 92,668
Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income	\$ 7,563
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	\$ (74)
Accounts payable	1,249
Unearned revenue	2,872
Total adjustments	\$ 4,047
Net cash provided by operating activities	\$ 11,610

See notes to financial statements.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Board of Podiatry Examiners (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). It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of four members who are appointed by the Governor of the State of North Carolina.

The Board is established to maintain minimum standards for services provided by podiatrists.

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

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. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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.

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.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

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

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith 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 Statement of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by license fees.

The financial statements report all activities of the North Carolina Board of Podiatry Examiners using the current financial resource measurement focus and 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 and expenses consist of those revenues and expenses that are related to investing activities and are classified as non-operating in the financial statements.

Cash in Banks

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certificates of deposit) held by the Board.

Investments

This classification consists of certificates of deposits and money market mutual funds held by the Board for investment. Certificates of deposit (CD) are reported at cost (which is the same as fair value) if purchased in the primary CD market, and at fair value if purchased in the secondary CD market (determined by quoted market prices). Money market mutual funds are carried at fair market value. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Prepaid Expenses

This classification includes prepaid insurance and prepaid legal fees.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

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

Capital Assets

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. 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 in earnings for the period. The board disposed of all its capital assets during the year ended May 31, 2013, and had no capital assets at May 31, 2014.

Income Taxes

The Board is a non-major enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

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 and Investments

Deposits in Banks

All of the Board's deposits which are uninsured (if any) are uncollateralized 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 policies regarding custodial credit risk for deposits.

At May 31, 2014, the Board's deposits in banks had a carrying amount of \$327,592 and a bank balance of \$327,827, which was covered by federal depository insurance. Certificates of deposit in the amount of \$234,924 are considered time deposits for this disclosure and are classified as investments on the Statement of Net Position.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Note 2 - Deposits and Investments (Continued)

Investments

At May 31, 2014, the Board had the following investments and maturities.

Investment Type	Fair Value	12 Months or Less	Over 12 Months
Certificate of Deposit	\$ 50,004	\$	\$ 50,004
Certificate of Deposit	50,029		50,029
Certificate of Deposit	50,031		50,031
Certificate of Deposit	25,979		25,979
Certificate of Deposit	58,881		58,881
Total	<u>\$ 234,924</u>	<u>\$ 0</u>	<u>\$ 234,924</u>

Interest rate risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board generally limits its investment in certificates of deposits to maturities of no more than 24 months.

Credit risk - State law limits the investments of the Board to certain types of investments, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits.

Custodial credit risk - For an investment, 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 investments that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for investments.

Concentration of credit risk - During the year under audit, the Board placed no limit on the amount that it invested in any one issuer, however Board management has attempted to maximize FDIC coverage by depositing its certificates of deposit with multiple financial institutions.

Note 3 - Unearned Revenue

The Board's fees are assessed and collected for fiscal periods which do not correspond with the Board's financial accounting period. License fees received in the latter part of the fiscal year are deferred and recognized as revenue over the periods to which they relate.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Note 4 - Net Position

Net 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 May 31, 2014.

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 no restricted net position.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or net investment in capital assets*.

Note 5 - Contracted Management Services

The Board does not have any employees. The Board contracts with a management consultant service to provide services for the Board. The contract includes all services related to the process of licensure application and renewal and various other clerical duties. The Board also reimburses the management service for telephone, printing, copying, postage and miscellaneous office supplies and expenses. Payments to the management service totaled \$55,335 during the fiscal year ended May 31, 2014.

Note 6 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of commercial insurance coverage.

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 year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

Note 8 - Subsequent Events

Subsequent events have been evaluated through August 11, 2014, 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.

NORTH CAROLINA BOARD OF PODIATRY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2014

Note 9 - Restatement of Net Position

The Board has restated its beginning net position as of June 1, 2013 to record omitted prepaid expense in the amount of \$1,750 for the year ended May 31, 2013. This resulted in an increase in revenues in excess of expenses in the amount of \$1,750 for the fiscal year ended May 31, 2013.

In connection with these changes, the beginning net position (for 2014) has been restated as follows:

Net Position at June 1, 2013, as previously reported	\$	280,510
Adjustment for change in prepaid expense		<u>1,750</u>
Net Position at June 1, 2013, as restated	\$	<u><u>282,260</u></u>

This audit required 54 audit hours at a cost of \$4,390.