



Financial Statements
and Supplementary Information

for

**NORTH CAROLINA BOARD OF
OCCUPATIONAL THERAPY**

Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

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NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Management's Discussion and Analysis

(Unaudited)

The following is a discussion and analysis of the North Carolina Board of Occupational Therapy's (the Board) financial performance for the 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 \$33,745 or 6.9%, due primarily to an increase in the number of initial licensees and renewing licensees.

The operating expenses of the Board increased by \$61,658 or 18.4%, due primarily to an increase in expenses relating to contracted administrative services. These expenses were higher than last year as a result of the increased demand for administrative functions that came along with an increased number of licensees.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's financial statements, which are comprised of two components: 1) financial statements, and 2) notes to the financial statements.

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 present the 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.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Management's Discussion and Analysis, continued

(Unaudited)

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

	As of and for the Year Ended June 30, 2023	As of and for the Year Ended June 30, 2022
Current assets	\$ 1,995,244	\$ 1,837,552
Total current liabilities	<u>401,831</u>	<u>384,635</u>
Total net position--unrestricted	\$ <u>1,593,413</u>	\$ <u>1,452,917</u>
Operating revenues	\$ 526,297	\$ 492,552
Operating expenses	<u>396,440</u>	<u>334,782</u>
Operating income	129,857	157,770
Non-operating revenues	<u>10,639</u>	<u>1,907</u>
Change in net position	\$ <u>140,496</u>	\$ <u>159,677</u>

Events Affecting Future Operations

With no expected changes in legislation, license renewal fees, initial license fees, and other related fees should remain consistent in future years. Historically, new licensees are expected to remain consistent with the current year and license renewals are expected to be consistent with renewals reported in the current year.

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 Board of Occupational Therapy, 4140 Parklake Avenue, Suite 100, Raleigh, North Carolina 27602-2280.

Report of Independent Auditors

To the Board of Directors
North Carolina Board of Occupational Therapy
Raleigh, North Carolina

Opinion

We have audited the financial statements of North Carolina Board of Occupational Therapy (the Board) which comprise the statements of net position as of June 30, 2023 and 2022, the related statements of revenues, expenses, and changes in net position, cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 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 GAAS, 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 that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 and 2 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Dean Dorton Allen Ford, PLLC

Raleigh, North Carolina
November 22, 2023

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Statements of Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,995,244	\$ 1,417,880
Certificates of deposit	-	418,778
Accrued interest	<u>-</u>	<u>894</u>
Total assets	1,995,244	1,837,552
Liabilities:		
Current liabilities:		
Accounts payable	20,681	16,585
Unearned revenue	<u>381,150</u>	<u>368,050</u>
Total liabilities	<u>401,831</u>	<u>384,635</u>
Net position	<u>\$ 1,593,413</u>	<u>\$ 1,452,917</u>

See accompanying notes.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Fees	\$ 526,297	\$ 492,552
Expenses:		
Contractual services	280,000	230,565
Merchant fees	30,004	27,173
Special legal	27,700	21,125
Internet services	16,566	17,063
Part-time assistance	10,000	10,000
Travel and board	9,233	6,970
Audit and accounting	5,500	5,000
Printing and binding	4,198	1,387
Office supplies	3,729	3,256
Copies and postage	3,094	2,886
Civil penalties remitted	2,880	1,680
Telephone	2,100	2,100
Jurisprudence exam	749	749
Disciplinary hearings	475	1,026
Miscellaneous	<u>212</u>	<u>3,802</u>
Total operating expenses	<u>396,440</u>	<u>334,782</u>
Operating income	129,857	157,770
Non-operating revenues:		
Interest income	<u>10,639</u>	<u>1,907</u>
Change in net position	140,496	159,677
Net position - beginning of year	<u>1,452,917</u>	<u>1,293,240</u>
Net position - end of year	\$ <u>1,593,413</u>	\$ <u>1,452,917</u>

See accompanying notes.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from fees	\$ 539,397	\$ 514,802
Cash payments for operating expenses	<u>(392,344)</u>	<u>(334,792)</u>
Net cash provided by operating activities	147,053	180,010
Cash flows from investing activities:		
Proceeds from sale of investments	418,778	708,941
Interest income	<u>11,533</u>	<u>7,973</u>
Net cash provided by investing activities	<u>430,311</u>	<u>716,914</u>
Net increase in cash	577,364	896,924
Cash and cash equivalents, beginning of year	<u>1,417,880</u>	<u>520,956</u>
Cash and cash equivalents, end of year	\$ <u>1,995,244</u>	\$ <u>1,417,880</u>
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	\$ 129,857	\$ 157,770
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	4,096	(10)
Unearned revenue	<u>13,100</u>	<u>22,250</u>
Net cash provided by operating activities	\$ <u>147,053</u>	\$ <u>180,010</u>

See accompanying notes.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Notes to the Financial Statements

1. Description of the Organization

The North Carolina Board of Occupational Therapy (the Board) was created by the 1983 N.C. General Assembly General Statute Chapter 90, Article 18D to become effective September 1, 1984. The Board was created to provide for the regulation of persons offering occupational therapy services to the public. The first board meeting was March 15, 1985. Financial operations of the Board began June 28, 1985.

The Board is considered an agency of the State of North Carolina for financial reporting purposes. The Board members are appointed by the Governor.

2. Summary of Significant Accounting Policies

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, 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 *Annual Comprehensive Financial Report*. 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 accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board 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.

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board 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.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Accounting, continued

The financial statements report all activities of the Board using 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 consist of those revenues that are related to investing types of activities and are classified as non-operating in the financial statements.

Cash

For purposes of the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash.

Contractual Services

The Board does not have any employees. The Board contracts with a law firm to provide legal representation, advice, consultation and assistance in all matters relating to the practice of occupational therapy in the State of North Carolina. The contract includes office space, furniture and equipment, as well as the necessary administrative and bookkeeping requirements of the Board. The contract does not include litigation services. The contract may be terminated at any time upon mutual consent of both parties or 180 days after one of the contracting parties gives notice to terminate.

Unearned Revenue

Unearned revenue represents renewal fees received before the year end that apply to the following fiscal year.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform with the 2023 financial statement presentation. Such reclassifications had no effect on total asset, liabilities, or change in net position.

NORTH CAROLINA BOARD OF OCCUPATIONAL THERAPY

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management evaluated subsequent events through November 22, 2023 which is the date the financial statements were available to be issued.

3. Deposits and Investments

Custodial Credit Risk. The Board maintains a demand deposit at one commercial bank in North Carolina. At June 30, 2023 and 2022, the Board had carrying amounts of \$1,995,244 and \$1,836,658, respectively, and bank balances of \$1,969,110 and \$1,815,787, respectively. Of these bank balances, which include a non-interest bearing checking account, \$250,000 was covered by federal depository insurance and \$1,719,110 and \$1,565,787, respectively, were uninsured and the financial institution had pledged collateral to protect the uninsured balance.

4. Net Position

The Board has assigned a portion of the unrestricted net position for use in a future period. Future uses are categorized as either pre-planned special projects or unforeseen financial emergencies which may require a large, non-recurring outlay of funds. The Board reviews the fund on an annual basis and makes decisions as appropriate relative to assigned funds. The Board had assigned unrestricted net position of up to \$700,000 at June 30, 2023 and 2022, respectively, for legal contingencies.

5. Insurance

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 under the State's public officers' and employees' liability insurance contract with a private insurance company.

6. Related Party

The Board's technical support is provided by a relative of a member of the law firm mentioned in Note 2, "Contractual Services," and is reported in internet services. Payments to the contractor totaled \$6,970 and \$6,455 for the years ended June 30, 2023 and 2022, respectively.

