

NEVADA STATE BOARD OF MASSAGE THERAPY

**FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2021

NEVADA STATE BOARD OF MASSAGE THERAPY
JUNE 30, 2021

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Independent Auditor's Report

To the Board of the Nevada State Board of Massage Therapy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nevada State Board of Massage Therapy as of and for the year ended June 30, 2021, 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 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 Nevada State Board of Massage Therapy as of June 30, 2021, and the respective changes in financial position for the year 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, budgetary comparison information, and pension information on pages 3 through 7 and page 27 through 30 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Coulson & Associates, Ltd.

Reno, Nevada
November 10, 2021

NEVADA STATE BOARD OF MASSAGE THERAPY
Management Discussion and Analysis

This section of the Nevada State Board of Massage Therapy (the “Board”) annual financial report presents our discussion and analysis of the Board’s financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the Board’s financial statements, which immediately follow this section.

Financial Highlights

- The Board’s revenues were \$916,851 which was a \$59,349 increase from the prior year.
- The Board’s current assets at June 30, 2021 were \$1,677,789, an increase of \$433,171 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board’s basic financial statements. The Board’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 information on all of the Board’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the Board’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Board that are principally supported by license fees. The governmental activities of the Board include regulating massage therapy in the State of Nevada. The government-wide financial statements can be found on pages 8 and 9 of this report.

NEVADA STATE BOARD OF MASSAGE THERAPY
Management Discussion and Analysis

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board uses only one governmental fund, in accordance with Nevada Revised Statutes.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Board's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Board's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 11 and 13, respectively. The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Board's budget process. The Board adopts an annual budget and a budgetary comparison to actual results is provided in the supplementary information section of this report.

NEVADA STATE BOARD OF MASSAGE THERAPY
Management Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Nevada State Board of Massage Therapy, current assets exceeded current liabilities by \$985,982 as of June 30, 2021.

The following presents a summary of the Board's net position for the following fiscal years.

	As of <u>June 30, 2021</u>	As of <u>June 30, 2020</u>	As of <u>June 30, 2019</u>
Current Assets	\$ 1,677,789	\$ 1,244,618	\$ 1,639,221
Capital Assets	24,803	37,907	45,898
Deferred Outflows of Resources	224,700	246,513	180,458
Total Assets & Deferred Outflows of Resources	<u>1,927,292</u>	<u>1,529,038</u>	<u>1,865,577</u>
Current Liabilities	691,807	599,848	934,660
Long-term Liabilities	1,067,509	760,208	726,094
Deferred Inflows of Resources	77,210	124,026	130,512
Total Liabilities & Deferred Inflows of Resources	<u>1,836,526</u>	<u>1,484,082</u>	<u>1,791,266</u>
Net Position			
Invested in Capital Assets	24,803	37,907	37,656
Unassigned Fund Balance	65,963	7,049	36,655
Total Net Position	<u>\$ 90,766</u>	<u>\$ 44,956</u>	<u>\$ 74,311</u>

During the year ended June 30, 2017, the Board implemented GASB 68 and 71, *Accounting and Financial Reporting for Pensions and Pension Transitions for Contributions Made Subsequent to the Measurement Date*, respectively. The impact of this implementation is to include certain deferred inflows and outflows of resources and reflect a net pension liability for the PERS retirement program as it relates to the Board.

NEVADA STATE BOARD OF MASSAGE THERAPY
Management Discussion and Analysis

Changes in Net Position

The Board's total revenues for the fiscal year ended June 30, 2021 were \$916,851. The total costs of all programs and services were \$871,041. The following is a summary of the changes for the following fiscal years.

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2019
Revenue:			
Program Revenue			
Charges for Service	\$ 915,238	\$ 842,666	\$ 1,065,394
Investment Income	1,613	14,836	9,941
Total Revenue	<u>916,851</u>	<u>857,502</u>	<u>1,075,335</u>
Expenses:			
Operation Expenses	<u>871,041</u>	<u>850,251</u>	<u>917,248</u>
Total Expenses	<u>871,041</u>	<u>850,251</u>	<u>917,248</u>
Increase (Decrease) in Net Position	<u>\$ 45,810</u>	<u>\$ 7,251</u>	<u>\$ 158,087</u>

FINANCIAL ANALYSIS OF THE NEVADA STATE BOARD OF MASSAGE THERAPY'S FUNDS

As noted earlier, the Nevada State Board of Massage Therapy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Board's net resources available for spending at the end of the fiscal year.

The financial performance of the Board as a whole is reflected in its governmental funds. As the Board completed the year, its governmental funds reported a General fund balance of \$1,660,222.

Budgetary Highlights

Budgetary variances occurred as a result of the pandemic and massage therapy being classified as nonessential in Nevada as well as many other states. Revenue exceeded budgetary expectations as individuals moved to Nevada and sought licensure while their home states continued to restrict massage therapy. Staffing was reduced due to the closure of many establishments and the reduction in inspection services performed during the pandemic. Additionally, travel expenses were minimal as most meetings and trainings moved to a virtual environment.

NEVADA STATE BOARD OF MASSAGE THERAPY
Management Discussion and Analysis

Capital Assets and Debt Administration

As of June 30, 2021 the Board had \$24,803 invested in capital assets, net of accumulated depreciation. Assets are recorded as expense in the year they are purchased for governmental fund financial statements. In government-wide financial statements these assets are reflected at their historical costs less accumulated depreciation. Additional information can be found in the footnotes to these financial statements

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2022 budget continues to be impacted by the pandemic. While licensing renewals continue to be slow as licensees choose not to return to the treatment room, new applications have increased and enrollment in massage programs across the state is up as the need for additional therapists increases in both the franchise and spa environments. Hopefully the industry will have rebounded within the next 12-24 months.

NEVADA STATE BOARD OF MASSAGE THERAPY
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,670,834
Accounts Receivable	6,955
Total Current Assets	1,677,789
Non-Current Assets	
Capital Assets	
Computer/Technological Equipment	85,952
Furniture and Fixtures	22,885
Less: Accumulated Depreciation	(84,034)
Total Capital Assets	24,803
Total Assets	1,702,592
Deferred Outflows of Resources	
Contributions to pension plan in current fiscal year	224,700
Total Assets and Deferred Outflows of Resources	1,927,292
Liabilities	
Current Liabilities	
Accounts Payable	13
Accrued Expenses	10,560
Credit Card Payable	591
Payroll Liabilities	6,403
Deferred Revenue, Current Portion	674,240
Total Current Liabilities	691,807
Non-Current Liabilities	
Compensated Absences, Non-Current	30,834
Deferred Revenue	254,523
Net Pension Liability	782,152
Total Non-Current Liabilities	1,067,509
Total Liabilities	1,759,316
Deferred Inflows of Resources	
Pension deferrals	77,210
Total Liabilities and Deferred Inflows of Resources	1,836,526
Net Position	
Invested in Capital Assets, Net	24,803
Unassigned Fund Balance	65,963
Total Net Position	\$ 90,766

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Statement of Activities
For the Year Ended June 30, 2021

Function/Program	<u>Expenses</u>	<u>Program Revenues Charges For Service</u>	<u>Net Revenues (Expenses) and Changes in Net Position Government activities</u>
Governmental Activities			
Public Service	857,937	915,238	57,301
Depreciation Expense	13,104		(13,104)
Total Governmental Activities	<u>\$ 871,041</u>	<u>\$ 915,238</u>	<u>44,197</u>
	General Revenues:		
			1,613
			<u>1,613</u>
			45,810
			<u>44,956</u>
Net Position, July 1			<u>44,956</u>
Net Position, ending			<u><u>90,766</u></u>

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Balance Sheet-Governmental Funds
June 30, 2021

	General
ASSETS	
Cash	\$ 1,670,834
Accounts Receivable	6,955
Total Assets	\$ 1,677,789
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 13
Accrued Expenses	10,560
Credit Card Payable	591
Payroll Liabilities	6,403
Total Liabilities	17,567
Fund Balance	1,660,222
Total Liabilities and Fund Balance	\$ 1,677,789

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2021

Total Fund Balance - Total Governmental Funds		\$	1,660,222
<p style="margin-left: 40px;">Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>			
License income is deferred ratably over the entire license period			(928,763)
Compensated absences are not recorded until paid.			(30,834)
Long-term liabilities are not due and payable in the current period and therefore are not reported as a liability in governmental funds			
Net Pension Liability			(782,152)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds			
Contributions to the pension plan in the current fiscal year			224,700
Pension deferrals			(77,210)
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds			
Cost of Capital Assets	108,837		
Accumulated Depreciation	<u>(84,034)</u>		24,803
Net Position of Governmental Activities		<u>\$</u>	<u>90,766</u>

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund Types
For the Year Ended June 30, 2021

	General
REVENUES	
Administrative Fees	\$ 4,679
Application Fees	60,305
Background Investigation Fees	56,950
License Fees	1,156,695
Interest	1,613
Other	5,550
Total Revenues	1,285,792
EXPENDITURES	
Attorney General	27,235
Bank Service Charges	33,009
Contract Services	31,033
Dues and Registration	5,419
EITS Data Com and Telephone	13,012
Equipment Repair and Rental	11,379
Fingerprint and Background	29,094
Hearing Cost	1,938
Non-State Owned Building	35,559
Office Expense and Supplies	22,533
Other Operating Expenses	14,662
Postage and Delivery	5,689
Printing and Reproduction	4,960
Salaries and Related Benefits	562,245
Telephone	17,371
Travel	15,025
Total Expenditures	830,163
Net Change in Fund Balance	455,629
Fund Balance, July 1	1,204,593
Fund Balance, end of year	\$ 1,660,222

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
June 30, 2021

Net Changes in Fund Balancer- Total Governmental Funds	\$	455,629
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
In the statement of activities license fees are recognized ratably over the license period		(368,940)
In the statement of activities compensated absences are recorded during the period in which they are paid		(8,655)
In the statement of activities depreciation of capital assets is recorded as expense		(13,104)
In the statement of activities asset purchases are capitalized		-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in net pension liability		(44,123)
Change in deferred inflows of resources of pension		46,816
Change in deferred outflows of resources of pension		(21,813)
Changes in Net Position of Governmental Activities	\$	45,810

The accompanying notes are an integral part of these financial statements

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Nevada State Board of Massage Therapy (the Board) is the licensing and regulatory agency for the practice of Massage Therapy in the State of Nevada. The Board was created to examine and pass upon the qualifications of the applicants for certification, to certify qualified applicants, to revoke or suspend certificates, and to collect all fees and make disbursements pursuant to the Nevada Revised Statutes Chapter 640C. The Board's financial activities are accounted for in a special revenue fund that is used to account for the proceeds of licensing fees and other revenues that are legally restricted to expenditures for specified purposes.

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 or administrative control over the Board. This is in conformance with GASB codification Section 2100 - *Defining the Government Reporting Entity*.

Basis of Presentation and Basis of Accounting

Government-Wide Statements

GASB Statement Number 34 mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. It also requires that certain fixed assets be recorded at cost less accumulated depreciation, pension deferrals and liabilities be recognized and outstanding debt be included in the statement of net position.

The Board's basic financial statements include both the government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major funds). The Board's general fund is classified as a governmental activity.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function. The Board does not charge indirect expenses to programs or functions. Program revenue includes only license fees and related revenue to administer its duties under Nevada Revised Statutes. Revenue that is not classified as program revenue is presented as general revenue.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenue or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, the Board reports the following major governmental funds:

Governmental and Major Funds

The *General Fund* is the Nevada State Board of Massage Therapy's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Nevada State Board of Massage Therapy maintains its accounting records for all governmental funds and prepares its financial statements on the modified accrual basis of accounting as required by Nevada Revised Statutes (NRS) 218.825. The budget of the Nevada State Board of Massage Therapy is also prepared on the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when "measurable and available" to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Board considers all revenue available if it is collected within 60 days after year-end. Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting.

Interest is subject to accrual. Other receipts become measurable and available when cash is received by the Nevada State Board of Massage Therapy and are recognized as revenue at that time.

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on how amounts can be spent. These include "non-spendable" which are not expected to be converted to cash, such as inventory or prepaid items, "restricted" by conditions of law, regulation, grants or contracts with external parties, "committed" which arise from majority votes by the Board, "assigned" which reflect an intent by the Board or a person assigned by the Board, or "unassigned" which is the residual amount.

When both restricted and unassigned fund balances are available for expenditures, it is the Board's policy to use restricted fund balances first, then unassigned as needed. Expenditures incurred in the

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies (Continued)

unassigned fund balances shall be reduced first from committed fund balance, then from the assigned fund balance and lastly, from the unassigned fund balance.

Private-sector standards of accounting and financial reports issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes— an interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN48")*. FIN 48 (now referred to as FASB ASC 740-10), requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur and jeopardize the tax-exempt status.

The Board has not recognized any benefits from uncertain tax positions and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2021.

Budget Data

Chapter 353 of the Nevada Revised Statutes (NRS) was amended on July 1, 2001. This amendment exempted certain professional and occupational boards from the state budget act. Accordingly, the Board's budgeting, accounting practices, and procedures have been removed from State oversight. Currently, the Board continues to prepare its annual budget on a basis similar to generally accepted accounting principles for administrative and control purposes. This budget is prepared on the modified accrual basis of accounting.

Cash

Cash includes demand deposits, a money market account and a certificate of deposit held in one commercial bank in Carson City, Nevada. The Board follows a deposit policy per state law related to custodial credit risk.

Revenue

The Board receives license fees as specified by the Nevada Revised Statutes. These license fees cover biennial periods beginning in the month of licensure. License fees on the government-wide financial statements are reported as revenue ratably over the entire two year licensure period. Where on the governmental fund statements license fees are recognized as revenue in the period they are received.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivables

Licenses are void if not timely renewed by the licensee, consequently no receivables are provided by licenses. All other receivables are shown net of an allowance for doubtful accounts.

Capital Assets

The property and equipment controlled by the Board are reported in the government-wide financial statements net of related depreciation. Capital assets are defined by the Board as assets with an initial, individual cost of \$1,000 and an estimated useful life of at least one year. These assets are recorded at historical costs. 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 assets lives are expensed as incurred.

When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The Board uses a 3 to 10 year estimated useful life for office equipment. Capital assets are depreciated using the straight-line method.

On the governmental fund statements capital asset acquisitions are considered expenditures in the year they are purchased.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments qualify for reporting in this category.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Net Position/Fund Balances

Net Position:

Net position in the government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unassigned. Restricted net assets represent 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.

Fund Balance:

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes, externally imposed by creditors or imposed by law.

Committed Fund Balance - The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Board (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the Board that approved the original action.

Assigned Fund Balance – The portion of fund balance that the Board intends to use for specific purposes.

Unassigned Fund Balance – The portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Compensated Absences

The current and long-term liabilities for accumulated vacation leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignation or retirements.

NEVADA STATE BOARD OF MASSAGE THERAPY

Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

The Board administers its licensing registration on a biennial basis according to Nevada Revised Statutes. Deferred revenue on the government-wide financial statements is related to a ratable recognition of this revenue over that two year period.

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 accompanying notes. Actual results may differ from those estimates.

Date of Management Review

Management has evaluated subsequent events through November 10, 2021, which was the date the financial statements were issued, and concluded that no additional disclosures were required.

Risk Management

The Board is covered by insurance policies with the State of Nevada for tort insurance. The Board also purchases insurance policies for worker's compensation and general liability.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of Nevada's Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. In the government-wide statements pension expense is recognized based on the Board's share of the change in its proportionate share of the PERS net pension liability. A net pension liability is recorded based on the Board's proportionate share of the PERS net pension liability, deferred inflow based on the Board's proportionate share of the difference between projected and actual investment earnings, and the current year PERS contributions are recorded as a deferred outflow of resources. The effect of this reporting amounts to a decrease of \$634,662 in unrestricted net position. In the fund financial statements the PERS expense is recognized as the current year contributions paid.

NOTE 2 – Cash

At June 30, 2021, the Nevada State Board of Massage Therapy had three bank accounts held at one institution where they are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Board had a cash balance of \$1,607,834 with a bank balance of \$1,703,990.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 2 – Cash (Continued)

Amounts exceeding the FDIC limit are insured under the State Treasurer's Pooled Collateral Program. The program established pursuant to NRS 356.350 requires each depository to maintain as collateral acceptable securities having a fair market value that is at least 102 percent of the amount of the uninsured balances of the public money held by the depository.

NOTE 3 – Capital Assets

Capital asset balances and activities for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Computer/Technological Equipment	\$ 130,389	\$ -	\$ 44,437	\$ 85,952
Office Equipment	54,238		31,353	22,885
Total at Historical Cost	184,627	-	75,790	108,837
Less Accumulated Depreciation	146,720	13,104	75,790	84,034
Capital Assets, Net	<u>\$ 37,907</u>	<u>\$ (13,104)</u>	<u>\$ -</u>	<u>\$ 24,803</u>

The Board has custodial responsibility to the State of Nevada for these assets. Consequently, these assets revert to the State of Nevada when they are no longer of use to the Board or the Board ceases to exist.

NOTE 4 – Operating Leases

The Board currently leases office space in Reno, Nevada under an operating lease that began November 1, 2016 and expires on October, 2021. Effective November 1, 2021, a new operating lease was signed that expires October, 2026. The monthly lease payments as of June 30, 2021 are \$2,641. Monthly lease payments will increase by 2% on a biennial basis.

The Board also has a few minor operating leases for copiers and postage machines. The total amount charged to rent expense for the year ended June 30, 2021 was \$35,559. The following is a schedule by years of future minimum rental payments for June 30:

2022	\$ 31,691
2023	31,691
2024	32,141
2025	32,365
Thereafter	-
Total	<u>\$ 127,888</u>

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 5 – Pension Plan and Postemployment Obligations

Plan Description. The Board is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost-sharing multiple-employer program, and all full-time employees are covered under the system. The Board has no liability for unfunded obligations of the system as provided by NRS 286.110 but is required to report their share of the net pension liability under GASB 68.

Benefits Provided. PERS provides pension benefits, disability benefits and survivor benefits. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010, and July 1, 2015.

Monthly benefit allowances for regular members are computed at 2.50% of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this factor is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting. Regular members entering the System prior to January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service or at age 55 with thirty years of service or any age with thirty-three and one-third years of service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Regular members become fully vested as to benefits upon completion of five years of service.

NEVADA STATE BOARD OF MASSAGE THERAPY

Notes to the Financial Statements

NOTE 5 – Pension Plan and Postemployment Obligations (Continued)

Contributions. The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983 have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer. The System’s basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee’s working lifetime in order to accumulate sufficient assets to pay benefits when due. The system receives an actuarial valuation on an annual basis indicating the contribution on rates required to fund the System on an actuarial reserve basis.

Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and NRS 286.450.

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary. The Board is enrolled in both the employer-pay and employer/employee pay plan for PERS and is, therefore, required to contribute all amounts due under the plan. The Board’s contractually required contribution rate for the year ended June 30, 2021 was 29.25 percent of annual payroll for employer-pay plans and 15.25 percent for employer/employee pay plans, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Board were \$100,103 for the year ended June 30, 2021.

Investment Policy. The System’s policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the system. The following was the PERS’ Board’s adopted policy target allocation as of June 30, 2020:

Asset Class	Target Allocation of Return	Long-Term Expected Real Rate of Return*
Domestic Equity	42.00%	5.50%
International Equity	18.00%	5.50%
Domestic Fixed Income	28.00%	0.75%
Private Markets	12.00%	6.65%
Total	<u>100.00%</u>	

*As of June 30, 2020, PERS’ long-term inflation rate assumption was 2.75%.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 5 – Pension Plan and Postemployment Obligations (Continued)

Pension Liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer’s proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2020.

Pension Liability Discount Rate Sensitivity. The following presents the net pension liability of PERS as of June 30, 2020, calculated using the discount rate of 7.5 percent, as well as what PERS’ net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net pension liability	<u>\$1,220,823</u>	<u>\$ 782,773</u>	<u>\$ 418,566</u>

Actuarial assumptions. The System’s net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.75 %
Payroll growth	5.00 %, including inflation
Investment rate of return	7.50 %
Productivity pay increase	0.50 %
Projected salary increases	4.25 % to 9.15% depending on service
Consumer Price Index	2.75 %

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan’s fiduciary net position at June 30, 2020, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 5 – Pension Plan and Postemployment Obligations (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Board reported a liability of \$782,152 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Board's proportion was 0.00562 percent.

For the year ended June 30, 2021, the Board recognized pension expense of \$119,223 in the Government-wide Statement of Activities. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,301	\$ 10,099
Change of assumptions	21,970	-
Net difference between projected and actual earnings on pension plan investments	-	29,547
Changes in proportion and differences between board contributions and proportionate share of contributions	78,542	37,564
Board contribution subsequent to the measurement date	99,887	-
Total	<u>\$ 224,700</u>	<u>\$ 77,210</u>

Average expected remaining service lives 6.13 years

The amount of \$224,700 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 5 – Pension Plan and Postemployment Obligations (Continued)

Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30:			
	2022	\$	138,423
	2023		(68,873)
	2024		(79,539)
	2025		(55,649)
	2026		(7,948)
	Thereafter		(3,624)

Additional information. Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS' CAFR available on the PERS website at www.nvpers.org or you can call to request it at 775-687-4200.

NOTE 6 – Compensated Absences

The current portion of compensated absences is defined as those benefits that would be liquidated with available expendable resources as a result of employees who have terminated employment within 45 days subsequent to year-end. The current portion of the cost of compensated absences is recorded as payroll expenditure.

The long-term portions of these costs are reflected as a liability included in long-term liabilities of the Board. The additions and deletions to compensated absences were as follows:

	<u>Balance</u> <u>Beginning of Period</u>	<u>Change</u>	<u>Balance</u> <u>End of Period</u>
Vacation	\$ 22,179	\$ 8,655	\$ 30,834
	<u>\$ 22,179</u>	<u>\$ 8,655</u>	<u>\$ 30,834</u>

These amounts plus the additional retirement costs related to these amounts are reflected in the government-wide financial statements as Compensated Absences, Non-Current under Non-Current Liabilities.

Compensated absences are reflected in the government fund financial statements only during the period in which they are actually paid.

NEVADA STATE BOARD OF MASSAGE THERAPY
Notes to the Financial Statements

NOTE 7 – Contingent Liabilities

The Board has elected to become liable for unemployment insurance payments by way of reimbursement in lieu of contributions to the State of Nevada Employment Security Division. The Board is only liable if an unemployment claim is processed and paid. The Board has not made an estimate for this contingent liability.

NOTE 8 – Litigation

The Board is subject to legal proceedings and claims, which have arisen in the ordinary course of its business and have not been finally adjudicated. These actions, when ultimately concluded and determined, in the opinion of the Board, will not have a material adverse effect on the financial position of the Board and accordingly, no provisions for losses has been recorded.

NOTE 9– Compliance With Nevada Revised Statutes and Administrative Code

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

NOTE 10e- Post Employment Health Insurance Benefits

Employees of the State of Nevada have the opportunity to enroll upon their retirement in the Public Employees Benefit Program (PEBP) health insurance plan. State law obligates the Board for a portion of the medical premiums for retired employees who elect to enroll in the PEBP plan. The Board is not billed directly for the costs of this benefit; instead the State has charged an annual fee based on budgeted salaries of the Board. Currently no one is participating in the PEBP.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA STATE BOARD OF MASSAGE THERAPY
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2021

	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u>	<u>Variance</u> <u>Positive (Negative)</u>
Revenues			
Administrative Fees	\$ -	\$ 4,679	\$ 4,679
Application Fees	60,000	60,305	305
Background Investigation Fees	51,000	56,950	5,950
License Fees	1,121,696	1,156,695	34,999
Interest	8,500	1,613	(6,887)
Other	2,040	5,550	3,510
Total Revenues	<u>1,243,236</u>	<u>1,285,792</u>	<u>42,556</u>
Expenditures			
Advertising & Promotions	12,000	-	12,000
Attorney General	73,656	27,235	46,421
Bank Service Charges	39,000	33,009	5,991
Contract Services	45,013	31,033	13,980
Dues and Registration	3,825	5,419	(1,594)
EITS Data Com Expense	19,825	13,012	6,813
Equipment Repair & Rental	11,400	11,379	21
Fingerprint and Background	24,150	29,094	(4,944)
Hearing Cost	14,000	1,938	12,062
Non-State Owned Building	41,770	35,559	6,211
Office Expense and Supplies	41,739	22,533	19,206
Other Operating Expenses	14,460	14,662	(202)
Postage and Delivery	27,000	5,689	21,311
Printing and Reproduction	10,270	4,960	5,310
Salaries and Related Expenses	672,659	562,245	110,414
Telephone	20,199	17,371	2,828
Transfer to State of Nevada	-	-	-
Travel	79,671	15,025	64,646
Total Expenditures	<u>1,150,637</u>	<u>830,163</u>	<u>320,474</u>
Excess of Revenue	92,599	455,629	<u>\$ 363,030</u>
Fund Balance - Beginning	<u>1,204,593</u>	<u>1,204,593</u>	
Fund Balance - Ending	<u>\$ 1,297,192</u>	<u>\$ 1,660,222</u>	

See accompanying notes

**NEVADA STATE BOARD OF MASSAGE THERAPY
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	2020	2019	2018
Board's proportion of the net pension liability (asset)	0.00562%	0.00541%	0.00516%
Board's proportionate share of the net pension liability (asset)	\$ 782,152	\$ 738,029	\$ 704,102
Board's covered-employee payroll	\$ 419,036	\$ 372,165	\$ 342,049
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187%	198%	206%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	76.50%	74.40%

This supplemental information is contained in part and derived from the most recent NVPERS Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, and related Notes for the fiscal year ended June 30, 2020. (the measurement date).

See accompanying notes

**NEVADA STATE BOARD OF MASSAGE THERAPY
SCHEDULE OF THE BOARD'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019
Contractually required contribution	\$ 99,887	\$ 110,031	\$ 52,103
Contributions in relation to the contractually required contribution	\$ 99,887	\$ 110,031	\$ 52,103
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 383,009	\$ 419,036	\$ 372,165
Contributions as a percentage of covered-employee payroll	26%	26%	14%

See accompanying notes

AUDITORS COMMENTS

Auditors Comments

Prior Year Recommendations

There were no recommendations made in the audit report for the year ended June 30, 2020.

Current Year Recommendations

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report.