

**NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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, 2021. 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 2021, the operating revenues of the Board increased by \$159,562 or 5.12%, due primarily to an increase in dental licensure revenue.

During 2021, the non-operating revenues of the Board decreased by \$43,916, due primarily to an decrease in net investment income this year.

During 2021, the operating expenses of the Board increased by \$39,150 or 1.50%, due primarily to an increase in salaries and related benefits, board expenses, and insurance, offset by a decrease in professional fees.

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 7) present the assets, liabilities, and net position of the Board.

The Statements of Revenues, Expenses, and Changes in Net Position (page 8) present information on how the Board's net position changed as a result of the years' operations.

The Statements of Cash Flows (page 9) 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:

	2021	(Restated) 2020	2019
Current assets	\$ 7,590,712	\$ 7,332,313	\$ 6,061,173
Noncurrent assets	438,786	40,061	525,369
Capital assets, net	361,763	371,882	447,123
Total assets	8,391,261	7,744,256	7,033,665
Current liabilities	1,817,747	1,789,434	1,676,815
Deferred inflows of resources	431,881	446,654	454,344
Net position:			
Net investment in capital assets	361,763	371,882	447,123
Unrestricted	5,779,870	5,136,286	4,455,383
Total net position	\$ 6,141,633	\$ 5,508,168	\$ 4,902,506
Operating revenues	\$ 3,276,445	\$ 3,116,883	\$ 3,089,144
Operating expenses	(2,643,701)	(2,604,551)	(2,460,729)
Operating income	632,744	512,332	628,415
Non-operating revenues	721	44,637	154,145
Changes in net position	\$ 633,465	\$ 556,969	\$ 782,560

Events Affecting Future Operations

A member of the North Carolina General Assembly has asked the Board to revise its General Anesthesia and Sedation Rules after the member's constituent died as a result of receiving moderate sedation in a dental office. The ensuing debate over the level of protections needed to reduce the risk of patient deaths has occupied the Board through its rule-making authority for the past nine months. It will likely take several more months, additional legal expenses, extensive meetings and contacts with various professional associations, and additional meetings with members of the general assembly before this matter reaches a conclusion.

The Board is contemplating reducing renewal fees for retired dentists and dental hygienists. This may result in additional computer programming costs to track the new categories of "retired licensees" and reduced revenue as a number of current licensees opt for these reduced renewal fee options.

A recommendation of the State Auditor's Office in 2015 was for the Board to conduct regular inspections of dental offices offering general anesthesia and sedation services. The inspection program was just beginning when the COVID-19 pandemic severely curtailed the Board's ability to enter offices to conduct inspections. The Board anticipates hiring a full-time temporary inspector to renew these efforts and make up for time lost during the pandemic.

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

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters we identified during the audit.

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, 2021 and 2020, 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 18, 2022

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2021 and 2020

	2021	(Restated) 2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,790,248	\$ 1,716,569
Investments	5,743,413	5,519,878
Other current assets	57,051	95,866
Total current assets	<u>7,590,712</u>	<u>7,332,313</u>
Noncurrent assets:		
Noncurrent portion of investments	438,786	40,061
Capital assets, net of depreciation	361,763	371,882
Total noncurrent assets	<u>800,549</u>	<u>411,943</u>
Total assets	<u>8,391,261</u>	<u>7,744,256</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	60,252	96,909
Fees payable to Caring Dental Professionals	241,209	241,319
Accrued vacation	23,067	27,909
Salaries payable	3,355	6,355
Unearned license revenue	1,489,864	1,416,942
Total current liabilities	<u>1,817,747</u>	<u>1,789,434</u>
Deferred inflows of resources:		
Deferred lease liability	<u>431,881</u>	<u>446,654</u>
NET POSITION:		
Unrestricted	5,779,870	5,136,286
Net investment in capital assets	<u>361,763</u>	<u>371,882</u>
Total net position	<u>\$ 6,141,633</u>	<u>\$ 5,508,168</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	(Restated) 2020
Operating revenues:		
Dentist fees	\$ 2,257,283	\$ 2,116,361
Dental hygienist fees	763,729	758,988
PA & PLLC fees	85,860	73,015
Anesthesia/sedation fees	61,200	65,000
Other fees	43,755	41,775
Miscellaneous income	64,618	61,744
Total operating revenues	<u>3,276,445</u>	<u>3,116,883</u>
Operating expenses:		
Salaries and benefits	1,063,064	1,018,500
Professional fees	640,799	707,478
Board expenses	102,469	80,434
Hearing and investigative expenses	145,416	161,560
Rent and storage	293,484	291,881
Office expenses	15,173	12,328
Postage and printing	35,479	38,610
Computer and website	52,991	38,068
Utilities	6,227	7,154
Insurance	20,931	2,830
Staff travel and education	11,314	10,107
Machine maintenance and rental	16,479	16,568
Dues and subscriptions	33,390	31,574
Bank charges and online fees	90,289	78,874
Office evaluator	13,167	8,788
Depreciation	103,029	99,797
Total operating expenses	<u>2,643,701</u>	<u>2,604,551</u>
Operating income	<u>632,744</u>	<u>512,332</u>
Non-operating revenues (expenses):		
Investment income, net	(1,734)	44,637
Gain on sale of fixed assets	2,455	-
Total non-operating revenues	<u>721</u>	<u>44,637</u>
Change in net position	633,465	556,969
Net position - beginning of year - as originally reported	5,508,168	4,902,506
Restatement of beginning net position	-	48,693
Net position - beginning of year - as restated	<u>5,508,168</u>	<u>4,951,199</u>
Net position - end of year	<u>\$ 6,141,633</u>	<u>\$ 5,508,168</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	(Restated) 2020
Cash flows from operating activities:		
Cash received from fees	\$ 3,349,257	\$ 3,187,258
Cash payments to employees for services	(1,027,255)	(1,011,524)
Cash payments to suppliers for goods and services	(1,098,544)	(1,136,890)
Cash payments for other operating expenses	(435,330)	(332,052)
Net cash provided by operating activities	<u>788,128</u>	<u>706,792</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(90,455)	(24,556)
Net cash used in capital and financing activities	<u>(90,455)</u>	<u>(24,556)</u>
Cash flows from investing activities:		
Purchase of investments	(3,060,086)	(2,836,820)
Sale of investments	2,425,000	2,100,000
Net investment income	11,092	87,744
Net cash used in investing activities	<u>(623,994)</u>	<u>(649,076)</u>
Net increase in cash and cash equivalents	73,679	33,160
Cash and cash equivalents - beginning of year	<u>1,716,569</u>	<u>1,683,409</u>
Cash and cash equivalents - end of year	<u>\$ 1,790,248</u>	<u>\$ 1,716,569</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 632,744	\$ 512,332
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	103,029	99,797
Net increase (decrease) in rent expense related to deferred lease liability	(14,773)	(7,690)
Changes in assets and liabilities:		
Other current assets	38,815	(10,266)
Accounts payable	(36,657)	29,261
Fees payable to Caring Dental Professionals	(110)	18,750
Accrued vacation	(4,842)	12,757
Salaries payable	(3,000)	226
Unearned license revenues	72,922	51,625
Total adjustments	<u>155,384</u>	<u>194,460</u>
Net cash provided by operating activities	<u>\$ 788,128</u>	<u>\$ 706,792</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 *Annual Comprehensive Financial Report* ("ACFR"). 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*.

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

Investments include negotiable brokered certificates of deposit with original maturities of more than three months and money market funds held temporarily in a brokerage sweep account until reinvestment. The certificates of deposit are reported at fair market value.

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

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, and certificates of deposit. At December 31, 2021, deposits in financial institutions, with a carrying value of \$7,972,447, consists of cash and investments, as shown on the statements of net position. The investments are certificates of deposit in the amount of \$5,475,960 and cash balances in the amount of \$706,239 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 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 \$5,475,960, individually insured by the Federal Depositary Insurance Corporation (FDIC). The Board also has cash deposits, totaling \$2,496,487, which are insured under the FDIC. At December 31, 2021, the Board had \$1,418,892 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 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, 2021 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>\$ 5,475,960</u>	10.7	N/A

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

	<u>2021</u>	<u>2020</u>
Carrying amount of deposits with private financial institutions	\$ 1,790,248	\$ 1,716,569
Money market sweep account	706,239	1,151,153
Investments in negotiable certificates of deposit	5,475,960	4,408,786
Total deposits and investments	<u>\$ 7,972,447</u>	<u>\$ 7,276,508</u>
Current:		
Cash	\$ 1,790,248	\$ 1,716,569
Short-term investments	5,743,413	5,519,878
Noncurrent:		
Investments	438,786	40,061
Total deposits and investments	<u>\$ 7,972,447</u>	<u>\$ 7,276,508</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:

2021				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 5,475,960</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,475,960</u></u>	<u><u>\$ -</u></u>
2020				
	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>

The investment balances on the statements of net position include cash balances of \$706,239 and \$1,151,153, held temporarily in the money market sweep account until reinvestment, and therefore not included in the fair value hierarchy above at December 31, 2021 and 2020, respectively.

NOTE 4 - ACCRUED VACATION

	2021	2020
Beginning balance	<u><u>\$ 27,909</u></u>	<u><u>\$ 15,152</u></u>
Increases	<u><u>47,152</u></u>	<u><u>45,172</u></u>
Decreases	<u><u>(51,994)</u></u>	<u><u>(32,415)</u></u>
Ending balance	<u><u>\$ 23,067</u></u>	<u><u>\$ 27,909</u></u>

NOTE 5 - CAPITAL ASSETS

Changes in capital assets as of and for the years ended December 31, 2021 and 2020 are as follows:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Capital assets, depreciable:				
Leasehold improvements	\$ 365,493	\$ -	\$ -	\$ 365,493
Equipment	136,596	7,539	-	144,135
Furniture	197,101	-	-	197,101
Software	193,750	60,250	-	254,000
Vehicles	51,759	31,166	(25,906)	57,019
Total capital assets, depreciable	<u><u>944,699</u></u>	<u><u>98,955</u></u>	<u><u>(25,906)</u></u>	<u><u>1,017,748</u></u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

Changes in capital assets continued:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Less accumulated depreciation:				
Leasehold improvements	\$ (140,193)	\$ (23,907)	\$ -	\$ (164,100)
Equipment	(102,499)	(14,581)	-	(117,080)
Furniture	(173,530)	(5,879)	-	(179,409)
Software	(119,073)	(50,294)	-	(169,367)
Vehicles	(37,522)	(8,368)	19,861	(26,029)
	<u>(572,817)</u>	<u>(103,029)</u>	<u>19,861</u>	<u>(655,985)</u>
Total capital assets, depreciable, net	<u>\$ 371,882</u>	<u>\$ (4,074)</u>	<u>\$ (6,045)</u>	<u>\$ 361,763</u>

Depreciation charged to operations totaled \$103,029.

	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>962,074</u>	<u>24,556</u>	<u>(41,931)</u>	<u>944,699</u>
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 \$99,797.

NOTE 6 - UNEARNED LICENSE REVENUE

The Board defers revenue recognition in connection with resources 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 \$1,489,864 and \$1,416,942 for the years ended December 31, 2021 and 2020, respectively.

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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 \$43,651 and \$43,776 for 2021 and 2020, respectively. The Board utilized forfeitures to reduce matching contributions made during the years totaling \$43,651 and \$0 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Board's forfeiture fund balance, included in other current assets on the accompanying statements of net position, is \$11,049 and \$54,700, respectively. Employee contributions to the Plan totaled \$49,490 and \$47,122 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 was \$293,484 and \$291,881, 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>
2022	\$ 297,655	\$ 8,696	\$ 306,351
2023	305,096	4,297	309,393
2024	312,723	-	312,723
2025	320,542	-	320,542
2026	328,555	-	328,555
Thereafter	1,214,868	-	1,214,868
	<u>\$ 2,779,439</u>	<u>\$ 12,993</u>	<u>\$ 2,792,432</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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 2021 and 2020 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$456,464 and \$442,201 for the years ended December 31, 2021 and 2020, respectively. Fees payable to CDP were \$241,209 and \$241,319 at December 31, 2021 and 2020, 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 - COMMITMENTS

In July 2021, the Board entered into a contract with Avcon for the purchase of updated audio-visual systems. The total contract amount is \$65,246 payable in the following installments: \$6,525 upon approval, \$29,360 upon ordering, \$22,836 upon delivery, and \$6,525 upon completion. As of the year ended December 31, 2021, the Board had paid \$6,525 upon approval of the contract. The Board anticipates completion of the project in 2022.

NOTE 12 - 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.

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

NOTE 13 - RESTATEMENT

Due to an extended delay in receipt of an invoice related to a multi-year hearing and investigative case, management discovered accounts payable was understated for the year ended December 31, 2020. In addition, due to notification by the Board's retirement plan vendor, management was made aware of previously unused retirement contribution forfeitures. These forfeitures resulted in salaries and benefits being understated in previous years. Accordingly, management has restated its results as of and for the year ended December 31, 2020, for the effect of these accounting errors reflected in the prior year's financial statements. The effect of the changes as of and for the year ended December 31, 2020 are as follows:

	As Originally Reported	As Adjusted	Effect of Change
Accounts payable	\$ 57,624	\$ 96,909	\$ 39,285
Hearing and investigative expenses	\$ 122,275	\$ 161,560	\$ 39,285
Other current assets	\$ 41,166	\$ 95,866	\$ 54,700
Salaries and benefits	\$ 1,024,507	\$ 1,018,500	\$ (6,007)
Unrestricted net position - beginning of year	\$ 4,902,506	\$ 4,951,199	\$ 48,693

NOTE 14 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 18, 2022, 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 \$16,000.