

**NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022



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, 2023. 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 2023, the operating revenues of the Board increased by \$874 or 0.03%.

During 2023, the non-operating revenues of the Board increased by \$309,980, due primarily to an increase in net investment income this year.

During 2023, the operating expenses of the Board increased by \$258,998 or 9.12%, due primarily to increases in salaries and related benefits and legal 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 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:

	2023	2022	(Restated) 2021
Current assets	\$ 8,110,288	\$ 6,008,457	\$ 7,590,712
Noncurrent assets	1,385,298	2,784,206	438,786
Capital assets, net	2,012,412	2,270,989	2,532,291
Total assets	11,507,998	11,063,652	10,561,789
Current liabilities	2,148,612	2,155,957	2,034,913
Noncurrent liabilities	1,641,740	1,850,170	2,077,616
Net position:			
Net investment in capital assets	125,157	193,373	237,509
Unrestricted	7,592,489	6,864,152	6,211,751
Total net position	\$ 7,717,646	\$ 7,057,525	\$ 6,449,260
Operating revenues	\$ 3,437,121	\$ 3,436,247	\$ 3,276,445
Operating expenses	(3,097,536)	(2,838,538)	(2,717,518)
Operating income	339,585	597,709	558,927
Non-operating revenues	320,536	10,556	721
Changes in net position	\$ 660,121	\$ 608,265	\$ 559,648

Events Affecting Future Operations

The issue of the NC General Assembly voting to join a Dentist and Dental Hygiene Compact remains a very real possibility in either the 2024 or 2025 legislative sessions. However, there are now two compacts available for legislative review. One being presented is a product of the American Association of Dental Boards (AADB), the other is championed by the Council of State Governments (CSG). The Dental Board has gone on record in support of the AADB Compact in part because the cost of creating and maintaining the Compact is born by those applicants who apply to the Compact Commission for a Compact License. There would be no cost to the Dental Board. On the other hand, the CSG Compact Commission may levy and collect an annual assessment from each member state and impose fees on individual dentists and dental hygienists in amounts sufficient to cover its annual budget. The amount of such an assessment is unknown and there is no limitation on the amount that can be assessed. Should the NC General Assembly vote to join the CSG Compact, this unknown assessment could impact the Board's budget.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Management's Discussion and Analysis

The Board has noticed an increase in the number of cases involving the unauthorized/unlicensed practice of dentistry. Within the past year the Board has been successful in filing for injunctive relief on at least eight occasions. While grateful for the court's remedy, a continued increase in these cases and possible appeals from defendants could increase the legal fees the Board must pay to ensure public protection.

The Board's proposed rules on General Anesthesia and Sedation received 10 objections after being approved by the Rule Review Commission. Therefore, these rules will be subject to legislative review in the 2024 session. Should the General Assembly add statutory requirements for increased inspection, evaluation, investigation, and reporting, the Board would have to adjust personnel and funding to accommodate.

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, 2023 and 2022, 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 basic 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, 2023 and 2022, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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, including omissions, 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, 2023 and 2022, 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.

Required Supplementary Information (Continued)

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 10, 2024

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,776,047	\$ 1,750,101
Investments	6,279,576	4,231,863
Other current assets	54,665	26,493
Total current assets	<u>8,110,288</u>	<u>6,008,457</u>
Noncurrent assets:		
Noncurrent portion of investments	1,385,298	2,784,206
Capital assets, net of depreciation	325,461	362,603
Right-to-use leased assets, net of amortization	1,686,951	1,908,386
Total noncurrent assets	<u>3,397,710</u>	<u>5,055,195</u>
Total assets	<u>11,507,998</u>	<u>11,063,652</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 63,917	\$ 115,924
Fees payable to Caring Dental Professionals	258,614	255,029
Accrued vacation	22,369	21,214
Salaries payable	-	4,219
Unearned license revenue	1,558,197	1,532,125
Lease liabilities, current portion	245,515	227,446
Total current liabilities	<u>2,148,612</u>	<u>2,155,957</u>
Noncurrent liabilities:		
Lease liabilities	<u>1,641,740</u>	<u>1,850,170</u>
Total liabilities	<u>3,790,352</u>	<u>4,006,127</u>
NET POSITION:		
Unrestricted	7,592,489	6,864,152
Net investment in capital assets	<u>125,157</u>	<u>193,373</u>
Total net position	<u>\$ 7,717,646</u>	<u>\$ 7,057,525</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Dentist fees	\$ 2,395,173	\$ 2,385,020
Dental hygienist fees	770,879	790,689
PA & PLLC fees	94,270	88,090
Anesthesia/sedation fees	62,000	61,500
Other fees	43,410	46,140
Miscellaneous income	71,389	64,808
Total operating revenues	<u>3,437,121</u>	<u>3,436,247</u>
Operating expenses:		
Salaries and benefits	1,346,838	1,156,219
Professional fees	661,527	588,738
Board expenses	154,569	152,377
Hearing and investigative expenses	160,140	144,472
Office expenses	19,836	16,950
Postage and printing	51,090	37,078
Computer and website	47,508	48,121
Utilities	2,130	5,358
Insurance	15,925	25,379
Staff travel and education	31,935	38,388
Machine maintenance and rental	47,970	50,865
Dues and subscriptions	43,988	36,671
Bank charges and online fees	89,582	100,776
Office evaluator	14,324	12,694
Purchase of equipment	1,808	1,220
Depreciation	80,002	89,696
Lease amortization expense	262,640	262,142
Interest expense on lease liabilities	65,724	71,394
Total operating expenses	<u>3,097,536</u>	<u>2,838,538</u>
Operating income	<u>339,585</u>	<u>597,709</u>
Non-operating revenues (expenses):		
Investment income, net	321,840	11,240
Gain (loss) on sale of fixed assets	(1,304)	(684)
Total non-operating revenues	<u>320,536</u>	<u>10,556</u>
Change in net position	<u>660,121</u>	<u>608,265</u>
Net position - beginning of year	<u>7,057,525</u>	<u>6,449,260</u>
Net position - end of year	<u>\$ 7,717,646</u>	<u>\$ 7,057,525</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from fees	\$ 3,466,778	\$ 3,492,328
Cash payments to employees for services	(1,349,902)	(1,113,557)
Cash payments to suppliers for goods and services	(926,165)	(769,195)
Cash payments for other operating expenses	(496,346)	(447,313)
Net cash provided by operating activities	694,365	1,162,263
Cash flows from capital and financing activities:		
Acquisition of capital assets, net of insurance proceeds	(44,164)	(91,220)
Payments on lease liabilities	(297,290)	(288,560)
Net cash used in capital and financing activities	(341,454)	(379,780)
Cash flows from investing activities:		
Purchase of investments	(3,350,102)	(2,931,366)
Sale of investments	2,800,000	2,075,000
Net investment income	223,137	33,736
Net cash used in investing activities	(326,965)	(822,630)
Net increase (decrease) in cash and cash equivalents	25,946	(40,147)
Cash and cash equivalents - beginning of year	1,750,101	1,790,248
Cash and cash equivalents - end of year	\$ 1,776,047	\$ 1,750,101
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 339,585	\$ 597,709
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	80,002	89,696
Lease amortization and interest	328,364	333,536
Changes in assets and liabilities:		
Other current assets	(28,172)	30,558
Accounts payable	(52,007)	55,672
Fees payable to Caring Dental Professionals	3,585	13,820
Accrued vacation	1,155	(1,853)
Salaries payable	(4,219)	864
Unearned license revenues	26,072	42,261
Total adjustments	354,780	564,554
Net cash provided by operating activities	\$ 694,365	\$ 1,162,263

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.

Right-To-Use Leased Assets and Lease Liabilities

Leases that provide the Board the right to use an asset for a period of more than one year are considered a capital asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized on a straight-line basis over the term of the lease(s).

Lease liabilities represent the Board's financial obligation to make lease payments during the term of the lease and are measured at the present value of future lease payments.

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, and certificates of deposit. At December 31, 2023, deposits in financial institutions, with a carrying value of \$9,440,921, consists of cash and investments, as shown on the statements of net position. The investments consist of certificates of deposit in the amount of \$6,632,299 and cash balances in the amount of \$1,032,575 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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Board has multiple certificates of deposit investments totaling \$6,632,299, individually insured by the Federal Depository Insurance Corporation (FDIC). At December 31, 2023 the Board had cash deposits with a bank balance totaling \$2,618,391, of which \$1,433,774 was 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.

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, 2023 for the Board's investments.

Investment Type	Fair Value	Properties of Debt Securities	
		Weighted Average Maturities	Ratings
Other securities:			
Certificates of deposit	<u>\$ 6,632,299</u>	19.84	N/A

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

	2023	2022
Carrying amount of deposits with private financial institutions	<u>\$ 1,776,047</u>	\$ 1,750,101
Money market sweep account	<u>1,032,575</u>	567,948
Investments in negotiable certificates of deposit	<u>6,632,299</u>	6,448,121
Total deposits and investments	<u>\$ 9,440,921</u>	<u>\$ 8,766,170</u>
Current:		
Cash	<u>\$ 1,776,047</u>	\$ 1,750,101
Short-term investments	<u>6,279,576</u>	4,231,863
Noncurrent:		
Investments	<u>1,385,298</u>	2,784,206
Total deposits and investments	<u>\$ 9,440,921</u>	<u>\$ 8,766,170</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:

2023				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 6,632,299</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,632,299</u></u>	<u><u>\$ -</u></u>
2022				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 6,448,121</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,448,121</u></u>	<u><u>\$ -</u></u>

The investment balances on the statements of net position include cash balances of \$1,032,575 and \$567,948, held temporarily in the money market sweep account until reinvestment, and therefore not included in the fair value hierarchy above at December 31, 2023 and 2022, respectively.

NOTE 4 - ACCRUED VACATION

	2023	2022
Beginning balance	<u><u>\$ 21,214</u></u>	<u><u>\$ 23,067</u></u>
Increases	<u><u>59,215</u></u>	<u><u>49,958</u></u>
Decreases	<u><u>(58,060)</u></u>	<u><u>(51,811)</u></u>
Ending balance	<u><u>\$ 22,369</u></u>	<u><u>\$ 21,214</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, 2023 and 2022 are as follows:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Capital assets, depreciable:				
Leasehold improvements	\$ 364,713	\$ -	\$ -	\$ 364,713
Equipment	164,716	38,427	-	203,143
Furniture	241,717	-	-	241,717
Software	254,000	-	-	254,000
Vehicles	57,019	38,000	(38,000)	57,019
Total capital assets, depreciable	<u>1,082,165</u>	<u>76,427</u>	<u>(38,000)</u>	<u>1,120,592</u>
Less accumulated depreciation:				
Leasehold improvements	(186,068)	(19,780)	-	(205,848)
Equipment	(105,837)	(19,449)	-	(125,286)
Furniture	(186,134)	(6,373)	-	(192,507)
Software	(208,399)	(23,733)	-	(232,132)
Vehicles	(33,124)	(10,667)	4,433	(39,358)
	<u>(719,562)</u>	<u>(80,002)</u>	<u>4,433</u>	<u>(795,131)</u>
Total capital assets, depreciable, net	<u>\$ 362,603</u>	<u>\$ (3,575)</u>	<u>\$ (33,567)</u>	<u>\$ 325,461</u>

Depreciation charged to operations totaled \$80,002.

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets, depreciable:				
Leasehold improvements	\$ 365,493	\$ -	\$ (780)	\$ 364,713
Equipment	144,135	46,604	(26,023)	164,716
Furniture	197,101	44,616	-	241,717
Software	254,000	-	-	254,000
Vehicles	57,019	-	-	57,019
Total capital assets, depreciable	<u>1,017,748</u>	<u>91,220</u>	<u>(26,803)</u>	<u>1,082,165</u>
Less accumulated depreciation:				
Leasehold improvements	(164,100)	(22,748)	780	(186,068)
Equipment	(117,080)	(14,096)	25,339	(105,837)
Furniture	(179,409)	(6,725)	-	(186,134)
Software	(169,367)	(39,032)	-	(208,399)
Vehicles	(26,029)	(7,095)	-	(33,124)
	<u>(655,985)</u>	<u>(89,696)</u>	<u>26,119</u>	<u>(719,562)</u>
Total capital assets, depreciable, net	<u>\$ 361,763</u>	<u>\$ 1,524</u>	<u>\$ (684)</u>	<u>\$ 362,603</u>

Depreciation charged to operations totaled \$89,696.

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 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 \$1,558,197 and \$1,532,125 for the years ended December 31, 2023 and 2022, 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 \$59,233 and \$46,128 for 2023 and 2022, respectively. The Board utilized forfeitures to reduce matching contributions made during the years totaling \$0 and \$11,049 for the years ended December 31, 2023 and 2022, respectively. Employee contributions to the Plan totaled \$56,210 and \$54,493 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

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. Also, during the year ended December 31, 2018, the Board entered into two 5-year leases for office equipment.

Lease expense was comprised of the following:

	<u>2023</u>	<u>2022</u>
Amortization expense by class of underlying asset:		
Office space	\$ 253,910	\$ 253,910
Equipment	<u>8,730</u>	<u>8,232</u>
	262,640	262,142
Interest on lease liabilities	<u>65,724</u>	<u>71,394</u>
Total lease expense	<u>\$ 328,364</u>	<u>\$ 333,536</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS**Notes to Financial Statements****NOTE 8 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)**

Right-to-use leased assets activity:

	<u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>
Office building	\$ 2,666,057	\$ -	\$ -	\$ 2,666,057
Equipment	28,755	41,205	(28,755)	41,205
Less: Accumulated amortization	(786,426)	(262,640)	28,755	(1,020,311)
Right-to-use assets, net	<u>\$ 1,908,386</u>	<u>\$ (221,435)</u>	<u>\$ -</u>	<u>\$ 1,686,951</u>
	<u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Office space	\$ 2,666,057	\$ -	\$ -	\$ 2,666,057
Equipment	28,755	-	-	28,755
Less: Accumulated amortization	(524,284)	(262,142)	-	(786,426)
Right-to-use assets, net	<u>\$ 2,170,528</u>	<u>\$ (262,142)</u>	<u>\$ -</u>	<u>\$ 1,908,386</u>
	<u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>
Total lease liabilities	<u>\$ 2,077,616</u>	<u>\$ 41,205</u>	<u>\$ (231,566)</u>	<u>\$ 1,887,255</u>
	<u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Total lease liabilities	<u>\$ 2,294,782</u>	<u>\$ -</u>	<u>\$ (217,166)</u>	<u>\$ 2,077,616</u>

Under the current leases, future minimum rent payments are as follows:

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 245,515	\$ 59,459	\$ 304,974
2025	261,936	50,855	312,791
2026	279,132	41,673	320,805
2027	297,135	31,884	329,019
2028	310,172	21,580	331,752
Thereafter	493,365	12,862	506,227
	<u>\$ 1,887,255</u>	<u>\$ 218,313</u>	<u>\$ 2,105,568</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 2023 and 2022 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$482,003 and \$475,860 for the years ended December 31, 2023 and 2022, respectively. Fees payable to CDP were \$258,614 and \$255,029 at December 31, 2023 and 2022, respectively.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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 January 2024, the Board entered into a five year contract with ThoughSpan Technology, LLC for the development of new database software and related support and maintenance. The total contract amount of \$575,000 is payable in annual installments of \$115,000. The first annual installment payment of \$115,000 was made in January 2024 upon execution of the contract.

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.

NOTE 13 - RECLASSIFICATION

Certain amounts in the prior year statement of cash flows were reclassified to conform to the current year presentation.

NOTE 14 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 10, 2024, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed other than discussed in Note 12 above.

The audit was conducted in approximately 100 hours at a cost of \$18,300.