

**NORTH CAROLINA STATE BOARD  
OF DENTAL EXAMINERS**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Table of Contents

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	<u>Page No.</u>
Management's Discussion and Analysis .....	1
Independent Auditor's Report .....	3
<i>Financial Statements</i>	
Statements of Net Position .....	5
Statements of Revenues, Expenses, and Changes in Net Position .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8

# **NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**

## **Management's Discussion and Analysis**

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### **Introduction**

The following is a discussion and analysis of the North Carolina State Board of Dental Examiners' (the "Board") financial performance for the year ended December 31, 2016. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

### **Financial Highlights**

During 2016, the operating revenues of the Board increased by \$87,829 or 3.21%, due primarily to an increase in dental licensure revenue.

During 2016, the non-operating revenues of the Board decreased by \$32,305, due primarily to a loss on the disposal of fixed assets.

During 2016, the operating expenses of the Board increased by \$291,034 or 13.92%, due primarily to an increase in legal fees related to several cases tried during the year ended December 31, 2016.

### **Overview of the Basic Financial Statements**

This financial report consists of two sections: Management's Discussion and Analysis and the financial statements. The financial statements also include notes to the basic financial statements that provide detail of the information included in the basic financial statements.

### **Basic Financial Statements**

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position (page 5) present the assets, liabilities, and net position of the Board.

The Statements of Revenues, Expenses, and Changes in Net Position (page 6) present information on how the Board's net position changed as a result of the year's operations.

The Statements of Cash Flows (page 7) present information on how the Board's cash changed as a result of the year's activity.

## NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

### Management's Discussion and Analysis

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The following presents condensed financial information on the operations of the Board as of December 31, and its operating and non-operating revenues and expenses for the years then ended:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,535,703	\$ 3,939,975	\$ 3,403,060
Capital assets	465,691	530,247	112,202
Total assets	<u>5,001,394</u>	<u>4,470,222</u>	<u>3,515,262</u>
Current liabilities	1,625,653	1,575,738	1,651,760
Deferred inflows of resources	436,625	375,420	-
Total liabilities	<u>2,062,278</u>	<u>1,951,158</u>	<u>1,651,760</u>
Net investment in capital assets	270,819	154,827	112,202
Unrestricted	2,668,297	2,364,237	1,751,300
Total net position	<u>\$ 2,939,116</u>	<u>\$ 2,519,064</u>	<u>\$ 1,863,502</u>
Operating revenues	\$ 2,826,441	\$ 2,738,612	\$ 2,714,406
Operating expenses	(2,381,270)	(2,090,236)	(2,307,897)
Operating income	445,171	648,376	406,509
Non-operating revenues	(25,119)	7,186	2,229
Changes in net position	<u>\$ 420,052</u>	<u>\$ 655,562</u>	<u>\$ 408,738</u>

### Events Affecting Future Operations

The Board settled and tried several of the Medicaid fraud cases from last year, but added some others so we remain at five. As such, attorney fees are likely to remain high. Also, pending legislation regarding additional regulation of Occupational Licensing Boards by the NC General Assembly is likely to have a major impact on Board operations. Legislation regarding office inspections, electronic complaint processing, opioid prescribing, continuing education verification for sedation/general anesthesia permit holders, increased reporting requirements to various state entities, and additional training for Board members are likely to become law. If passed, as now seems likely, each legislative requirement will place additional requirements on staff and the Board.

### Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina State Board of Dental Examiners, 2000 Perimeter Park Drive, Suite 160, Morrisville, North Carolina 27560.

## **Independent Auditor's Report**

Members of the Board  
North Carolina State Board of Dental Examiners  
Morrisville, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the North Carolina State Board of Dental Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Board's financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic 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 Board'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 basic financial statements.

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

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Dental Examiners as of December 31, 2016 and 2015, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Dental Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 2016 and 2015, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

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

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
April 20, 2017

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Net Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,721,764	\$ 1,478,506
Investments	2,783,477	2,459,469
Other current assets	30,462	2,000
Total current assets	<u>4,535,703</u>	<u>3,939,975</u>
Noncurrent assets:		
Capital assets, net of depreciation	<u>465,691</u>	<u>530,247</u>
Total noncurrent assets	<u>465,691</u>	<u>530,247</u>
Total assets	<u>5,001,394</u>	<u>4,470,222</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	115,582	64,549
Fees payable to Caring Dental Professionals	199,954	206,694
Accrued vacation and sick leave payable	12,210	10,875
Unearned license revenue	1,297,907	1,293,620
Total current liabilities	<u>1,625,653</u>	<u>1,575,738</u>
Deferred inflows of resources:		
Deferred lease liability	<u>436,625</u>	<u>375,420</u>
Total liabilities	<u>2,062,278</u>	<u>1,951,158</u>
<b>NET POSITION:</b>		
Unrestricted	2,668,297	2,364,237
Net investment in capital assets	<u>270,819</u>	<u>154,827</u>
Total net position	<u>\$ 2,939,116</u>	<u>\$ 2,519,064</u>

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Dentist fees	\$ 1,868,482	\$ 1,804,179
Dental hygienist fees	716,173	697,812
PA & PLLC fees	50,185	63,970
Anesthesia/sedation fees	61,400	62,800
Other fees	45,600	52,485
Miscellaneous income	84,601	57,366
Total operating revenues	<u>2,826,441</u>	<u>2,738,612</u>
Operating expenses:		
Salaries and benefits	724,984	693,419
Professional fees	728,320	466,531
Board expenses	182,678	192,334
Examination expenses	3,999	11,468
Hearing and investigative expenses	169,320	125,320
Rent and storage	283,977	183,484
Office expenses	10,361	117,100
Postage and printing	33,023	43,424
Computer and website	28,265	29,538
Utilities	3,800	17,546
Insurance	2,916	1,622
Staff travel and education	27,138	25,212
Machine maintenance and rental	17,193	14,595
Dues and subscriptions	19,670	17,375
Bank charges and online fees	78,397	94,511
Office evaluator	12,501	8,791
Purchase of equipment	1,707	13,747
Depreciation	53,021	34,219
Total operating expenses	<u>2,381,270</u>	<u>2,090,236</u>
Operating income	<u>445,171</u>	648,376
Non-operating revenues (expenses):		
Interest income	11,384	7,099
Gain (loss) on sale of fixed assets	(36,503)	87
Total non-operating revenues (expenses)	<u>(25,119)</u>	<u>7,186</u>
Change in net position	420,052	655,562
Net position - beginning of year	<u>2,519,064</u>	1,863,502
Net position - end of year	<u>\$ 2,939,116</u>	<u>\$ 2,519,064</u>



**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,823,988	\$ 2,812,978
Cash payments to employees for services	(723,649)	(699,692)
Cash payments to suppliers for goods and services	(1,028,078)	(920,843)
Cash payments for other operating expenses	(491,411)	(477,290)
Net cash provided by operating activities	<u>580,850</u>	<u>715,153</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(24,968)	(185,487)
Proceeds from sale of capital assets	-	150
Net cash used in capital and financing activities	<u>(24,968)</u>	<u>(185,337)</u>
Cash flows from investing activities:		
Purchase of investments	(2,381,339)	(3,655,487)
Sale of investments	2,060,000	3,000,000
Net investment income	8,715	6,823
Net cash used in investing activities	<u>(312,624)</u>	<u>(648,664)</u>
Net increase (decrease) in cash and cash equivalents	243,258	(118,848)
Cash and cash equivalents - beginning of year	<u>1,478,506</u>	<u>1,597,354</u>
Cash and cash equivalents - end of year	<u>\$ 1,721,764</u>	<u>\$ 1,478,506</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 445,171	\$ 648,376
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	53,021	34,219
Net increase in rent expense related to deferred lease liability	61,205	108,580
Changes in assets and liabilities:		
Prepays	(28,462)	-
Accounts payable	51,033	(144,115)
Fees payable to Caring Dental Professionals	(6,740)	7,730
Accrued vacation and sick leave payable	1,335	(6,273)
Unearned revenues	4,287	66,636
Total adjustments	<u>135,679</u>	<u>66,777</u>
Net cash provided by operating activities	<u>\$ 580,850</u>	<u>\$ 715,153</u>
Supplemental disclosures of noncash investing, capital, and financing activities:		
Capital assets financed through accounts payable	<u>\$ 1,288</u>	<u>\$ -</u>
Leasehold improvement allowance	<u>\$ -</u>	<u>\$ 266,840</u>

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Organization and Purpose**

The North Carolina State Board of Dental Examiners (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes (NCGS). The Board is composed of eight members.

The Board's primary responsibilities are to issue and renew licenses of dentists and dental hygienists. Additionally the Board is responsible for the administration of licensure examinations for dentists and dental hygienists. The Board is also responsible for promulgation of rules and enforcement of laws and regulations governing the practice of dentistry and dental hygiene in the state of North Carolina.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

#### **Financial Reporting Entity**

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America ("GAAP"), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's *Comprehensive Annual Financial Report* ("CAFR"). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

#### **Basis of Presentation**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting**

The basic financial statements of the Board are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic measurement focus measures all assets that are available to the entity, not only cash or soon to be cash assets. Both long-term assets and long-term liabilities are measured, and depreciation is recorded as a cost of operations. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned in the year in which the license period begins.

The Board classifies its revenues as operating or non-operating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

#### **Cash and Cash Equivalents**

This classification includes cash on deposit and money market accounts with financial institutions. For the purpose of the statements of cash flows, the Board considers all investments with a maturity of three months or less when purchased to be cash.

#### **Investments**

This classification includes negotiable brokered certificates of deposit with original maturities of more than three months. The certificates of deposit are reported at fair market value, which is cost plus accrued interest to date.

In February of 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 72, *Fair Value Measurement and Application*. This statement was effective for financial statements for periods beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Board has elected to adopt GASB Statement No. 72 for the year ending December 31, 2016.

#### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold Improvements	5 - 39 years
Furniture	7 years
Equipment	3 - 10 years
Software	3 years
Vehicles	5 years

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

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### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Capital Assets (Continued)

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

#### Accrued Vacation and Sick Leave Payable

Board employees may accumulate vacation until December 31 of any calendar year based on their total years of service. Accrued and unused vacation leave as of December 31 will be paid out to the employee at the employee's normal rate of pay in the first paycheck of the following year.

The Board's sick leave policy provides for any accumulated and unused earned sick leave to be paid out to the employee at the employee's normal rate of pay in the first paycheck of the following year.

#### Net Position

*Investment in capital assets* - This represents the Board's total investment in capital assets, net of accumulated depreciation.

*Unrestricted net position* - This represents assets with no external restriction as to use or purpose. They can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

The following designations of net assets represent management's estimates that are subject to change based on perceived operating conditions and situations:

Legal expenses	\$1,000,000
Leasehold improvements	91,099
	<u>\$1,091,099</u>

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions, resulting in adjustments in future periods.

### NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the Board are deposited in board-designated official depositories or brokerage firms. The Board's deposits include cash on deposit in financial institutions, money market accounts, and certificates of deposit. At December 31, 2016, deposits in financial institutions, with a carrying value of \$4,505,241, consists of cash and short-term investments, as shown on the statements of net position. The short-term investments are certificates of deposit in the amount of \$2,498,620 and cash/money market accounts in the amount of \$284,857.

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

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### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Board is subject to the following risks:

*Custodial credit risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the Board will not be able to recover the valuation of its investments or collateral securities that are in the possession of an outside party. The Board does not have a formal deposit policy for custodial credit risk.

The Securities Investor Protection Corporation (SIPC) is a nonprofit member corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm. At December 31, 2016, the board owned investments that exceeded the SIPC limit of \$500,000 by \$2,283,477.

The Board has multiple certificates of deposit investments totaling \$2,498,620 individually insured by the Federal Depository Insurance Corporation (FDIC). The Board also has cash deposits that are insured under the FDIC. At December 31, 2016, the Board had \$1,359,520 of deposits in excess of the FDIC limit of \$250,000.

*Interest Rate Risk:* Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments. The Board minimizes this risk by investing only in certificates of deposit.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board manages credit risk by diversifying its investment portfolio. Investments are limited to: time deposits, certificates of deposit, and savings accounts in financial institutions.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at December 31, 2016 for the Board's investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Properties of Debt Securities</u>	
		<u>Weighted Average Maturities</u>	<u>Ratings</u>
Other securities:			
Certificates of deposit	<u>\$2,498,620</u>	9.36 Months	N/A

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

A reconciliation of deposits and investments for the Board to the basic financial statements at December 31, 2016, is as follows:

Carrying amount of deposits with private financial institutions	\$1,612,335
Money market mutual funds	394,286
Investments in certificates of deposit	<u>2,498,620</u>
Total deposits and investments	<u>\$4,505,241</u>



# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

### NOTE 5 - CAPITAL ASSETS

Changes in capital assets as of and for the years ended December 31, 2016 and 2015 are as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
<b>Capital assets, depreciable:</b>				
Leasehold improvements	\$ 413,521	\$ -	\$ (52,331)	\$ 361,190
Equipment	360,145	1,288	(166,093)	195,340
Furniture	197,101	-	-	197,101
Software	16,170	23,680	-	39,850
Vehicles	61,339	-	(17,855)	43,484
Total capital assets, depreciable	<u>1,048,276</u>	<u>24,968</u>	<u>(236,279)</u>	<u>836,965</u>
<b>Less accumulated depreciation:</b>				
Leasehold improvements	(40,200)	(23,090)	17,234	(46,056)
Equipment	(284,316)	(16,332)	164,688	(135,960)
Furniture	(144,049)	(5,965)	-	(150,014)
Software	(11,298)	(5,044)	-	(16,342)
Vehicles	(38,166)	(2,591)	17,855	(22,902)
	<u>(518,029)</u>	<u>(53,022)</u>	<u>199,777</u>	<u>(371,274)</u>
<b>Total capital assets, depreciable, net</b>	<u><u>\$ 530,247</u></u>	<u><u>\$ (28,054)</u></u>	<u><u>\$ (36,502)</u></u>	<u><u>\$ 465,691</u></u>

Depreciation charged to operations totaled \$53,021. As of December 31, 2016, the Board had identified \$35,991 of fixed assets as out of service and awaiting disposal.

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<b>Capital assets, depreciable:</b>				
Leasehold improvements	\$ 66,204	\$ 347,317	\$ -	\$ 413,521
Equipment	298,346	63,696	(1,897)	360,145
Furniture	155,949	41,152	-	197,101
Software	16,008	162	-	16,170
Vehicles	61,339	-	-	61,339
Total capital assets, depreciable	<u>597,846</u>	<u>452,327</u>	<u>(1,897)</u>	<u>1,048,276</u>
<b>Less accumulated depreciation:</b>				
Leasehold improvements	(29,983)	(10,217)	-	(40,200)
Equipment	(273,343)	(12,807)	1,834	(284,316)
Furniture	(140,762)	(3,287)	-	(144,049)
Software	(5,981)	(5,317)	-	(11,298)
Vehicles	(35,575)	(2,591)	-	(38,166)
	<u>(485,644)</u>	<u>(34,219)</u>	<u>1,834</u>	<u>(518,029)</u>
<b>Total capital assets, depreciable, net</b>	<u><u>\$ 112,202</u></u>	<u><u>\$ 418,108</u></u>	<u><u>\$ (63)</u></u>	<u><u>\$ 530,247</u></u>

# NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

## Notes to Financial Statements

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### NOTE 6 - UNEARNED LICENSE REVENUE

The Board defers revenue recognition in connection with resources that have been received, but not yet earned. License renewal fees are collected in advance and recorded as unearned revenue at year-end to be recognized as revenue when the license period begins on January 1st of the next fiscal year. Unearned revenue reported was \$1,297,907 and \$1,293,620 for the years ended December 31, 2016 and 2015, respectively.

### NOTE 7 - EMPLOYEE PENSION PLAN

The Board participates in the North Carolina Licensing Board Retirement Savings Plan ("Plan"), which is a defined contribution plan created under Internal Revenue Code Section 401(k). The Employer, defined as the eight participating licensing boards, is empowered to appoint and remove the Trustee and Administrator.

Employees are eligible to participate in the Plan immediately upon employment. Employer contributions vest 20% a year for the first five years. A 6% contribution, based on eligible employee compensation, is made monthly by both the Board and the employee. Employees may make additional voluntary contributions to the Plan. The Plan is administered by Prudential Insurance Company of America. Board pension costs including administrative fees, totaled \$33,034 and \$32,714 for 2016 and 2015, respectively. The Board did not utilize forfeitures to reduce matching contributions made during the years ended December 31, 2016 and 2015. Employee contributions to the Plan totaled \$44,946 for the year ended December 31, 2016.

### NOTE 8 - OPERATING LEASES

The Board entered into a new lease agreement to rent office space effective July 1, 2015 for 180 months ending June 30, 2030 with escalating lease payments every 12 months. The lease agreement included free rent for the first 8 months of the lease and a lease improvement allowance of \$266,840 for construction costs paid by the landlord to upfit the new space. The free rents and the allowance are being amortized over the 180-month lease term. Rent expense for the years ended December 31, 2016 and 2015 was \$283,977 and \$180,787, respectively. The Board also entered into a 5-year lease on April 12, 2013 for a printer.

Under the current leases, future minimum rent payments are as follows:

<u>Years Ending December 31:</u>	<u>Office Space</u>	<u>Printer</u>	<u>Total</u>
2017	\$ 263,083	\$ 3,478	\$ 266,561
2018	269,661	1,159	270,820
2019	276,402	-	276,402
2020	283,312	-	283,312
2021	290,395	-	290,395
Thereafter	2,779,439	-	2,779,439
	<u>\$4,162,292</u>	<u>\$ 4,637</u>	<u>\$4,166,929</u>



## **NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**

### **Notes to Financial Statements**

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#### **NOTE 9 - RELATED PARTY TRANSACTIONS**

In May of 1994, the North Carolina State Board of Dental Examiners and the North Carolina Dental Society set up the Caring Dental Professionals (CDP), a committee structured to assist dentists with alcohol or drug dependencies or mental impairments. A fee of \$40 was assessed from each licensed dentist and a fee of \$25 was assessed from each licensed dental hygienist during the 2016 and 2015 annual license renewal process and these funds were used to operate the Caring Dental Professionals' Program. A total of \$414,015 and \$401,315 was paid to CDP for the years ended December 31, 2016 and 2015, respectively. Fees payable to CDP were \$199,954 and \$206,694 at December 31, 2016 and 2015, respectively.

#### **NOTE 10 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company.

The Board also purchases general liability, workers' compensation, and dishonesty bond insurance through independent insurance agents.

#### **NOTE 11 - CONTINGENCIES**

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

#### **NOTE 12 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through April 20, 2017, which is the date the financial statements were available to be issued. Management discovered no additional subsequent events that should be disclosed.

The audit was conducted in approximately 120 hours at a cost of \$15,000.