

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**

**Financial Statements for the  
Years Ended June 30, 2016 and 2015 and  
Independent Auditor's Report**

# **NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**

## **Financial Statements for the Years Ended June 30, 2016 and 2015 and Independent Auditor's Report**

### **BOARD MEMBERS (2015-2016)**

Emmylou Norfleet, L.AC, Chairperson

Mary Majebe, L.AC, Secretary-Treasurer

Vikki Andrews, Ed D

Shandy Cline, L.AC

Marc Cutler, L.AC

Chester Phillips, L.AC

Toni Rittenberg, L.AC

Karen A. Vaughn, L.AC

Lynnea Villanova, M.D.

### **EXECUTIVE OFFICERS**

Renee Padgett, Senior Associate Director

Pat Pritchard, Associate Director

### **LEGAL COUNSEL**

Mike Tadych

Stevens, Martin, Vaughn & Tadych, PLLC

# NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

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# **NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2016 and 2015. Please read it in conjunction with the financial statements which follow this section.

### **Financial Highlights**

During 2016, the Board's net position decreased by \$165,780, or 308.6%, due primarily to an increase in expenses. During 2015, the Board's net position decreased by \$60,983, or 53.2%, due primarily to an increase in expenses.

During 2016, the operating revenues of the Board increased by \$27,173, or 28.2%, due to an increase in licensee revenue recognized for the period and due to the receipt of donations. During 2015, the operating revenues of the Board decreased by \$3,189, or 3.2%, due to a decrease in licensee revenue recognized for the period.

During 2016, the non-operating revenues of the Board decreased by \$508, or 99.6%, due primarily to a decrease in cash on hand. During 2015, the non-operating revenues of the Board decreased by \$46, or 8.3%, due primarily to a decrease in cash on hand.

During 2016, the operating expenses of the Board increased by \$131,462, or 83.2%, due primarily to an increase in legal fees and insurance expense. During 2015, the operating expenses of the Board increased by \$60,510, or 62.1%, due primarily to an increase in legal fees and insurance expense.

### **Overview of the Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by Governmental Accounting Standards Board (GASB) Statement No. 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

### **Basic Financial Statements**

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

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

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

# NORTH CAROLINA ACUPUNCTURE LICENSING BOARD

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Financial Information

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

	Current Year as of and for the year ended June 30, 2016	Current Year as of and for the year ended June 30, 2015 (as restated)
Current assets	\$ 44,409	\$ 119,892
Capital assets	0	0
Other assets	24,518	48,494
Total assets	<u>\$ 68,927</u>	<u>\$ 168,386</u>
Current liabilities	\$ 115,922	\$ 114,667
Long-term liabilities	65,066	
Total liabilities	<u>\$ 180,988</u>	<u>\$ 114,667</u>
Investment in capital assets	\$ 0	\$ 0
Restricted	24,518	0
Unrestricted	(136,579)	53,719
Total net position	<u>\$ (112,061)</u>	<u>\$ 53,719</u>
Operating revenues	\$ 123,608	\$ 96,435
Operating expenses	(289,390)	(157,928)
Operating income	<u>\$ (165,782)</u>	<u>\$ (61,493)</u>
Non-operating revenues	\$ 2	\$ 510
Change in net position	<u>\$ (165,780)</u>	<u>\$ (60,983)</u>

### Events Affecting Future Operations

The Board is involved in litigation concerning the use of a procedure called “dry needling” and has incurred significant legal expense during the years ended June 30, 2016 and 2015 concerning this matter. The Board may incur significant further legal expenses to finalize these court proceedings. The Board anticipates sufficient donations revenue to fund these expenses.

### Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Acupuncture Licensing Board, PO Box 10686, Raleigh, NC 27605.

***Shelton L. Hawley, CPA, PA***  
**Certified Public Accountants**

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P.O. 1545  
Angier, North Carolina 27501-1545

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
North Carolina Acupuncture Licensing Board  
Raleigh, North Carolina

***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Carolina Acupuncture Licensing Board (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which comprise the Board's financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on the audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Acupuncture Licensing Board as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### *Prior Period Information*

We have previously audited the accompanying financial statements of the Board as of June 30, 2015 and the results of its operations and its cash flows for the year then ended, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2015. This is described and discussed in Note 9 to the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

October 31, 2016

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 40,807	\$ 111,030
Fee due from licensee	15	
Prepaid expense	<u>3,587</u>	<u>8,862</u>
Total current assets	44,409	119,892
Capital assets (Note 1):		
Furniture and office equipment	<u>0</u>	<u>0</u>
Total property and equipment - net of depreciation	<u>0</u>	<u>0</u>
Other assets:		
Cash and cash equivalents- restricted (Note 2)	24,518	
Investments (Note 2)		<u>48,494</u>
Total other assets	<u>24,518</u>	<u>48,494</u>
<b>TOTAL ASSETS</b>	<u>\$ 68,927</u>	<u>\$ 168,386</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable (Note 4)	\$ 32,935	\$ 24,892
Unearned revenue	<u>82,987</u>	<u>89,775</u>
Total current liabilities	115,922	114,667
Long-term debt:		
Accounts payable (Note 4)	<u>65,066</u>	
Total long-term debt	<u>65,066</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>180,988</u>	<u>114,667</u>
NET POSITION (NOTES 5 and 9)		
Investment in capital assets	0	0
Restricted net position	24,518	
Unrestricted net position	<u>(136,579)</u>	<u>53,719</u>
<b>TOTAL NET POSITION</b>	<u>(112,061)</u>	<u>53,719</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 68,927</u>	<u>\$ 168,386</u>

See notes to financial statements.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Revenue from fees	\$ 98,315	\$ 96,085
Revenue from donations - restricted	24,518	
Other income	<u>775</u>	<u>350</u>
Total operating revenues	\$ 123,608	\$ 96,435
OPERATING EXPENSES:		
Contractual management services (Note 6)	\$ 30,900	\$ 33,013
Staff travel	139	20
Board members expenses (including meeting expenses)	4,408	23,419
Hearing expenses		1,896
Computer support expenses	1,040	6,309
Telephone	817	839
Office, printing, and postage expenses	1,482	2,573
Commercial insurance	10,627	3,790
Legal and audit fees	219,612	85,190
Public education expenses	19,725	
Web site expenses	640	789
Miscellaneous expenses		<u>90</u>
Total operating expenses	<u>\$ 289,390</u>	<u>\$ 157,928</u>
Operating income (loss)	<u>\$ (165,782)</u>	<u>\$ (61,493)</u>
NON- OPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets	\$	\$ (30)
Interest income	<u>2</u>	<u>540</u>
Total non-operating revenues	\$ 2	\$ 510
Change in net position	<u>\$ (165,780)</u>	<u>\$ (60,983)</u>
Net position - beginning of year (Note 9)	<u>53,719</u>	<u>114,702</u>
Net position - end of year	<u><u>\$ (112,061)</u></u>	<u><u>\$ 53,719</u></u>

See notes to financial statements.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
	<b>Proprietary- Enterprise Fund</b>	<b>Proprietary- Enterprise Fund</b>
Cash flows from operating activities:		
Cash received from fees and other income	\$ 116,805	\$ 103,722
Cash payments for operating expenses	(211,006)	(161,435)
Net cash provided (used) by operating activities	<u>\$ (94,201)</u>	<u>\$ (57,713)</u>
Cash flows from investing activities:		
Transfer from (to) investments	\$ 48,494	\$ 75,188
Interest on investments	2	59
Net cash provided by investing activities	<u>\$ 48,496</u>	<u>\$ 75,247</u>
Net increase(decrease) in cash	<u>\$ (45,705)</u>	<u>\$ 17,534</u>
Cash - beginning of year	<u>111,030</u>	<u>93,496</u>
Cash - end of year	<u><u>\$ 65,325</u></u>	<u><u>\$ 111,030</u></u>
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (165,782)</u>	<u>\$ (61,493)</u>
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Changes in assets and liabilities:		
Other receivable	(15)	
Prepaid expense	5,275	(6,731)
Accounts payable	73,109	3,224
Unearned revenue	(6,788)	7,287
Total adjustments	<u>\$ 71,581</u>	<u>\$ 3,780</u>
Net cash provided (used) by operating activities	<u><u>\$ (94,201)</u></u>	<u><u>\$ (57,713)</u></u>
Supplemental disclosures of noncash investing, capital, and financing activities:		
Capital asset write-offs	<u>\$</u>	<u>\$ 30</u>

See notes to financial statements.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies

**Description of Organization**

The North Carolina Acupuncture Licensing Board (the "Board") is an independent state agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of nine members who are appointed by the Governor and the General Assembly of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by acupuncturists.

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

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Basis of Accounting**

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by license fees.

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

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

This classification includes undeposited receipts, petty cash, checking accounts and time deposits (excluding certain certificates of deposit, if any) held by the Board.

**Investments**

The Board is authorized to invest idle funds in accordance with North Carolina General Statutes. This classification consists of certain certificates of deposits held by the Board for investment. Investments generally are reported at fair market value. Certificates of deposit are reported at cost (which is the same as fair value) if purchased in the primary certificate of deposit market, and at fair value if purchased in the secondary certificate of deposit market (as determined by quoted market prices). The net increase (decrease) in the fair value of investments for certificates of deposit, when applicable, is recognized as a component of investment interest income.

**Fair Value of Financial Instruments**

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

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Prepaid Expenses**

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

**Capital Assets**

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$100 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. Summaries follow:

	Cost 06-30-14	Acquisitions	Disposals	Cost 06-30-15	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 250	\$ 0	\$ 250	\$ 0	\$ 0	\$ 0
	\$ 250	\$ 0	\$ 250	\$ 0	\$ 0	\$ 0

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. No depreciation expense was recorded for the fiscal years ended June 30, 2016 and June 30, 2015.

The Board had no capital assets during or at the fiscal year ended June 30, 2016.

**Deferred Outflows/Inflows of Resources**

Because the Board had no reportable deferred outflows and inflows of resources, pursuant to GASB 63, there is no reporting requirement to include zero presentation amounts on the Statements of Net Position, and accordingly, none are herewith presented.

**Income Taxes**

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

**Use of Estimates**

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

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

Note 2 - Deposits and Investments

**Deposits**

All of the Board's deposits which are uninsured are uncollateralized [unless collateralized pursuant to NC Administrative Code (20 NCAC 7)] by the financial institution holding said deposits. For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have policies regarding custodial credit risk for deposits.

At June 30, 2016, the Board's deposits had a carrying amount of \$65,325 and a bank balance of \$70,050, which was covered by federal depository insurance. Restricted cash in the amount of \$24,518 was held (to fund Board legal expenses) in a trust account on behalf of the Board and is classified as a non-current asset on the Statements of Net Position. At June 30, 2015, the Board's deposits had a carrying amount of \$159,524 and a bank balance of \$158,984, which was covered by federal depository insurance. A certificate of deposit in the amount of \$48,494 is considered a time deposit for this disclosure and is classified as an investment on the Statements of Net Position.

**Investments**

At June 30, 2016 and 2015, the Board had the following investments and maturities.

Investment Type	2016			2015		
	Fair Value	3-12 Months	Over 12 Months	Fair Value	3-12 Months	Over 12 Months
Certificate of Deposit	\$	\$	\$	\$ 48,494	\$	\$ 48,494
Total	\$ 0	\$ 0	\$ 0	\$ 48,494	\$ 0	\$ 48,494

**Risk Disclosures**

Interest rate risk - Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from interest rate variances, the Board limits its investments, if any, to certificates of deposits with maturities of no more than 24 months and to money market mutual funds.

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Investments of the Board are subject to the statutory requirements of North Carolina General Statutes, however the Board's present policy for managing credit risk is to limit its investments to certificates of deposits and money market mutual funds.

Custodial credit risk - For deposits, custodial credit risk is the risk that in the event of the failure of the depository (or counterparty), the Board will not be able to recover the value of its deposits that are in the possession of the outside party. The Board does not have formal policies regarding custodial credit risk for deposits. Federal depository insurance is discussed in a preceding section.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

Note 2 - Deposits and Investments (Continued)

The following table presents fair value of investments by type and investment subject to interest rate risk and credit risk at June 30, 2015 for the Board's investments. The Board held no long term investments at June 30, 2016.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Securities:			
Certificate of Deposit	\$ 48,494	12 Months	N/A

**Reconciliation of Deposits and Investments**

A reconciliation of deposits and investments for the Board to the basic financial statements at June 30, 2016 and 2015, is as follows:

	June 30, 2016	June 30, 2015
Carrying Amount of Bank Deposits	\$ 65,325	\$ 111,030
Certificates of Deposits		48,494
Total Deposits and Investments	<u>\$ 65,325</u>	<u>\$ 159,524</u>
Current:		
Cash and Cash Equivalents	\$ 40,807	\$ 111,030
Noncurrent:		
Cash and Cash Equivalents	24,518	
Investments		48,494
Total Deposits and Investments	<u>\$ 65,325</u>	<u>\$ 159,524</u>

Note 3 - Unearned Revenue and Restricted Revenue

The Board's license renewal fees are assessed and collected on a biennial basis (for a period of two years) which coincides with the Board's fiscal year end. License fees received in the latter part of each fiscal year are deferred and recognized as revenue over the periods to which they relate.

Additionally, the Board received \$24,518 in donations to fund its incurrence of significant legal expenses during the fiscal year ended June 30, 2016. None of the monies were expended during the year ended June 30, 2016. These revenues are recorded as restricted revenues and, accordingly, the cash balance accumulated and the related net position are classified as restricted as denoted in Notes 1, 2 and 5 in the preceding and foregoing sections. The purpose of these expenses is discussed in the Management Discussion and Analysis section of this report.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 4 - Deferral of Accounts Payable and Related Party Information

The Board incurred substantial legal fees during the fiscal year ended June 30, 2016 such that the Board's liabilities exceeded its assets at year end. Before incurring said liabilities, the Board made arrangements with these vendors to defer payments. Accordingly, the Board has classified these deferred accounts payable as long term liabilities. These deferred long term payables amounted to \$65,066 at June 30, 2016. The current portion of this legal fees debt amounted to \$18,000 at June 30, 2016. Of the total accounts payable (current and non-current), \$16,000 was due to the law firm which manages the Board, and \$10,000 of this amount which is due to the law firm which manages the Board is classified as a long term liability.

Note 5 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets. The Board had no capital assets at June 30, 2016 and June 30, 2015.

Restricted net position - expendable - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. At June 30, 2016, the Board had monies in the amount of \$24,518 restricted to fund legal expenses.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Note 6 - Contractual Management Services and Related Party Information

The Board does not have any employees. The Board contracted with management service businesses to provide services for the Board during the years ended June 30, 2016 and 2015. During the latter part of the fiscal year ended June 30, 2015, the Board contracted with a legal firm to perform the management services of the Board. The legal firm is also the general legal counsel for the Board. The management services contracts included all services related to the process of licensure applications and renewals and various other secretarial duties. The Board also reimbursed the management services for occasional purchases of miscellaneous office supplies and expenses. Payments to the management services (including employee reimbursements) totaled \$33,566 during the fiscal year ended June 30, 2016 and \$35,730 during the fiscal year ended June 30, 2015. Payments to the legal firm (which now performs the management services of the Board) for legal services totaled \$67,959 during the fiscal year ended June 30, 2016 and \$14,570 during the fiscal year ended June 30, 2015.

Note 7 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in certain state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of commercial insurance coverage.

**NORTH CAROLINA ACUPUNCTURE LICENSING BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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Note 8 - Contingencies

The Board is involved in occasional disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 9- Restatement of Net Position

The Board has restated its net position for the year ended June 30, 2015 in the amount of \$2,012 to reclassify commercial insurance coverage to correspond with the fiscal year period instead of the insurance term period. This resulted in an increase in revenues in excess of expenses in the amount of \$6,850 for the year ended June 30, 2015.

In connection with this change, the beginning net position (for 2015) has been restated as follows:

Net Position at July 1, 2014, as previously reported	\$	112,690
Adjustment for change in prepaid insurance expense		<u>2,012</u>
Net Position at July 1, 2014, as restated	\$	<u><u>114,702</u></u>

Note 10- Subsequent Events

Subsequent events have been evaluated through October 31, 2016, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 11 - North Carolina Legislative Statutory Disclosure Requirement Concerning Audit Fees

This audit required 65 audit hours at a cost of \$5,895.