

**NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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, 2019. 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 2019, the operating revenues of the Board increased by \$150,717 or 5.13%, due primarily to an increase in dental licensure revenue.

During 2019, the non-operating revenues of the Board increased by \$115,976, due to an increase in net investment income this year.

During 2019, the operating expenses of the Board increased by \$6,840 or 0.28%, due primarily to an increase in salaries and benefits offset by a decrease in legal fees and hearing and investigative expenses attributed to a lower 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 6) present the assets, liabilities, and net position of the Board.

The Statements of Revenues, Expenses, and Changes in Net Position (page 7) present information on how the Board's net position changed as a result of the years' operations.

The Statements of Cash Flows (page 8) 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**

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>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 6,061,173	\$ 5,434,285	\$ 4,913,705
Noncurrent assets	525,369	299,079	-
Capital assets, net	<u>447,123</u>	<u>473,804</u>	<u>497,085</u>
Total assets	<u>7,033,665</u>	<u>6,207,168</u>	<u>5,410,790</u>
Current liabilities	<u>1,676,815</u>	<u>1,632,098</u>	<u>1,364,388</u>
Deferred inflows of resources	<u>454,344</u>	<u>455,124</u>	<u>449,163</u>
Net position:			
Net investment in capital assets	447,123	473,804	497,085
Unrestricted	<u>4,455,383</u>	<u>3,646,142</u>	<u>3,100,154</u>
Total net position	<u>\$ 4,902,506</u>	<u>\$ 4,119,946</u>	<u>\$ 3,597,239</u>
Operating revenues	\$ 3,089,144	\$ 2,938,427	\$ 2,869,313
Operating expenses	<u>(2,460,729)</u>	<u>(2,453,889)</u>	<u>(2,237,082)</u>
Operating income	<u>628,415</u>	<u>484,538</u>	<u>632,231</u>
Non-operating revenues	<u>154,145</u>	<u>38,169</u>	<u>25,892</u>
Changes in net position	<u>\$ 782,560</u>	<u>\$ 522,707</u>	<u>\$ 658,123</u>

Events Affecting Future Operations

The Board's investigative division anticipates several complicated cases to be presented as formal hearings within the next year. The complexity of these cases generally results in increased legal fees. In addition, the NC General Assembly is considering a bill in response to the current COVID-19 pandemic. If passed, the bill would grant certain emergency powers to the Board that could impact the cost of staffing and regulatory compliance during current and future states of emergency.

The Board is also in the process of completely redesigning its website for ease of use by the public while at the same time creating a website archive to preserve web items pursuant to NC Public Records Law. To date, the cost of such website redevelopment is not known.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Management's Discussion and Analysis

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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 – 3, 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 29, 2020

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,683,409	\$ 1,646,666
Investments	4,340,857	3,760,747
Other current assets	36,907	26,872
Total current assets	<u>6,061,173</u>	<u>5,434,285</u>
Noncurrent assets:		
Noncurrent portion of investments	525,369	299,079
Capital assets, net of depreciation	447,123	473,804
Total noncurrent assets	<u>972,492</u>	<u>772,883</u>
Total assets	<u>7,033,665</u>	<u>6,207,168</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	67,648	64,003
Fees payable to Caring Dental Professionals	222,569	224,953
Accrued vacation	15,152	9,673
Salaries payable	6,129	2,435
Unearned license revenue	1,365,317	1,331,034
Total current liabilities	<u>1,676,815</u>	<u>1,632,098</u>
Deferred inflows of resources:		
Deferred lease liability	<u>454,344</u>	<u>455,124</u>
NET POSITION:		
Unrestricted	4,455,383	3,646,142
Net investment in capital assets	<u>447,123</u>	<u>473,804</u>
Total net position	<u>\$ 4,902,506</u>	<u>\$ 4,119,946</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Dentist fees	\$ 2,071,058	\$ 1,953,087
Dental hygienist fees	758,551	730,005
PA & PLLC fees	76,520	67,535
Anesthesia/sedation fees	66,100	62,900
Other fees	44,375	49,985
Miscellaneous income	72,540	74,915
Total operating revenues	<u>3,089,144</u>	<u>2,938,427</u>
Operating expenses:		
Salaries and benefits	904,489	818,353
Professional fees	609,415	695,636
Board expenses	162,484	155,770
Hearing and investigative expenses	138,567	176,799
Rent and storage	287,549	273,878
Office expenses	10,108	10,306
Postage and printing	44,258	31,458
Computer and website	43,196	55,745
Utilities	5,007	4,625
Insurance	2,845	2,954
Staff travel and education	33,586	30,503
Machine maintenance and rental	14,923	17,340
Dues and subscriptions	26,366	25,079
Bank charges and online fees	76,090	75,503
Office evaluator	13,867	17,448
Purchase of equipment	268	2,350
Depreciation	87,711	60,142
Total operating expenses	<u>2,460,729</u>	<u>2,453,889</u>
Operating income	<u>628,415</u>	<u>484,538</u>
Non-operating revenues (expenses):		
Investment income, net	154,145	41,711
Loss on sale of fixed assets	-	(3,542)
Total non-operating revenues	<u>154,145</u>	<u>38,169</u>
Change in net position	782,560	522,707
Net position - beginning of year	<u>4,119,946</u>	<u>3,597,239</u>
Net position - end of year	<u>\$ 4,902,506</u>	<u>\$ 4,119,946</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,121,043	\$ 3,197,595
Cash payments to employees for services	(895,316)	(834,844)
Cash payments to suppliers for goods and services	(1,024,471)	(1,060,821)
Cash payments for other operating expenses	(451,228)	(483,452)
Net cash provided by operating activities	<u>750,028</u>	<u>818,478</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(61,030)	(30,903)
Deposits on capital assets	-	(9,500)
Net cash used in capital and financing activities	<u>(61,030)</u>	<u>(40,403)</u>
Cash flows from investing activities:		
Purchase of investments	(2,974,839)	(2,838,375)
Sale of investments	2,225,000	2,300,000
Net investment income	97,584	41,711
Net cash used in investing activities	<u>(652,255)</u>	<u>(496,664)</u>
Net increase in cash and cash equivalents	36,743	281,411
Cash and cash equivalents - beginning of year	<u>1,646,666</u>	<u>1,365,255</u>
Cash and cash equivalents - end of year	<u>\$ 1,683,409</u>	<u>\$ 1,646,666</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 628,415	\$ 484,538
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	87,711	60,142
Net increase (decrease) in rent expense related to deferred lease liability	(780)	5,961
Changes in assets and liabilities:		
Other current assets	(10,035)	127
Accounts payable	3,645	25,033
Fees payable to Caring Dental Professionals	(2,384)	42,104
Accrued vacation	5,479	(6,929)
Salaries payable	3,694	(9,562)
Unearned revenues	34,283	217,064
Total adjustments	<u>121,613</u>	<u>333,940</u>
Net cash provided by operating activities	<u>\$ 750,028</u>	<u>\$ 818,478</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 ("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

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*.

Changes in Financial Accounting and Reporting

During 2019, the Board adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued in March 2018 by the Governmental Accounting Standards Board and effective for reporting periods beginning after June 15, 2018. GASB 88 had no effect on the amounts previously reported or disclosed in these financial statements.

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 money market mutual funds and negotiable brokered certificates of deposit with original maturities of more than three months. The certificates of deposit are reported at fair market value and the money market mutual funds are reported at net asset value (NAV).

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 - 7 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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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

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.

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.

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, mutual funds, and certificates of deposit. At December 31, 2019, deposits in financial institutions, with a carrying value of \$6,549,635, consists of cash and investments, as shown on the statements of net position. The investments are certificates of deposit in the amount of \$4,171,901, money market mutual funds in the amount of \$400,000, and cash balances in the amount of \$294,325 held in a money market sweep account until reinvested.

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, 2019, board investments included money market mutual funds totaling \$400,000 which are insured by SIPC. At December 31, 2019, board investments also included certificates of deposits of \$4,171,901 and cash deposits of \$294,325 that are not covered by SIPC, but are instead eligible for FDIC insurance.

The Board has multiple certificates of deposit investments totaling \$4,171,901, individually insured by the Federal Depositary Insurance Corporation (FDIC). The Board also has cash deposits that are insured under the FDIC. At December 31, 2019, the Board had \$1,396,352 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 manages its exposure to declines in fair values by limiting the weighted average maturity of its 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 certificates of deposit, money market mutual funds, and cash balances held in a money market sweep account until reinvested.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at December 31, 2019 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>\$ 4,171,901</u>	14.74 Months	N/A

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

	<u>2019</u>	<u>2018</u>
Carrying amount of deposits with private financial institutions	\$ 1,683,409	\$ 1,646,666
Money market sweep account	294,325	664,493
Investments in negotiable certificates of deposit	4,171,901	3,395,333
Investments in money market mutual funds	400,000	-
Total deposits and investments	<u>\$ 6,549,635</u>	<u>\$ 5,706,492</u>
Current:		
Cash	\$ 1,683,409	\$ 1,646,666
Short-term investments	4,340,857	3,760,747
Noncurrent:		
Investments	525,369	299,079
Total deposits and investments	<u>\$ 6,549,635</u>	<u>\$ 5,706,492</u>

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

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:

2019				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 4,171,901</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,171,901</u></u>	<u><u>\$ -</u></u>
2018				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 3,395,333</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,395,333</u></u>	<u><u>\$ -</u></u>

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 \$294,325 and \$664,493 at December 31, 2019 and 2018, respectively.

In addition, the investment balance on the statement of net position includes money market mutual funds measured at the net asset value (NAV) and therefore not included in the fair value hierarchy. As of December 31, 2019 and 2018, investments measured at the NAV totaled \$400,000 and \$0, respectively.

NOTE 4 - ACCRUED VACATION

	2019	2018
Beginning balance	<u><u>\$ 9,673</u></u>	<u><u>\$ 16,602</u></u>
Increases	<u><u>42,551</u></u>	<u><u>40,800</u></u>
Decreases	<u><u>(37,072)</u></u>	<u><u>(47,729)</u></u>
Ending balance	<u><u>\$ 15,152</u></u>	<u><u>\$ 9,673</u></u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS

Changes in capital assets as of and for the years ended December 31, 2019 and 2018 are as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Capital assets, depreciable:				
Leasehold improvements	\$ 365,493	\$ -	\$ -	\$ 365,493
Equipment	163,193	6,830	(1,452)	168,571
Furniture	197,101	-	-	197,101
Software	60,450	118,700	-	179,150
Vehicles	51,759	-	-	51,759
Deposit on capital asset	64,500	(64,500)	-	-
Total capital assets, depreciable	902,496	61,030	(1,452)	962,074
Less accumulated depreciation:				
Leasehold improvements	(92,381)	(23,906)	-	(116,287)
Equipment	(117,364)	(13,384)	1,452	(129,296)
Furniture	(161,772)	(5,879)	-	(167,651)
Software	(35,175)	(36,781)	-	(71,956)
Vehicles	(22,000)	(7,761)	-	(29,761)
	(428,692)	(87,711)	1,452	(514,951)
Total capital assets, depreciable, net	\$ 473,804	\$ (26,681)	\$ -	\$ 447,123

Depreciation charged to operations totaled \$87,711.

	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

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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 was \$1,365,317 and \$1,331,034 for the years ended December 31, 2019 and 2018, 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 \$38,075 and \$37,487 for 2019 and 2018, respectively. The Board did not utilize forfeitures to reduce matching contributions made during the years ended December 31, 2019 and 2018. Employee contributions to the Plan totaled \$46,983 and \$48,769 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 was \$287,549 and \$273,878, respectively. During the year ended December 31, 2018, the Board entered into two 5-year leases for office equipment.

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>
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
2024	312,723	-	312,723
Thereafter	1,863,965	-	1,863,965
	<u>\$ 3,353,146</u>	<u>\$ 30,385</u>	<u>\$ 3,383,531</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

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NOTE 9 - RELATED PARTY TRANSACTIONS

In May of 1994, the North Carolina State Board of Dental Examiners and the North Carolina Dental Society set up the Caring Dental Professionals (CDP), a committee structured to assist dentists with alcohol or drug dependencies or mental impairments. A fee of \$40 was assessed from each licensed dentist and a fee of \$25 was assessed from each licensed dental hygienist during the 2019 and 2018 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$436,806 and \$404,779 for the years ended December 31, 2019 and 2018, respectively. Fees payable to CDP were \$222,569 and \$224,953 at December 31, 2019 and 2018, 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.

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 29, 2020, 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 \$14,500.