



TABLE of CONTENTS

<i><u>Document</u></i>	<i><u>Page</u></i>
Notice and Agenda	2
CEO Report – Agenda Item 5	4
Treasurer’s Report – Agenda Item 6	6
Audit of 2013 Financial Statements – Agenda Item 7	12
Board Members Attendance Proposed Bylaw Amendment – Agenda Item 12	28
Approval of Schools – Preliminary Implementation Plan – Agenda Item 13	29



Sent and Posted: Friday June 13, 2014

NOTICE OF PUBLIC MEETING

Wednesday June 25, 2014, 9:30 a.m.
Radisson Hotel at Los Angeles Airport
Laguna Room
6225 W. Century Blvd., Los Angeles, CA 90045

AGENDA

1. OPEN SESSION - Call to order and establish quorum
2. Chair's Comments
3. Approval of Minutes
4. Legislation
5. Chief Executive Officer's Report
6. Treasurer's Report
7. Audit of 2013 financial statements
8. Director of Governmental Affairs and Special Projects' Report
9. Director of PSD's Report
10. Massage school presentations
11. Closed Session with CAMTC Legal Counsel Pursuant to California Government Code Section 11126(e)
12. Board members' attendance – proposed bylaw amendment
13. Approval of Schools - preliminary implementation plan
14. Board of Directors - Standard operating procedures:
 - a. Minimum background information to be provided to the Board prior to consideration of a policy change.
 - b. Information to be provided to certificate holders and when.
 - c. Protocol for posting approved minutes.

15. Public Comment submitted to Board with regards to Audit of 2013 Financial Statements.
16. A year-to-date update and handout/written report on the status of applications.
17. PSD standard operating procedures.
18. Closed Session regarding the appointment, employment, evaluation of performance, or dismissal of an employee pursuant to California Government Code Section 11126(a)
19. Return to open session and announce action taken in closed session, if any, under item 18
20. Future agenda items and scheduling next meeting
21. Adjourn

All agenda items are subject to discussion and possible action. To make a request for more information, to submit comments to the Board, or to make a request regarding a disability-related modification or accommodations for the meeting, please contact Sheryl LaFlamme at (916) 669-5336 or One Capitol Mall, Suite 320 Sacramento CA 95814 or via email at camtc@amgroup.us. Requests for disability-related modification or accommodation for the meeting should be made at least 48 hours prior to the meeting time. This notice and agenda is available on the Internet at <http://www.camtc.org>.



CEO Report

June 25, 2014

Legislation

On June 10, 2014 CAMTC staff submitted proposed amendments to AB 1147 to the Legislature. New language was published on June 18, 2014, and can be found on Leginfo. The Senate Business, Professions and Economic Development Committee is scheduled to hear the bill on June 23, 2014. If the bill passes committee, it will be referred to the Senate Appropriations Committee before it moves to the Senate floor.

Operations

Our customer service is maintaining an excellent level of professionalism and responsiveness. We have added two additional staff members to our main office. Connie Payne, who ran our bookkeeping operations since CAMTC's inception, has retired and was replaced by Loni Schwabenland, an experienced accounting professional. We are actively interviewing candidates for the position of a third staff attorney to assist with legal work related to denials and revocations.

Our current D&O insurance policy expires 6/30/14. We received a new renewal quote and submitted the required forms in order to bind coverage effective 7/1/14.

In order to assure that data reported on applications' status is accurate, staff embarked on a comprehensive review of the data. As part of this review we went all the way back to the first certificate issued in 2009 and matched more than 40,000 certificates. As of this report, this project is 80% complete. I anticipate instituting new protocols to ensure that published data is accurate.

Finance

As of May 31, 2014 CAMTC exceeded expectations on the balance sheet and on the statement of functional activity.

Excess Revenue Over Expenses:

Budgeted - \$484,415

Actual - \$576,539

Available cash:

Budgeted - \$2,283,507

Actual - \$ 2,473,439

Outreach

Law enforcement - Since the last CEO's report, PSD's Director and the Director of Governmental Affairs have made additional presentations to law enforcement officials (PDs, Sheriffs, FBI, DAs). We are receiving additional requests to present our program but at a slower rate than when it first began.

Media – The Sacramento-based, independent public relations professional we engaged to assist us in managing media relations has proven to be effective and has met the CEO's expectations. CAMTC's future media relations' needs are being evaluated and the nature of our engagement with the PR professional may change accordingly.

Treasurer's Report 2014 Through May 31 Board Meeting: June 27, 2014

Applications Received and Re-Certifications Billed 2013 & 2012

New Applications

Through May 2014 CAMTC has received 65,201 applications since the start of operations on July 27, 2009. The average number of weekly applications is 263.

For this year, through May, 5050 applications have been received; 230 per week.

While the number of new applications is 13% below the historic average, it is in excess of the averages for 2012 and 2013.

Re-certifications billed have jumped dramatically.

The re-certification process began in July, 2011. Re-certifications billed averaged 298 per week in 2012 and declined to 260 per week in 2013. However, through May of 2014, the weekly average has been 483. A major factor in explaining this jump is that it is time for those certified in 2010 and 2012 to renew again.

Year	New Applications Received Per Week	Re-Certifications Billed Per Week*
2014**	230	483
2013	219	260
2012	207	298
2011	264	54
2010	259	0
* estimated from bar chart		
** Through May 31		

. New applications through May 31, 2014 exceed budget by 15%. However, despite the large increase in re-certifications billed, the number was down somewhat, 4%, from the budget amount.

In 2012, 76% of the re-certifications billed were paid. That fell to 73% in 2013. So far this year (through May) the figure is about 75%. However, because there is a lag between when re-certifications are billed and when they are paid, the percentage paid could increase.

As previously discussed, CAMTC has two markets new applicants and re-certifiers. Until recently, the sizes of the two markets have been similar. However, as would be expected, revenue from re-certifications is now substantially greater. This certainly does not mean that the smaller new applications segment should be ignored. In the massage therapy category – where churn is high – the long term success of CAMTC depends on reaching new therapists. In developing marketing and communication strategies, thought needs to be given to whether those two segments need different motivations.

For both 2012 and 2013 there appears to be a seasonal pattern in renewals, with the low points in April through July.

Period	2012		2013		2014 Thru May	
	Renewals Billed*	Renewals Paid	Renewals Billed*	Renewals Paid	Renewals Billed*	Renewals Paid
January	1336	76%	1430	72%	1800	79%
February	1757	76%	910	69%	2350	75%
March	2202	77%	910	74%	2800	77%
April	891	79%	690	74%	1750	71%
May	693	70%	640	69%	1650	69%
June	916	73%	890	69%		
July	990	69%	920	70%		
August	1757	71%	1050	69%		
September	1485	61%	1060	71%		
October	1237	66%	1790	77%		
November	990	64%	1450	78%		
December	1222	58%	1835	77%		
Total	15475	76%	13555	73%	10350	75%

*Renewals billed estimated from bar chart

Financial Statements

Statement of Functional Activities (Income Statement)

Overview

The revised revenue allocation procedure recognizes 37% of the \$150 initial application and renewal fees when the application is received (up from 27%), 39% when the certificate is issued (up from 38%) and the balance, 24% (down from 35%), over 24 months.

Revenues for the year, through May 31, were close to the budgeted amount (up 0.7%), while expenses were 5.0% below budget. The net effect is that revenues exceed expenses by \$576,539, 19% more than the budgeted amount of \$484,415. There has been a consistent pattern over the past couple of years for the excess of revenues over expenses to exceed the budgeted amounts. While this may reflect ongoing increases in management efficiency and greater than anticipated applications or renewals, future budgets might be reviewed to determine that they are based on realistic goals.

Consistent with the fact that total revenue was close to the budgeted amount, the key components of revenue varied only moderately from budget. Applications Received was up 15% and Renewals Applied was down 4%.

Renewals, Applied and Approved, accounted for almost half, 49% of revenues. This is substantially above the 33% for this revenue source in 2013. Applications Received and Issued accounted for 28%, down from 35% in fiscal 2013. Prior year deferrals accounted for 16%, down from 22% in 2013.

Source	2014 Though 5/31	2013	2012	2011	% of 2014 Revenue Through 5/31
Applications Received	\$319,735	\$662,892	\$505,116	\$503,698	16%
Certificates Issued	\$237,217	\$700,325	\$672,201	\$612,351	12%
Renewals - Applied	\$520,191	\$662,538	\$443,961	\$97,322	26%
Renewals - Approved	\$474,516	\$616,896	\$610,584	\$135,261	23%
Current Year Deferrals	\$31,085	\$129,023	\$295,236	\$151,401	2%
Prior Year Deferrals	\$331,760	\$851,174	\$559,483	\$725,369	16%
Denied Applications	\$7,844	\$37,422	\$124,063	\$109,828	0%
Purged/Revoked Applications	\$4,441	\$22,018	\$25,842	\$38,982	0%
Hearing Fees	\$11,585	\$30,490	\$43,320	\$0	1%
Misc. Fees	\$39,758	\$82,176	\$45,453	\$33,806	2%
Recertification Late Fees	\$47,915	\$73,035	\$82,475	\$0	2%
Interest Income	\$544	\$839	\$517	\$1,013	0%
Total	\$2,026,591	\$3,868,828	\$3,408,251	\$2,409,031	100%

Performance Relative to Budget by Major Expense Categories.

It might be recalled that expenses were 5% below budget.

Listed below are the major expense categories, in the order shown on the Statement of Functional Activities and the variance from the budget for 2014 year-to-date. In every category, except for Board & Committee, actual is below budget. For those categories which comprise large amounts of the budget, actual is 2% to 4% below budget.

Comparison of Expenses Through May 31, 2014, Actual and Budget				
Item	Actual	Budgeted	Variance (negative numbers mean actual exceeded budget)	Actual as A % of Budget
Board & Committee	\$9,789	\$8,228	(\$1,561)	119%
Outreach marketing	\$30,506	\$37,723	\$7,217	81%
General Administrative	\$147,053	\$159,293	\$12,240	92%
Executive Staff	\$190,159	\$193,765	\$3,606	98%
Professional Standards	\$582,575	\$605,825	\$23,250	96%
General Staffing	\$58,355	\$64,161	\$5,806	91%
Professional Services	\$431,615	441,217	\$9,602	98%
Other	\$0	\$16,000	\$16,000	0%
TOTAL	\$1,450,052	\$1,526,212	\$76,160	95%

Statement of Financial Position (Balance Sheet)

Overview

Total equity is up at the end of May, 2014 from year-end 2013. On May 31, 2014, Equity was \$1,448,111 and increase of \$576,539 from the \$871,572 on December 31, 2013.

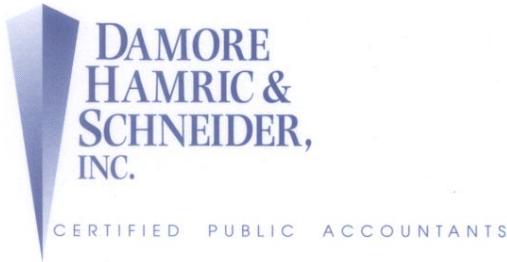
The increase in Equity is explained by the substantial increase in Assets with offset only slightly by an increase in Liabilities:

- Assets, at \$2,536,538 are up by \$647,648 from the \$1,889,090 at the end of 2013. While some of this gain is explained by the recognition of a larger share of Application and Renewal fees at the time they are received, the number of Applications was also up. Almost all the Assets are in the form of cash or cash equivalents.
- Liabilities, at \$1,088,447 are little changed from the \$1,017,519 on December 31, 2013. CAMTC liabilities are, for the most part, deferred income. That liabilities are little changed despite the fact that more of the Application and Renewal fees are being recognized as income is, in fact, encouraging.

Conclusions

- Renewals clearly account for the major portion of revenue and there is no reason why that pattern will not continue. However, because of churn in the industry, the importance of Applications cannot be ignored.
- A pattern of Renewals billed to Renewals paid is becoming apparent. The rate appears to be, roughly, 74%. Some effort might be made to determine whether those who do not renew have dropped out of the category or are not renewing for some other reason.
- Given that CAMTC should have among its goals building awareness and a favorable image among both New Applicants and Renewals, the dollars spent on Outreach Marketing should be viewed as important to the long term success in staying in touch with the market. As of May 31, only 2.1% of the \$1,450,052 in expenses have been devoted to that activity.

Respectfully submitted by Michael Marylander,
Treasurer
June 17, 2014



April 11, 2014

Board of Directors
California Massage Therapy Council
Sacramento, California

We have audited the financial statements of California Massage Therapy Council for the year ended December 31, 2013, and have issued our report thereon dated April 11, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by California Massage Therapy Council are described in Note 1 to the financial statements. No new accounting policies were adopted; however the application of existing policies regarding deferred application fees was changed during 2013, accelerating the revenue recognized at the time of initial application from 27% to 37%, and from 27% to 46% for renewals. We noted no transactions entered into by the Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was the determination of the amount of application fees to recognize in the year of receipt and the amount of application fees to defer over the remainder of the certification period.

The financial statement disclosures are neutral, consistent, and clear.

2856 Arden Way, Suite 200
Sacramento, CA 95825-1379
Tel (916) 481-2856
Fax (916) 488-4428
<http://www.dhscpa.com>

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The journal entries proposed during our audit to the following accounts are considered to be material individually and to the financial statements taken as a whole:

- Fixed asset additions, accumulated depreciation and depreciation expense.
- Deferred fees, Renewals applied, Renewals approved

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of California Massage Therapy Council and is not intended to be and should not be used by anyone other than these specified parties.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

April 11, 2014



Financial Statements and
Independent Auditor's Report

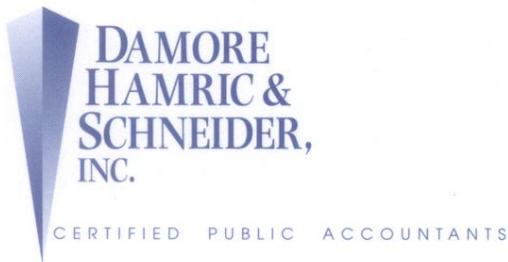
For the Year Ended December 31, 2013

California Massage Therapy Council

TABLE OF CONTENTS

December 31, 2013

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Massage Therapy Council
Sacramento, California

We have audited the accompanying financial statements of the California Massage Therapy Council, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Council'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.

2856 Arden Way, Suite 200
Sacramento, CA 95825-1379
Tel (916) 481-2856
Fax (916) 488-4428
<http://www.dhscpa.com>

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Massage Therapy Council as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

April 11, 2014

California Massage Therapy Council

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,329,293
Certificates of Deposit	500,624
Prepaid Expenses	<u>40,592</u>
 Total Current Assets	 \$ 1,870,509

Fixed Assets:

Net of Accumulated Amortization and Depreciation	<u>18,581</u>
 Total Assets	 <u>\$ 1,889,090</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 68,949
Accrued Vacation	15,495
Accrued PTO	20,935
Deferred Certification Fees - Current Portion	<u>534,449</u>
 Total Current Liabilities	 \$ 639,828

Noncurrent Liabilities:

Deferred Certification Fees - Noncurrent Portion	<u>377,690</u>
 Total Liabilities	 \$ 1,017,518

Unrestricted	<u>\$ 871,572</u>
 Total Net Assets	 <u>\$ 871,572</u>
 Total Liabilities and Net Assets	 <u>\$ 1,889,090</u>

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

California Massage Therapy Council

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2013

Support and Revenue:

Applications Received	\$ 662,892
Certificates Issued	700,325
Renewals - Applied	662,538
Renewals - Approved	616,896
Current Year Deferrals Recognized in 2013	129,023
Prior Year Deferrals Recognized in 2013	851,174
Denied Applications	37,422
Hearing Fees, Late Fees, Purged/Revoked Applications	125,543
Miscellaneous Fees	82,176
Interest Income	<u>839</u>
 Total Support and Revenue	 <u>\$ 3,868,828</u>

Expenses:

Outreach and Marketing	\$ 91,259
Board of Directors and Committees	23,878
Professional Standards Division	1,310,992
Professional Services	1,009,418
General and Administrative	341,908
Executive Staff	<u>481,236</u>
 Total Expenses	 <u>\$ 3,258,691</u>

Change in Net Assets	\$ 610,137
Net Assets, Beginning of Year	<u>261,435</u>
Net Assets, End of Year	<u><u>\$ 871,572</u></u>

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

California Massage Therapy Council

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Outreach and Marketing	Board of Directors and Committees	Professional Standards Division	Professional Services	General and Administrative	Executive Staff	Total
Salaries	\$	\$	\$ 699,566	\$	\$	\$ 308,957	\$ 1,008,523
Employee Benefits			67,349			70,323	137,672
Payroll Taxes			59,538			26,295	85,833
	<u>\$</u>	<u>\$</u>	<u>\$ 826,453</u>	<u>\$</u>	<u>\$</u>	<u>\$ 405,575</u>	<u>\$ 1,232,028</u>
Communications and Promotions	84,106						84,106
Public Relations	7,153						7,153
Facility and Banquet		11,235					11,235
Travel Expenses		10,420	14,419		1,555	40,484	66,878
Conference Calls		293	7,640				7,933
Printing and Reproduction					24,418		24,418
Records Scanning					28,734		28,734
Office Supplies			2,405		8,628	1,091	12,124
Office Furniture/Equipment			622			852	1,474
Office Rental					46,943	27,025	73,968
Telephone and Fax			221		1,064	2,247	3,532
Telephone Upgrade					3,069		3,069
Postage/Mailing					19,367		19,367
Insurance					26,268		26,268
Banking/Credit Card Fees					48,684		48,684
Certification Materials and Shipping					80,850		80,850
Dues/Subscriptions/Licenses			15		9,864		9,879
Accounting/Tax/Audit				8,650			8,650
Database Development					18,908		18,908
Database Maintenance					17,624		17,624
Cellular Phones			10,797			3,187	13,984
Staff Meetings			409				409
Court Record Fees			1,297				1,297
Denial Mailings/Supplies			1,648				1,648
Application Processing				918,750			918,750
Legal - In House Dues			840				840
Legal Service - Denials			426,400				426,400
Legal Fees - General				79,498			79,498
Consulting - IT				2,520			2,520
Investigations (SSA)			7,070				7,070
Payroll Services			1,913				1,913
Workers Compensation			8,159				8,159
Miscellaneous		1,930	684		54	775	3,443
Total Expense Before Amortization and Depreciation	\$ 91,259	\$ 23,878	\$ 1,310,992	\$ 1,009,418	\$ 336,030	\$ 481,236	\$ 3,252,813
Amortization and Depreciation					5,878		5,878
Total Expenses	<u>\$ 91,259</u>	<u>\$ 23,878</u>	<u>\$ 1,310,992</u>	<u>\$ 1,009,418</u>	<u>\$ 341,908</u>	<u>\$ 481,236</u>	<u>\$ 3,258,691</u>

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

California Massage Therapy Council

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

Cash Flows from Operating Activities:

Change in Net Assets	\$ 610,137
Adjustments to Reconcile Net Cash Provided by Operating Activities:	
Amortization and Depreciation	5,878
(Increase) Decrease in:	
Prepaid Expenses	(453)
Increase (Decrease) in:	
Accounts Payable	24,530
Accrued Vacation	(44)
Accrued PTO	11,067
Deferred Certification Fees	(450,389)
 Cash Provided by Operating Activities	 <u>\$ 200,726</u>

Cash Flows from Investing Activities:

Purchase of Equipment	(\$ 14,510)
Purchase of Certificates of Deposit	(500,499)
Maturity of Certificates of Deposit	<u>500,000</u>
 Cash Used by Investing Activities	 <u>(\$ 15,009)</u>
 Net Increase in Cash and Cash Equivalents	 \$ 185,717

Cash and Cash Equivalents, Beginning of Year 1,143,576

Cash and Cash Equivalents, End of Year \$ 1,329,293

Supplemental Information for Cash Flows:

Interest Paid in Cash	<u>\$</u>
Filing Fees Paid in Cash	<u>\$ 150</u>

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

California Massage Therapy Council

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

California Massage Therapy Council's mission is to protect the public by certifying qualified massage professionals in California.

The California Massage Therapy Council (CAMTC) was created by the California Legislature through the enactment of California Business and Professions Code Section 4600 et seq. CAMTC is required to:

1. Create and implement voluntary certification for the massage therapy profession that will enable consumers to easily identify credible Certified Massage Therapists (CMTs) and Certified Massage Practitioners (CMPs);
2. Ensure that CMTs and CMPs have completed sufficient training at approved schools; and
3. Increase education and training standards consistent with other states.

The Council utilized the following significant accounting policies in preparing the accompanying financial statements:

- A. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- B. Financial Statement Presentation - Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:
 1. Unrestricted Net Assets - Net assets that are not subjected to donor-imposed stipulations.

California Massage Therapy Council

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Financial Statement Presentation (Continued):

2. Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at December 31, 2013.
3. Permanently Restricted Net Assets - This component of net assets consists of stipulations that certain assets are to be maintained permanently by the recipient. Generally, the donors of these assets permit the recipient to use all or part of the income earned on any related investments for general or specific purposes. The Council did not have permanently restricted net assets at December 31, 2013.

C. Income Taxes - CAMTC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d(c)(1) under California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in these statements.

D. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Council considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

E. Concentration of Credit Risk - CAMTC maintains cash accounts with two financial institutions. The total balance of the cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. In addition, one of the financial institutions also participates in the Certificate of Deposit Account Registry Service (CDARS). CDARS is a network for banks in which the client's funds can be placed into certificates of deposit issued by other banks in the network to reduce the risk of exceeding FDIC limits. The Agency purchased four certificates through their financial institution, using the CDARS network, to provide additional coverage by the FDIC. While CAMTC may maintain cash balances which at times exceed the federally insured limits, CAMTC has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk regarding cash. At December 31, 2013 CAMTC's uninsured cash balance totaled \$488,345.

California Massage Therapy Council

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- F. Software and Equipment - Software and equipment are stated at cost. The cost of the software and equipment purchased in excess of \$1,000 is capitalized. Depreciation and amortization are provided in amounts sufficient to amortize or depreciate the cost of the software and equipment over the estimated useful lives of the assets (ranging from two to five years) on a straight-line basis. Routine repairs and maintenance are expensed as incurred.
- G. Deferred Certification Fees - Deferred revenue consists of the portion of certification fees to be earned over the two-year certification period as the costs of maintaining the certificates are realized.
- H. Subsequent Events Review - Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS:

CAMTC adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10 upon its inception. The ASC defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 1,329,293	\$ 1,329,293	\$	\$
Certificates of Deposit	<u>500,624</u>	<u>500,624</u>	<u> </u>	<u> </u>
	<u>\$ 1,829,917</u>	<u>\$ 1,829,917</u>	<u>\$</u>	<u>\$</u>

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

California Massage Therapy Council

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 2 FAIR VALUE MEASUREMENTS (Continued):

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. CAMTC held no financial assets valued using level 2 or level 3 inputs as of December 31, 2013.

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

NOTE 3 PROPERTY AND EQUIPMENT:

The following is a summary of software and equipment, less accumulated amortization, at December 31, 2013:

Software	\$ 18,319
Equipment	<u>22,156</u>
	40,475
Accumulated Amortization and Depreciation	<u>(21,894)</u>
	<u>\$ 18,581</u>

The Council developed software for use in its certification application process. The software was amortized over the estimated useful life. Amortization expense was \$768 in 2013. The Council purchased multiple laptops in 2013. As of December 31, 2013 depreciation expense totaled \$5,110.

NOTE 4 ACCRUED BENEFITS:

Management of the Council receives vacation benefits. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Council. The amount of accumulated vacation benefits at December 31, 2013 was \$15,495.

Beginning in April 2012 the Board approved that all other full-time employees of the Council will receive twelve days of paid time off (PTO) a year. Accumulated unpaid PTO benefits are recognized as liabilities of the Council. The amount of accumulated PTO at December 31, 2013 was \$20,935.

California Massage Therapy Council

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 4 ACCRUED BENEFITS (Continued):

The employees do not have a vested right to accumulated sick leave. For this reason, the Council does not accrue a liability for accumulated sick leave benefits. Sick leave benefits are recorded as expenditures in the period sick leave is taken.

NOTE 5 CONTINGENCIES:

As discussed in Note 1, CAMTC was created pursuant to California Senate Bill 731. This legislation remains in effect until January 1, 2015. Unless new legislation is enacted before January 1, 2015 to extend this date, this statute will be repealed.

NOTE 6 FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



One Capitol Mall, Suite 320 | Sacramento, CA 95814
tel 916.669.5336 fax 916.444.7462 www.camtc.org

June 13, 2014

To: CAMTC Board of Directors

From: Staff

Re: Proposed amendment to CAMTC Bylaws – Article V, Section 6(i)

(i) Attendance. Any director who misses three (3) consecutive Board meetings for any reason automatically loses his or her seat on the Council. Staff will immediately notify the director and the appointing entity via email regarding the removal after the third missed Board meeting. Special or emergency meetings held on less than 10 days' notice pursuant to Government Code Sections 11125.4 or 11125.5 do not count for purposes of this attendance rule.

The Board may waive this provision as to a particular director by majority vote. The Board's waiver of the automatic removal provision can be based on an excuse acceptable to the Board or any other justification deemed appropriate by the Board. Any vacancy created by this provision shall be filled in accordance with Article V, Section 5(c) above.

**Memo**

Date: June 25, 2014

To: Board of Directors

From: Staff

Subject: Approval of schools- preliminary implementation plan

Purpose

There are currently approximately 250 massage therapy schools in California. The purpose of this proposal is to establish a CAMTC division to initially and continually approve massage therapy schools that voluntarily seek CAMTC approval, verifying they meet minimum standards for training and curriculum as per state law.

History

With limited resources and an urgent need to handle rogue schools and diploma mills, the CAMTC initially took the approach of investigating and “un-approving” subpar schools as concerns came to light.

While all CAMTC approved schools must also be approved by the Bureau of Private Post-Secondary Education (BPPE), this Department of Consumer Affairs agency has been underfunded, understaffed, and, thus, unable to properly verify the administrative integrity of the vast majority of California’s vocational schools, including massage therapy. Additionally, the BPPE is not equipped to evaluate the massage-specific curriculum of these schools.

This leaves the CAMTC to verify that all applicants receive the proper education as required by law.

Proposed Solution

Create an Educational Standards Division led by a Director initially overseeing 2 inspectors and 1 administrative assistant. The Director would work with the CEO and others to create the division; generate action plans; produce applicable materials, including school applications, school checklists, site visit checklists, etc.; hire and train staff; oversee site visit scheduling and preparation; accompany inspectors on certain site visits; review site visit summaries; update CEO and Board regarding non-compliant schools; work with schools to achieve compliance; re-inspect schools as needed; maintain list of approved schools; and adapt the ESD to conform to any new requirements as dictated by law and/or the Board.

Each inspector should average 2.5 site visits per week. This allows for a half day preparation and a half day for follow-up summary. Thus, each inspector will spend 2 days examining the school's application, documents, and facility. The administrative assistant will help process applications, schedule schools and inspectors, and provide general office support.

This staffing structure should support the initial round of approving the approximately 250 schools expected to voluntarily apply over a year's time, bi-annual renewals, special investigations, and unannounced visits. Should the number of applying schools dramatically change or if expectations (e.g., approving continuing education classes, massage establishment owner classes, etc.) are revised, then staffing will be adjusted accordingly.

Timeline

It will take approximately 6 months to fully launch the Educational Standards Division. This allows 2-3 months to search for and hire a Director and 2-3 months for the Director to establish ESD procedures, hire and train staff, and prepare schools for the upcoming site visits.

Schools themselves will need approximately 6 months to prepare for this new, voluntary approval process. Schools will be notified of the impending approval process 90 days in advance. During this time, they can provide input as to what this process will look like. After the initial 90 days, the criteria and procedures for approval will be announced. Schools can voluntarily apply at this point if they feel they meet established criteria.

We expect a Director to be hired and start by November 1, 2014. Schools will be formally notified of the impending approval process and their right to seek voluntary approval. Shortly after January 1, 2015, the criteria and procedures for

approval will be announced. As schools feel they meet the criteria and begin applying, site visits will be scheduled on a first-come, first-serve basis.

The goal is to approve all schools who initially seek voluntary CAMTC approval by the end of 2015. Of course, new schools and schools that did not initially seek approval can apply any time. As of January 1, 2016, only transcripts from CAMTC approved schools will be accepted for CAMTC applications.

During the transition year of 2015, there will be three categories of schools: 1) approved schools - meet CAMTC criteria and transcripts fast-tracked; 2) unapproved schools - schools currently listed as such on CAMTC website and from whom transcripts will not be accepted; and 3) schools waiting for approval - these are schools that have applied but have not been inspected and approved, transcripts from these schools will be accepted and processed as they are currently.

School approvals will expire 2 years after the approval date. Nine months before the expiration, CAMTC will contact the school to set up a site visit. This will ensure that the school is visited at some point in the 6 months prior to the approval expiration date to prevent the approval from lapsing.

Budget

We estimate the Educational Standards Division budget to need \$282,000 for staffing (4 staff), \$52,000 for staff travel (5-6 site visits per week, plus misc travel), and \$42,000 for additional office expenditures (printing, phones, office space, communications, etc.) for a total of \$376,000. Additional legal fees may be incurred.

The average fee for a school would be \$1,500. We anticipate a formula that would charge fees based on enrollment, starting at \$750 for the smallest schools. Another option would be to supplement the school expenses with a \$5-\$10 increase in individual applicant fees.

Approval Criteria

First, all schools must have and maintain -approval as per Business & Professions Code Section 4600 (a). This will be verified as soon as an application is received.

Second, the CAMTC site visit will include certain aspects of BPPE compliance to verify that BPPE approval is deserved. Since BPPE performs limited site visits, CAMTC will spot check that the most basic of criteria are being followed. Should any questions arise, deeper investigation will follow.

Third, the law requires that a certain number of classroom hours be dedicated to certain topics. The CAMTC will verify that this is occurring for each approved school.

Finally, the CAMTC will use accepted industry standards to determine that the curriculum prepares students for at least an entry level position in the field.

Schools will submit certain documentation with the application, such as school catalog, curriculum outline and examples, etc. Site visits by a CAMTC inspector will verify this information to be correct through classroom observation, student interviews, staff interviews, file reviews, employer verification, etc. While most site visits will be scheduled in order to give the school adequate preparation time, some visits will be unannounced so as to make sure that the school is operating accordingly on a daily basis. Site visits will conclude with a detailed summary by the inspector.

Together, the inspector and ESD Director will determine if a school meets the approval criteria. Decisions to deny approval to schools currently operating and meeting the definition of approved school in B&P 4600 (a) will be made by the Board according to the School Unapproval policy Dated 5.9.13

Disciplinary Actions

The ESD will establish processes for appeals, denials, and rehabilitations that conform with other CAMTC processes.