

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
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DECEMBER 31, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
Provincial Dental Board of Nova Scotia

Opinion

We have audited the financial statements of **Provincial Dental Board of Nova Scotia** ("the Board"), which comprise the statement of financial position as at December 31, 2020 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, 2020, 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.

Dartmouth, Nova Scotia
May 28, 2021

Baker Tilly Nova Scotia Inc

Chartered Professional Accountants

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	2020	2019
	\$	\$
REVENUES		
License fees		
Dentists	672,656	677,421
Dental assistants	199,793	197,308
Corporation permit fees	71,978	80,463
Disciplinary cost recovery	12,000	8,700
Reinstatement fees	4,201	4,694
Realized gain on sale of investments	16,443	42
Unrealized gain on investments	18,562	37,497
Investment income	<u>24,559</u>	<u>28,855</u>
	<u>1,020,192</u>	<u>1,034,980</u>
EXPENSES		
Accounting	7,389	7,662
Amortization	5,508	6,885
Audit and advisory	14,720	16,963
Bad debts	7,212	-
Bank and credit card fees	25,610	21,295
Consulting fees	13,152	10,969
Donations	715	418
Functional Committees (Page 15)	10,279	33,115
Grants	29,436	28,541
Insurance	28,613	20,988
Investment fees	6,087	5,445
Legal	98,086	118,923
Office and administration	4,827	9,481
Office supplies and printing	9,767	17,725
Postage	7,934	8,514
Quality assurance inspections	60,117	68,553
Registrar (Page 15)	217,903	237,368
Deputy registrar	44,275	15,565
Rent	81,045	84,337
Repairs and maintenance	3,518	4,659
Software and website	65,837	53,710
Staff expenses (Page 15)	123,221	125,017
Standing Committees and Board of Directors (Page 16)	451,566	85,513
Telephone and internet	<u>7,443</u>	<u>7,830</u>
	<u>1,324,260</u>	<u>989,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(304,068)</u>	<u>45,504</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	Unrestricted Net Assets	Restricted Operating Net Assets	2020 \$	2019 \$
NET ASSETS - beginning of year	712,347	507,754	1,220,101	1,174,597
Excess (deficiency) of revenues over expenses	(304,068)	-	(304,068)	45,504
Interfund transfers - COVID expenses	<u>379,224</u>	<u>(379,224)</u>	<u>-</u>	<u>-</u>
NET ASSETS - end of year	<u><u>787,503</u></u>	<u><u>128,530</u></u>	<u><u>916,033</u></u>	<u><u>1,220,101</u></u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

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	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	969,678	1,316,337
Accounts receivable (Note 3)	67,528	27,916
Current portion of settlement costs receivable	32,458	-
Prepays	46,244	20,846
Current portion of quality assurance inspections	<u>47,813</u>	<u>59,816</u>
	1,163,721	1,424,915
SETTLEMENT COSTS RECEIVABLE (Note 4)	35,819	-
INVESTMENTS (Note 5)	458,645	498,262
CAPITAL ASSETS (Note 6)	22,033	27,541
QUALITY ASSURANCE INSPECTIONS (Note 7)	<u>17,905</u>	<u>65,718</u>
	<u>1,698,123</u>	<u>2,016,436</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	54,862	69,371
Deferred revenue (Note 9)	<u>727,228</u>	<u>726,964</u>
	<u>782,090</u>	<u>796,335</u>
NET ASSETS		
Unrestricted net assets	787,503	712,347
Restricted net assets	<u>128,530</u>	<u>507,754</u>
	<u>916,033</u>	<u>1,220,101</u>
	<u>1,698,123</u>	<u>2,016,436</u>

COMMITMENT (Note 11)

SIGNIFICANT EVENT (Note 12)

Approved by the Board

 _____ **Director**

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	2020	2019
	\$	\$
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
OPERATING		
Excess (deficiency) of revenues over expenses	(304,068)	45,504
Items not affecting cash		
Amortization	5,508	6,885
Realized gain on sale of investments	(16,443)	(42)
Quality assurance inspections	59,816	65,853
Unrealized gain on investments	(18,562)	(37,497)
	(273,749)	80,703
Changes in non-cash working capital items		
Account receivable	(39,612)	(10,668)
Prepays	(25,398)	(7,319)
Quality assurance inspections	-	(20,125)
Accounts payable and accrued liabilities	(14,509)	(67,968)
Deferred revenue	264	(11,063)
	(353,004)	(36,440)
INVESTING		
Proceeds on disposal of investments	263,987	2,000
Acquisition of investments	(189,365)	(14,167)
Payment of settlement costs	(82,860)	-
Repayments on settlement costs receivable	14,583	-
Payments on capital lease	-	(3,977)
	6,345	(16,144)
CHANGE IN CASH	(346,659)	(52,584)
CASH - beginning of year	1,316,337	1,368,921
CASH - end of year	969,678	1,316,337

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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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 of approximately \$800,000 to be available equally for legislative activity, disciplinary activity, program expenses and facility 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.

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Changes in fair value are recognized in operations.

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.

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, allowance for doubtful accounts and accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Accounts receivable	74,740	27,916
Allowance for doubtful accounts	(<u>7,212</u>)	<u>-</u>
	<u>67,528</u>	<u>27,916</u>

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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4. SETTLEMENT COSTS RECEIVABLE	2020	2019
	\$	\$
Long-term settlement costs receivable	68,277	-
Less : current portion of settlement costs receivable	<u>32,458</u>	<u>-</u>
	<u>35,819</u>	<u>-</u>

During the year, the Board entered into settlement costs receivable agreements with two dentists to cover the costs of courses mandated to be completed before the dentists can resume practice. The amounts receivable are unsecured, non-interest bearing and have fixed monthly repayment terms varying from 24 to 32 months. Settlement costs receivable due within the next three years is as follows:

	\$
2021	32,458
2022	20,866
2023	14,953

5. INVESTMENTS	2020	2019
	\$	\$
Canadian - fixed income funds	163,753	326,048
Canadian - mutual funds	<u>294,892</u>	<u>172,214</u>
	<u>458,645</u>	<u>498,262</u>

6. CAPITAL ASSETS	Cost	Accumulated Amortization	Net 2020	Net 2019
	\$	\$	\$	\$
Office equipment	<u>73,534</u>	<u>51,501</u>	<u>22,033</u>	<u>27,541</u>

7. QUALITY ASSURANCE INSPECTIONS	2020	2019
	\$	\$
Quality assurance inspections	65,718	125,534
Less current portion	<u>47,813</u>	<u>59,816</u>
	<u>17,905</u>	<u>65,718</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Trade payables	43,275	31,403
Accrued liabilities	11,432	36,637
Government remittances	<u>153</u>	<u>1,331</u>
	<u>54,862</u>	<u>69,371</u>

9. DEFERRED REVENUE

	2020	2019
	\$	\$
Balance - beginning of year	726,964	738,027
Amounts recognized as revenue	(726,964)	(738,027)
Amounts received related to future periods	<u>727,228</u>	<u>726,964</u>
	<u>727,228</u>	<u>726,964</u>

Deferred revenue is comprised of license fees as follows:

	2020	2019
	\$	\$
Dentists	592,005	589,905
Dental assistants	65,879	64,547
Corporation permit fees	<u>69,344</u>	<u>72,512</u>
	<u>727,228</u>	<u>726,964</u>

10. 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, 2020.

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:

10. FINANCIAL INSTRUMENTS (Continued)

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, accounts receivable and investments. The Board holds its cash and investments in reputable financial institutions 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 receivables are related to professionals and professional corporations which are required to practice. A provision for impairment of accounts receivable is established when there is objective evidence that the Board will not be able to collect all amounts due.

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.

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.

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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11. 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 four years are as follows:

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

12. SIGNIFICANT EVENT

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 unless it was deemed necessary to perform an emergency dental procedure in the best interest of the patient's health.

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 Board decided to extend payment terms for RDAs by six months, from April 30, 2020 to October 31, 2020 due to the lay offs. The RDAs who did not repay the Board by the extended deadline were sent to a collection agency for recovery of money owing.

The *COVID-19 Provincial Dental Board of Nova Scotia Re-opening Plan for Dentistry Phase 3 Comprehensive Care* was approved by the Chief Medical Officer of Health to allow dentists and dental assistants to provide patient care. Dental offices re-opened in June 2020 and throughout the remainder of the year using COVID -19 Protocols.

The Board used \$300,000 of its investment portfolio to pay additional Board expenses incurred as a result of the pandemic. The market value of the investment account on December 31, 2020 was \$818,402 which includes investments of \$458,645 and cash of \$359,757. At year end the Board's asset mix was 46% cash and cash equivalents, 20% fixed income and 34% equities. The cash and cash equivalents are money market funds which have not seen any short-term volatility.

While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic. The duration and severity of the COVID-19 pandemic is unknown at this time and the Board is unable to reliably predict the financial impact should the situation continue for a prolonged period.

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
UNAUDITED

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FUNCTIONAL COMMITTEE EXPENSES	2020	2019
	\$	\$
Complaints Committee	7,910	22,184
Continuing Education Committee	1,669	2,886
Dental Practice Review Committee	700	4,467
Discipline Committee	-	3,578
	<u>10,279</u>	<u>33,115</u>
 REGISTRAR EXPENSES	 2020	 2019
	\$	\$
Annual dues	2,857	3,857
Meetings	5,242	25,517
Salary and benefits:		
Salary	189,873	186,150
Employer expenses - CPP and EI	4,096	3,953
Health, life and disability	4,443	6,647
RRSP employer contribution	11,392	11,169
Professional development	-	75
	<u>217,903</u>	<u>237,368</u>
 STAFF EXPENSES	 2020	 2019
	\$	\$
Meetings	3,092	1,779
Professional development	1,032	351
Salary and benefits		
Salary	104,651	102,957
Student salary	-	3,378
Employer expenses - CPP and EI	6,937	7,145
Health, life and disability	2,897	4,832
RRSP employer contribution	4,612	4,575
	<u>123,221</u>	<u>125,017</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
UNAUDITED**

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STANDING COMMITTEES AND BOARD OF DIRECTORS EXPENSES

	2020	2019
	\$	\$
Board expenses	67,867	79,389
COVID-19 expenses	379,224	-
Human Resource Committee	-	6,124
Legislative Amendment	<u>4,475</u>	<u>-</u>
	<u>451,566</u>	<u>85,513</u>