

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
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DECEMBER 31, 2018**

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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, 2018 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, 2018, 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.

Other Matter

The financial statements of **Provincial Dental Board of Nova Scotia** for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on May 25, 2018.

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 6, 2019

**Chartered Professional Accountants
Licensed Public Accountants**

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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		Restated (Note 2)
	2018	2017
	\$	\$
REVENUES		
License fees		
Dentists	674,022	643,106
Dental assistants	191,626	183,909
Corporation permit fees	74,934	68,201
Disciplinary cost recovery	10,025	53,127
Reinstatement fees	5,544	6,771
Realized gain on sale of investments	20,392	3,427
Unrealized gain (loss) on investments	(33,975)	981
Investment income	<u>17,440</u>	<u>15,384</u>
	<u>960,008</u>	<u>974,906</u>
EXPENSES		
Accounting	8,252	15,238
Administration fees	-	4,037
Amortization	8,606	6,278
Audit and advisory	17,922	17,791
Bank and credit card fees	21,325	18,381
Consulting fees	15,538	11,807
Donations	1,913	1,012
Functional Committees (Page 16)	37,552	23,228
Grants	23,793	31,222
Insurance	18,400	16,897
Investment fees	4,249	5,195
Legal	42,388	107,718
Office and administration	8,221	9,756
Office supplies and printing	16,220	15,974
Postage	7,686	7,890
Quality assurance inspections	64,572	55,469
Registrar (Page 16)	226,722	205,345
Rent	81,706	72,494
Repairs and maintenance	7,990	16,541
Software and website	10,765	6,935
Staff expenses (Page 16)	130,092	120,246
Standing Committees and Board of Directors (Page 17)	76,813	68,510
Telephone and internet	<u>7,043</u>	<u>6,621</u>
	<u>837,768</u>	<u>844,585</u>
EXCESS OF REVENUES OVER EXPENSES	<u>122,240</u>	<u>130,321</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	Unrestricted Net Assets	Restricted Operating Net Assets	2018 \$	2017 \$
NET ASSETS - beginning of year, as previously stated	561,623	507,754	1,069,377	922,036
Restatement (Note 2)	(17,020)	-	(17,020)	-
Net assets - beginning of year, as restated	544,603	507,754	1,052,357	922,036
Excess of revenues over expenses	122,240	-	122,240	130,321
NET ASSETS - end of year	<u>666,843</u>	<u>507,754</u>	<u>1,174,597</u>	<u>1,052,357</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

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		Restated (Note 2)
	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash	1,368,921	1,118,021
Accounts receivable	17,248	58,963
Prepays	13,527	13,408
Current portion of quality assurance inspections	<u>55,791</u>	<u>55,791</u>
	1,455,487	1,246,183
INVESTMENTS (Note 5)	448,556	601,144
CAPITAL ASSETS (Note 6)	34,426	43,032
QUALITY ASSURANCE INSPECTIONS (Note 4)	<u>115,471</u>	<u>171,262</u>
	<u>2,053,940</u>	<u>2,061,621</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	137,339	169,760
Deferred revenue (Note 8)	738,027	721,633
Current portion of capital leases	<u>3,977</u>	<u>7,944</u>
	879,343	899,337
LONG TERM DEBT (NOTE 9)	-	105,950
OBLIGATION UNDER CAPITAL LEASE (NOTE 10)	<u>-</u>	<u>3,977</u>
	<u>879,343</u>	<u>1,009,264</u>
NET ASSETS		
Unrestricted net assets	666,843	544,603
Restricted net assets	<u>507,754</u>	<u>507,754</u>
	<u>1,174,597</u>	<u>1,052,357</u>
	<u>2,053,940</u>	<u>2,061,621</u>
COMMITMENT (Note 12)		

Approved by the Board

 Director

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

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		Restated (Note 2)
	2018	2017
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenues over expenses	122,240	130,321
Items not affecting cash		
Amortization	8,606	6,278
Realized gain on sale of investments	(20,392)	(3,427)
Unrealized loss (gain) on investments	<u>33,975</u>	<u>(981)</u>
	144,429	132,191
Changes in non-cash working capital items		
Account receivable	41,715	(41,975)
Prepays	(119)	13,677
Quality assurance inspections	55,791	(227,053)
Accounts payable and accrued liabilities	(138,368)	129,320
Deferred revenue	<u>16,394</u>	<u>38,351</u>
	<u>119,842</u>	<u>44,511</u>
FINANCING		
Payments on long-term debt	-	(77,412)
Proceeds on long-term debt	<u>-</u>	<u>183,362</u>
	<u>-</u>	<u>105,950</u>
INVESTING		
Proceeds on disposal of investments	459,925	199,090
Acquisition of investments	(320,923)	(209,087)
Acquisition of capital assets	-	(43,888)
Proceeds from capital lease	-	15,895
Payments on capital lease	<u>(7,944)</u>	<u>(3,974)</u>
	<u>131,058</u>	<u>(41,964)</u>
CHANGE IN CASH	250,900	108,497
CASH - beginning of year	<u>1,118,021</u>	<u>1,009,524</u>
CASH - end of year	<u>1,368,921</u>	<u>1,118,021</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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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. RESTATEMENT

During the year, an error was identified in accounting for the quality assurance inspections for radiographic equipment used by dentists for performing dental work on the general public.

As the Board acts in the public's best interest, a contract was signed for the radiographic equipment to be inspected as the Board identified there is currently no lawful requirement for inspections. In the prior year, a portion of the inspections were completed and an invoice was given to the Board, however the liability for the signed contract obligation and the related asset was not recorded.

As a result, accounts payable and accrued liabilities were understated by \$197,628, assets were understated by \$180,608 and expenses for the year were understated by \$17,020.

This error has been corrected through the restatement of the December 31, 2017 statement of financial position, statement of operations and statement of changes in net assets and cash flows for the year then ended.

The correction resulted in an adjustment to the following financial statement items:

2017			
	As previously stated \$	Adjustment \$	As restated \$
Statement of changes in net assets			
(i) Excess of revenues over expenses	147,341	(17,020)	130,321
(ii) Net assets - end of year	1,069,377	(17,020)	1,052,357

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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2. RESTATEMENT (Continued)

		2017		
		As previously stated \$	Adjustment \$	As restated \$
Statement of financial position				
(iii)	Prepays	59,853	(46,445)	13,408
(iv)	Quality assurance inspections	-	227,053	227,053
(v)	Accounts payable and accrued liabilities	78,082	91,678	169,760
(vi)	Long term debt	-	105,950	105,950
(vii)	Net assets - end of year	1,069,377	(17,020)	1,052,357
Statement of cash flows				
(viii)	Excess of revenues over expenses	147,341	(17,020)	130,321
(ix)	Prepays	(32,767)	46,445	13,678
(x)	Quality assurance inspections	-	227,053	227,053
(xi)	Accounts payable and accrued liabilities	37,641	91,679	129,320
(xii)	Long term debt	-	105,950	105,950

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assurances 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. QUALITY ASSURANCE INSPECTIONS

	2018	2017
	\$	\$
Quality assurance inspections	171,262	227,053
Less current portion	<u>55,791</u>	<u>55,791</u>
	<u>115,471</u>	<u>171,262</u>

5. INVESTMENTS

	2018	2017
	\$	\$
Canadian - fixed income funds	307,431	163,986
Canadian - mutual funds	141,125	324,755
United States - fixed income funds	-	66,608
United States - mutual funds	<u>-</u>	<u>45,795</u>
	<u>448,556</u>	<u>601,144</u>

6. CAPITAL ASSETS

	Cost	Accumulated	Net	Net
	\$	Amortization	2018	2017
	\$	\$	\$	\$
Office equipment	<u>73,534</u>	<u>39,108</u>	<u>34,426</u>	<u>43,032</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Trade payables	12,411	60,724
Accrued liabilities	124,928	101,829
Government remittances	<u>-</u>	<u>7,207</u>
	<u>137,339</u>	<u>169,760</u>

8. DEFERRED REVENUE

	2018	2017
	\$	\$
Balance - beginning of year	721,633	683,282
Amounts recognized as revenue	(721,633)	(683,282)
Amounts received related to future periods	<u>738,027</u>	<u>721,633</u>
	<u>738,027</u>	<u>721,633</u>

Deferred revenue is comprised of license fees as follows:

	2018	2017
	\$	\$
Dentists	603,610	587,867
Dental assistants	63,489	60,724
Corporation permit fees	<u>70,928</u>	<u>73,042</u>
	<u>738,027</u>	<u>721,633</u>

9. LONG TERM DEBT

Loan payable to Biomedical Engineering Innovations, non-interest bearing, monthly instalments of \$6,451 until July 2018 when monthly instalments increase to \$8,829 ending December 2019. The current portion is recorded in accrued liabilities.

10. OBLIGATION UNDER CAPITAL LEASE

	2018	2017
	\$	\$
Furniture lease, 0.04%, secured by specific assets with a net book value of \$11,444, repayable in monthly instalments of \$662 including interest until June 2019	3,977	11,921
Less current portion	<u>3,977</u>	<u>7,944</u>
	<u>-</u>	<u>3,977</u>

11. 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, 2018.

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.

Credit risk (Continued)

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 generates sufficient cash flow from operating activities and 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.

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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11. 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.

12. 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:

	\$
2019	47,839
2020	47,839
2021	47,839
2022	47,839
2023	47,839

13. COMPARATIVE FIGURES

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

PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED

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FUNCTIONAL COMMITTEE EXPENSES	2018	2017
	\$	\$
Complaints Committee	18,999	12,610
Continuing Education Committee	2,355	850
Dental Practice Review Committee	11,548	1,201
Discipline Committee	<u>4,650</u>	<u>8,567</u>
	<u>37,552</u>	<u>23,228</u>
REGISTRAR EXPENSES	2018	2017
	\$	\$
Annual dues	3,857	3,857
Meetings	12,986	19,430
Salary and benefits:		
Salary	182,500	155,128
Employer expenses - CPP and EI	3,795	3,735
Health, life and disability	12,034	13,657
RRSP employer contribution	10,950	9,308
Professional development	<u>600</u>	<u>230</u>
	<u>226,722</u>	<u>205,345</u>
STAFF EXPENSES	2018	2017
	\$	\$
Meetings	-	834
Professional development	486	-
Salary and benefits		
Salary	95,248	78,145
Student salary	5,583	11,300
Employer expenses - CPP and EI	7,567	6,857
Health, life and disability	18,274	20,410
RRSP employer contribution	<u>2,934</u>	<u>2,700</u>
	<u>130,092</u>	<u>120,246</u>

**PROVINCIAL DENTAL BOARD OF NOVA SCOTIA
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
UNAUDITED**

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STANDING COMMITTEES AND BOARD OF DIRECTORS EXPENSES

	2018	2017
	\$	\$
Board expenses	61,638	61,323
Botox Committee	-	1,531
Finance and Audit Committee	9	40
Governance Committee	-	1,823
Human Resource Committee	14,490	3,408
Radiography	676	-
Record Keeping Committee	<u>-</u>	<u>385</u>
	<u>76,813</u>	<u>68,510</u>