

HAWAII DENTAL ASSOCIATION

Financial Statements

December 31, 2016

HAWAII DENTAL ASSOCIATION

Table of Contents

	Page
Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6



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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Hawaii Dental Association's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wickoff Combs & Co., LLC

Honolulu, Hawaii
October 12, 2017

HAWAII DENTAL ASSOCIATION

Statement of Financial Position

December 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash	\$ 1,034,795	\$ 878,335
Cash held by property management company	24,330	23,388
Accounts receivable	1,879	15,878
Prepaid expenses and other assets	137,769	65,238
Total current assets	1,198,773	982,839
Property and equipment		
Land	690,644	690,644
Building and improvements	1,966,220	1,958,730
Furniture and fixtures	4,320	4,320
Equipment	22,279	22,279
Total property and equipment	2,683,463	2,675,973
Less accumulated depreciation and amortization	570,188	518,268
Net property and equipment	2,113,275	2,157,705
Other assets		
Lease cost, net of accumulated amortization of \$10,259 and \$9,751, respectively	549	1,057
Total assets	\$ 3,312,597	\$ 3,141,601
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 23,910	\$ 17,328
Accrued liabilities	10,531	14,493
Payments due to affiliation societies and American Dental Association	348,021	320,947
Prepaid membership dues	205,203	194,407
Prepaid annual convention fees	391,246	394,075
Rental deposits and other liabilities	29,044	12,869
Total current liabilities	1,007,955	954,119
Net assets		
Unrestricted	2,277,792	2,144,542
Temporarily restricted	26,850	42,940
Total net assets	2,304,642	2,187,482
Total liabilities and net assets	\$ 3,312,597	\$ 3,141,601

See accompanying notes to financial statements.

HAWAII DENTAL ASSOCIATION

Statement of Activities

For the Year Ended December 31, 2016

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Revenue and support				
Member dues	\$ 310,043	\$ -	\$ 310,043	\$ 306,436
Annual convention fees	439,671	-	439,671	388,951
Member service fees	90,942	-	90,942	95,000
Contributions	980	67,724	68,704	98,032
Rental income	179,789	-	179,789	110,964
Royalty income	52,068	-	52,068	52,034
Other income	51,852	-	51,852	25,078
Net assets released from restrictions	83,814	(83,814)	-	-
	1,209,159	(16,090)	1,193,069	1,076,495
Expenses				
Program services	527,970	-	527,970	624,114
Support services:				
Management and general	227,770	-	227,770	152,291
Building maintenance	168,091	-	168,091	242,945
Membership development	152,078	-	152,078	-
	547,939	-	547,939	395,236
	1,075,909	-	1,075,909	1,019,350
Changes in net assets	133,250	(16,090)	117,160	57,145
Net assets, beginning of year, as previously reported	2,144,542	42,940	2,187,482	2,415,210
Prior period adjustments	-	-	-	(284,873)
Net assets, beginning of year, as restated	2,144,542	42,940	2,187,482	2,130,337
Net assets, end of year	\$ 2,277,792	\$ 26,850	\$ 2,304,642	\$ 2,187,482

See accompanying notes to financial statements.

HAWAII DENTAL ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Changes in net assets	\$ 117,160	\$ 57,145
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	52,428	52,678
Prior period adjustment for depreciation	-	(14,073)
(Increase) decrease in operating assets:		
Accounts receivable	13,999	(6,128)
Prepaid expenses and other assets	(72,531)	20,588
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	2,620	15,369
Payments due to affiliation societies and American Dental Association	15,875	200
Prepaid membership dues	10,796	71,005
Prepaid annual convention fees	(2,829)	36,501
Rental deposits	300	10,995
Other liabilities	27,074	124,699
	<u>164,892</u>	<u>368,979</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of equipment	<u>(7,490)</u>	<u>(19,484)</u>
Net increase in cash	157,402	349,495
Cash at beginning of year	<u>901,723</u>	<u>552,228</u>
Cash at end of year	<u>\$ 1,059,125</u>	<u>\$ 901,723</u>

See accompanying notes to financial statements.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

Organization and Nature of Activities

The Hawaii Dental Association (Association) is a nonprofit corporation organized to encourage the improvement of the health of the public and to promote the art and science of dentistry.

The Association is affiliated with various county societies (Societies) which consist of Honolulu County Dental Society, Hawaii County Dental Society, Maui County Dental Society, and Kauai County Dental Society, which have been organized and chartered in conformity with the constitution and by-laws of the Association and are all legal separate entities. 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 supported primarily through membership dues and annual convention fees.

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.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously expensed are recorded when received. Management has determined that no allowances are necessary as all the receivables are deemed collectible.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

1. Summary of Significant Accounting Policies, continued

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, fixtures, and equipment, and 20 to 40 years for the building and improvements.

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 expenses 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.

Depreciation expense for the period ending December 31, 2016 is \$51,920.

Net Assets

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

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. 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 bylaws and any limits resulting from contractual agreements.

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 represent 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.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

1. Summary of Significant Accounting Policies, continued

Revenue Recognition

Revenue from membership dues are recognized in the applicable membership period. Convention fees are recognized when earned. Revenue related to continuing education is recorded during the period in which the events occur. Payments due to ADA, Societies and prepaid membership dues represent 2017 member dues collected in 2016. Prepaid annual convention fees represent amounts collected in 2016 from the attendees and vendors for the “Hawaii Dental Association (HDA) Convention 2017”.

Contributions

Contributions are recognized as support when they become unconditional promises to give, at their fair value. The Association records contributions as temporarily restricted if they are received with donor stipulations that limit their use, either through purposes or time restrictions, and those stipulations have not expired. When donor restrictions expire in subsequent years, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions.

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.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

1. Summary of Significant Accounting Policies, continued

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.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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.

Reclassification

Certain items in prior year's financial statements have been reclassified for comparability purposes with current year's financial statements. These reclassifications had no effect on previously reported changes in net assets or net assets.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

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.

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. **Line-of-Credit**

The Association has a \$500,000 bank line-of-credit for working capital available until November 30, 2018. 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, 2016, the entire line-of-credit was available.

3. **Board Designated Reserve**

The Board of Trustees designated \$16,090 as of December 31, 2016, of unrestricted net assets as a reserve for operations and future building maintenance.

4. **Temporarily Restricted Net Assets**

At December 31, 2016, temporarily restricted net assets of \$26,850 were for charitable programs.

HAWAII DENTAL ASSOCIATION

Notes to Financial Statements

December 31, 2016

5. Lease Income

The Association has three non-cancellable leases expiring December 31, 2017 through December 31, 2021. Future minimum rental income under the leases at December 31, 2016, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2017	\$ 88,000
2018	69,000
2019	72,000
2020	46,000
2021	<u>4,000</u>
Total	<u>\$ 279,000</u>

6. Retirement Plan

The Association has a 401(k) retirement plan (Plan) that covers all employees who have satisfied eligibility requirements. The Association makes discretionary employer contributions to the Plan up to 6% of the participant's eligible compensation. For the year ending December 31, 2016, the Association contributed \$13,405 to the Plan.

7. Related Party Transactions

The Association provided program and administrative services to the Honolulu County Dental Society (Society's) and was reimbursed \$90,942 during December 31, 2016.

8. Concentration of Credit Risk

The Association maintains its cash with a financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC). During the year, the balances exceeded the FDIC insured limit. At December 31, 2016, approximately \$573,000 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.