

**NORTH CAROLINA STATE BOARD
OF DENTAL EXAMINERS**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023



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, 2024. 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 2024, the operating revenues of the Board increased by \$116,495 or 3.39%.

During 2024, the non-operating revenues of the Board increased by \$54,609, due primarily to an increase in net investment income this year.

During 2024, the operating expenses of the Board increased by \$16,385 or 0.53%.

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.

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:

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

Basic Financial Statements (Continued)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 7,318,252	\$ 8,110,288	\$ 6,008,457
Noncurrent assets	3,047,070	1,385,298	2,784,206
Capital assets, net	<u>2,156,103</u>	<u>2,012,412</u>	<u>2,270,989</u>
Total assets	<u>12,521,425</u>	<u>11,507,998</u>	<u>11,063,652</u>
Current liabilities	<u>2,289,695</u>	<u>2,148,612</u>	<u>2,155,957</u>
Noncurrent liabilities	<u>1,699,244</u>	<u>1,641,740</u>	<u>1,850,170</u>
Net position:			
Net investment in capital assets	96,430	125,157	193,373
Unrestricted	<u>8,436,056</u>	<u>7,592,489</u>	<u>6,864,152</u>
Total net position	<u>\$ 8,532,486</u>	<u>\$ 7,717,646</u>	<u>\$ 7,057,525</u>
Operating revenues	\$ 3,553,616	\$ 3,437,121	\$ 3,436,247
Operating expenses	<u>(3,113,921)</u>	<u>(3,097,536)</u>	<u>(2,838,538)</u>
Operating income	439,695	339,585	597,709
Non-operating revenues	<u>375,145</u>	<u>320,536</u>	<u>10,556</u>
Changes in net position	<u>\$ 814,840</u>	<u>\$ 660,121</u>	<u>\$ 608,265</u>

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 the 2025 legislative session. There are two different compacts currently being considered by state legislators. One, a product of the American Association of Dental Board - and favored by the NC State Board of Dental Examiners – would add no additional costs to the Board's budget. All costs associated with creating and maintaining the compact would be born by those applicants who apply for an expedited compact license. On the other hand, a compact created by the Council of State Governments, if adopted by the General Assembly could have a significant budgetary impact. The CSG compact allows the compact commission to levy and collect an annual assessment from each member state in an amount sufficient to cover the creation and maintenance of the compact. The amount of such an assessment is unknown and there is no limitation on the amount that can be assessed.

Also, an appeal has been filed in a case where the Board obtained injunction relief against the unauthorized practice of dentistry. Since the case raised issues associated with an earlier case involving the Federal Trade Commission, the Board has employed attorneys who specialize in these issues. The cost of defending this appeal could be significant.

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 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, 2024 and 2023, 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 accompanying 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, 2024 and 2023, 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, 2024 and 2023, 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 9, 2025

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,739,648	\$ 1,776,047
Investments	5,525,830	6,279,576
Other current assets	<u>52,774</u>	<u>54,665</u>
Total current assets	<u>7,318,252</u>	<u>8,110,288</u>
Noncurrent assets:		
Noncurrent portion of investments	3,047,070	1,385,298
Capital assets, net of depreciation	304,956	325,461
Right-to-use leased assets, net of amortization	<u>1,851,147</u>	<u>1,686,951</u>
Total noncurrent assets	<u>5,203,173</u>	<u>3,397,710</u>
Total assets	<u>12,521,425</u>	<u>11,507,998</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	70,101	63,917
Fees payable to Caring Dental Professionals	263,789	258,614
Accrued vacation	30,069	22,369
Unearned license revenue	1,565,307	1,558,197
Lease liabilities, current portion	<u>360,429</u>	<u>245,515</u>
Total current liabilities	<u>2,289,695</u>	<u>2,148,612</u>
Noncurrent liabilities:		
Lease liabilities	<u>1,699,244</u>	<u>1,641,740</u>
Total liabilities	<u>3,988,939</u>	<u>3,790,352</u>
NET POSITION:		
Unrestricted	8,436,056	7,592,489
Net investment in capital assets	<u>96,430</u>	<u>125,157</u>
Total net position	<u>\$ 8,532,486</u>	<u>\$ 7,717,646</u>

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Dentist fees	\$ 2,440,769	\$ 2,395,173
Dental hygienist fees	811,559	770,879
PA & PLLC fees	96,230	94,270
Anesthesia/sedation fees	64,700	62,000
Other fees	48,955	43,410
Miscellaneous income	91,403	71,389
Total operating revenues	3,553,616	3,437,121
Operating expenses:		
Salaries and benefits	1,353,619	1,346,838
Professional fees	584,487	661,527
Board expenses	139,063	154,569
Hearing and investigative expenses	143,311	160,140
Office expenses	13,418	19,836
Postage and printing	35,206	51,090
Computer and website	31,367	47,508
Utilities	1,966	2,130
Insurance	27,840	15,925
Staff travel and education	26,055	31,935
Machine maintenance and rental	79,351	47,970
Dues and subscriptions	44,503	43,988
Bank charges and online fees	95,750	89,582
Office evaluator	11,292	14,324
Purchase of equipment	415	1,808
Depreciation	81,575	80,002
Lease amortization expense	368,737	262,640
Interest expense on lease liabilities	75,966	65,724
Total operating expenses	3,113,921	3,097,536
Operating income	439,695	339,585
Non-operating revenues (expenses):		
Investment income, net	375,145	321,840
Gain (loss) on sale of fixed assets	-	(1,304)
Total non-operating revenues	375,145	320,536
Change in net position	814,840	660,121
Net position - beginning of year	7,717,646	7,057,525
Net position - end of year	\$ 8,532,486	\$ 7,717,646

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from fees	\$ 3,565,901	\$ 3,466,778
Cash payments to employees for services	(1,345,919)	(1,349,902)
Cash payments to suppliers for goods and services	(765,560)	(926,165)
Cash payments for other operating expenses	(460,389)	(496,346)
Net cash provided by operating activities	<u>994,033</u>	<u>694,365</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets, net of insurance proceeds	(61,070)	(44,164)
Payments on lease liabilities	(436,948)	(297,290)
Net cash used in capital and financing activities	<u>(498,018)</u>	<u>(341,454)</u>
Cash flows from investing activities:		
Purchase of investments	(3,105,269)	(3,350,102)
Sale of investments	2,250,000	2,800,000
Net investment income	322,855	223,137
Net cash used in investing activities	<u>(532,414)</u>	<u>(326,965)</u>
Net increase (decrease) in cash and cash equivalents	(36,399)	25,946
Cash and cash equivalents - beginning of year	<u>1,776,047</u>	<u>1,750,101</u>
Cash and cash equivalents - end of year	<u>\$ 1,739,648</u>	<u>\$ 1,776,047</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 439,695	\$ 339,585
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	81,575	80,002
Lease amortization and interest	444,703	328,364
Changes in assets and liabilities:		
Other current assets	1,891	(28,172)
Accounts payable	6,184	(52,007)
Fees payable to Caring Dental Professionals	5,175	3,585
Accrued vacation	7,700	1,155
Salaries payable	-	(4,219)
Unearned license revenues	7,110	26,072
Total adjustments	<u>554,338</u>	<u>354,780</u>
Net cash provided by operating activities	<u>\$ 994,033</u>	<u>\$ 694,365</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*.

Adoption of New Accounting Standard

On January 1, 2024, the Board adopted the requirements of GASB Statement 101 *Compensated Absences*. This Statement revises the accounting requirements related to recognition of compensated absences. The Board does not expect Statement 101 to have a significant impact on its financial condition or results of operations on an ongoing basis.

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.

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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

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

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.

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, 2024, deposits in financial institutions, with a carrying value of \$10,312,548, consists of cash and investments, as shown on the statements of net position. The investments consist of certificates of deposit in the amount of \$8,071,931 and cash balances in the amount of \$500,969 held in a money market sweep account until reinvested.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 \$8,071,931, individually insured by the Federal Depository Insurance Corporation (FDIC). At December 31, 2024 the Board had cash deposits with a bank balance totaling \$2,123,527, of which \$1,873,527 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, 2024 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>\$ 8,071,931</u>	18.67	N/A

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

	<u>2024</u>	<u>2023</u>
Carrying amount of deposits with private financial institutions	\$ 1,739,648	\$ 1,750,101
Money market sweep account	500,969	1,032,575
Investments in negotiable certificates of deposit	8,071,931	6,632,299
Total deposits and investments	<u>\$ 10,312,548</u>	<u>\$ 9,414,975</u>
Current:		
Cash	\$ 1,739,648	\$ 1,776,047
Short-term investments	5,525,830	6,279,576
Noncurrent:		
Investments	3,047,070	1,385,298
Total deposits and investments	<u>\$ 10,312,548</u>	<u>\$ 9,440,921</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:

2024				
	Total Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u><u>\$ 8,071,931</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,071,931</u></u>	<u><u>\$ -</u></u>
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>

The investment balances on the statements of net position include cash balances of \$500,969 and \$1,032,576 held temporarily in the money market sweep account until reinvestment, and therefore not included in the fair value hierarchy above at December 31, 2024 and 2023, respectively.

NOTE 4 - ACCRUED VACATION

	2024	2023
Beginning balance	<u><u>\$ 22,369</u></u>	<u><u>\$ 21,214</u></u>
Increases	<u><u>67,011</u></u>	<u><u>59,215</u></u>
Decreases	<u><u>(59,311)</u></u>	<u><u>(58,060)</u></u>
Ending balance	<u><u>\$ 30,069</u></u>	<u><u>\$ 22,369</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, 2024 and 2023 are as follows:

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Capital assets, depreciable:				
Leasehold improvements	\$ 364,713	\$ -	\$ -	\$ 364,713
Equipment	203,143	13,072	(1,775)	214,440
Furniture	241,717	-	-	241,717
Software	254,000	10,998	-	264,998
Vehicles	57,019	37,000	-	94,019
Total capital assets, depreciable	<u>1,120,592</u>	<u>61,070</u>	<u>(1,775)</u>	<u>1,179,887</u>
Less accumulated depreciation:				
Leasehold improvements	(205,848)	(19,155)	-	(225,003)
Equipment	(125,286)	(22,168)	1,775	(145,679)
Furniture	(192,507)	(6,374)	-	(198,881)
Software	(232,132)	(20,861)	-	(252,993)
Vehicles	(39,358)	(13,017)	-	(52,375)
	<u>(795,131)</u>	<u>(81,575)</u>	<u>1,775</u>	<u>(874,931)</u>
Total capital assets, depreciable, net	<u>\$ 325,461</u>	<u>\$ (20,505)</u>	<u>\$ -</u>	<u>\$ 304,956</u>

Depreciation charged to operations totaled \$81,575.

	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.

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 \$1,565,307 and \$1,558,197 for the years ended December 31, 2024 and 2023, respectively.

NOTE 7 - 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 2024 and 2023 annual license renewal process and these funds were used to operate the Caring Dental Professionals' program. Amounts paid to CDP totaled \$493,788 and \$482,003 for the years ended December 31, 2024 and 2023, respectively. Fees payable to CDP were \$263,789 and \$258,614 at December 31, 2024 and 2023, respectively.

NOTE 8 - 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 \$53,542 and \$59,233 for 2024 and 2023, respectively. The Board utilized forfeitures to reduce matching contributions made during the years totaling \$0 and \$0 for the years ended December 31, 2024 and 2023, respectively. Employee contributions to the Plan totaled \$61,478 and \$56,210 for the years ended December 31, 2024 and 2023, respectively.

NOTE 9 - 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.

NORTH CAROLINA STATE BOARD OF DENTAL EXAMINERS

Notes to Financial Statements

NOTE 9 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

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.

Lease expense was comprised of the following:

	2024	2023
Amortization expense by class of underlying asset:		
Office space	\$ 253,910	\$ 253,910
Equipment	8,241	8,730
Software	106,586	-
	368,737	262,640
Interest on lease liabilities	75,966	65,724
Total lease expense	\$ 444,703	\$ 328,364

Right-to-use leased assets activity:

	1/1/2024	Additions	Deletions	12/31/2024
Office space	\$ 2,666,057	\$ -	\$ -	\$ 2,666,057
Equipment	41,205	-	-	41,205
Software	-	532,933	-	532,933
Less: Accumulated amortization:				-
Leased assets	(1,020,311)	(262,151)	-	(1,282,462)
Software assets	-	(106,586)	-	(106,586)
Right-to-use assets, net	\$ 1,686,951	\$ 164,196	\$ -	\$ 1,851,147

	1/1/2023	Additions	Deletions	12/31/2023
Office space	\$ 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	\$ 1,908,386	\$ (221,435)	\$ -	\$ 1,686,951

	1/1/2024	Additions	Deletions	12/31/2024
Total lease liabilities	\$ 1,887,255	\$ 417,933	\$ (245,515)	\$ 2,059,673

	1/1/2023	Additions	Deletions	12/31/2023
Total lease liabilities	\$ 2,077,616	\$ 41,205	\$ (231,566)	\$ 1,887,255

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

NOTE 9 - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES (Continued)

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

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 261,936	\$ 58,198	\$ 320,134
2026	279,132	48,020	327,152
2027	297,135	37,121	334,256
2028	310,172	25,517	335,689
2029	336,029	13,393	349,422
Thereafter	157,336	1,910	159,246
	<u>\$ 1,641,740</u>	<u>\$ 184,159</u>	<u>\$ 1,825,899</u>

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

<u>Years Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 98,493	\$ 16,507	\$ 115,000
2026	102,383	12,617	115,000
2027	106,427	8,573	115,000
2028	110,630	4,370	115,000
	<u>\$ 417,933</u>	<u>\$ 42,067</u>	<u>\$ 460,000</u>

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' comp, and dishonesty bond insurance through independent insurance agents.

NOTE 11 - CONTINGENCIES

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit do not materially affect the Board's operations or cash flows for the year herein ended.

NOTE 12 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through April 9, 2025, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 100 hours at a cost of \$19,200.