

NORTH CAROLINA ADDICTIONS  
SPECIALIST PROFESSIONAL PRACTICE  
BOARD

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Board Members**

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**BOARD MEMBERS (2023)**

Flo Stein, Chair

Kendra Davis, Vice Chair

Johnny Bass, Treasurer

Kathy Allen, Secretary

Anita Daniels

Michael McGuire

Glenn Buck, Jr.

Stephanie Robinson

Nyi Myint

**SENIOR ADMINISTRATIVE DIRECTOR**

Barden Culbreth

**ATTORNEY**

Catherine E. Lee

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
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**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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The following is a discussion and analysis of the North Carolina Addictions Specialist Professional Practice Board's (the "Board") financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements which follow this section.

**Financial Highlights**

The operating revenues of the Board increased by \$25,207 due primarily to increases in applications and renewals. The operating expenses of the Board increased by \$54,159 due primarily to increases in professional fees, administrative fees, and database management fees offset by decrease in exam fees. The net non-operating revenues, consisting of investment income, net of fees, increased by \$182,233.

**Overview of the 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 required supplementary information in addition to the basic 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.

The Statements of Net Position (page 6) present assets and liabilities separately.

The Statements of Revenues, Expenses and Changes in Net Position (page 7) present information on how the Board's assets changed as a result of the years' operations.

The Statements of Cash Flows (page 8) present information on how the Board's cash changed as a result of the years' activity.

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2023**

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The following presents condensed financial information on the operations of the Board:

		(Restated)
	As of and for the fiscal year ended <b>June 30, 2023</b>	As of and for the fiscal year ended June 30, 2022
Current assets	<b>\$ 1,376,153</b>	\$ 1,361,886
Total assets	<b>1,376,153</b>	1,361,886
Current liabilities	<b>398,499</b>	402,133
Total liabilities	<b>398,499</b>	402,133
Unrestricted	<b>977,654</b>	959,753
Total net position	<b>\$ 977,654</b>	\$ 959,753
Operating revenues	<b>\$ 868,734</b>	\$ 843,527
Operating expenses	<b>935,262</b>	881,103
Operating income	<b>(66,528)</b>	(37,576)
Non-operating revenues (expenses)	<b>84,429</b>	(97,804)
Changes in net position	<b>\$ 17,901</b>	\$ (135,380)

### **Events Affecting Future Operations**

As of the issuance of this financial report, there are no major events planned that may affect future operations.

### **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: North Carolina Addictions Specialist Professional Practice Board, P.O. Box 10126, Raleigh, NC 27605.



## **Independent Auditor's Report**

Board of Directors  
North Carolina Addictions Specialist Professional Practice Board  
Raleigh, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of the North Carolina Addictions Specialist Professional Practice Board (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements presented are only for the North Carolina Addictions Specialist Professional Practice Board and do not purport to, and do not present fairly the financial position of the State of North Carolina as of June 30, 2023, 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. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 1 – 2, 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  
November 28, 2023



**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Statement of Net Position**  
**June 30, 2023**

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**ASSETS:**

Current assets:

Cash	\$ 280,445
Prepaid expenses	14,500
Investments	1,081,208
Total current assets	<u>1,376,153</u>
Total assets	<u>1,376,153</u>

**LIABILITIES:**

Current liabilities:

Accounts payable	63,806
Unearned revenues	334,693
Total current liabilities	<u>398,499</u>
Total liabilities	<u>398,499</u>

**NET POSITION:**

Unrestricted	<u>977,654</u>
Total net position	<u>\$ 977,654</u>

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2023**

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Operating revenues:

License and exam fees	\$ 809,760
Criminal background fees	58,674
Other operating income	300
Total operating revenues	<u>868,734</u>

Operating expenses:

Administrative services	475,000
Bank service charges	619
Meeting expense	435
Credit card processing fees	29,350
Criminal background expense	51,832
Consultants	17,000
Database management fees	61,045
Dues and memberships	16,760
Exam fee	82,275
Office supplies and expense	13,973
Postage	8,375
Professional fees	173,830
Telephone expense	1,476
Storage	2,170
Other	1,122
Total operating expenses	<u>935,262</u>

Operating loss	<u>(66,528)</u>
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Non-operating revenues (expenses):

Interest and dividend income, net of expenses	22,944
Capital gain distribution	6,740
Net realized and unrealized loss on investments	63,396
Bond amortization	-
Investment fees	(8,651)
Total non-operating revenues (expenses)	<u>84,429</u>

Changes in net position	<u>17,901</u>
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Net position - beginning of year, as previously reported	1,319,107
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Prior period adjustment	<u>(359,354)</u>
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Net position - beginning of year, as restated	<u>959,753</u>
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Net position - end of year	<u>\$ 977,654</u>
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**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Statement of Cash Flows**  
**Year Ended June 30, 2023**

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Cash flows from operating activities:

Cash received from fees	\$ 871,337
Cash payments to suppliers for goods and services	(893,213)
Cash payments for other expenses	<u>(48,286)</u>
Net cash used in operating activities	<u>(70,162)</u>

Cash flows from investing activities:

Purchase of investments	(417,721)
Proceeds from sale of investments	384,234
Investment fees	(8,651)
Interest and dividends	22,944
Capital gain distribution	<u>6,740</u>
Net cash used in investing activities	<u>(12,454)</u>

Net decrease in cash (82,616)

Cash - beginning of year 363,061

Cash - end of year \$ 280,445

Reconciliation of operating loss to net cash  
used in operating activities:

Operating loss	\$ (66,528)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts payable	(6,237)
Unearned revenues	<u>2,603</u>
Net cash used in operating activities	<u><u>\$ (70,162)</u></u>

# **NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**

## **Notes to Financial Statements**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Description of Organization**

The North Carolina Addictions Specialist Professional Practice Board (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 90 of the *North Carolina General Statutes*. The Board is composed of nine members, in which some are appointed by the Governor and the North Carolina General Assembly. The Board is established to maintain minimum standards for services provided by addiction specialist professionals. The Board's operations are financed with self-generated revenues from fees charged to licensees.

#### **Financial Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America ("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 reported as such in the State's *Annual Comprehensive Financial Report* (ACFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. GAAP as prescribed by 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.

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.

## **NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**

### **Notes to Financial Statements**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Cash**

For purposes of the statements of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash.

##### **Investments**

The Board reports investments at fair value, which is based on readily available published values. The Board's investments consist of obligations of the United States, governmental agency securities, and federal money market funds.

##### **Revenue Recognition**

The Board's fees for individual licenses and renewals are assessed and collected based on the date of the original license issuance. Licenses are renewed for a period of two years. Exam fees are recognized when the applicant takes the exam. Unearned revenue is recorded at June 30 to report the estimated renewal fees and exam fees not earned as of the Board's fiscal year-end.

##### **Net Position**

The Board's net position is classified as follows:

*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.

##### **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.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS**

The Board has a formal investment policy to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the Board. The Board maintains cash deposits within a single, private financial institution. Investments are maintained by a brokerage firm. Investments include mutual funds, common and preferred stocks, corporate bonds, and government bonds. The Board is subject to the following risks:

*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 does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the Board had no cash deposits that exceeded the FDIC limits.

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Notes to Financial Statements**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk (Continued):* The Board has a PayPal account which is not covered by FDIC. At June 30, 2023, the Board had uninsured cash deposits of \$106,832 in the PayPal account. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. Also, at June 30, 2023, the Board owned investments that exceeded the SIPC limit of \$500,000 by \$581,207.

*Interest rate risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments.

*Credit risk:* Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2023, the Board's portfolio, which consisted of U.S. government and government agency funds, had the following credit ratings as rated by Moody's Investors Service:

<u>Credit Rating</u>	
AAA	\$ 180,712
BAA1	56,520
BAA3	54,337
	<u>\$ 291,569</u>

The maturity of the Board's corporate and government bonds, totaling \$343,490 as of June 30, 2023, had maturities of less than 3 years.

*Concentration of credit risk:* A diversified portfolio is managed by the Board and its financial advisors to minimize the risk of loss resulting from over concentration of assets; however, the Board places no limit on the amount the Board may invest in any one issuer. The following investments make up more than 5% of total investments:

	<u>Fair Value at 6/30/2023</u>	<u>% of Total Investments</u>
Government and corporate bonds:		
US Treasury Note	\$ 64,787	6%
Microsoft Corporation	\$ 59,818	6%
Verizon Communication Inc.	\$ 56,520	5%
Apple Inc.	\$ 56,107	5%
Walgreens Boots Alliance	\$ 54,337	5%
Government and corporate bonds:		
Brown Advisory Sustainable Growth Fund	\$ 88,732	8%
Calvert US Large Cap Value Responsible Index Fund	\$ 60,087	6%
Impax International Sustainable Economy Fund	\$ 68,896	6%

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Notes to Financial Statements**

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2023:

	Total Fair Value	Level 1	Level 2	Level 3
Investments:				
Common stocks	\$ 303,222	\$ 303,222	\$ -	\$ -
Mutual funds	353,306	353,306	-	-
Preferred stocks	81,190	-	81,190	-
Corporate bonds	226,783	-	226,783	-
Government bonds	116,707	-	116,707	-
	<u>\$1,081,208</u>	<u>\$ 656,528</u>	<u>\$ 424,680</u>	<u>\$ -</u>

**NOTE 4 - CONTRACTUAL MANAGEMENT SERVICES**

The Board does not have any employees. The Board has an annual contract with a company located in Raleigh, North Carolina to provide administrative services. The contract includes all services related to the process of the license application, license renewal, testing, and various other duties. The Board also reimburses the management company for miscellaneous office supplies and expenses. The amount paid under the contract during the year ended June 30, 2023 was \$475,000.

The Board has another annual contract with a company located in Raleigh, North Carolina to provide legislative monitoring services. The amount paid under the contract during the year ended June 30, 2023 was \$17,000.

**NORTH CAROLINA ADDICTIONS SPECIALIST PROFESSIONAL PRACTICE BOARD**  
**Notes to Financial Statements**

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**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 managed using a combination of the purchase of commercial insurance and various State coverages. Tort claims of board members are self-insured by the State, under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract.

**NOTE 6 - RESTATEMENT**

Due to a change in accounting method in the current year, management began recording unearned revenue for license and renewals fees to recognize revenue over the two-year licensing period and exam revenue to recognize when the examinee takes the exam. In addition, accounting errors resulted in prepaid expenses not being recognized in the prior period and accounts payable not properly accrued. Accordingly, management has restated its results as of and for the year ended June 30, 2022, for the effect of these accounting errors reflected in the prior year's financial statements. The effect of the changes as of and for the year ended June 30, 2022 are as follows:

	As Originally Reported June 30, 2022	As Restated June 30, 2022	Effect of Change
Accounts payable	\$ 28,279	\$ 70,043	\$ 41,764
Exam fee expense	\$ 101,780	\$ 134,100	\$ 32,320
Consultants expense	\$ 15,000	\$ 23,041	\$ 8,041
Database management fees expense	\$ 49,780	\$ 51,183	\$ 1,403
Unearned revenues	\$ -	\$ 332,090	\$ 332,090
Prepaid expenses	\$ -	\$ 14,500	\$ 14,500
Unrestricted net position	\$ 1,319,107	\$ 959,753	\$ (359,354)

**NOTE 7 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through November 28, 2023, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The Board's audit was conducted in approximately 65 hours at a total cost of \$ 15,000.