

**NORTH CAROLINA STATE BOARD  
OF DENTAL EXAMINERS**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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

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# **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, 2020. 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 2020, the operating revenues of the Board increased by \$27,739 or 0.90%, due primarily to an increase in dental licensure revenue.

During 2020, the non-operating revenues of the Board decreased by \$109,508, due to a decrease in net investment income this year.

During 2020, the operating expenses of the Board increased by \$110,544 or 4.49%, due primarily to an increase in professional legal expenses, salaries and related benefits offset by a decrease in board and staff travel expenses.

### **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>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 7,277,613	\$ 6,061,173	\$ 5,434,285
Noncurrent assets	40,061	525,369	299,079
Capital assets, net	371,882	447,123	473,804
Total assets	<u>7,689,556</u>	<u>7,033,665</u>	<u>6,207,168</u>
Current liabilities	<u>1,750,149</u>	<u>1,676,815</u>	<u>1,632,098</u>
Deferred inflows of resources	<u>446,654</u>	<u>454,344</u>	<u>455,124</u>
Net position:			
Net investment in capital assets	371,882	447,123	473,804
Unrestricted	5,120,871	4,455,383	3,646,142
Total net position	<u>\$ 5,492,753</u>	<u>\$ 4,902,506</u>	<u>\$ 4,119,946</u>
Operating revenues	\$ 3,116,883	\$ 3,089,144	\$ 2,938,427
Operating expenses	(2,571,273)	(2,460,729)	(2,453,889)
Operating income	545,610	628,415	484,538
Non-operating revenues	44,637	154,145	38,169
Changes in net position	<u>\$ 590,247</u>	<u>\$ 782,560</u>	<u>\$ 522,707</u>

### **Events Affecting Future Operations**

The Board's Investigative Division anticipates up to five investigative matters that will result in formal hearings. The complexity of these cases generally result in increased legal fees. Also, the NC General Assembly is considering news laws to govern "teledentistry" and to allow registered dental hygienists to administer local anesthetics. If passed, the laws would place additional administrative and compliance responsibilities on the Board which would impact staffing and increase personnel costs.

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.

### **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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 12, 2021

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,716,569	\$ 1,683,409
Investments	5,519,878	4,340,857
Other current assets	41,166	36,907
Total current assets	<u>7,277,613</u>	<u>6,061,173</u>
Noncurrent assets:		
Noncurrent portion of investments	40,061	525,369
Capital assets, net of depreciation	371,882	447,123
Total noncurrent assets	<u>411,943</u>	<u>972,492</u>
Total assets	<u>7,689,556</u>	<u>7,033,665</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	57,624	67,648
Fees payable to Caring Dental Professionals	241,319	222,569
Accrued vacation	27,909	15,152
Salaries payable	6,355	6,129
Unearned license revenue	1,416,942	1,365,317
Total current liabilities	<u>1,750,149</u>	<u>1,676,815</u>
Deferred inflows of resources:		
Deferred lease liability	<u>446,654</u>	454,344
<b>NET POSITION:</b>		
Unrestricted	5,120,871	4,455,383
Net investment in capital assets	<u>371,882</u>	<u>447,123</u>
Total net position	<u>\$ 5,492,753</u>	<u>\$ 4,902,506</u>

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Operating revenues:		
Dentist fees	\$ 2,116,361	\$ 2,071,058
Dental hygienist fees	758,988	758,551
PA & PLLC fees	73,015	76,520
Anesthesia/sedation fees	65,000	66,100
Other fees	41,775	44,375
Miscellaneous income	61,744	72,540
Total operating revenues	<b>3,116,883</b>	<b>3,089,144</b>
Operating expenses:		
Salaries and benefits	1,024,507	904,489
Professional fees	707,478	609,415
Board expenses	80,434	162,484
Hearing and investigative expenses	122,275	138,567
Rent and storage	291,881	287,549
Office expenses	12,328	10,108
Postage and printing	38,610	44,258
Computer and website	38,068	43,196
Utilities	7,154	5,007
Insurance	2,830	2,845
Staff travel and education	10,107	33,586
Machine maintenance and rental	16,568	14,923
Dues and subscriptions	31,574	26,366
Bank charges and online fees	78,874	76,090
Office evaluator	8,788	13,867
Purchase of equipment	-	268
Depreciation	99,797	87,711
Total operating expenses	<b>2,571,273</b>	<b>2,460,729</b>
Operating income	<b>545,610</b>	<b>628,415</b>
Non-operating revenues (expenses):		
Investment income, net	44,637	154,145
Total non-operating revenues	<b>44,637</b>	<b>154,145</b>
Change in net position	<b>590,247</b>	<b>782,560</b>
Net position - beginning of year	<b>4,902,506</b>	<b>4,119,946</b>
Net position - end of year	<b>\$ 5,492,753</b>	<b>\$ 4,902,506</b>



**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from fees	\$ 3,187,258	\$ 3,121,043
Cash payments to employees for services	(1,011,524)	(895,316)
Cash payments to suppliers for goods and services	(1,136,890)	(1,024,471)
Cash payments for other operating expenses	(332,052)	(451,228)
Net cash provided by operating activities	<u>706,792</u>	<u>750,028</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(24,556)	(61,030)
Net cash used in capital and financing activities	<u>(24,556)</u>	<u>(61,030)</u>
Cash flows from investing activities:		
Purchase of investments	(2,836,820)	(2,974,839)
Sale of investments	2,100,000	2,225,000
Net investment income	87,744	97,584
Net cash used in investing activities	<u>(649,076)</u>	<u>(652,255)</u>
Net increase in cash and cash equivalents	33,160	36,743
Cash and cash equivalents - beginning of year	<u>1,683,409</u>	<u>1,646,666</u>
Cash and cash equivalents - end of year	<u>\$ 1,716,569</u>	<u>\$ 1,683,409</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 545,610	\$ 628,415
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	99,797	87,711
Net increase (decrease) in rent expense related to deferred lease liability	(7,690)	(780)
Changes in assets and liabilities:		
Other current assets	(4,259)	(10,035)
Accounts payable	(10,024)	3,645
Fees payable to Caring Dental Professionals	18,750	(2,384)
Accrued vacation	12,757	5,479
Salaries payable	226	3,694
Unearned revenues	51,625	34,283
Total adjustments	<u>161,182</u>	<u>121,613</u>
Net cash provided by operating activities	<u>\$ 706,792</u>	<u>\$ 750,028</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 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.

**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.

**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, 2020, deposits in financial institutions, with a carrying value of \$7,276,508, consists of cash and investments, as shown on the statements of net position. The investments are certificates of deposit in the amount of \$4,408,786 and cash balances in the amount of \$1,151,153 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.

The Board has multiple certificates of deposit investments totaling \$4,408,786, individually insured by the Federal Depositary Insurance Corporation (FDIC). The Board also has cash deposits, totaling \$2,867,722, that are insured under the FDIC. At December 31, 2020, the Board had \$1,875,011 of deposits in excess of the FDIC limit.

*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.

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

*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, 2020 for the Board's investments.

Investment Type	Fair Value	<u>Properties of Debt Securities</u>	
		Weighted Average Maturities	Ratings
Other securities:			
Certificates of deposit	<u>\$ 4,408,786</u>	11.33 Months	N/A

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

	<u>2020</u>	<u>2019</u>
Carrying amount of deposits with private financial institutions	<b>\$ 1,716,569</b>	\$ 1,683,409
Money market sweep account	<b>1,151,153</b>	294,325
Investments in negotiable certificates of deposit	<b>4,408,786</b>	4,171,901
Investments in money market mutual funds	-	400,000
Total deposits and investments	<u><b>\$ 7,276,508</b></u>	<u>\$ 6,549,635</u>
Current:		
Cash	<b>\$ 1,716,569</b>	\$ 1,683,409
Short-term investments	<b>5,519,878</b>	4,340,857
Noncurrent:		
Investments	<u><b>40,061</b></u>	525,369
Total deposits and investments	<u><b>\$ 7,276,508</b></u>	<u>\$ 6,549,635</u>

**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.

**NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS****Notes to Financial Statements****NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)**

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>2020</b>				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 4,408,786</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,408,786</u></u>	<u><u>\$ -</u></u>
<b>2019</b>				
	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>

The investment balances on the statements of net position include cash balances of \$1,151,153 and \$294,325, held temporarily in the money market sweep account until reinvestment, and therefore not included in the fair value hierarchy above at December 31, 2020 and 2019, respectively. In addition, the investment balances on the statements 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, 2020 and 2019, investments measured at the NAV totaled \$0 and \$400,000, respectively.

**NOTE 4 - ACCRUED VACATION**

	<b>2020</b>	<b>2019</b>
Beginning balance	<u><u>\$ 15,152</u></u>	<u><u>\$ 9,673</u></u>
Increases	<u><u>45,172</u></u>	<u><u>42,551</u></u>
Decreases	<u><u>(32,415)</u></u>	<u><u>(37,072)</u></u>
Ending balance	<u><u>\$ 27,909</u></u>	<u><u>\$ 15,152</u></u>

**NOTE 5 - CAPITAL ASSETS**

Changes in capital assets as of and for the years ended December 31, 2020 and 2019 are as follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Capital assets, depreciable:				
Leasehold improvements	\$ 365,493	\$ -	\$ -	\$ 365,493
Equipment	168,571	9,956	(41,931)	136,596
Furniture	197,101	-	-	197,101
Software	179,150	14,600	-	193,750
Vehicles	51,759	-	-	51,759
Total capital assets, depreciable	<u><u>962,074</u></u>	<u><u>24,556</u></u>	<u><u>(41,931)</u></u>	<u><u>944,699</u></u>

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

NOTE 5 - CAPITAL ASSETS (Continued)

Changes in capital assets continued:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Less accumulated depreciation:				
Leasehold improvements	\$ (116,287)	\$ (23,906)	\$ -	\$ (140,193)
Equipment	(129,296)	(15,134)	41,931	(102,499)
Furniture	(167,651)	(5,879)	-	(173,530)
Software	(71,956)	(47,117)	-	(119,073)
Vehicles	(29,761)	(7,761)	-	(37,522)
	<u>(514,951)</u>	<u>(99,797)</u>	<u>41,931</u>	<u>(572,817)</u>
Total capital assets, depreciable, net	<u>\$ 447,123</u>	<u>\$ (75,241)</u>	<u>\$ -</u>	<u>\$ 371,882</u>

Depreciation charged to operations totaled \$99,575.

	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	<u>902,496</u>	<u>61,030</u>	<u>(1,452)</u>	<u>962,074</u>
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)
	<u>(428,692)</u>	<u>(87,711)</u>	<u>1,452</u>	<u>(514,951)</u>
Total capital assets, depreciable, net	<u>\$ 473,804</u>	<u>\$ (26,681)</u>	<u>\$ -</u>	<u>\$ 447,123</u>

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 \$1,416,942 and \$1,365,317 for the years ended December 31, 2020 and 2019, respectively.

## NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

### Notes to Financial Statements

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#### 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 \$43,776 and \$38,075 for 2020 and 2019, respectively. The Board did not utilize forfeitures to reduce matching contributions made during the years ended December 31, 2020 and 2019. Employee contributions to the Plan totaled \$47,122 and \$46,983 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 was \$291,881 and \$287,549, 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>
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
2025	320,542	-	320,542
Thereafter	1,543,423	-	1,543,423
	<u>\$ 3,069,834</u>	<u>\$ 21,689</u>	<u>\$ 3,091,523</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 2020 and 2019 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$442,201 and \$436,806 for the years ended December 31, 2020 and 2019, respectively. Fees payable to CDP were \$241,319 and \$222,569 at December 31, 2020 and 2019, respectively.



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

### **Notes to Financial Statements**

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#### **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.

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, which has caused significant economic issues and disruptions to businesses and organizations throughout the world. The extent of the impact of COVID-19 on the Board's financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on the dental industry, all of which are uncertain and cannot be predicted. At this point, the extent of which COVID-19 may impact the Board's financial position, operations and cash flows is uncertain.

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

Management of the Board evaluated subsequent events through April 12, 2021, 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 90 hours at a cost of \$15,200.