

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE

**Financial Statements for the
Years Ended June 30, 2015 and 2014 and
Independent Auditors' Report**

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE

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BOARD MEMBERS (2014-2015)

Peggy Cromer, LRT/CTRS, Chairman

Elizabeth Bailey, LRT/CTRS, Vice Chair-Treasurer

Megan Janke, PhD, LRT/CTRS, Secretary

Michael Atkins

Latetia Cheltenham, LRT

David L Lacey, MD

Diane M. Layden

Vacant Member

EXECUTIVE OFFICER

Becky Garrett, LRT/CTRS, Executive Director

LEGAL COUNSEL

North Carolina Department of Justice

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE

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NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE

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 years ending June 30, 2015 and 2014. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2015, the Board's net position increased by \$5,496, or 8.9%, due primarily to a consistent recurrence of revenues exceeding expenses and an increase in revenues. During 2014 the Board's net position increased by \$19,588, or 46.15%, due primarily to a consistent recurrence of revenues exceeding expenses and an increase in revenues.

During 2015, the operating revenues of the Board increased by \$3,310, or 5.0%, due to a increase in revenue from fees. During 2014, the operating revenues of the Board increased by \$14,878, or 29.34%, due to a increase in revenue from fees.

During 2015, the non-operating revenues of the Board increased by \$237, or 483.7%, due to the fact that no loss was incurred on the disposition of capital assets as was the circumstance in the prior year. During 2014, the non-operating revenues of the Board decreased by \$137, or 155.68%, due to a loss incurred on the disposition of capital assets.

During 2015, the operating expenses of the Board increased by \$17,639, or 38.4%, due primarily to an increase in payroll and website design expenses. During 2014, the operating expenses of the Board increased by \$1,545, or 3.48%, due primarily to an increase in payroll and related 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 other supplementary information required by Governmental Accounting Standards Board (GASB) Statement No. 34. 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 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 BOARD OF RECREATIONAL THERAPY LICENSURE

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, 2015	Current Year as of and for the year ended June 30, 2014
Current assets	\$ 72,106	\$ 87,457
Capital assets	302	536
Total assets	<u>\$ 72,408</u>	<u>\$ 87,993</u>
Current liabilities	\$ 4,882	\$ 25,963
Total liabilities	<u>\$ 4,882</u>	<u>\$ 25,963</u>
Investment in capital assets	\$ 302	\$ 536
Unrestricted	67,224	61,494
Total net position	<u>\$ 67,526</u>	<u>\$ 62,030</u>
Operating revenues	\$ 68,892	\$ 65,582
Operating expenses	(63,584)	(45,945)
Operating income	5,308	19,637
Non-operating revenues	188	(49)
Change in net position	<u>\$ 5,496</u>	<u>\$ 19,588</u>

Events Affecting Future Operations

The Board 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 Recreational Therapy Licensure, PO Box 2655, Durham, NC 27715.

Shelton L. Hawley, CPA, PA
Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Board
North Carolina Board of Recreational Therapy Licensure
Durham, North Carolina

Report on the Financial Statements

We 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 Recreational Therapy Licensure (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of June 30, 2015 and 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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 Recreational Therapy Licensure as of June 30, 2015 and 2014, 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 AUDITORS' 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 15, 2015

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	June 30, 2015	June 30, 2014
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 71,885	\$ 87,440
Accrued interest receivable	16	17
Prepaid expense (Note 1)	205	
Total current assets	72,106	87,457
Capital assets (Note 1):		
Furniture and office equipment	302	536
Total capital assets - net of depreciation	302	536
TOTAL ASSETS	\$ 72,408	\$ 87,993
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 327	\$ 87
Accrued payroll	3,124	1,952
Withheld and accrued payroll taxes	1,431	892
Unearned revenue (Note 3)		23,032
Total current liabilities	4,882	25,963
TOTAL LIABILITIES	\$ 4,882	\$ 25,963
NET POSITION (NOTE 4)		
Investment in capital assets	302	536
Unrestricted net position	67,224	61,494
TOTAL NET POSITION	67,526	62,030
TOTAL LIABILITIES AND NET POSITION	\$ 72,408	\$ 87,993

See notes to financial statements.

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Revenue from fees	\$ 68,892	\$ 65,582
Total operating revenues	\$ 68,892	\$ 65,582
OPERATING EXPENSES:		
Salary- management	\$ 30,366	\$ 26,438
Payroll taxes	2,323	2,248
Staff travel	478	591
Other contracted services- clerical		132
Board members expenses	52	1,797
Telephone	864	644
Office supplies, postage and printing	1,755	2,059
Credit card fees	568	
Depreciation	417	374
Insurance	7,255	7,078
Professional fees- legal, audit and accounting	4,350	3,515
Website expense (design build and hosting)	14,153	
Miscellaneous expenses	1,003	1,069
Total operating expenses	\$ 63,584	\$ 45,945
Operating income (loss)	\$ 5,308	\$ 19,637
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets	\$	\$ (215)
Interest income	188	166
Total non-operating revenues	\$ 188	\$ (49)
Change in net position	\$ 5,496	\$ 19,588
Net position - beginning of year	62,030	42,442
Net position - end of year	\$ 67,526	\$ 62,030

See notes to financial statements.

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other sources	\$ 45,860	\$ 88,614
Cash payments to employees for services	(30,978)	(28,301)
Cash payments for operating expenses	(30,443)	(16,852)
Net cash provided (used) by operating activities	\$ (15,561)	\$ 43,461
Cash flows from investing activities:		
Earnings on savings and investments	\$ 189	\$ 157
Net cash provided (used) by investing activities	\$ 189	\$ 157
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (183)	\$
Net cash provided (used) by capital and financing activities	\$ (183)	\$ 0
Net increase(decrease) in cash	\$ (15,555)	\$ 43,618
Cash - beginning of year	87,440	43,822
Cash - end of year	<u>\$ 71,885</u>	<u>\$ 87,440</u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income	\$ 5,308	\$ 19,637
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	\$ 417	\$ 374
Changes in assets and liabilities:		
Prepaid expense	(205)	
Accounts payable	240	33
Accrued payroll and payroll taxes	1,711	385
Unearned revenue	(23,032)	23,032
Total adjustments	\$ (20,869)	\$ 23,824
Net cash provided by operating activities	<u>\$ (15,561)</u>	<u>\$ 43,461</u>

See notes to financial statements.

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Board of Recreational Therapy Licensure (the "Board") is an independent state agency. During 2005, the Board had its name changed, pursuant to North Carolina General Statute, from the North Carolina Therapeutic Recreation Certification Board to the North Carolina Board of Recreational Therapy Licensure. The Board is an occupational licensing board and is authorized by Chapter 90C of the North Carolina General Statutes. The Board is composed of eight 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 recreational therapists and assistants.

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

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 RECREATIONAL THERAPY LICENSURE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 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 Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements 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 Recreational Therapy Licensure using the economic 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, regardless of the timing of cash flows.

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. 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. Certificates of deposits, if any, are considered investments for Statements of Net Position presentation.

Fair Value of Financial Instruments

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

Prepaid Expenses

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

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 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 \$100 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. Summaries follow:

	Cost 06-30-14	Acquisitions	Disposals	Cost 06-30-15	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 1,971	\$ 183	\$ -	\$ 2,154	\$ 1,852	302
	<u>\$ 1,971</u>	<u>\$ 183</u>	<u>\$ 0</u>	<u>\$ 2,154</u>	<u>\$ 1,852</u>	<u>\$ 302</u>

	Cost 06-30-13	Acquisitions	Disposals	Cost 06-30-14	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 7,900	\$ -	\$ 5,929	\$ 1,971	\$ 1,435	536
	<u>\$ 7,900</u>	<u>\$ 0</u>	<u>\$ 5,929</u>	<u>\$ 1,971</u>	<u>\$ 1,435</u>	<u>\$ 536</u>

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. Depreciation expense was \$417 for the year ended June 30, 2015 and \$374 for the year ended June 30, 2014

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.

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.

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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 policies regarding custodial credit risk for deposits.

At June 30, 2015, the Board's deposits had a carrying amount of \$71,885 (including undeposited receipts) and a bank balance of \$70,810, which was covered by federal depository insurance (National Credit Union Administration). At June 30, 2014, the Board's deposits had a carrying amount of \$87,440 (including undeposited receipts) and a bank balance of \$83,917, which was covered by federal depository insurance (National Credit Union Administration).

Note 3 - Unearned Revenue Presentation

Prior to July 1, 2013, the Board's licensing term was on a biennial basis, which began with each respective licensee's inception date, and ended on each respective licensee's subsequent second year anniversary date (the former method). Further, in alternating years, licensing maintenance fees (in the same amount as the license renewal fee) were and continue to be collected. Pursuant to a change in the Board's administrative code, effective on July 1, 2013, the Board's licensing term is now on a biennial basis which coincides with the licensee's month of birth (the current method). For all periods through June 30, 2013, license renewal fees were reported as revenue in the period received and were not allocated to other years. During the latter part of the fiscal year ended June 30, 2014, additional fees (for renewals and for maintenance fees) were collected in advance from licensees in the amounts of a pro-rated fees beginning with the licensees' renewal date under the "former method" until the month of licensees' birth month (the current method). This deferred revenue calculation for the year ended June 30, 2014 was a one year-one time only calculation, which was employed in order to allocate those advance collected pro-rata fees to the year ended June 30, 2015. Except for this one time allocation for the year ended June 30, 2014, license renewal fees are recognized as revenue in the period received and are not deferred and recognized as revenue over the periods to which they relate. This revenue recognition method reasonably reflects income of the Board.

Note 4 - 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.

Restricted net position - expendable - 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 at year end.

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*.

NORTH CAROLINA BOARD OF RECREATIONAL THERAPY LICENSURE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

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. 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 loss through the purchase of commercial insurance coverage.

Note 6 - 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 7 - Subsequent Events

Subsequent events have been evaluated through October 15, 2015, 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 44 audit hours at a cost of \$3,695.
