

NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013



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NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

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NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Management's Discussion and Analysis

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, 2014. 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 2014, the operating revenues of the Board increased by \$102,694 or 3.87%, due primarily to an increase in dental and hygienist licensures.

During 2014, the non-operating revenues of the Board decreased by \$2,181, due primarily to loss on sale of capital assets and decreased interest income on the money market accounts as more funds were used to purchase certificates of deposit during the year.

During 2014, the operating expenses of the Board decreased by \$306,245 or -11.81%, due primarily to a decrease in legal fees as the FTC case came to an end.

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 years' 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

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:

	2014	2013	2012
Current assets	\$ 3,403,060	\$ 2,932,622	\$ 2,532,654
Capital assets	112,202	109,583	131,292
Total assets	3,515,262	3,042,205	2,663,946
Current liabilities	1,608,410	1,587,441	1,274,530
Total liabilities	1,608,410	1,587,441	1,274,530
Net investment in capital assets	112,202	109,583	131,292
Unrestricted	1,794,650	1,345,181	1,258,124
Total net position	\$ 1,906,852	\$ 1,454,764	\$ 1,389,416
Operating revenues	\$ 2,757,756	\$ 2,655,062	\$ 2,543,638
Operating expenses	(2,307,897)	(2,594,123)	(2,497,757)
Operating income	449,859	60,939	45,881
Non-operating revenues	2,229	4,410	3,847
Changes in net position	\$ 452,088	\$ 65,349	\$ 49,728

Events Affecting Future Operations

Management has re-negotiating its lease agreement with Duke Realty for new office space effective July 1, 2015. The lease term runs for 180 months with escalating annual lease payments. Management is also implementing changes to the website with plans to eventually allow all cash transactions to be conducted on-line.

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, 507 Airport Boulevard, Suite 105, 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, 2014 and 2013, 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 audit 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, 2014 and 2013, 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, 2014 and 2013, 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 28, 2015

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,597,354	\$ 1,528,387
Investments	1,803,706	1,402,235
Other current assets	2,000	2,000
Total current assets	<u>3,403,060</u>	<u>2,932,622</u>
Noncurrent assets:		
Capital assets, net of depreciation	112,202	109,583
Total noncurrent assets	<u>112,202</u>	<u>109,583</u>
Total assets	<u>3,515,262</u>	<u>3,042,205</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	208,664	218,031
Accrued vacation and sick leave payable	17,148	12,577
Unearned license revenue	1,382,598	1,356,833
Total current liabilities	<u>1,608,410</u>	<u>1,587,441</u>
Total liabilities	<u>1,608,410</u>	<u>1,587,441</u>
NET POSITION:		
Unrestricted	1,794,650	1,345,181
Net investment in capital assets	112,202	109,583
Total net position	<u>\$ 1,906,852</u>	<u>\$ 1,454,764</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Dentist fees	\$ 1,818,300	\$ 1,740,361
Dental hygienist fees	692,140	673,166
PA & PLLC fees	52,805	62,465
Anesthesia/sedation fees	60,750	58,600
Other fees	67,260	62,520
Miscellaneous income	66,501	57,950
Total operating revenues	<u>2,757,756</u>	<u>2,655,062</u>
Operating expenses:		
Salaries and benefits	678,247	650,665
Professional fees	869,843	1,300,764
Board expenses	211,047	161,543
Examination expenses	21,448	13,673
Hearing and investigative expenses	108,681	86,826
Rent and storage	109,627	106,179
Office expenses	23,627	16,911
Postage and printing	49,446	40,994
Computer and website	24,925	22,197
Utilities	19,628	16,851
Insurance	477	427
Staff travel and education	34,638	21,380
Machine maintenance and rental	15,030	11,722
Dues and subscriptions	14,315	14,476
Bank charges and online fees	85,755	79,973
Office evaluator	7,942	7,220
Refunds	313	68
Purchase of equipment	142	-
Depreciation	32,766	42,254
Total operating expenses	<u>2,307,897</u>	<u>2,594,123</u>
Operating income	<u>449,859</u>	<u>60,939</u>
Non-operating revenues (expenses):		
Interest income	2,962	4,410
Loss on sale of fixed assets	(733)	-
Total non-operating revenues (expenses)	<u>2,229</u>	<u>4,410</u>
Change in net position	452,088	65,349
Net position - beginning of year	<u>1,454,764</u>	<u>1,389,415</u>
Net position - end of year	<u>\$ 1,906,852</u>	<u>\$ 1,454,764</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fees	\$ 2,783,521	\$ 2,899,628
Cash payments to employees for services	(673,676)	(653,834)
Cash payments to suppliers for goods and services	(1,143,418)	(1,458,204)
Cash payments for operating expenses	(462,833)	(371,486)
Net cash provided by operating activities	<u>503,594</u>	<u>416,104</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(36,868)	(20,546)
Proceeds from sale of capital assets	750	-
Net cash used in capital and financing activities	<u>(36,118)</u>	<u>(20,546)</u>
Cash flows from investing activities:		
Purchase of investments	(2,102,823)	(4,502,108)
Sale of investments	1,700,000	4,400,000
Net investment income	4,314	3,017
Net cash used in investing activities	<u>(398,509)</u>	<u>(99,091)</u>
Net increase in cash and cash equivalents	68,967	296,467
Cash and cash equivalents - beginning of year	<u>1,528,387</u>	<u>1,231,920</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,597,354</u></u>	<u><u>\$ 1,528,387</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 449,859	\$ 60,939
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	32,766	42,254
Changes in assets and liabilities:		
Accounts payable	(9,367)	71,514
Accrued vacation and sick leave payable	4,571	(3,169)
Unearned revenues	25,765	244,566
Total adjustments	<u>53,735</u>	<u>355,165</u>
Net cash provided by operating activities	<u><u>\$ 503,594</u></u>	<u><u>\$ 416,104</u></u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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.

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

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

Basis of Accounting (Continued)

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 non-negotiable 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$500 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

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

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

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.

Designations of net assets represent management's estimates that are subject to change based on perceived operating conditions and situations.

Legal expenses	\$ 900,000
Leasehold improvements	91,099
Exam development	100,000
	<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, 2014, deposits in financial institutions, with a carrying value of \$3,401,060, 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 \$1,598,051 and cash/money market accounts in the amount of \$205,655.

The Board is subject to the following risks:

Custodial credit risk: The risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a formal deposit policy for custodial credit risk. The Board's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Board's bank deposits in excess of the FDIC insured limit totaled \$1,314,477 at December 31, 2014.

Interest Rate Risk: 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: 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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**Notes to Financial Statements****NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at December 31, 2014, for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Other securities:			
Certificates of deposit	<u>\$1,598,051</u>	9.88 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, 2014, is as follows:

Carrying amount of deposits with private financial institutions	\$ 1,489,163
Money market mutual funds	313,846
Investments in certificates of deposit	<u>1,598,051</u>
Total deposits and investments	<u>\$ 3,401,060</u>

NOTE 3 - CAPITAL ASSETS

Changes in capital assets as of and for the years ended December 31, 2014 and 2013 are as follows:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Capital assets, depreciable:				
Leasehold improvements	\$ 66,204	\$ -	\$ -	\$ 66,204
Equipment	289,047	10,962	1,663	298,346
Furniture	155,949	-	-	155,949
Software	16,008	-	-	16,008
Vehicles	35,433	25,906	-	61,339
Total capital assets, depreciable	<u>562,641</u>	<u>36,868</u>	<u>1,663</u>	<u>597,846</u>
Less accumulated depreciation:				
Leasehold improvements	(28,309)	(1,674)	-	(29,983)
Equipment	(260,838)	(12,685)	180	(273,343)
Furniture	(133,346)	(7,416)	-	(140,762)
Software	(664)	(5,317)	-	(5,981)
Vehicles	(29,901)	(5,674)	-	(35,575)
	<u>(453,058)</u>	<u>(32,766)</u>	<u>180</u>	<u>(485,644)</u>
Total capital assets, depreciable, net	<u>\$ 109,583</u>	<u>\$ 4,102</u>	<u>\$ 1,483</u>	<u>\$ 112,202</u>

Depreciation charged to operations totaled \$32,766.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Capital assets, depreciable:				
Leasehold improvements	\$ 66,204	\$ -	\$ -	\$ 66,204
Equipment	284,509	4,538	-	289,047
Furniture	155,949	-	-	155,949
Software	-	16,008	-	16,008
Vehicles	35,433	-	-	35,433
Total capital assets, depreciable	<u>542,095</u>	<u>20,546</u>	<u>-</u>	<u>562,641</u>
Less accumulated depreciation:				
Leasehold improvements	(26,323)	(1,986)	-	(28,309)
Equipment	(237,461)	(23,377)	-	(260,838)
Furniture	(118,894)	(14,452)	-	(133,346)
Software	-	(664)	-	(664)
Vehicles	(28,126)	(1,775)	-	(29,901)
	<u>(410,804)</u>	<u>(42,254)</u>	<u>-</u>	<u>(453,058)</u>
Total capital assets, depreciable, net	<u>\$ 131,291</u>	<u>\$ (21,708)</u>	<u>\$ -</u>	<u>\$ 109,583</u>

NOTE 4 - ACCRUED VACATION AND SICK LEAVE PAYABLE

Changes to accrued vacation and sick leave payable are as follows:

	2014	2013
Beginning balance	\$ 12,577	\$ 15,746
Increases	36,099	39,946
Decreases	(31,528)	(43,115)
Ending balance	<u>\$ 17,148</u>	<u>\$ 12,577</u>

NOTE 5 - 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 \$1,382,598 and \$1,356,833 for the years ended December 31, 2014 and 2013, respectively.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

NOTE 6 - 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 \$30,792 and \$30,617 for 2014 and 2013, respectively.

NOTE 7 - OPERATING LEASES

The Board signed a lease agreement to rent office space on January 1, 2007. The lease term runs 10 years and 5 months ending May 31, 2017. As part of the rental agreement, the Board is required to pay an additional amount related to the building's operating expenses as determined by the landlord. Rent expense for the years ended December 31, 2014 and 2013 was \$105,754 and \$102,471, 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>
2015	\$ 88,633	\$ 3,478	\$ 92,111
2016	91,289	3,478	94,767
2017	39,170	3,478	42,648
2018	-	1,159	1,159
	<u>\$ 219,092</u>	<u>\$ 11,593</u>	<u>\$ 230,685</u>

NOTE 8 - 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, 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 2014 and 2013 annual license renewal process and these funds were used to operate the Caring Dental Professionals' Program. A total of \$393,725 and \$382,171 was paid to this organization for the years ended December 31, 2014 and 2013, respectively.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

NOTE 9 - 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 10 - 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 11 - SUBSEQUENT EVENTS

On February 11, 2015 the Board renegotiated a lease agreement with Duke Realty LP for new office space. The lease commences July 1, 2015 and runs for 180 months with escalating lease payments annually. The Board was granted \$266,840 from Duke Realty LP to pay for improvements to the office space as part of the lease agreement.

Management of the Board evaluated subsequent events through April 28, 2015, 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 95 hours at a cost of \$11,200.