

**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

Financial Statements

December 31, 2015

**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

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**Wikoff Combs & Co., LLC**  
Certified Public Accountants

## **Independent Auditors' Report**

Board of Trustees  
Hawaii Dental Association

We have audited the accompanying financial statements of Hawaii Dental Association, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaii Dental Association, as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Wickoff Combs & Co., LLC*

Honolulu, Hawaii  
October 6, 2016

**HAWAII DENTAL ASSOCIATION  
(Excluding Component Societies)**

Statement of Financial Position

December 31, 2015

**ASSETS**

**Current assets**

Cash		\$ 878,335
Cash held by property management		23,388
Accounts receivable		15,878
Prepaid expenses		62,150
Other assets		<u>3,088</u>
Total current assets		982,839

**Property and equipment**

Land	\$ 690,644	
Building and improvements	1,958,730	
Furniture and fixtures	4,320	
Equipment	<u>22,279</u>	
Total property and equipment	2,675,973	
Less accumulated depreciation and amortization	<u>518,268</u>	2,157,705

Lease cost, net of accumulated amortization of \$9,751 1,057

Total assets \$ 3,141,601

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable		\$ 17,478
Payment due to affiliation societies and American Dental Association		320,947
Accrued liabilities		14,493
Prepaid membership dues		194,407
Prepaid annual convention fees		394,075
Rental deposits		<u>12,719</u>
Total current liabilities		954,119

**Net assets**

Unrestricted		2,144,542
Temporarily restricted		42,940
Permanently restricted		<u>-</u>
Total net assets		<u><u>2,187,482</u></u>

Total liabilities and net assets \$ 3,141,601

See accompanying notes to financial statements.

**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

Statement of Activities

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and support</b>				
Member dues	\$ 306,436	\$ -	\$ -	\$ 306,436
Annual convention fee	388,951	-	-	388,951
Contributions	98,032	-	-	98,032
Administrative service income	95,000	-	-	95,000
Rental income	110,964	-	-	110,964
Royalty income	52,034	-	-	52,034
Other income	<u>25,078</u>	<u>-</u>	<u>-</u>	<u>25,078</u>
Total revenue and support	<u>1,076,495</u>	<u>-</u>	<u>-</u>	<u>1,076,495</u>
<b>Expenses</b>				
Program services	624,114	-	-	624,114
Support services:				
Management and general	152,291	-	-	152,291
Building maintenance	<u>242,945</u>	<u>-</u>	<u>-</u>	<u>242,945</u>
Total supporting services	<u>395,236</u>	<u>-</u>	<u>-</u>	<u>395,236</u>
Total expenses	<u>1,019,350</u>	<u>-</u>	<u>-</u>	<u>1,019,350</u>
Changes in net assets	57,145	-	-	57,145
Net assets, beginning of year, as previously reported	2,399,120	16,090	-	2,415,210
Prior period adjustments	(284,873)	-	-	(284,873)
Prior period reclassification	<u>(26,850)</u>	<u>26,850</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>2,087,397</u>	<u>42,940</u>	<u>-</u>	<u>2,130,337</u>
Net assets, end of year	<u>\$ 2,144,542</u>	<u>\$ 42,940</u>	<u>\$ -</u>	<u>\$ 2,187,482</u>

See accompanying notes to financial statements.

**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

Statement of Cash Flows

For the Year Ended December 31, 2015

<b>Cash flows from operating activities</b>		
Changes in net assets		\$ 57,145
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	\$ 52,212	
Amortization expense	466	
Prior period adjustment for depreciation	(14,073)	
(Increase) decrease in operating assets:		
Accounts receivable	(6,128)	
Prepaid expenses	20,588	
Increase in operating liabilities:		
Accounts payable	1,026	
Payment due to affiliation societies and American Dental Association	124,699	
Accrued payroll	14,493	
Prepaid member dues	71,005	
Prepaid annual convention fees	36,501	
Other liabilities	<u>11,045</u>	<u>311,834</u>
Net cash provided by operating activities		368,979
<b>Cash flows from investing activities</b>		
Purchase of equipment		<u>(19,484)</u>
Net increase in cash		349,495
Cash at beginning of year		<u>552,228</u>
Cash at end of year		<u><u>\$ 901,723</u></u>

See accompanying notes to financial statements.

**HAWAII DENTAL ASSOCIATION  
(Excluding Component Societies)**

Notes to Financial Statements

December 31, 2015

**Organization and Nature of Activities**

The Hawaii Dental Association (Association), originally registered on April 30, 1970, with the State of Hawaii as an unincorporated association, was incorporated as a non-profit corporation on January 17, 1976. The primary objective of the Association is to encourage the improvement of the health of the public and to promote the art and science of dentistry.

The Association is related to various county component societies (Societies) within the State of Hawaii which have been organized and chartered in conformity with the constitution and by-laws of the Association. The Societies are recognized as separate entities by the Association provided, that the fully privileged members of each Society consist of dentists who are members in good standing of the Association and the American Dental Association (ADA).

The Association is related to various county component societies within the State of Hawaii (Honolulu County Dental Society, Hawaii County Dental Society, Maui County Dental Society, and Kauai County Dental Society). These related entities have been excluded from these financial statements.

The Association is supported primarily through annual membership dues. In accordance with the Association's by-laws, each Society collects annual membership dues for the Hawaii Dental Association and the American Dental Association. Membership dues for the Societies and ADA were collected by the Association.

The Association is a nonprofit organization as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and State income taxes.

**1. Summary of Significant Accounting Policies**

Basis of Accounting

The Association prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The significant accounting and reporting policies used by the Association are described below to enhance the usefulness and understandability of the financial statements.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.



**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

Notes to Financial Statements

December 31, 2015

**1. Summary of Significant Accounting Policies, continued**

Receivables

Receivables are carried at the original invoice amount less an estimate made for allowance for doubtful accounts based on a review of all outstanding accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, considering the debtor's financial condition and current economic conditions, and using historical experience applied to an aging of the receivables. Receivables are expensed when deemed uncollectible. Recoveries of receivables previously expensed are recorded when received. Management has determined that no allowances are necessary as all the receivables are deemed collectible.

Property and Equipment

Property and equipment are recorded at cost when purchased or at estimated fair value at the date of donation. Depreciation is calculated using the straight-line method based on the respective estimated useful lives ranging from five to 10 years for furniture and fixtures and equipment, and 20 to 40 years for the building and improvements. Depreciation expense for 2015 was \$52,212.

Purchased or donated assets in excess of \$1,000 and major renewals and improvements are capitalized. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss is reflected in the accompanying financial statements.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

Net Assets

The Association's net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* are all the remaining net assets of the Association. The only limits on unrestricted net assets are broad limits resulting from the nature of the Association and purposes specified in its articles of incorporation or by-laws and any limits resulting from contractual agreements.

**HAWAII DENTAL ASSOCIATION  
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Notes to Financial Statements

December 31, 2015

**1. Summary of Significant Accounting Policies, continued**

*Temporarily restricted net assets* are comprised of gifts; including pledges and trusts, as well as income and gains that can be expended, for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restrictions are imposed or implied by the nature of the gift (pledges to be paid in the future and unappropriated earnings of the permanent endowments). When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

*Permanently restricted net assets* represents the historical dollar amounts of gifts, including pledges and trusts, subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations. The Association has no permanently restricted net assets.

Revenue Recognition

Revenue from membership dues is recognized in the applicable membership period. Revenue related to endorsement agreements is recognized when earned. Revenue related to continuing education receipts is recorded during the period in which the events occur. Payment due to Society and ADA represent membership dues received for future years. Prepaid annual convention fees are registration fees and exhibitors' fees for the Hawaii meeting received in advance.

Contributions

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the donor intent.

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts in those amounts are computed at the rate commensurate with the risks involved based upon the rate applicable to the year in which the promise is received.

**HAWAII DENTAL ASSOCIATION  
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Notes to Financial Statements

December 31, 2015

**1. Summary of Significant Accounting Policies, continued**

In-Kind Contributions

Donated Property, Equipment and Supplies – Donations of property, equipment, and supplies are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Expenses in the same amount are reflected in the financial statements.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. A substantial number of unpaid volunteers have made significant contributions of their time to the Association. The value of their time is not recognized as contributions in the financial statements since the recognition criteria were not met.

Leases

Leases that transfer substantially all of the risks and benefits of ownership are considered capital leases. Other leases are classified as operating leases. Assets under capital leases are amortized using the straight-line method over the lesser of their lease term or their estimated useful lives.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Classification of Expenses

The cost of providing various programs and supporting services has been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program and supporting services benefited, based on the direct cost incurred and management's estimate of resources consumed by the functions.

**HAWAII DENTAL ASSOCIATION**  
**(Excluding Component Societies)**

Notes to Financial Statements

December 31, 2015

**1. Summary of Significant Accounting Policies, continued**

Use of Estimates

Preparing financial statements according to generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities, and the revenues and expenses reported during the stated period. Actual results could differ from management's estimates.

Income Taxes

Accounting principles generally accepted in the United States of America require the effect of uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management is not aware of any uncertain tax positions. Tax returns are open for examination by the taxing authorities until the statute of limitation expires. The Association is no longer subject to examination by taxing authorities for years ended on or before December 31, 2011.

Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**2. Lines-of-Credit**

The Association has a \$500,000 bank line-of-credit for working capital available until December 15, 2016. Interest on the line is at 0.5% over the bank's base rate and is secured by the Association's assets. At December 31, 2015, the entire line-of-credit was available.

**HAWAII DENTAL ASSOCIATION**  
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Notes to Financial Statements

December 31, 2015

**3. Lease Income**

The Association has three noncancellable leases expiring December 31, 2017 through December 31, 2021. Future minimum rental income payable to the Association under the leases at December 31, 2015, are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2016	\$ 82,000
2017	84,000
2018	66,000
2019	68,000
2020	44,000
Thereafter	<u>4,200</u>
Total	<u>\$ 348,200</u>

**4. Retirement Plan**

The Association has a 401(k) retirement plan (Plan) that covers all employees who have satisfied eligibility requirements. The Plan requires the Association to match contributions to the Plan up to 6% of the participant's eligible compensation. During December 31, 2015, the Association contributed \$14,372 to the Plan.

**5. Concentration of Credit Risk**

The Association maintains its cash with a financial institution located in Honolulu, Hawaii, that is insured by the Federal Deposit Insurance Corporation (FDIC). During the year, the balances exceeded the FDIC insured limit. At December 31, 2015, approximately \$514,000 was not insured by the FDIC. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash.

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Notes to Financial Statements

December 31, 2015

**6. Related Party Transactions**

The Association collects annual membership dues for the American Dental Association and the county component Societies. Membership dues payable at December 31, 2015, consisted of the following:

Honolulu County Dental Society	\$ 68,370
Hawaii County Dental Society	3,397
Maui County Dental Society	3,188
Kauai County Dental Society	<u>2,258</u>
 Total Societies	 77,213
 American Dental Association	 <u>243,734</u>
 Total membership dues payable	 <u><u>\$ 320,947</u></u>

The Association provided administrative and other support to the Honolulu County Dental Society and was reimbursed \$95,000 during 2015 for its share of administrative expenses.

**7. Adjustments to Net Assets**

Prior Period Reclassification

The land and building costs were previously reported at incorrect amounts due to a clerical error. Corrected amounts, as reported in the accompanying Statement of Financial Position, are as follows:

	Land	Building	Total
As previously reported	\$ 1,865,836	\$ 684,164	\$ 2,550,000
Reclassification	<u>(1,181,672)</u>	<u>1,181,672</u>	<u>-</u>
As restated	<u><u>\$ 684,164</u></u>	<u><u>\$ 1,865,836</u></u>	<u><u>\$ 2,550,000</u></u>

**HAWAII DENTAL ASSOCIATION  
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**7. Adjustments to Net Assets, continued**

The Association received a restricted donation of \$26,850 in 2013, which was reflected as unrestricted donation. As of January 1, 2015, \$26,850 was reclassified from unrestricted to temporarily restricted net assets to reflect the restriction.

Prior Period Adjustments

Approximately \$285,000 of adjustments related to prior year was recorded to reduce the unrestricted net assets as of January 1, 2015, as follows:

Additional building depreciation expense due to above reclassification error	\$ 271,000
Unrecorded accrued vacation/sick leave	<u>14,000</u>
Total adjustments to unrestricted net assets at December 31, 2014	\$ <u><u>285,000</u></u>

The changes in net assets as of December 31, 2014, has been reduced from \$57,145 to \$(227,855) to reflect the prior period adjustments.