

**NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015. 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 2015, the operating revenues of the Board increased by \$24,206 or .89%, due primarily to an increase in dental licensure revenue.

During 2015, the non-operating revenues of the Board increased by \$4,957, due primarily to increased interest income on the money market accounts.

During 2015, the operating expenses of the Board decreased by \$217,661 or 9.4%, 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 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

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>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 3,939,975	\$ 3,403,060	\$ 2,932,622
Capital assets	<u>530,247</u>	<u>112,202</u>	<u>109,583</u>
Total assets	<u>4,470,222</u>	<u>3,515,262</u>	<u>3,042,205</u>
Current liabilities	1,575,738	1,651,760	1,587,441
Deferred inflows of resources	<u>375,420</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,951,158</u>	<u>1,651,760</u>	<u>1,587,441</u>
Net investment in capital assets	154,827	112,202	109,583
Unrestricted	<u>2,364,237</u>	<u>1,751,300</u>	<u>1,345,181</u>
Total net position	<u>\$ 2,519,064</u>	<u>\$ 1,863,502</u>	<u>\$ 1,454,764</u>
Operating revenues	\$ 2,738,612	\$ 2,714,406	\$ 2,655,062
Operating expenses	<u>(2,090,236)</u>	<u>(2,307,897)</u>	<u>(2,594,123)</u>
Operating income	648,376	406,509	60,939
Non-operating revenues	7,186	2,229	4,410
Changes in net position	<u>\$ 655,562</u>	<u>\$ 408,738</u>	<u>\$ 65,349</u>

Events Affecting Future Operations

In addition to its regular course of disciplinary investigations, the Board has scheduled five cases involving Medicaid fraud to be tried in the 2016 calendar year. These cases tend to be very involved and require intense investigation and preparation. As such, attorney fees are likely to increase from the previous year.

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, 2015 and 2014, 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, 2015 and 2014, 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.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in overstatement of amounts previously reported as revenue as of December 31, 2014, which should have been unearned and recognized as revenue during the year ended December 31, 2015, were discovered by the Board during the current year. Accordingly, amounts reported for unearned license revenue and revenue have been restated in the 2015 financial statements now presented, and an adjustment has been made to retained earnings as of December 31, 2014, to correct the error. Our opinion is not modified with respect to that matter.

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, 2015 and 2014, 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, 2016

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2015 and 2014

	2015	(Restated) 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,478,506	\$ 1,597,354
Investments	2,459,469	1,803,706
Other current assets	2,000	2,000
Total current assets	<u>3,939,975</u>	<u>3,403,060</u>
Noncurrent assets:		
Capital assets, net of depreciation	530,247	112,202
Total noncurrent assets	<u>530,247</u>	<u>112,202</u>
Total assets	<u>4,470,222</u>	<u>3,515,262</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	64,549	208,664
Fees payable to Caring Dental Professionals	206,694	198,964
Accrued vacation and sick leave payable	10,875	17,148
Unearned license revenue	1,293,620	1,226,984
Total current liabilities	<u>1,575,738</u>	<u>1,651,760</u>
Deferred inflows of resources:		
Deferred lease liability	375,420	-
Total liabilities	<u>1,951,158</u>	<u>1,651,760</u>
NET POSITION:		
Unrestricted	2,364,237	1,751,300
Net investment in capital assets	154,827	112,202
Total net position	<u>\$ 2,519,064</u>	<u>\$ 1,863,502</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	(Restated) 2014
Operating revenues:		
Dentist fees	\$ 1,804,179	\$ 1,774,950
Dental hygienist fees	697,812	692,140
PA & PLLC fees	63,970	52,805
Anesthesia/sedation fees	62,800	60,750
Other fees	52,485	67,260
Miscellaneous income	57,366	66,501
Total operating revenues	<u>2,738,612</u>	<u>2,714,406</u>
Operating expenses:		
Salaries and benefits	693,419	678,247
Professional fees	466,531	869,843
Board expenses	192,334	211,047
Examination expenses	11,468	21,448
Hearing and investigative expenses	125,320	108,681
Rent and storage	183,484	109,627
Office expenses	117,100	23,627
Postage and printing	43,424	49,446
Computer and website	29,538	24,925
Utilities	17,546	19,628
Insurance	1,622	477
Staff travel and education	25,212	34,638
Machine maintenance and rental	14,595	15,030
Dues and subscriptions	17,375	14,315
Bank charges and online fees	94,511	85,755
Office evaluator	8,791	7,942
Refunds	-	313
Purchase of equipment	13,747	142
Depreciation	34,219	32,766
Total operating expenses	<u>2,090,236</u>	<u>2,307,897</u>
Operating income	<u>648,376</u>	<u>406,509</u>
Non-operating revenues (expenses):		
Interest income	7,099	2,962
Gain (loss) on sale of fixed assets	87	(733)
Total non-operating revenues	<u>7,186</u>	<u>2,229</u>
Change in net position	655,562	408,738
Net position - beginning of year	<u>1,863,502</u>	<u>1,454,764</u>
Net position - end of year	<u><u>\$ 2,519,064</u></u>	<u><u>\$ 1,863,502</u></u>

See Notes to Financial Statements

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	(Restated) 2014
Cash flows from operating activities:		
Cash received from fees	\$ 2,812,978	\$ 2,783,521
Cash payments to employees for services	(699,692)	(673,676)
Cash payments to suppliers for goods and services	(920,843)	(1,143,418)
Cash payments for other operating expenses	(477,290)	(462,833)
Net cash provided by operating activities	<u>715,153</u>	<u>503,594</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(185,487)	(36,868)
Proceeds from sale of capital assets	150	750
Net cash used in capital and financing activities	<u>(185,337)</u>	<u>(36,118)</u>
Cash flows from investing activities:		
Purchase of investments	(3,655,487)	(2,102,823)
Sale of investments	3,000,000	1,700,000
Net investment income	6,823	4,314
Net cash used in investing activities	<u>(648,664)</u>	<u>(398,509)</u>
Net increase (decrease) in cash and cash equivalents	(118,848)	68,967
Cash and cash equivalents - beginning of year	<u>1,597,354</u>	<u>1,528,387</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,478,506</u></u>	<u><u>\$ 1,597,354</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 648,376	\$ 406,509
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	34,219	32,766
Net increase in rent expense related to deferred lease liability	108,580	-
Changes in assets and liabilities:		
Accounts payable	(144,115)	(9,367)
Fees payable to Caring Dental Professionals	7,730	(1,525)
Accrued vacation and sick leave payable	(6,273)	4,571
Unearned revenues	66,636	70,640
Total adjustments	<u>66,777</u>	<u>97,085</u>
Net cash provided by operating activities	<u><u>\$ 715,153</u></u>	<u><u>\$ 503,594</u></u>
Supplemental disclosures of noncash investing, capital, and financing activities:		
Leasehold improvement allowance	<u><u>\$ 266,840</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

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 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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

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

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	\$ 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, 2015, deposits in financial institutions, with a carrying value of \$3,937,975, 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 \$1,798,327 and cash/money market accounts in the amount of \$661,142.

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2015, the board owned investments that exceeded the SIPC limit of \$500,000 by \$1,959,470.

The Board has multiple certificates of deposit investments totaling \$1,798,327 insured by the Federal Depositary Insurance Corporation (FDIC). At December 31, 2015, all of these deposits were individually insured under the FDIC limit of \$250,000. The Board also has cash deposits that are insured under the FDIC. At December 31, 2015, the Board had \$1,580,722 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, 2015 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>\$ 1,798,327</u>	9.76 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, 2015, is as follows:

Carrying amount of deposits with private financial institutions	\$ 1,369,731
Money market mutual funds	769,917
Investments in certificates of deposit	<u>1,798,327</u>
Total deposits and investments	<u>\$ 3,937,975</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS

Changes in capital assets as of and for the years ended December 31, 2015 and 2014 are as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets, depreciable:				
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>
Less accumulated depreciation:				
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>
Total capital assets, depreciable, net	<u>\$ 112,202</u>	<u>\$ 418,108</u>	<u>\$ (63)</u>	<u>\$ 530,247</u>

Depreciation charged to operations totaled \$34,219.

	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>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 4 - ACCRUED VACATION AND SICK LEAVE PAYABLE

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

	2015	2014
Beginning balance	\$ 17,148	\$ 12,577
Increases	41,311	36,099
Decreases	(47,584)	(31,528)
Ending balance	<u>\$ 10,875</u>	<u>\$ 17,148</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 \$1,293,620 and \$1,226,984 for the years ended December 31, 2015 and 2014, respectively.

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 \$32,714 and \$30,792 for 2015 and 2014, respectively.

NOTE 7 - 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 includes 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 amortized over the 180-month lease term. Rent expense for the years ended December 31, 2015 and 2014 was \$180,787 and \$105,754, respectively. The Board also entered into a 5-year lease on April 12, 2013 for a printer.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 7 - OPERATING LEASES (Continued)

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>
2016	\$ 214,417	\$ 3,478	\$ 217,895
2017	263,083	3,478	266,561
2018	269,661	1,159	270,820
2019	276,402	-	276,402
2020	283,312	-	283,312
Thereafter	3,069,834	-	3,069,834
	<u>\$ 4,376,709</u>	<u>\$ 8,115</u>	<u>\$ 4,384,824</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 (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 2015 and 2014 annual license renewal process and these funds were used to operate the Caring Dental Professionals' Program. A total of \$401,315 and \$393,725 was paid to CDP for the years ended December 31, 2015 and 2014, respectively. Fees payable to CDP were \$206,694 and \$198,964 at December 31, 2015 and 2014, respectively.

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 11 - PRIOR YEAR RESTATEMENT

Subsequent to the issuance of the December 31, 2014 financial statements, the Board noted amounts recognized as revenue during the year ended December 31, 2014 which should have been deferred and recognized as unearned revenue as of December 31, 2014. As a result the following restatements were made:

	Originally Reported	As Adjusted	Effect of Change
Dentist fees, 2014	\$ 1,818,300	\$ 1,774,950	\$ (43,350)
Unearned license revenue, December 31, 2014	\$ 1,183,634	\$ 1,226,984	\$ 43,350
Unrestricted net position, December 31, 2014	\$ 1,794,650	\$ 1,751,300	\$ (43,350)

NOTE 12 - RECLASSIFICATION

Fees payable to Caring Dental Professionals of \$198,964 at December 31, 2014 were included with unearned license revenue in the prior year financial statements and have been reclassified to conform to the current year presentation.

NOTE 13 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 20, 2016, 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 110 hours at a cost of \$11,500.