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NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY

Financial Statements

June 30, 2018 and 2017

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NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Management's Discussion and Analysis
June 30, 2018 and 2017

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The operating revenues of the Board increased $7,015 or 0.9% due to an increase in the civil penalties collected, disciplinary costs, and late renewal fees received.

The operating expense of the Board increased $68,614 or 9.1%. The increase is primarily due to a $51,127 increase in office supplies, storage, recall expense resulting from a project to scan in all licensure files. Additionally, there was a $21,433 increase in hearings and investigations due to an increased focus on identifying, investigating, disciplining, and penalizing illicit businesses and unlicensed or illicit persons.

Overview of the Financial Statements

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

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 non-current 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 the years' operations.

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

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

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Current Assets	$ 411,824	$ 575,709
Current Liabilities	405,671	436,655
Non-Current Liabilities	114,388	139,025
Total Liabilities	520,059	575,680
Total Net Position--Unrestricted	$ (108,235)	$ 29
Operating Revenues	$ 710,140	$ 703,125
Operating Expenses	821,828	753,214
Operating Income	(111,688)	(50,089)
Non-Operating Revenue	3,424	
Change in Net Position	$ (108,264)	$ (50,089)

Events Affecting Future Operations

New licensees are expected to remain consistent with the prior year and license renewals are expected to be consistent with renewals reported two years ago.

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 Massage and Bodywork Therapy, PO Box 2539, Raleigh, NC 27602-2539.

KWH
Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
North Carolina Board of Massage and Bodywork Therapy
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Board of Massage and Bodywork Therapy as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Board's basic 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 includes evaluating the appropriateness of accounting principles 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 Board of Massage and Bodywork Therapy as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
September 25, 2018

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Statements of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS:		
Current Assets:		
Cash	$ 108,574	$ 272,697
Certificates of Deposit	300,000	300,000
Accrued Interest	450	212
Prepaid Expenses	2,800	2,800
Total Assets	411,824	575,709
LIABILITIES:		
Current Liabilities:		
Accounts Payable	18,179	39,050
Unearned Revenue--Licenses	370,117	383,980
Unearned Revenue--Schools	17,375	13,625
Total Current Liabilities	405,671	436,655
Non-Current Liabilities:		
Unearned Revenue--Licenses	112,388	134,650
Unearned Revenue--Schools	2,000	4,375
Total Non-Current Liabilities	114,388	139,025
Total Liabilities	520,059	575,680
NET POSITION	$ (108,235)	$ 29

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Fees	$ 710,140	$ 703,125
OPERATING EXPENSES:		
Contractual Services	463,880	504,038
Background Checks	40,082	37,126
School Approvals	46,541	32,520
Hearing/Investigations	52,056	30,623
Office Supplies/Storage/Recall	78,429	27,302
Printing and Binding	28,295	22,973
Travel and Board Expense	35,261	18,395
Computer and Internet	17,216	18,020
Fines Remitted	13,535	18,017
Copies and Postage	15,654	15,468
Merchant Fees	12,861	13,024
Miscellaneous	3,839	5,632
Accounting	4,950	4,800
Seminars and Training	6,940	2,987
Telephone	2,289	2,289
Total Operating Expenses	821,828	753,214
LOSS FROM OPERATIONS	(111,688)	(50,089)
NON-OPERATING REVENUES:		
Interest Income	3,424	
CHANGE IN NET POSITION	(108,264)	(50,089)
NET POSITION--Beginning of Year	29	50,118
NET POSITION--End of Year	$ (108,235)	$ 29

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Fees	$ 675,390	$ 771,200
Cash Payments for Operating Expenses	(842,699)	(729,263)
Net Cash Provided (Used) by Operating Activities	(167,309)	41,937
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	3,186	300
Net Cash Provided by Investing Activities	3,186	300
NET INCREASE (DECREASE) IN CASH	(164,123)	42,237
CASH--Beginning of Year	272,697	230,460
CASH--End of Year	$ 108,574	$ 272,697
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Loss from Operations	$ (111,688)	$ (50,089)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Accounts Payable	(20,871)	23,951
Unearned Revenue	(34,750)	68,075
Net Cash Provided (Used) by Operating Activities	$ (167,309)	$ 41,937

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2018 and 2017

1. Summary of Significant Accounting Policies

A. Organization:

The North Carolina Board of Massage and Bodywork Therapy was created by the 1998 NC General Assembly General Statute Chapter 90, Article 36, to become effective July 1, 1999. The mission and purpose of the Board is to regulate the practice of massage and bodywork therapy in the State of North Carolina in order to ensure minimum standards of competency and to protect the public health, safety and welfare.

The Board regulates the practice of massage and bodywork therapy by:

1. Determining the qualifications of persons seeking to practice massage and bodywork therapy and authorizing persons who have met the statutory requirements to so practice; and

2. Enforcing the provisions of laws governing the practice of massage and bodywork therapy and those duly enacted rules designed to ensure its safe and ethical practice.

The Board is considered an agency of the State of North Carolina for financial reporting purposes.

The Board is comprised of seven members: five members are massage and bodywork therapists; one is a medical doctor, and one is a member of the general public. Members serve three-year terms, and may not serve more than two consecutive terms.

The Governor appoints one therapist member, the physician, and the public member. The Speaker of the House of Representatives appoints two therapist members. The President Pro Tempore of the Senate appoints two therapist members.

B. 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 (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.

C. 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.

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2018 and 2017

1. Summary of Significant Accounting Policies (Continued)

D. 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 operation of the Board. The Board has no fiduciary funds or component units.

The financial statements report all activities of the North Carolina State Board of Massage and Bodywork Therapy 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.

E. 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.

F. 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 massage and bodywork therapy in the State of North Carolina. The contract includes providing to the Board consultation and assistance in all matters relating to the practice of massage and bodywork therapy in the State of North Carolina, including approval of massage and bodywork therapy schools, and shall provide office space and equipment as well as the necessary administrative and bookkeeping requirements of the Board. The contract does not include litigation. A fee of 65% of cash collected after certain adjustments is to be paid for contracted 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 of termination; provided, however, the Board pays the law firm for all months worked and expenses incurred to date of termination.

G. Unearned Revenue:

The Board's fees which represent license renewals are recorded as unearned revenue and recognized over the two-year license period. Fees received for initial licenses are either deferred over eighteen months or two years depending on the time of collection. School renewal fees are collected in advance and recorded as deferred revenue at year-end and recognized as revenue over the renewal period. The renewal period is either one or two years depending on the past compliance of the school.

H. Use of Estimates:

The presentation of financial statements in conformity with U.S. 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.

NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY
Notes to Financial Statements
June 30, 2018 and 2017

2. Concentration of Credit Risk

Custodial Credit Risk. The Board maintains a demand deposit and certificates of deposit at a commercial bank in North Carolina. At June 30, 2018 and 2017, the Board had carrying amounts of $408,574 and $572,697, respectively, and bank balances of $469,434 and $589,934, respectively. Of these bank balances, $250,000 was covered by federal depository insurance and $219,434 and $339,934, respectively, was uninsured and the financial institution had pledged collateral to protect the uninsured balance.

3. 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.

4. Related Parties

The Board had a contract for consulting services relative to school approvals. A member of the contracting company is the spouse of a member of the law firm mentioned in Note 1, "Contractual Services." Payments to the contractor totaled $18,816 and $16,768 for the years ended June 30, 2018 and 2017, respectively. The Board also contracts with a related party for computer service who is a relative of a member of the above mentioned law firm. Payments to the contractor totaled $11,435 and $6,104 for the years ended June 30, 2018 and 2017, respectively.

5. Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. Such reclassifications had no effects on net assets or cash flows.

6. Deficit in Net Position

As indicated in the accompanying financial statements, the Board showed a deficit in net positions of $108,235 for the year ended June 30, 2018.

The negative changes in net position were $117,986 and $50,089 for the years ended June 30, 2018 and 2017, respectively. This was due to two non-recurring projects conducted over these two fiscal years. The first project was scanning and electronically storing all licensure files. The second project was an effort to identify, investigate, discipline, and penalize illicit businesses and unlicensed or illicit persons. This resulted in a dramatic increase in investigator and legal fees. With the completion of these two projects, the Board is expecting a return to profitability.

7. Subsequent Events

Management of the Board evaluated subsequent events through September 25, 2018, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.