

**NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
North Dakota State Board of Chiropractic Examiners
Grafton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Dakota State Board of Chiropractic Examiners as of and for the years ended December 31, 2020 and 2019, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Dakota State Board of Chiropractic Examiners as of December 31, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, as listed in the table of contents, 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 accepting 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 provided any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2021 on our consideration of the North Dakota State Board of Chiropractic Examiners' 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 that report is to solely 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 North Dakota State Board of Chiropractic Examiners' 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 North Dakota State Board of Chiropractic Examiners' internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

July 2, 2021

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

This discussion report is offered as an accompaniment to the audited financial statements of the North Dakota State Board of Chiropractic Examiners. It includes a narrative overview of the Board and its financial activities for the years ended December 31, 2020 and 2019.

The Board is a regulatory agency of the State of North Dakota. Its activities consist of the initial licensing of chiropractors and certified chiropractic clinical assistants, annual license renewal, monitoring chiropractors' continuing education, and responding to occasional consumer concerns about the performance of a chiropractor. The Board has a staff of one, which consists of the executive director. The Board owns no real property, and maintains its financial assets in cash or cash equivalents, other than office equipment and costs for their online license management system.

The national and state economic climates have little direct effect on the Board's financial operations. The Board does not seek grants, loans, or other financial consideration from any governmental unit or other entity. Its main revenues consist of licensing and application fees, late fees, and disciplinary fees. No funding is received from the general revenues of the State, nor are funds transferred to the State.

FINANCIAL HIGHLIGHTS

Net position decreased over the two year period from \$414,081 to \$391,998 as of December 31, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion serves as an introduction to the Board's four basic financial statements, which consist of: 1) Statement of Net Position, 2) Statement of Activities, 3) Governmental Funds Balance Sheet, and 4) Statement of Revenues, Expenditures and Changes in Fund Balances.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net position presents the total of all the Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as an indicator of whether or not the financial position of the Board is improving or deteriorating.

The statement of activities presents a view of how the Board's net position changed during the fiscal year. All changes in net position are reported when the related event occurs, regardless of the timing or related cash flow. As a result, revenues and expenses could be reported for items that will not result in cash flows until future periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board's governmental funds consist only of the general fund.

Notes to financial statements. The Notes to the financial statements provide additional information which the reader may find useful in understanding the Board's financial statements.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Board's assets consist primarily of cash and cash equivalents. Capital assets owned by the Board consists of computers, office furnishings and an online license management system.

The Board has no short or long-term debt or receivables. During 2019 the Board had a material accounts payable relating disciplinary actions the State Board was perusing. Changes in financial position are the result of general operations and depreciation.

Net Position for the period ended December 31

	2020	2019	2018
Assets			
Current	\$ 346,177	\$ 368,645	\$ 362,223
Capital assets-net of accumulated depreciation	47,106	50,371	54,399
Total assets	<u>393,283</u>	<u>419,016</u>	<u>416,622</u>
Liabilities			
Current	<u>1,285</u>	<u>23,385</u>	<u>2,541</u>
Net position			
Net investment in capital assets	47,106	50,371	54,399
Unrestricted	344,892	345,260	359,682
Total net position	<u><u>\$ 391,998</u></u>	<u><u>\$ 395,631</u></u>	<u><u>\$ 414,081</u></u>

Statement of Activities for the years ended December 31

	2020	2019	2018
Program expenses	\$ (156,624)	\$ (170,753)	\$ (97,243)
Program revenues	152,550	151,431	150,975
Net program revenue (loss)	<u>(4,074)</u>	<u>(19,322)</u>	<u>53,732</u>
General revenues	441	872	273
Change in net position	<u>(3,633)</u>	<u>(18,450)</u>	<u>54,005</u>
Net Position - Beginning	395,631	414,081	360,076
Net Position - Ending	<u><u>\$ 391,998</u></u>	<u><u>\$ 395,631</u></u>	<u><u>\$ 414,081</u></u>

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CAPITAL ASSET ADMINISTRATION

Capital Assets – The North Dakota State Board of Chiropractic Examiners' investment in capital assets for its governmental type activities as of December 31, 2020 and 2019 amounts to \$47,106 and \$50,371 (net of accumulated depreciation), respectively. This investment in capital assets includes equipment and intangible assets for software and the website.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Furniture, Computers and Database	\$ 74,947	\$ 72,506	\$ 71,182
Accumulated Depreciation	<u>(27,841)</u>	<u>(22,135)</u>	<u>(16,783)</u>
Net Capital Assets	<u>\$ 47,106</u>	<u>\$ 50,371</u>	<u>\$ 54,399</u>

Additional information on the North Dakota State Board of Chiropractic Examiners' capital assets can be found in Note 3 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Executive Director, Lisa Blanchard, by telephone (701-213-0476), or by mail: NDSBCE, PO Box 185, Grafton, ND 58237.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019

	Governmental Activities	
	2020	2019
<u>ASSETS</u>		
Cash	\$ 344,320	\$ 366,547
Prepaid expenses	1,857	2,098
Capital assets:		
Fixed assets	74,947	72,506
Less: accumulated depreciation	<u>(27,841)</u>	<u>(22,135)</u>
Total Assets	<u>393,283</u>	<u>419,016</u>
<u>LIABILITIES</u>		
Accounts Payable	-	20,547
Payroll Tax Liabilities	<u>1,285</u>	<u>2,838</u>
Total Liabilities	<u>1,285</u>	<u>23,385</u>
<u>NET POSITION</u>		
Net investment in capital assets	47,106	50,371
Unrestricted	<u>344,892</u>	<u>345,260</u>
Total Net Position	<u>\$ 391,998</u>	<u>\$ 395,631</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Governmental Activities	
	2020	2019
Program Expenses:		
Audit	\$ -	\$ 8,540
Bank Service Charges	-	31
Conference Calls	188	518
Copy Machine Contract	818	780
Credit Card Fees	3,503	3,236
Dues	1,327	1,299
Insurance	952	952
Investigations	-	786
Law/Rule Changes	5,005	-
Litigation	67,727	61,535
Meeting Expenses	603	516
Miscellaneous Expenses	-	48
National Meeting Expenses	-	10,317
Office Equipment Expense	618	1,763
Office Supplies	1,258	1,430
Payroll Tax	3,343	3,131
Per Diem	8,938	14,563
Salary	42,750	39,667
Special Meeting Expenses	644	1,896
State Meeting Expenses	7,200	9,983
Telephone	1,533	1,517
Website Fees	4,261	2,643
Workman's Compensation	250	250
Depreciation	5,706	5,352
Total Program Expenses	<u>156,624</u>	<u>170,753</u>
Program Revenues:		
License Renewals	137,200	134,300
D.C. Application Fees	8,700	5,100
CCCA Renewal Fees	4,950	4,850
CCCA Application Fees	1,200	2,000
Disciplinary	500	3,981
Membership Lists & Labels	-	1,200
Total Program Revenues	<u>152,550</u>	<u>151,431</u>
Net Revenues and Changes in Net Position	<u>(4,074)</u>	<u>(19,322)</u>
General Revenues/(Expenses):		
Interest Income	441	722
Miscellaneous	-	150
Total General Revenues	<u>441</u>	<u>872</u>
Change in Net Position	(3,633)	(18,450)
Net Position-Beginning	<u>395,631</u>	<u>414,081</u>
Net Position-Ending	<u>\$ 391,998</u>	<u>\$ 395,631</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
BALANCE SHEETS – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020 AND 2019

	General Fund	
	2020	2019
<u>ASSETS</u>		
Cash	\$ 344,320	\$ 366,547
Prepaid expenses	<u>1,857</u>	<u>2,098</u>
Total assets	<u>\$ 346,177</u>	<u>\$ 368,645</u>
<u>LIABILITIES & FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ -	\$ 20,547
Payroll tax liabilities	<u>1,285</u>	<u>2,838</u>
Total liabilities	<u>1,285</u>	<u>23,385</u>
Fund balances		
Nonspendable	1,857	2,098
Unassigned	<u>343,035</u>	<u>343,162</u>
Total fund balances	<u>344,892</u>	<u>345,260</u>
Total liabilities and fund balances	<u>\$ 346,177</u>	<u>\$ 368,645</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
RECONCILIATION OF THE BALANCE SHEETS TO THE
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Total fund balances - governmental funds	\$ 344,892	\$ 345,260
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Fixed assets	74,947	72,506
Less: accumulated depreciation	<u>(27,841)</u>	<u>(22,135)</u>
	<u>47,106</u>	<u>50,371</u>
Total net position - governmental activities	<u>\$ 391,998</u>	<u>\$ 395,631</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	General Fund	
	2020	2019
REVENUES:		
License Renewals	\$ 137,200	\$ 134,300
D.C. Application Fees	8,700	5,100
CCCA Renewal Fees	4,950	4,850
CCCA Application Fees	1,200	2,000
Disciplinary	500	3,981
Membership Lists & Labels	-	1,200
Interest Income	441	722
Miscellaneous	-	150
Total Revenue	<u>152,991</u>	<u>152,303</u>
EXPENDITURES:		
Audit	-	8,540
Bank Service Charges	-	31
Conference Calls	188	518
Copy Machine Contract	818	780
Credit Card Fees	3,503	3,236
Dues	1,327	1,299
Insurance	952	952
Investigations	-	786
Law/Rule Changes	5,005	-
Litigation	67,727	61,535
Meeting Expenses	603	516
Miscellaneous Expenses	-	48
National Meeting Expenses	-	10,317
Office Equipment Expense	3,059	3,087
Office Supplies	1,258	1,430
Payroll Tax	3,343	3,131
Per Diem	8,938	14,563
Salary	42,750	39,667
Special Meeting Expenses	644	1,896
State Meeting Expenses	7,200	9,983
Telephone	1,533	1,517
Website Fees	4,261	2,643
Workman's Compensation	250	250
Total Expenditures	<u>153,359</u>	<u>166,725</u>
Net Change in Fund Balance	(368)	(14,422)
FUND BALANCE, BEGINNING OF YEAR	<u>345,260</u>	<u>359,682</u>
FUND BALANCE, END OF YEAR	<u>\$ 344,892</u>	<u>\$ 345,260</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Total net change in fund balances - governmental funds	\$ (368)	\$ (14,422)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	2,441	1,324
Depreciation expense	(5,706)	(5,352)
Net	(3,265)	(4,028)
Change in net position - governmental activities	\$ (3,633)	\$ (18,450)

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Dakota State Board of Chiropractic Examiners, located in Grafton, North Dakota, was organized as a governmental organization. The Board's purpose is to serve as a licensing and regulatory board for licensed chiropractors and certified chiropractic clinical assistants practicing within the State of North Dakota. The Board accomplishes their purpose by licensing chiropractors and certified chiropractic clinical assistants, enforcing the state's chiropractic practice act, and responding to consumer complaints.

Reporting Entity

The Board, in accordance with *Government Auditing Standards*, has developed criteria to determine whether outside agencies with activities which benefit the Board should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Board exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. The Board has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Board's financial statements.

Basis of Presentation

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Board's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Board are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Board as a whole. These statements include all the financial activities of the Board.

The statement of net position presents the financial condition of the governmental activities of the Board at year-end.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the Board. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Board.

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The Board's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Board's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements; currently, however, the Board's financial statements consist of only one general fund, which is considered a major fund.

Governmental Funds

Governmental funds are utilized to account for most of the Board's governmental functions. The reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The Board's major governmental funds consist of the following:

General Fund

This fund is the general operating fund of the Board. It accounts for all financial resources except those requiring to be accounted for in another fund. Currently, the Board accounts for all of its activities in the general fund.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Budget

The Board follows the procedures established by North Dakota law for the budgetary process. The budget may be amended with board approval.

Cash and Cash Equivalents

The Board considers demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Capital Assets

Capital assets are capitalized at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Governmental-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives of three to fifteen years.

Net Position/Fund Balance

The difference between assets and liabilities is "Net Position" on the government wide financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the Board through a resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Use of Estimates

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

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The Board does not have a formal deposit policy for custodial credit risk for deposits.

The North Dakota State Board of Chiropractic Examiners maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At December 31, 2020 and 2019, the Board had \$347,776 and \$369,098, respectively, of deposits that were exposed to custodial credit risk. These deposits were backed by the full faith and credit of the State of North Dakota.

State statute requires the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions to invest surplus funds in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured to guarantee by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
4. Obligation of the state.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the fiscal years ended December 31, 2020 and 2019 was as follows:

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
Governmental Activities				
Furniture, Computers and Database	\$ 72,506	\$ 2,441	\$ -	\$ 74,947
Accumulated Depreciation	(22,135)	(5,706)	-	(27,841)
Net Capital Assets	<u>\$ 50,371</u>	<u>\$ (3,265)</u>	<u>\$ -</u>	<u>\$ 47,106</u>

	Balance 12/31/2018	Additions	Disposals	Balance 12/31/2019
Governmental Activities				
Furniture, Computers and Database	\$ 71,182	\$ 1,324	\$ -	\$ 72,506
Accumulated Depreciation	(16,783)	(5,352)	-	(22,135)
Net Capital Assets	<u>\$ 54,399</u>	<u>\$ (4,028)</u>	<u>\$ -</u>	<u>\$ 50,371</u>

NOTE 4 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Management believes the current coverage is adequate. The errors and omissions insurance is provided through the State of North Dakota Risk Management Fund.

NOTE 5 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the entity's financial statements.

NOTE 6 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through July 2, 2021, the date which the financial statements were available to be issued.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original & Final Budget	Actual	Variance with Budget
REVENUES:			
License Renewals	\$ 133,000	\$ 137,200	\$ 4,200
D.C. Application Fees	6,000	8,700	2,700
CCCA Renewal Fees	5,000	4,950	(50)
CCCA Application Fees	1,500	1,200	(300)
Disciplinary	-	500	500
Interest Income	500	441	(59)
	<hr/>	<hr/>	<hr/>
Total Revenue	146,000	152,991	6,991
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Bank Service Charges	50	-	50
Conference Calls	400	188	212
Copy Machine Contract	820	818	2
Credit Card Fees	3,500	3,503	(3)
Dues	1,327	1,327	-
Insurance	625	952	(327)
Investigations	2,000	-	2,000
Law/Rule Changes	4,000	5,005	(1,005)
Litigation	120,000	67,727	52,273
Meeting Expenses	800	603	197
Miscellaneous Expenses	100	-	100
National Meeting Expenses	12,000	-	12,000
Office Equipment Expense	5,000	3,059	1,941
Office Supplies	2,500	1,258	1,242
Payroll Tax	3,200	3,343	(143)
Peer Review	10,000	-	10,000
Per Diem	15,000	8,938	6,062
Salary	43,000	42,750	250
Special Meeting Expenses	4,400	644	3,756
State Meeting Expenses	13,200	7,200	6,000
Telephone	1,600	1,533	67
Website Fees	4,500	4,261	239
Workman's Compensation	250	250	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	248,272	153,359	94,913
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(102,272)	(368)	101,904
	<hr/>	<hr/>	<hr/>
FUND BALANCE, BEGINNING OF YEAR	345,260	345,260	-
	<hr/>	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 242,988	\$ 344,892	\$ 101,904
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Note to the Required Supplementary Information

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original & Final Budget	Actual	Variance with Budget
REVENUES:			
License Renewals	\$ 133,000	\$ 134,300	\$ 1,300
D.C. Application Fees	7,500	5,100	(2,400)
CCCA Renewal Fees	6,000	4,850	(1,150)
CCCA Application Fees	1,500	2,000	500
Disciplinary	-	3,981	3,981
Membership Lists & Labels	1,500	1,200	(300)
Interest Income	250	722	472
Miscellaneous	-	150	150
	<hr/>	<hr/>	<hr/>
Total Revenue	149,750	152,303	2,553
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Audit	8,500	8,540	(40)
Bank Service Charges	50	31	19
Conference Calls	300	518	(218)
Copy Machine Contract	770	780	(10)
Credit Card Fees	3,500	3,236	264
Dues	1,274	1,299	(25)
Insurance	1,826	952	874
Investigations	2,000	786	1,214
Law/Rule Changes	4,000	-	4,000
Litigation	20,000	61,535	(41,535)
Meeting Expenses	800	516	284
Miscellaneous Expenses	100	48	52
National Meeting Expenses	12,000	10,317	1,683
Office Equipment Expense	5,000	3,087	1,913
Office Supplies	3,000	1,430	1,570
Payroll Tax	3,000	3,131	(131)
Peer Review	10,000	-	10,000
Per Diem	15,000	14,563	437
Salary	40,000	39,667	333
Special Meeting Expenses	4,000	1,896	2,104
State Meeting Expenses	8,000	9,983	(1,983)
Telephone	1,600	1,517	83
Website Fees	5,000	2,643	2,357
Workman's Compensation	250	250	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	149,970	166,725	(16,755)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(220)	(14,422)	(14,202)
	<hr/>	<hr/>	<hr/>
FUND BALANCE, BEGINNING OF YEAR	359,682	359,682	-
	<hr/>	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 359,462	\$ 345,260	\$ (14,202)
	<hr/>	<hr/>	<hr/>

See Note to the Required Supplementary Information

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
North Dakota State Board of Chiropractic Examiners
Grafton, North Dakota

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the North Dakota State Board of Chiropractic Examiners as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the North Dakota State Board of Chiropractic Examiners' basic financial statements and have issued our report thereon dated July 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota State Board of Chiropractic Examiners' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Board of Chiropractic Examiners' internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota State Board of Chiropractic Examiners' financial statements are free from 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 determination of financial statement amounts. 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*.

The North Dakota State Board of Chiropractic Examiners' Response to Findings

The North Dakota State Board of Chiropractic Examiners' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The North Dakota State Board of Chiropractic Examiners' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 of 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.



BRADY, MARTZ AND ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

July 2, 2021

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Control Deficiency 2020-001

Criteria:

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation.

Condition:

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping, and reconciliation.

Cause:

The North Dakota State Board of Chiropractic Examiners has one employee, the executive director, responsible for all accounting and administrative functions involved.

Effect:

The lack of segregation of duties could adversely affect the Board's ability to initiate, authorize, record, process, and report financial data reliably or prevent or detect noncompliance on a timely basis.

Recommendation:

The controls should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions:

Due to the size of the entity, it is not feasible to obtain proper separation of duties. This risk is mitigated in part due to oversight provided by the Board.

NORTH DAKOTA STATE BOARD OF CHIROPRACTIC EXAMINERS
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Control Deficiency 2020-002

Criteria:

An appropriate system of internal control requires the Board to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Board's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition:

The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the Board. However, the Board does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause:

The Board's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect:

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the Board is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation:

We recommend that the Board reviews its current training system to determine if it is cost effective for the Board to obtain this knowledge internally. As a compensating control, the Board should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions:

Due to the financial, efficiency, and time constraints, it has been determined by the North Dakota State Board of Chiropractic Examiners' management that it is in the best interest of the North Dakota State Board of Chiropractic Examiners and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.