

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
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DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
Provincial Dental Board Of Nova Scotia

Opinion

We have audited the of **Provincial Dental Board of Nova Scotia** ("the Board"), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
June 3, 2020

**Chartered Professional Accountants
Licensed Public Accountants**

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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	2019	2018
	\$	\$
REVENUES		
License fees		
Dentists	677,421	674,022
Dental assistants	197,308	191,626
Corporation permit fees	80,463	74,934
Disciplinary cost recovery	8,700	10,025
Reinstatement fees	4,694	5,544
Realized gain on sale of investments	42	20,392
Unrealized gain (loss) on investments	37,497	(33,975)
Investment income	<u>28,855</u>	<u>17,440</u>
	<u>1,034,980</u>	<u>960,008</u>
EXPENSES		
Accounting	7,662	8,252
Amortization	6,885	8,606
Audit and advisory	16,963	17,922
Bank and credit card fees	21,295	21,325
Consulting fees	10,969	-
Donations	418	1,913
Functional Committees (Page 15)	33,115	37,552
Grants	28,541	23,793
Insurance	20,988	18,400
Investment fees	5,445	4,249
Legal	118,923	42,388
Office and administration	9,481	8,221
Office supplies and printing	17,725	16,220
Postage	8,514	7,686
Quality assurance inspections	68,553	64,572
Registrar (Page 15)	237,368	226,722
Deputy registrar	15,565	-
Rent	84,337	81,706
Repairs and maintenance	4,659	7,990
Software and website	53,710	26,303
Staff expenses (Page 15)	125,017	130,092
Standing Committees and Board of Directors (Page 16)	85,513	76,813
Telephone and internet	<u>7,830</u>	<u>7,043</u>
	<u>989,476</u>	<u>837,768</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>45,504</u></u>	<u><u>122,240</u></u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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	Unrestricted Net Assets	Restricted Operating Net Assets	2019 \$	2018 \$
NET ASSETS - beginning of year	666,843	507,754	1,174,597	1,052,357
Excess of revenues over expenses	<u>45,504</u>	<u>-</u>	<u>45,504</u>	<u>122,240</u>
NET ASSETS - end of year	<u>712,347</u>	<u>507,754</u>	<u>1,220,101</u>	<u>1,174,597</u>

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

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	2019	2018
	\$	\$
ASSETS		
CURRENT		
Cash	1,316,337	1,368,921
Accounts receivable	27,916	17,248
Prepays	20,846	13,527
Current portion of quality assurance inspections	<u>59,816</u>	<u>55,791</u>
	1,424,915	1,455,487
INVESTMENTS (Note 3)	498,262	448,556
CAPITAL ASSETS (Note 4)	27,541	34,426
QUALITY ASSURANCE INSPECTIONS (Note 5)	<u>65,718</u>	<u>115,471</u>
	<u><u>2,016,436</u></u>	<u><u>2,053,940</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	69,371	137,339
Deferred revenue (Note 7)	726,964	738,027
Current portion of capital leases	<u>-</u>	<u>3,977</u>
	796,335	879,343
NET ASSETS		
Unrestricted net assets	712,347	666,843
Restricted net assets	<u>507,754</u>	<u>507,754</u>
	<u>1,220,101</u>	<u>1,174,597</u>
	<u><u>2,016,436</u></u>	<u><u>2,053,940</u></u>

COMMITMENT (Note 9)

SUBSEQUENT EVENTS (Note 11)

Approved by the Board

_____ **Director**

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

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	2019	2018
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenues over expenses	45,504	122,240
Items not affecting cash		
Amortization	6,885	8,606
Realized gain on sale of investments	(42)	(20,392)
Quality assurance inspections	65,853	55,791
Unrealized loss (gain) on investments	(37,497)	33,975
	80,703	200,220
Changes in non-cash working capital items		
Account receivable	(10,668)	41,715
Prepays	(7,319)	(119)
Quality assurance inspections	(20,125)	-
Accounts payable and accrued liabilities	(67,968)	(138,368)
Deferred revenue	(11,063)	16,394
	(36,440)	119,842
INVESTING		
Proceeds on disposal of investments	2,000	459,925
Acquisition of investments	(14,167)	(320,923)
Payments on capital lease	(3,977)	(7,944)
	(16,144)	131,058
CHANGE IN CASH	(52,584)	250,900
CASH - beginning of year	<u>1,368,921</u>	<u>1,118,021</u>
CASH - end of year	<u><u>1,316,337</u></u>	<u><u>1,368,921</u></u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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1. OPERATIONS

The Provincial Dental Board of Nova Scotia (the "Board") is a incorporated not-for-profit organization. The Board is the regulatory body for the professions of dentistry and dental assisting. The *Dental Act* (1992) and regulations pursuant to the *Act* allows the self-regulation of these professions. The Board sets the requirements for registration and licensure of dentists and dental assistants, maintains Registers for dentists and dental assistants, addresses complaints through its discipline regulations, develops policy and standards for safe dental practice and undertakes quality assurance of licensees through mandatory continuing dental education and dental practice review.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Cash

Cash consists of bank balances held with a financial institution and cash balances held with an investment broker.

Investments

Investments consist of mutual funds and fixed income investments which are recorded at fair value.

Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and methods over their estimated useful lives as follows:

Office equipment	20%	Diminishing balance
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One half year's amortization is taken in the year of acquisition.

Quality assurance inspections

Quality assurance inspections are related to the inspection of radiographic equipment used in dentistry practice. The inspections are recorded at cost and are amortized using the straight-line method over their useful life of 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting

Unrestricted Net Assets

The Provincial Dental Board of Nova Scotia is to maintain a level of unrestricted net assets that is not to exceed one year's operating expenses. When the unrestricted net asset balance exceeds this amount at the end of the fiscal year, additional amounts will be allocated to the restricted net assets.

Restricted Net Assets

The Provincial Dental Board of Nova Scotia is to acquire and maintain a level of restricted net assets to a minimum of one year's operating expenses. The restricted net assets shall be accumulated at a rate of between 10 and 20 percent of the budgeted operating expenses for the upcoming year. The restricted net assets will be made available to meet the financial demands of the Board due to unforeseen events including operating deficits relating to legislative or disciplinary activity, establishing new or expanded programs and facility upgrades.

Revenue recognition

The Board recognizes revenue on an accrual basis as the related services are provided and collection is reasonably assured. Licensing fees received in advance of the membership year to which they related are recorded as deferred revenue. Investment income is recognized on an accrual basis as it is earned.

Income taxes

The Board is a non-profit organization under section 149.1(1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

Financial instruments

Measurement of financial instruments

The Board initially measures its financial assets and financial liabilities at fair value.

The Board subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Changes in fair value are recognized in operations.

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and obligations under capital lease.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in operations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as the useful life of assets and contingencies. Actual results could differ from those estimates.

3. INVESTMENTS			2019	2018
			\$	\$
Canadian - fixed income funds			326,048	307,431
Canadian - mutual funds			<u>172,214</u>	<u>141,125</u>
			<u>498,262</u>	<u>448,556</u>
4. CAPITAL ASSETS				
	Cost	Accumulated	Net	Net
	\$	Amortization	2019	2018
	\$	\$	\$	\$
Office equipment	<u>73,534</u>	<u>45,993</u>	<u>27,541</u>	<u>34,426</u>

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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5. QUALITY ASSURANCE INSPECTIONS	2019	2018
	\$	\$
Quality assurance inspections	125,534	171,262
Less current portion	<u>59,816</u>	<u>55,791</u>
	<u>65,718</u>	<u>115,471</u>
6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
	2019	2018
	\$	\$
Trade payables	31,403	12,411
Accrued liabilities	36,637	124,928
Government remittances	<u>1,331</u>	<u>-</u>
	<u>69,371</u>	<u>137,339</u>
7. DEFERRED REVENUE	2019	2018
	\$	\$
Balance - beginning of year	738,027	721,633
Amounts recognized as revenue	(738,027)	(721,633)
Amounts received related to future periods	<u>726,964</u>	<u>738,027</u>
	<u>726,964</u>	<u>738,027</u>
Deferred revenue is comprised of license fees as follows:		
	2019	2018
	\$	\$
Dentists	589,905	603,610
Dental assistants	64,547	63,489
Corporation permit fees	<u>72,512</u>	<u>70,928</u>
	<u>726,964</u>	<u>738,027</u>

8. FINANCIAL INSTRUMENTS

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at December 31, 2019.

It is management's opinion that the Board is not exposed to significant currency or price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Board to concentrations of credit risk consist of cash and accounts receivable. The Board deposits its cash in a reputable financial institution and therefore believes the risk of loss to be remote. The Board is exposed to credit risk from customer accounts receivable. The Board believes this credit risk is minimized as the balance for accounts receivable is related to corporation permits which are required by the corporate dental offices to operate.

The Board writes off these amounts if payment is not received up to 6 weeks after year end, at which time the corporations are not in compliance with the Dental Act.

Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and obligation under capital lease. The Board has sufficient working capital to fund operations and fulfill obligations as they become due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is mainly exposed to interest rate risk.

8. FINANCIAL INSTRUMENT (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Board to a fair value risk. There was no significant change in exposure from the prior year and it is management's opinion that the risk is low.

9. COMMITMENT

The Board leases a premise with terms ending June 30, 2024. The annual rent consists of minimum rent, other operating costs and common area costs. The minimum lease payments for each of the next five years are as follows:

	\$
2020	47,839
2021	47,839
2022	47,839
2023	47,839
2024	23,920

10. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

11. SUBSEQUENT EVENTS

Subsequent to year end, the Board entered into a 5 year contract with Guild Software Inc. for the license of a technical support of a new database software application. The financial terms of the contract are as follows:

- i) The Board will pay an annual fee of \$14.00 per member plus HST.
- ii) Any requested customization of the software will be charged at \$125.00/hour.
- iii) Either party may terminate the agreement with 30 days written notice.

In light of the COVID-19 pandemic, on March 21, 2020, Dr Robert Strang, the Chief Medical Officer of Health for the Province of Nova Scotia ordered, under the *Health Protection Act*, that dentists could no longer practice dentistry in their offices unless they deem it necessary to perform an emergency dental procedure in the best interest of the patient's health.

11. SUBSEQUENT EVENTS (Continued)

This Order resulted in the closure of most dental clinics in Nova Scotia and dentists laying off Registered Dental Assistants ("RDAs") due to lack of work.

The license renewal deadline for RDAs is April 30, 2020. The Provincial Dental Board decided that due to the financial hardship that RDAs would face in being laid off, that the Provincial Dental Board would pay the license renewal fee. RDAs are required to submit their license renewal form and submit a receipt verifying their Nova Scotia Dental Assistants Association (NSDAA) membership by April 30, 2020. The RDA would repay the license renewal fee to PDBNS by October 31, 2020.

The license renewal deadline for dentists is November 30, 2020 and the renewal of corporation permits is December 31, 2020. The Provincial Dental Board anticipates that the COVID-19 pandemic will not affect the payment of dentists' fees and corporation fees by these deadlines.

In regard to the Provincial Dental Board's investments with CDSPI/ Cumberland, the balance on the investment account on September 15, 2018 began with \$1,028,334. As of April 17, 2020 the value was \$1,056,751. The PDBNS current asset mix is 57% Cash, 30% Income and 13% Equity. 57% of assets are in a money market fund which have not seen any short-term volatility. The equity is being managed for the long-term and while the equity assets may have decreased in value over the past few months, CDSPI/ Cumberland expects them to recover and grow over the long-term time horizon.

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED

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FUNCTIONAL COMMITTEE EXPENSES	2019	2018
	\$	\$
Complaints Committee	22,184	18,999
Continuing Education Committee	2,886	2,355
Dental Practice Review Committee	4,467	11,548
Discipline Committee	3,578	4,650
	<u>33,115</u>	<u>37,552</u>
 REGISTRAR EXPENSES	 2019	 2018
	\$	\$
Annual dues	3,857	3,857
Meetings	25,517	12,986
Salary and benefits:		
Salary	186,150	182,500
Employer expenses - CPP and EI	3,953	3,795
Health, life and disability	6,647	12,034
RRSP employer contribution	11,169	10,950
Professional development	75	600
	<u>237,368</u>	<u>226,722</u>
 STAFF EXPENSES	 2019	 2018
	\$	\$
Meetings	1,779	-
Professional development	351	486
Salary and benefits		
Salary	102,957	95,248
Student salary	3,378	5,583
Employer expenses - CPP and EI	7,145	7,567
Health, life and disability	4,832	18,274
RRSP employer contribution	4,575	2,934
	<u>125,017</u>	<u>130,092</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED**

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STANDING COMMITTEES AND BOARD OF DIRECTORS EXPENSES

	2019	2018
	\$	\$
Board expenses	79,389	61,638
Finance and Audit Committee	-	9
Human Resource Committee	6,124	14,490
Radiography	<u>-</u>	<u>676</u>
	<u>85,513</u>	<u>76,813</u>