

**NORTH CAROLINA BOARD OF  
PHYSICAL THERAPY EXAMINERS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**



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### Independent Auditors' Report

Members of the Board  
North Carolina Board of Physical Therapy Examiners  
Raleigh, North Carolina

#### **Opinion**

We have audited the accompanying financial statements of the North Carolina Board of Physical Therapy Examiners, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

#### **Emphasis of Matters**

As discussed in Note A, the financial statements present only the North Carolina Board of Physical Therapy Examiners and do not purport to, and do not present fairly the financial position of the State of North Carolina, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In addition, as discussed in Note C to the financial statements an error occurred in the initial determination of the present value of lease assets. The error was discovered during the current year and beginning net position has been corrected. Our opinion on the prior year's financial statements is not modified with respect to this matter.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis information on pages 3-6 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 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Durham, North Carolina  
September 20, 2023

**NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS**  
**Management's Discussion and Analysis**

against losses, commitments and contingencies, accounting changes, and if necessary, a discussion of adjustments to prior periods and events subsequent to the Board's financial statement period. Overall, the Notes to the Financial Statements provide information to better understand details, risks, and uncertainties associated with amounts reported in the basic financial statements.

**Brief Agency Highlights**

At the end of the fiscal year ending June 30, 2023, the Board had an operating income of \$223,839, an increase from 2022 of \$130,107.

Operating Expenses were lower by \$9,538 from June 30, 2022 to June 30, 2023. There was a reduction in professional fees due to one less IT Contractor \$(38,000). This reduction was partially offset by higher Insurance cost due a change in the recognition of the expense year over year \$15,000 and credit / bank card fees \$10,000. The increase in credit / bank fees is due to the higher usage because of higher volume in licensing and renewals.

The Board suffered a breach of its computer servers in May 2022. The Board engaged the NC Department of Information Technology as required by law and retained counsel to mitigate impacts. After insurance, the Board spent approximately \$66,000 on counsel fees and credit monitoring for licensees.

The Board has increased its investment in Certificates of Deposit, all within the limits of coverage by the FDIC.

The Board adopted GASB 87, Accounting for Long Term Leases in the prior audit year. The Board has 2 long-term leases, one for office space and the other for an office copier. It was determined through the use of a workbook provided by the State Controller's office that only the Office Lease falls under the new capitalization rules. The Board entered into a 10-year lease on September 1, 2018 through August 31, 2028. The lease has a 2.25% increase built into each year to cover all operating expenses: the New owners of the space started charging a variable operating expenses in excess of the operating expense included in the lease payment, which is also authorized by the Lease. These charges started in May, 2023 and are treated as a current period expense. There were no new leases entered into during the 2023 fiscal year.

The calculation of the Right of Use Assets was calculated through June 30, 2028 when the audited financials were prepared in the prior year instead of through the entire lease that ends August 31, 2028. The calculation was corrected during the 2023 fiscal year. The error in the calculation caused the Present Value of the Lease Asset to be understated \$5,248 in 2022. The effect on the prior year's net position was an overstatement of \$151.

Total assets of \$4,024,957 at June 30, 2023 increased due to current year Net Income, an increase year over year of \$135,482. The number of license renewals continued to increase and there was an

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
Management's Discussion and Analysis

If you have any questions about this report or need additional information, contact:

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**NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**OPERATING REVENUES**

Charges for services:	
Revenue from licenses	\$ 1,892,990
License verification	24,038
Credit card processing fees	75,619
Background check fees collected	50,736
Disciplinary reimbursements	4,874
Other revenues	<u>5,289</u>
Total operating revenues	2,053,546

**OPERATING EXPENSES**

Staff salaries	862,600
Payroll tax expense	66,226
Retirement contributions	48,941
Group insurance	139,404
Consulting and contract labor	181,620
Other personnel costs	<u>22,751</u>
Total personnel expenses	1,321,542
Board per diem	4,300
Travel	4,501
Subsistence	6,633
Other	<u>4,896</u>
Total board expenses	20,330
Accounting	14,744
Legal	<u>75,603</u>
Total professional fees	90,347
Investigations expense	25,740
Information technology expenses	66,279
Licensing	47,538
Other expenses	
Credit card fees	90,752
Lease Interest	27,019
Property and liability insurance	30,566
Copying and printing	2,787
Depreciation and amortization	82,091
Equipment maintenance	3,354
Office supplies, postage, other	<u>21,362</u>
Total other expenses	257,931
Total operating expenses	<u>1,829,707</u>
Operating income	<u>\$ 223,839</u>

See Independent Auditors' Report and Notes to Financial Statements

**NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

Cash flows from operating activities:	
Cash received from licensees and applicants	\$ 1,892,990
Cash received from others	160,556
Cash paid to employees and professionals	(986,782)
Cash paid to suppliers	<u>(806,315)</u>
Net cash flows provided by operating activities	<u>260,449</u>
 Cash flows from capital and related financing activities	
Acquisition of capital assets	(26,996)
Proceeds from sale of assets	<u>1,250</u>
Net cash flows used by financing activities	<u>(25,746)</u>
 Cash flows from investing activities	
Receipt of interest income	24,815
Increase in certificates of deposit	<u>(74,835)</u>
Net cash flows used by investing activities	<u>(50,020)</u>
 Net change in cash and cash equivalents	184,683
 Cash and cash equivalents - June 30, 2022	<u>688,055</u>
 Cash and cash equivalents - June 30, 2023	<u>\$ 872,738</u>
 Reconciliation of operating income to net cash flows provided by operating activities	
Operating income	\$ 223,839
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	37,390
Amortization - right to use asset	75,157
Lease Interest	27,019
Rent outflows	<u>(87,571)</u>
Changes in assets and liabilities:	
Decrease in prepaid expenses	6,351
Increase in accounts payable - trade	12,099
(Decrease) in accrued vacation	<u>(33,835)</u>
Net cash provided by operating activities	<u>\$ 260,449</u>

See Independent Auditors' Report and Notes to Financial Statements

**NORTH CAROLINA BOARD OF PHYSICAL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE A (CONTINUED)**

**Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, the Board's accounts are maintained during the year using the modified accrual basis of accounting. However, at year-end, financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when cash flows take place.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

The Board considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Capital Assets**

Capital assets are defined by the Board as assets with an initial individual cost of \$500 or more and an estimated useful life of more than two years. Purchased assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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**NOTE B DEPOSITS AND INVESTMENTS**

The Board maintains cash balances, money market accounts and certificates of deposit at various financial institutions. Certificates of deposit have a book and market value of \$2,698,937 at June 30, 2023. Certificates of deposit have varying interest rates and staggered maturities over the next 12 months.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. As of June 30, 2023, the Board's deposits of \$3,571,675 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized - \$598,713.

**NOTE C CORRECTION OF AN ERROR IN PRIOR YEAR FINANCIAL STATEMENTS**

During 2023 the Board changed its lease accounting software and discovered that the present value of lease assets had been understated by \$5,248 in 2022. The effect on prior year net position was an overstatement of \$151. Previous financial statement line items affected are as follows:

<u>Account</u>	<u>As Previously Reported</u>	<u>As Corrected</u>	<u>Difference</u>
Lease Asset	\$527,114	\$532,362	\$5,248
Lease Asset Amortization	75,302	75,157	(145)
Accumulated Amortization	75,302	75,157	(145)
Remaining Lease Liability	471,880	477,424	5,544
Lease Principal Reduction	55,234	54,838	(296)
Lease Interest	27,436	27,732	296

**NOTE D NONCURRENT ASSETS**

Changes in capital assets for the year ended June 30, 2023 were as follows:

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JUNE 30, 2023

NOTE D (CONTINUED)

Change in right to use lease assets:

	ASSET			
	June 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2023</u>
Office space	<u>\$532,362</u>	-	-	<u>\$532,362</u>
ACCUMULATED AMORTIZATION				
	June 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	June 30, <u>2023</u>
Office space	<u>\$ 75,157</u>	<u>\$ 75,157</u>	-	<u>\$ 150,314</u>
Right to Use Asset Net of Amortization	<u>\$ 457,205</u>			<u>\$ 382,048</u>

NOTE E ACCRUED VACATION

The changes in accrued vacation are as follows:

	June 30, <u>2022</u>	<u>Additions</u>	<u>Used</u>	June 30, <u>2023</u>
Amount	\$119,942	\$19,538	\$53,373	\$86,107

The amount representing the current portion of vacation leave is \$53,373.

NOTE F RETIREMENT PLAN

The North Carolina Licensing Boards Retirement Plan is a multiple-employer, cost-sharing defined contribution plan. Participating employees must

NORTH CAROLINA BOARD OF PHYSICAL  
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NOTE (CONTINUED)

These costs are treated as an outflow of resources by the Board.

NOTE H NET POSITION

The Board has assigned portions of its unrestricted net position for the following purposes:

Designated

Reserve for prepaid expenses	\$ 19,130
Information technology reserve	425,000
Replacement of property & equipment	200,000
Continuing education	50,000
Unanticipated litigation costs	1,250,000
Payroll reserve	<u>600,000</u>
	<u>2,544,130</u>

Undesignated

<u>889,198</u>
<u>\$3,433,328</u>

NOTE I SUBSEQUENT EVENTS

The Board has evaluated subsequent events through September 20, 2023, the date which the financial statements were available to be issued.

NOTE J NORTH CAROLINA LEGISLATIVE STATUTORY REQUIREMENT CONCERNING AUDIT FEES

This audit required 70 hours at a cost of \$10,000.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**GARRETT, DODD & ASSOCIATES, LTD.**

*Garnett, Dodd, & Associates, Ltd.*

Durham, North Carolina  
September 20, 2023