

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

Agenda Item V B (SUNSET)
Meeting Date: 05-21-18

RECEIVED

APR 26, 2018

LCB AUDIT

1-A



**HOULDSWORTH
RUSSO & COMPANY**
20 YEARS & COUNTING

Certified Public Accountants

HOULDSWORTH, RUSSO & COMPANY

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.TrustHRC.com

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS**

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
State of Nevada Board of Examiners for
Marriage and Family Therapists and
Clinical Professional Counselors
Las Vegas, Nevada

We have audited the accompanying financial statements of the State of Nevada Board of Examiners for Marriage and Family Therapists and Clinical Professional Counselors as of and for the year ended June 30, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 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 opinion.

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and, accordingly has not considered the need to recognize a liability for its proportionate share of the net pension liability, pension expense, report deferred outflows of resources, and report deferred inflows of resources related to pensions for its proportionate shares of collective pension expense. Accounting principles generally accepted in the United States of America require that these amounts be recorded and appropriate note disclosures be made, which may increase the liabilities and change the expenditures in the accompanying financial statements. The amount by which this departure would affect the liabilities, net position, and expenditures of the accompanying financial statements has not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Nevada Board of Examiners for Marriage and Family Therapists and Clinical Professional Counselors as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Hindsmith, Russo & Company, P.C.

Las Vegas, Nevada
April 16, 2018

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 112,096	\$ -	\$ 112,096
Employee loan	1,800	-	1,800
Prepays	887	-	887
Capital assets, net of accumulated depreciation	<u>-</u>	<u>458</u>	<u>458</u>
Total assets	<u><u>\$ 114,783</u></u>	<u><u>\$ 458</u></u>	<u><u>\$ 115,241</u></u>
LIABILITIES			
Accounts payable	\$ 4,766	\$ -	\$ 4,766
Accrued expenses	1,145	-	1,145
Unearned revenue, current portion	68,125	-	68,125
Unearned revenue, net of current	<u>575</u>	<u>-</u>	<u>575</u>
Total liabilities	74,611	-	74,611
FUND BALANCE/NET POSITION			
Fund balance			
Assigned and unrestricted	<u>40,172</u>	(40,172)	-
Total liabilities and fund balance	<u><u>\$ 114,783</u></u>		
Net Position			
Invested in capital assets		458	458
Unrestricted		<u>40,172</u>	<u>40,172</u>
Total net position		<u>40,630</u>	<u>40,630</u>
Total liabilities and net position		<u><u>\$ 458</u></u>	<u><u>\$ 115,241</u></u>

See notes to financial statements

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Government Wide</u>
EXPENDITURES			
Board operations	\$ 162,076	\$ -	\$ 162,076
Depreciation	<u>-</u>	<u>502</u>	<u>502</u>
Total expenditures	162,076	502	162,578
PROGRAM REVENUE			
License fees	151,950	-	151,950
Other charges for services	<u>20,270</u>	<u>-</u>	<u>20,270</u>
	<u>172,220</u>	<u>-</u>	<u>172,220</u>
Net program income	10,144	(502)	9,642
GENERAL REVENUE			
Interest income	<u>3</u>	<u>-</u>	<u>3</u>
Excess of revenue over expenditures	10,147	(502)	9,645
SPECIAL ITEM			
Theft loss	<u>5,097</u>	<u>-</u>	<u>5,097</u>
Change in net position	5,050	(502)	4,548
FUND BALANCE / NET POSITION			
Beginning of year	<u>35,122</u>	<u>960</u>	<u>36,082</u>
End of year	<u><u>\$ 40,172</u></u>	<u><u>\$ 458</u></u>	<u><u>\$ 40,630</u></u>

See notes to financial statements

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The State of Nevada Board of Examiners for Marriage and Family Therapists and Clinical Professional Counselors (the Board) licenses all marriage and family therapists in the State of Nevada. The Board's activities are governed by section 641A of the Nevada Revised Statutes and Nevada Administrative Code, as well as by numerous state and board administrative policies. The Board's purpose is to set minimum standards for licensing marriage and family therapists, and to oversee ethical conduct of licensed therapists and registered interns in the State of Nevada. The Board's primary revenue is generated by licensing fees and application fees for licensing in Nevada.

Reporting Entity

Effective July 1, 2001, Chapter 353 of the Nevada Revised Statutes (NRS) was amended to exempt certain professional and occupational boards from the state budget act and the provisions governing the administration of state funding. The provisions of Chapter 353 do not apply to boards created pursuant to chapter 623 to 625A, inclusive, 628, 630 to 640A inclusive, 641 to 644, inclusive, 654 and 656 of the NRS and the officers and employees thereof. Accordingly, the Board's budgeting and accounting practices and procedures have been removed from the oversight of the Department of Administration.

The Board's financial statements are not included in the general-purpose financial statements of the State of Nevada since the State does not exercise financial control over the Board. This is in conformance with the Governmental Accounting Standards Board (GASB) codification Section 2100, *Defining the Government Reporting Entity*.

Basis of Presentation

The Board is defined as a single-program special-purpose entity under the GASB Codification (previously referred to as GASB Statement No. 14, paragraph 131 as amended by GASB Statement No. 39). This classification allows for the preparation of financial statements under an optional reporting method, which combines the fund and government-wide statements into a single presentation. Under this methodology, the government-wide statement of net position and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The Board has utilized this method of presentation.

Restricted Activity

The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible and received within the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

GASB has established three levels of custodial risk for cash and cash equivalents:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the Board's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3: Uncollateralized.

The Board considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unearned Revenue

By provisions of statute, the Board administers its licensing registration on a calendar year basis. Unearned revenue represents revenue from the calendar year renewals that relates ratably over the license period.

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Balance

The general fund of the Board is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures to be used solely for the Board's benefit. The fund balance of the general fund is restricted solely to be used by the Board to meet its obligation of licensing and regulating the practice of therapy or counseling in the State of Nevada. Under GASB 54, the Board is required to report information regarding its fund balances according to five classes: nonspendable, restricted, committed, assigned, and unassigned. The nonspendable fund balance classification 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. The restricted fund balance classification includes amounts when constraints placed on the use of resources 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. The committed fund balance consists of amounts in which the government's highest level of decision-making authority has placed constraints on future spending. The committed balances classification can be redeployed for other purposes with appropriate due process. As the Board does not operate with committed fund balances, no policies have been developed. The highest level of decision-making authority is the Nevada Legislative Committee. The Board is authorized to assign amounts to a specific purpose. The assigned fund balance consists of amounts that are constrained by the Board's intent to be used for specific purposes. As the fund balance of the general fund is legally restricted solely to be used for the Board, the fund balance is presented as assigned.

In the governmental fund financial statements, the general fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Reservations and commitments of fund balance represent tentative management plans that are subject to change. The fund balance is reported as unreserved and reserved balances.

Although no formal policies have been adopted, when expenses are incurred that could release committed, assigned and unassigned balances, the Board considers the expenses to be applied first to committed balances, second to assigned balances, and lastly to unassigned balances.

Capital Assets

Capital assets, which include furniture, fixtures, and equipment, are reported in the net asset column in the government-wide financial statements. Capital assets are defined by the Board as assets with initial, individual cost of \$500 and an estimated useful life of at least one year. Such assets are recorded at historical cost. Donated assets are recorded at estimated fair market value at the date of donation. The costs 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 depreciated using straight-line method over five years.

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets (Continued)

Under the modified accrual basis of accounting, acquisitions are considered expenditures in the year purchased.

Net Position

Net position in the government-wide financial statements, which in aggregate represent the net position of the Board, are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Subsequent Events

Subsequent events have been evaluated through April 16, 2018, which is the date the financial statements were available to be issued.

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Credit risk is the risk that an issuer will not fulfill its obligations. The Board does not hold investments, and, therefore, is not exposed to credit risk.

Custodial credit risk is the risk that the Board may not be able to recover the value of the investments that are in the possession of an outside party. The Board maintains bank accounts in two financial institutions located in Nevada. The cash held by the financial institutions is insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures funds up to \$250,000 held at each financial institution. At June 30, 2017, the Board's cash deposits in two institutions were insured and uncollateralized totaling \$91,683.

NOTE 3. UNEARNED REVENUE

Long-term unearned revenue activity is as follows:

	<u>2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>2017</u>
Unearned revenue, net of current	<u>\$ 1,900</u>	<u>\$ 75</u>	<u>\$ (1,400)</u>	<u>\$ 575</u>

**STATE OF NEVADA BOARD OF EXAMINERS FOR
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 4. CAPITAL ASSETS

The Board has custodial responsibility to the State of Nevada for furniture, fixtures and equipment acquired with resources of the Board. The balance of furniture, fixtures, and equipment at June 30, 2017 is:

	<u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>2017</u>
Capital assets, not being depreciated:				
None				
Capital assets, being depreciated:				
Office furniture and equipment	\$ 10,739	\$ -	\$ -	\$ 10,739
Accumulated depreciation	<u>(9,779)</u>	<u>-</u>	<u>(502)</u>	<u>(10,281)</u>
Net capital assets	<u>\$ 960</u>	<u>\$ -</u>	<u>\$ (502)</u>	<u>\$ 458</u>

NOTE 5. CONVERSION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Adjustments of the financial statements were made to the Fund Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities. Governmental funds report cash outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. These adjustments detail the effect of the capitalization of fixed assets of \$10,739, accumulated depreciation of \$10,281, and depreciation expense of \$502.

NOTE 6. EMPLOYEE RETIREMENT PLAN

During the year ended June 30, 2016, the Board participated in the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Nevada. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits, as required by the statutes, are determined by the number of years of accredited service at the time of retirement and member's highest average compensation in any 36 consecutive months. Benefit payment to which participants may be entitled under the plan include pension benefits, disability and death benefits. Monthly benefit allowance for regular members are computed at 2.5% for each year of services earned before July 1, 2001 and 2.67% for each year of service earned after July 1, 2001 of average compensation (36 consecutive months of highest compensation) with a ceiling of not more than 75% of the average compensation. PERS offers several alternatives to the unmodified services retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his/her life and various optional monthly payments to a named beneficiary after his/her death.

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Eligibility for service retirement benefits for newly enrolled regular members after July 1, 2015 are for retirement at the age 65 with 5 years of service, age 62 with 10 years of service, age 55 with 30 years of service, or any age with 33.3 years of service. A member who retires on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, and who has 36 years of service is entitled to a benefit of up to 90% of his/her average compensation. When members are eligible for the retirement, due to the increased service years the ceiling limitation on monthly benefit allowances increases from 75% to a maximum of 90% of average compensation. Regular members become fully vested as to benefits upon completion of 5 years of service.

Member contribution rates, which are actuarially determined, are established by NRS 286 for public employees enrolled in the contribution plan. Two contribution plans are offered to eligible employees, Employer Pay Contribution Plan or Employee/Employer Contribution Plan. Employees may choose to participate in either plan. During the year ended June 30, 2017, two employees chose Employee/Employer Contribution Plan. Under the plan, the Board contributed \$9,580, which represented 14.5% of the compensations subject to retirement contribution defined in NRS 286.

PERS benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

NOTE 7. ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27* (“GASB 68”). GASB 68 requires the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. GASB 68 is effective for periods beginning after June 15, 2014. The Board has elected not to implement GASB 68 in its financial statements for the year ending June 30, 2017. The effects of this non-implementation have not yet been determined.

NOTE 8. COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

The Board conformed to all significant statutory constraints on its financial administration during the fiscal year.

NOTE 9. OPERATING LEASE

The Board has a month-to-month office lease agreement. Under the agreement, the Board is required to pay monthly payments of \$887 a month. Total lease expense paid during the year ended June 30, 2017 was \$10,643.

**STATE OF NEVADA BOARD OF EXAMINERS FOR
MARRIAGE AND FAMILY THERAPISTS AND
CLINICAL PROFESSIONAL COUNSELORS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 10. SUBSEQUENT EVENT

Subsequent to the year end, the Board entered into a new agreement for office lease space. It is a three-year agreement, requires monthly payments with an escalation clause, started on January 2018. Future commitments under the lease agreement are as follows:

2018	\$ 7,385
2019	15,951
2020	17,385
2021	<u>8,787</u>
	<u>\$ 49,508</u>

NOTE 11. THEFT LOSS

Subsequent to year end, the Board discovered that a former employee made unauthorized disbursements during the year ended June 30, 2017 and subsequent to that date. The unauthorized disbursements consist of an employee loan and other unapproved expenditures. The employee loan, totaled \$1,800 as of June 30, 2017, and was paid back in October 2017. The unapproved expenses, which appeared to be for personal use, have not been repaid, and were determined to be loss from theft. After investigation, the Board recognized \$5,097 of theft loss under special item on the statement of activities and governmental fund revenue, expenditures and changes in fund balance for the year ended June 30, 2017 in accordance with GASB Statement No. 34, paragraph 56.