

**NORTH CAROLINA STATE BOARD  
OF DENTAL EXAMINERS**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

# 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, 2018. 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 two years are presented in the analysis.

### **Financial Highlights**

During 2018, the operating revenues of the Board increased by \$69,114 or 2.41%, due primarily to an increase in dental licensure revenue.

During 2018, the non-operating revenues of the Board increased by \$12,277, due to an increase in interest revenue this year.

During 2018, the operating expenses of the Board increased by \$216,807 or 9.69%, due primarily to an increase in legal fees and hearing and investigative expenses attributed to a higher volume of cases in the current year.

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

This financial report consists of two sections: Management's Discussion and Analysis and the basic 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 years' 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>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 5,434,285	\$ 4,913,705	\$ 4,535,703
Noncurrent assets	299,079	-	-
Capital assets	473,804	497,085	465,691
Total assets	<u>6,207,168</u>	<u>5,410,790</u>	<u>5,001,394</u>
Current liabilities	1,632,098	1,364,388	1,625,653
Deferred inflows of resources	455,124	449,163	436,625
Total liabilities	<u>2,087,222</u>	<u>1,813,551</u>	<u>2,062,278</u>
Net investment in capital assets	473,804	497,085	465,691
Unrestricted	3,646,142	3,100,154	2,473,425
Total net position	<u>\$ 4,119,946</u>	<u>\$ 3,597,239</u>	<u>\$ 2,939,116</u>
Operating revenues	\$ 2,938,427	\$ 2,869,313	\$ 2,826,441
Operating expenses	(2,453,889)	(2,237,082)	(2,381,270)
Operating income	484,538	632,231	445,171
Non-operating revenues (expenses)	38,169	25,892	(25,119)
Changes in net position	<u>\$ 522,707</u>	<u>\$ 658,123</u>	<u>\$ 420,052</u>

### Events Affecting Future Operations

The Board currently has nine (9) cases set for formal hearings dealing with various issues including Medicaid fraud, the unauthorized practice of dentistry, advertising, standard of care violations, and the death of a patient. It is impossible to know how many will settle before coming to trial, but each of these has the potential to require substantial legal fees. The North Carolina General Assembly has currently proposed several bills that could impact the operations of the Board should they become law. Topics addressed in these bills include: a requirement to verify immigration status for applicants through Homeland Security; changes to the fiscal year, auditing standards, and rule making procedures; revision of wage and hour laws; expunction of criminal records; and additional reporting requirements when applicants are denied licensure based on past criminal conduct. Any of these bills, if passed, will place additional requirements on Board staff. Also, the Board has put in place and continues to expand its program for inspecting dental offices where sedation and general anesthesia are administered. Efforts to expand may experience a temporary setback due to the resignation of the Board's senior investigator who was in charge of developing this program.

### 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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 23, 2019

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Net Position**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,646,666	\$ 1,365,255
Investments	3,760,747	3,521,451
Other current assets	26,872	26,999
Total current assets	<u>5,434,285</u>	<u>4,913,705</u>
Noncurrent assets:		
Noncurrent portion of investments	299,079	-
Capital assets, net of depreciation	473,804	497,085
Total noncurrent assets	<u>772,883</u>	<u>497,085</u>
Total assets	<u>6,207,168</u>	<u>5,410,790</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	64,003	38,970
Fees payable to Caring Dental Professionals	224,953	182,849
Accrued vacation	9,673	16,602
Salaries payable	2,435	11,997
Unearned license revenue	1,331,034	1,113,970
Total current liabilities	<u>1,632,098</u>	<u>1,364,388</u>
Deferred inflows of resources:		
Deferred lease liability	455,124	449,163
Total liabilities	<u>2,087,222</u>	<u>1,813,551</u>
<b>NET POSITION:</b>		
Unrestricted	3,646,142	3,100,154
Net investment in capital assets, as restated	473,804	497,085
Total net position	<u>\$ 4,119,946</u>	<u>\$ 3,597,239</u>

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Dentist fees	\$ 1,953,087	\$ 1,898,501
Dental hygienist fees	730,005	723,250
PA & PLLC fees	67,535	52,120
Anesthesia/sedation fees	62,900	65,300
Other fees	49,985	45,280
Miscellaneous income	74,915	84,862
Total operating revenues	<u>2,938,427</u>	<u>2,869,313</u>
Operating expenses:		
Salaries and benefits	818,353	788,909
Professional fees	695,636	581,066
Board expenses	155,770	166,670
Hearing and investigative expenses	176,799	121,944
Rent and storage	273,878	279,611
Office expenses	10,306	5,950
Postage and printing	31,458	41,708
Computer and website	55,745	35,504
Utilities	4,625	4,702
Insurance	2,954	2,937
Staff travel and education	30,503	28,970
Machine maintenance and rental	17,340	14,881
Dues and subscriptions	25,079	26,305
Bank charges and online fees	75,503	67,355
Office evaluator	17,448	9,990
Purchase of equipment	2,350	3,475
Depreciation	60,142	57,105
Total operating expenses	<u>2,453,889</u>	<u>2,237,082</u>
Operating income	<u>484,538</u>	<u>632,231</u>
Non-operating revenues (expenses):		
Investment income, net	41,711	25,892
Loss on sale of fixed assets	(3,542)	-
Total non-operating revenues	<u>38,169</u>	<u>25,892</u>
Change in net position	522,707	658,123
Net position - beginning of year	<u>3,597,239</u>	<u>2,939,116</u>
Net position - end of year	<u>\$ 4,119,946</u>	<u>\$ 3,597,239</u>



**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,197,595	\$ 2,668,271
Cash payments to employees for services	(834,844)	(772,520)
Cash payments to suppliers for goods and services	(1,060,821)	(1,026,970)
Cash payments for other operating expenses	(483,452)	(424,709)
Net cash provided by operating activities	<u>818,478</u>	<u>444,072</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(30,903)	(33,499)
Deposits on capital assets	(9,500)	(55,000)
Net cash used in capital and financing activities	<u>(40,403)</u>	<u>(88,499)</u>
Cash flows from investing activities:		
Purchase of investments	(2,838,375)	(2,710,056)
Sale of investments	2,300,000	1,975,000
Net investment income	41,711	22,974
Net cash used in investing activities	<u>(496,664)</u>	<u>(712,082)</u>
Net increase (decrease) in cash and cash equivalents	281,411	(356,509)
Cash and cash equivalents - beginning of year	<u>1,365,255</u>	<u>1,721,764</u>
Cash and cash equivalents - end of year	<u>\$ 1,646,666</u>	<u>\$ 1,365,255</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 484,538	\$ 632,231
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	60,142	57,105
Net increase in rent expense related to deferred lease liability	5,961	12,538
Changes in assets and liabilities:		
Other current assets	127	3,463
Accounts payable	25,033	(76,612)
Fees payable to Caring Dental Professionals	42,104	(17,105)
Accrued vacation	(6,929)	4,392
Salaries payable	(9,562)	11,997
Unearned revenues	217,064	(183,937)
Total adjustments	<u>333,940</u>	<u>(188,159)</u>
Net cash provided by operating activities	<u>\$ 818,478</u>	<u>\$ 444,072</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 ("U.S. 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 U.S. GAAP 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**

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### **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. Cash balances held temporarily in the investment portfolio until reinvested are not included in cash and cash equivalents.

#### **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 approximates 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 \$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 - 10 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.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. 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.

# 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)

#### Accrued Vacation

Board employees may accumulate a maximum of between 80 and 160 vacation hours 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.

In the prior year, the Board's sick leave policy provided 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. Included in accrued vacation at December 31, 2017 was sick leave payable of approximately \$8,800. Effective January 1, 2018, the policy was changed whereby employees may accumulate up to 160 hours of sick leave during the year. Any earned and unused sick leave may be carried forward; however, no payments are made for accrued and unused sick leave at the end of the calendar year or in the event an employee separates from employment.

#### Net Position

*Net 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>

### 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, 2018, deposits in financial institutions, with a carrying value of \$5,706,492, consists of cash and investments, as shown on the statements of net position. The investments are certificates of deposit in the amount of \$3,395,333 and cash balances in the amount of \$664,493 held in a money market sweep account until reinvested.

**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, 2018, the board owned investments that exceeded the SIPC limit of \$500,000 by \$3,559,826.

The Board has multiple certificates of deposit investments totaling \$3,395,333 individually insured by the Federal Depositary Insurance Corporation (FDIC). The Board also has cash deposits that are insured under the FDIC. At December 31, 2018, the Board had \$1,786,219 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 money market mutual fund is unrated.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at December 31, 2018 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>\$ 3,395,333</u>	12.7 Months	N/A

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

	<u>2018</u>	<u>2017</u>
Carrying amount of deposits with private financial institutions	<u>\$ 1,646,666</u>	\$ 1,365,254
Money market sweep account	<u>664,493</u>	1,123,499
Investments in negotiable certificates of deposit	<u>3,395,333</u>	2,397,953
Total deposits and investments	<u>\$ 5,706,492</u>	<u>\$ 4,886,706</u>

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Notes to Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	<u>2018</u>	<u>2017</u>
Current:		
Cash	<b>\$ 1,646,666</b>	\$ 1,365,255
Short-term investments	<b>3,760,747</b>	3,521,451
Noncurrent:		
Investments	<b>299,079</b>	-
Total deposits and investments	<b><u>\$ 5,706,492</u></b>	<b><u>\$ 4,886,706</u></b>

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Board's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level the fair value hierarchy of the Board's financial assets and liabilities accounted for at fair value on a recurring basis as of December 31:

<b>2018</b>				
	Total			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<b><u>\$ 3,395,333</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,395,333</u></b>	<b><u>\$ -</u></b>
<b>2017</b>				
	Total			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<b><u>\$ 2,397,953</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,397,953</u></b>	<b><u>\$ -</u></b>

The investment balances on the statement of net position include cash balances held temporarily in the money market sweep account until reinvestment, and therefore not included in the fair value hierarchy above in the amount of \$664,493 and \$1,123,499 at December 31, 2018 and 2017, respectively.

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Notes to Financial Statements**

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets as of and for the years ended December 31, 2018 and 2017 are as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets, depreciable:				
Leasehold improvements	\$ 361,190	\$ 4,303	\$ -	\$ 365,493
Equipment	168,384	9,000	(14,191)	163,193
Furniture	197,101	-	-	197,101
Software	42,850	17,600	-	60,450
Vehicles	69,337	-	(17,578)	51,759
Deposit on capital asset	55,000	9,500	-	64,500
Total capital assets, depreciable	893,862	40,403	(31,769)	902,496
Less accumulated depreciation:				
Leasehold improvements	(69,101)	(23,280)	-	(92,381)
Equipment	(117,140)	(12,889)	12,665	(117,364)
Furniture	(155,893)	(5,879)	-	(161,772)
Software	(24,842)	(10,333)	-	(35,175)
Vehicles	(29,801)	(7,761)	15,562	(22,000)
	(396,777)	(60,142)	28,227	(428,692)
Total capital assets, depreciable, net	\$ 497,085	\$ (19,739)	\$ (3,542)	\$ 473,804

Depreciation charged to operations totaled \$60,142.

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets, depreciable:				
Leasehold improvements	\$ 361,190	\$ -	\$ -	\$ 361,190
Equipment	195,340	4,646	(31,602)	168,384
Furniture	197,101	-	-	197,101
Software	39,850	3,000	-	42,850
Vehicles	43,484	25,853	-	69,337
Deposit on capital asset	-	55,000	-	55,000
Total capital assets, depreciable	836,965	88,499	(31,602)	893,862
Less accumulated depreciation:				
Leasehold improvements	(46,056)	(23,045)	-	(69,101)
Equipment	(135,960)	(12,782)	31,602	(117,140)
Furniture	(150,014)	(5,879)	-	(155,893)
Software	(16,342)	(8,500)	-	(24,842)
Vehicles	(22,902)	(6,899)	-	(29,801)
	(371,274)	(57,105)	31,602	(396,777)
Total capital assets, depreciable, net	\$ 465,691	\$ 31,394	\$ -	\$ 497,085

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Notes to Financial Statements**

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**NOTE 5 - ACCRUED VACATION**

Changes to accrued vacation are as follows:

	<b>2018</b>	<b>2017</b>
Beginning balance	<b>\$ 16,602</b>	\$ 12,210
Increases	<b>40,800</b>	49,121
Decreases	<b>(47,729)</b>	(44,729)
Ending balance	<b><u>\$ 9,673</u></b>	<b><u>\$ 16,602</u></b>

**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 \$1,331,034 and \$1,113,970 for the years ended December 31, 2018 and 2017, 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 \$37,487 and \$34,610 for 2018 and 2017, respectively. The Board did not utilize forfeitures to reduce matching contributions made during the years ended December 31, 2018 and 2017. Employee contributions to the Plan totaled \$48,769 and \$45,809 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 8 - OPERATING LEASES**

The Board entered into a 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, 2018 and 2017 was \$273,878 and \$279,611, respectively. During 2018, the Board also entered into two 5-year leases for office equipment.



**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Notes to Financial Statements**

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**NOTE 8 - 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>Equipment</u>	<u>Total</u>
2019	\$ 276,402	\$ 8,696	\$ 285,098
2020	283,312	8,696	292,008
2021	290,395	8,696	299,091
2022	297,655	8,696	306,351
2023	305,096	4,297	309,393
Thereafter	2,176,688	-	2,176,688
	<u>\$ 3,629,548</u>	<u>\$ 39,081</u>	<u>\$ 3,668,629</u>

**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 2018 and 2017 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$404,779 and \$410,561 for the years ended December 31, 2018 and 2017, respectively. Fees payable to CDP were \$224,953 and \$182,849 at December 31, 2018 and 2017, 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, data breach liability, auto, 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 or cash flows for the year herein ended.

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Notes to Financial Statements**

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**NOTE 12 - COMMITMENTS**

The Board entered into an agreement for design, development, setup and installation of a cloud based database during 2017. As of December 31, 2018, \$65,500 remained payable on the contract for work not yet completed.

**NOTE 13 - SUBSEQUENT EVENTS**

Management of the Board evaluated subsequent events through April 23, 2019, 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 100 hours at a cost of \$13,800.