

NC BOARD OF PHYSICAL THERAPY EXAMINERS

Financial Audit Report for Fiscal Year ending

06/30/2024 Submitted 10-17-2024

By:

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NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS

FINANCIAL STATEMENTS

JUNE 30, 2024

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS

Raleigh, North Carolina

FINANCIAL AUDIT REPORT

June 30, 2024

BOARD MEMBERS

Leslie P. Kesler, PT, Chair

Jamie Miner, PT, Secretary/Treasurer

Lisa Johnston, PT

Jerry Shepherd, PT

Stephanie M. Bernard, PTA

Tiffany Needham, PTA

Renu Kasula

Lee Diehl, MD

EXECUTIVE DIRECTOR

Kathy O. Arney, PT

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
Raleigh, North Carolina

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NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2024

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina Board of Physical Therapy Examiners (NCBPTE).

Overview of the Basic Financial Statements

The statement of net position provides information relative to the Board's assets, liabilities, and the resulting net position as of the last day of the fiscal year (June 30, 2024). Assets and liabilities on this statement are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net position on this statement is categorized as either invested in capital assets or unrestricted. Overall, the statement of net position provides information relative to the financial strength of the Board and its ability to meet current and long-term obligations.

The statement of revenues, expenses, and changes in net position provides information relative to the results of the Board's operations, non-operating activities, and other activities affecting net position that occurred during the fiscal year. Operating activities include the issuance of licenses, permits and privileges, and licensure renewal for the practice of physical therapy in the State of North Carolina. The Board does require disciplined licensees to reimburse the Board the "costs of investigation". Non-operating activity includes interest income. Overall, the statement of revenues, expenses, and changes in net position provides information relative to the Board's management of its operations and its ability to maintain its financial strength.

The statement of cash flows provides information relative to the Board's sources and uses of cash funds for operating activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported in the statement of revenues, expenses, and changes in net position.

The statements described above are the basic financial statements required by Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the Board as a whole and use reporting concepts in a manner similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balances.

In using the basic financial statements, the notes to the financial statements should be read in conjunction with the basic financial statements. The notes to the financial statements provide information relative to the significant accounting principles applied in the basic financial statements, authority for and associated risk of deposits, detailed information on capital assets, capitalized leases and noncurrent liabilities, revenues and expenses, required information on pension plans, insurance 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.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2024

Brief Agency Highlights

Prior to June 30, 2024, the Board accounted for renewal fees on a cash basis, fees collected for license renewal were recognized as revenue upon receipt. Fees related to the privilege of holding a license in North Carolina were not deferred and recognized over the time the privilege was conferred. The Board has adjusted its renewal fee revenue to accrual basis as of June 30, 2024 requiring a restatement of prior year liabilities, net position, and operating income. In addition, there were several expenses not accrued for on June 30, 2023 that have been recognized in the restatement. At the end of the fiscal year ending June 30, 2023, the Board had restated operating income of \$193,956. Operating income for the fiscal year ended June 30, 2024 was \$150,917.

Operating expenses were higher by \$63,141, net of a prior period adjustment of \$6,946, from June 30, 2023 to June 30, 2024. The Board migrated to the Cloud and hired an outside firm to monitor and run the infrastructure with an increase to Information Technology expense of \$96,000. This was partially offset by the change in credit card processing companies and incurring lower fees.

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 fiscal year 2022. The Board has two 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. There were no new leases entered into during the 2024 fiscal year.

Total assets of \$4,275,023 at June 30, 2024 increased due to current year net income, an increase year over year of \$250,066. The number of license renewals continued to increase, and there was an increase in the number of new applicants resulting in an increase in fee income. In addition, due to higher invested assets and higher interest rates, the Board recognized \$104,701 higher interest income. This increase allows the Board to continue making updates to its technology infrastructure and provide staffing to serve an increasing licensee population and public protection efforts.

Current liabilities increased in 2024 from 2023 by \$78,271, net of prior period adjustments to current liabilities totaling \$974,836 related to the change in accounting for renewal fees and additional accrued expenses. The deferred renewal fee liability is \$1,021,720 as of June 30, 2024. In addition, all accrued vacation is now treated as a current liability. The lease liability continues to decrease as the lease expired one more year.

Net position consists of amounts invested in non-current assets of \$434,152 and \$343,430 for June 30, 2023 and June 30, 2024, respectively, and unrestricted amounts of \$2,024,340 and \$2,396,140 respectively. The increase in net position from June 30, 2023 to June 30, 2024 is due to net income.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2024

Comparative Financial Highlights

Year End	June 30, 2023	June 30, 2024
Current Assets	\$3,590,805	\$3,931,593
Capital Assets-Net	\$52,104	\$31,206
Lease Payment Asset	\$382,048	\$312,224
Total Assets	\$4,024,957	\$4,275,023
Current Liabilities*	\$1,183,709	\$1,261,980
Long-term Liabilities	\$382,756	\$273,473
Total Liabilities*	\$1,566,465	\$1,535,453
Net Position – Unrestricted*	\$2,024,340	\$2,396,140
Operating Revenue*	\$2,030,609	\$2,051,011
Operating Expenses*	\$1,836,953	\$1,900,094
Operating Income*	\$193,956	\$150,917
Change in Net Position*	\$219,164	\$281,078

*Restated for Deferral of Renewal Fees & Accrued Expenses

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

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MADDISON & CAISON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Carolina Board of Physical Therapy Examiners
Raleigh, North Carolina

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the North Carolina Board of Physical Therapy Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statement of net position as of June 30, 2024, 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 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 financial position of the North Carolina Board of Physical Therapy Examiners as of June 30, 2024, and the 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.

Basis for Opinion

We conducted our audit 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 North Carolina Board of Physical Therapy Examiners, 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 opinion.

Emphasis of Matter – Basis of Accounting

As discussed in Note 1, these financial statements are presented only for 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, 2024, nor the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities 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. Management is also responsible 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 North Carolina Board of Physical Therapy Examiners' ability to continue as a going concern within one year after the date that 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 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 judgement 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 misstatements 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 North Carolina Board of Physical Therapy Examiners' 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 North Carolina Board of Physical Therapy Examiners' 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 our audit.

Required Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole that collectively comprise the North Carolina Board of Physical Therapy Examiners' basic financial statements. The Management's Discussion and Analysis, on pages 1-2, is presented for purposes of additional analysis and 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 considered during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

September 25, 2024

Maddison & Caison, LLP

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF NET POSITION
June 30, 2024

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,683,959
Certificates of deposit and accrued interest	1,229,688
Prepaid expenses	17,946
Total current assets	<u>3,931,593</u>
Noncurrent assets	
Capital assets, net of depreciation	31,206
Right of use asset, net of amortization	312,224
Total noncurrent assets	<u>343,430</u>
 TOTAL ASSETS	 <u><u>\$ 4,275,023</u></u>

LIABILITIES AND NET POSITION

Current liabilities	
Accounts payable	\$ 50,202
Payroll liabilities	30,600
Accrued vacation	84,602
Deferred renewal fees	1,021,720
Lease liabilities - current	74,315
Total current liabilities	<u>1,261,439</u>
Lease liabilities - non-current	<u>274,014</u>
Net position	
Net investment in capital and right of use assets	343,430
Unrestricted net position	2,396,140
Total net position	<u>2,739,570</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 4,275,023</u></u>

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Operating revenues	
License renewal fees	\$ 1,697,690
License applications	216,430
License revival fees	26,100
License verification	23,168
Disciplinary reimbursements	2,425
Continuing competence	2,755
Credit card processing fees	78,100
Other fees	3,002
Miscellaneous income	1,341
Total operating revenues	<u>2,051,011</u>
Operating expenses	
Salaries	842,154
Group insurance	134,203
Retirement expense	39,133
Payroll taxes	66,266
Other benefits and employee expenses	20,881
Legal fees	105,773
Consultants	179,824
Investigations expense	22,653
Audit and other professional services	13,665
Information technology	195,097
Board expenses	16,251
Office lease amortization and expenses	77,186
Interest on lease liabilities	22,790
Office expense	16,512
Travel	3,542
Dues and subscriptions	4,668
Insurance	30,259
Credit card and bank fees	85,247
Depreciation	23,990
Total operating expenses	<u>1,900,094</u>
Operating income	<u>150,917</u>

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Non-operating revenues	
Interest income	129,516
Gain on disposal of assets	645
	<u>130,161</u>
Change in net position	281,078
Net position - beginning of year - as previously stated	3,433,328
Prior period adjustment	<u>(974,836)</u>
Net position - beginning of year - as adjusted	2,458,492
Net position - end of year	<u><u>\$ 2,739,570</u></u>

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash flows from operating activities	
Cash received from licensees and applicants	\$ 2,104,841
Cash payments to employees and contractors	(1,641,785)
Cash paid to other suppliers of goods or services	(248,153)
Net cash flows provided by operating activities	<u>214,903</u>
Cash flows from capital and related financing activities	
Cash received from sale of assets	1,250
Cash payments to acquire assets	(3,696)
Net cash flows used by financing activities	<u>(2,446)</u>
Cash flows from investing activities	
Cash received for interest	112,504
Cash payments to acquire certificates of deposit	(912,227)
Net cash flows used by investing activities	<u>(799,723)</u>
Net decrease in cash and cash equivalents	(587,266)
Cash and cash equivalents - beginning of year	<u>3,271,225</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,683,959</u></u>
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$ 150,917
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	23,990
Amortization of right of use assets	69,824
Changes in assets and liabilities:	
Prepaid expenses	1,184
Accounts payable	6,651
Payroll liabilities and accrued vacation	(22,950)
Deferred revenue	53,830
Lease liabilities	(68,543)
Net cash flows provided by operating activities	<u><u>\$ 214,903</u></u>

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1 – Nature of Operations

The North Carolina Board of Physical Therapy Examiners (the “Board”) was established by the North Carolina General Assembly and is an occupational licensing board authorized under Chapter 90, Article 18E of the North Carolina General Statutes. The Board is responsible for the regulation and supervision of physical therapists and physical therapy assistants licensed under the laws of the North Carolina. Income is primarily derived from license renewal and revival fees as well as new license application fees.

The Governor appoints eight members of the Board: four licensed physical therapists, two licensed physical therapy assistants, a physician and a member of the general public. All of the members are subject to the North Carolina Government Ethics Act.

Reporting Entity

The Board is a component unit of the State of North Carolina. Governmental Accounting Standards Board (GASB) Codification Section 2100 has defined the government reporting entity to be the State of North Carolina. North Carolina exercises oversight responsibility in that public service is rendered within the State of North Carolina’s boundaries. The accompanying financial statements present only the activity of the North Carolina Board of Physical Therapy Examiners.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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 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 or component units.

The financial statements report all activities of the Board using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, regardless of when cash flows take place.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2 – Summary of Significant Accounting Policies (continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less.

Capital Assets

Capital assets that have a cost over \$500 are capitalized at cost and depreciated using the straight-line method over their estimated useful lives, typically five to ten years for equipment and furniture.

Accrued Vacation

The vacation leave policy of the Board provides for accumulation of earned vacation leave with such leave being fully vested when earned. Since vacation leave is payable to employees at termination, a liability for the outstanding balances has been recorded. Accrued vacation as of June 30, 2024 was \$84,602.

Revenue Recognition

License renewal fee revenue is recognized over the period that the license fee is statutorily required. License renewals are for the twelve month period beginning February 1 and ending January 31. Other revenue streams are point-in-time exchange transactions and as such are recorded upon delivery of benefits or consummation of the exchange.

Deferred Renewal Fees

The renewal cycle for licensing begins February 1 of each year. License renewals are for twelve months. The portion of renewal fees received prior to June 30 of any given year that are allocable to the period July 1 through January 31 are deferred until the following fiscal year.

Leases

Leases are accounted for under GASB 87: *Leases*. Lease liabilities that are for terms greater than twelve months are recorded at amount equal to the present value of future minimum payments required under the lease. Lease payments for leases with a term of twelve months or less are expensed. Right of use assets are initially measured at an amount equal to the lease liability. Right of use assets are amortized on a straight-line basis over the life of the related lease.

Income Taxes

The Board is a component of the State of North Carolina and is consequently exempt from federal and North Carolina income taxes.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 2 – Summary of Significant Accounting Policies (continued)

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 disaster. Tort claims of board members up to \$1,000,000 are self-insured by the State of North Carolina under the authority of the North Carolina Tort Claims Act.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note 3 – Liquidity and Availability

Financial assets without restrictions limiting their use that are available for general expenditure within one year of June 30, 2024 are as follows:

Cash and cash equivalents	\$2,683,959
Certificates of deposits and accrued interest	1,229,688
Less board designated reserves	<u>(2,950,000)</u>
	<u>\$ 963,647</u>

Management believes these assets are sufficient to provide for operations in the coming year as the Board has adopted a balanced budget for the year ended June 30, 2025. To manage liquidity, management regularly prioritizes expenditures and reviews financial information on a contemporaneous basis.

Note 4 - Concentration of Risk

The Board has cash balances on deposit in accounts at a local financial institution, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2024, the Board had \$808 on deposit with this institution in excess of FDIC limits. The Board also maintains money market demand deposit accounts. As of June 30, 2024, these accounts were fully insured by FDIC insurance.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 5 – Capital Assets and Right of Use Asset

The Board's capital assets as of June 30, 2024 are reported as follows:

Cost of capital assets as of June 30, 2024	\$ 260,379
Less accumulated depreciation	<u>(229,173)</u>
Capital assets, net as of June 30, 2024	<u>\$ 31,206</u>

Depreciation expense for the year ended June 30, 2024 was \$23,990. The Board reported capital asset additions of \$3,696 for the year ended June 30, 2024.

The Board's right of use asset as of June 30, 2024 are reported as follows:

Right of use asset as of June 30, 2024	\$ 532,362
Less accumulated amortization	<u>(220,138)</u>
Right of use asset, net as of June 30, 2024	<u>\$ 312,224</u>

Amortization expense for the year ended June 30, 2024 was \$69,824.

Note 6 – Net Position

Net investment in capital assets and right of use assets – This component of net position consists of capital assets, net of accumulated depreciation and right of use assets, net of amortization.

Unrestricted net position – This component of net position consists of net assets that do not meet the definition of restricted or invested in capital assets or right of use assets.

The Board has designated the following reserves as components of its unrestricted net position as of June 30, 2024:

Reserve for property	\$ 200,000
Reserve for litigation	1,250,000
Reserve for information technology	425,000
Reserve for continuing education	25,000
Reserve for payroll	900,000
Reserve for office expenses	150,000
Undesignated net position	<u>(553,860)</u>
Unrestricted net position	<u>\$2,396,140</u>

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 7 – Lease Commitments

The Board has a lease for office space subject to lease accounting standard GASB 87. The lease commenced on September 1, 2018 and expires August 31, 2028. Rent increases annually over the life of the lease. The lease contains a renewal option to extend the lease for two additional periods of five years; however, the Board is not reasonably certain it will exercise those options.

The lease liability is measured at a discount rate of 6% which approximates the Board's incremental borrowing rate. The remaining lease term as of June 30, 2024 is 50 months. Cash flows related to the lease liability totaled \$68,543 for the year ended June 30, 2024.

The following is a schedule of the maturities and future minimum lease payments due as of fiscal year ending June 30:

2025	\$ 93,193
2026	95,261
2027	97,375
2028	99,537
2029	8,982
Total	<u>394,348</u>
Less present value discount	<u>(46,019)</u>
	<u>\$ 348,329</u>

Note 8 – Retirement Plan

The North Carolina Licensing Board Retirement Plan is a multi-employer, cost-sharing defined contribution plan. Participating employees must contribute 6% of their gross pay, which the board matches 100%. Employee contributions vest 100% at the time of contribution; Board contributions vest 100% after 5 years of credited service. The Board contributed \$39,133 towards employee retirement accounts for the year ended June 30, 2024.

Note 9 – Related Party Transactions

Under a contract approved by the board of directors, a relative of the Board's Executive Director provided consulting services in the area of information technology on a temporary basis and was paid a total of \$45,080 for the year ended June 30, 2024.

NORTH CAROLINA BOARD OF PHYSICAL THERAPY EXAMINERS
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 10 – Change in Accounting Method and Prior Period Adjustment

Prior to June 30, 2024, the Board accounted for renewal fees on a cash basis, whereby fees collected for license renewals were recognized as revenue upon receipt. Fees related to the privileges of holding a license in North Carolina were not deferred and recognized over time as those privileges were conferred.

To conform with generally accepted accounting principles, the Board has adjusted its renewal fee revenue to accrual basis as of June 30, 2024, requiring a one-time adjustment to its net position of \$967,890 to reflect the cumulative deferral of previous years' renewal fees as of June 30, 2023. Deferred renewal fee revenue as of June 30, 2024 totaled \$1,021,720. The net effect of the change in accounting method from cash to accrual basis on the Board's operating revenue for the year ended June 30, 2024 was a decrease of \$53,830.

In addition, the Board has recorded a prior period adjustment of \$6,946 to account for expenses related to the year ended June 30, 2023 that had not been previously recorded.

Note 11 – Subsequent Events

The Board has evaluated events and transactions that occurred between June 30, 2024 and September 25, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No additional adjustments or disclosures were determined to be necessary as a result of this review.

Note 12 – Cost of Audit

Approximately 80 hours were required to conduct the audit and prepare the audit report for the year ended June 30, 2024 for a total cost of \$15,750.