

# **HAWAII DENTAL ASSOCIATION**

**FINANCIAL STATEMENTS  
As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018  
And Independent Auditor's Report**



**CW Associates**

*A Hawaii Certified Public Accounting Corporation*

## INDEPENDENT AUDITOR'S REPORT

Hawaii Dental Association:

### Report on the Financial Statements

We have audited the accompanying financial statements of Hawaii Dental Association (Association), a Hawaii nonprofit corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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.

### *Auditor's 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 of 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 auditor's 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 auditor considers 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 on the Financial Statements*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2018, 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.

*Emphasis of Matter*

As discussed in Note A to the financial statements, during the year ended December 31, 2018 the Association adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Other Matter*

The financial statements of the Association as of and for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on October 11, 2018.

CW ASSOCIATES, CPAs

Honolulu, Hawaii  
October 15, 2019

**HAWAII DENTAL ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (including interest bearing accounts)	\$ 1,375,238	\$ 1,263,177
Cash held by property management company	7,206	27,026
Accounts receivable – net	4,901	90,035
Prepaid expenses and other assets	15,019	86,619
Total current assets	<u>1,402,364</u>	<u>1,466,857</u>
<b>PROPERTY AND EQUIPMENT – Net</b>	<u>2,012,449</u>	<u>2,062,491</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,414,813</u></u>	<u><u>\$ 3,529,348</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 32,130	\$ 49,401
Due to societies and American Dental Association	247,928	369,238
Prepaid membership dues	193,483	217,358
Prepaid annual convention fees	-	365,327
Rental deposits and other liabilities	33,314	42,417
Total current liabilities	<u>506,855</u>	<u>1,043,741</u>
<b>TOTAL LIABILITIES</b>	<u>506,855</u>	<u>1,043,741</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	2,907,958	2,485,107
Net assets with donor restrictions	-	500
Total net assets	<u>2,907,958</u>	<u>2,485,607</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,414,813</u></u>	<u><u>\$ 3,529,348</u></u>

See accompanying notes to the financial statements.

## HAWAII DENTAL ASSOCIATION

### STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

#### CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and support	
Annual convention fees	\$ 401,360
Member dues	320,546
ADA convention contribution	273,986
Rental income	100,406
Net assets released from donor restrictions	93,600
Member services	90,000
Royalty income	55,551
Other income	24,214
Total revenue and support	<u>1,359,663</u>
Expenses	
Program services	
Member services	320,509
Education	210,101
Membership development	87,376
Total program services	<u>617,986</u>
Supporting services	
Management and general	186,715
Rental activity	132,111
Total supporting services	<u>318,826</u>
Total expenses	<u>936,812</u>
Increase in net assets without donor restrictions	<u>422,851</u>

#### CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions with donor restrictions	93,100
Net assets released from donor restrictions	<u>(93,600)</u>
Decrease in net assets with donor restrictions	<u>(500)</u>

INCREASE IN NET ASSETS 422,351

NET ASSETS – Beginning of year 2,485,607

NET ASSETS – End of year \$2,907,958

See accompanying notes to the financial statements.

**HAWAII DENTAL ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	Program Services			Supporting Services			2018 Total	
	Member Services	Education	Membership Development	Total Program Services	Management and General	Rental Activity		Supporting Services
Salaries, wages, and benefits	\$ 99,058	\$ 18,996	\$ 28,394	\$146,448	\$ 76,956	\$ 1,803	\$ 78,759	\$225,207
Convention	-	169,873	-	169,873	-	-	-	169,873
Committee projects	120,381	4,374	31,409	156,164	1,010	-	1,010	157,174
Conferences and meetings	57,187	10,649	7,960	75,796	26,568	-	26,568	102,364
Professional fees	-	-	-	-	53,432	10,052	63,484	63,484
Depreciation	6,092	1,178	1,741	9,011	4,711	37,480	42,191	51,202
Utilities	5,319	1,025	1,517	7,861	4,115	25,105	29,220	37,081
Repairs and maintenance	3,995	772	1,141	5,908	3,088	24,571	27,659	33,567
Taxes and fees	5,390	544	805	6,739	2,177	22,561	24,738	31,477
Office	6,368	1,771	3,207	11,346	9,952	469	10,421	21,767
Insurance	1,923	369	547	2,839	4,540	4,601	9,141	11,980
Bank fees	-	550	10,234	10,784	25	-	25	10,809
Membership services	10,701	-	-	10,701	-	-	-	10,701
HFD Foundation	4,095	-	-	4,095	-	-	-	4,095
Other expenses	-	-	421	421	141	5,469	5,610	6,031
<b>Total expenses</b>	<b>\$320,509</b>	<b>\$210,101</b>	<b>\$87,376</b>	<b>\$617,986</b>	<b>\$186,715</b>	<b>\$132,111</b>	<b>\$318,826</b>	<b>\$936,812</b>

See accompanying notes to the financial statements.

## HAWAII DENTAL ASSOCIATION

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 422,351
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	51,202
Loss on disposal of property and equipment	5,468
Decrease in	
Accounts receivable – net	85,134
Prepaid expenses and other assets	71,600
Decrease in	
Accounts payable and accrued liabilities	(17,271)
Due to affiliated societies and American Dental Association	(121,310)
Prepaid membership dues	(23,875)
Prepaid annual conference fees	(365,327)
Net cash provided by operating activities	<u>98,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in cash held by property management company	19,820
Purchases of property and equipment	<u>(6,628)</u>
Net cash provided by investing activities	<u>13,192</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in rental deposits and other liabilities	<u>(9,103)</u>
Net cash used by financing activities	<u>(9,103)</u>
NET INCREASE IN CASH	112,061
CASH – Beginning of year	<u>1,263,177</u>
CASH – End of year	<u>\$ 1,375,238</u>

See accompanying notes to the financial statements.

**HAWAII DENTAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

The Hawaii Dental Association (Association) is a nonprofit Hawaii corporation organized in February 1976 to encourage the improvement of the health of the public and to promote the art and science of dentistry. The Association is supported primarily through member dues and annual convention fees.

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 separate legal 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).

Basis of Accounting

The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is recognized when pledged as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Revenue from member dues is recorded in the applicable membership period. Revenue related to annual convention fees, rental income, member services, royalty income, and other income is recognized when earned. Revenue related to conferences is recognized in the period in which the events occur. Amounts due to Societies and the ADA, and prepaid membership dues, represent member dues collected during the current year for the subsequent year. Prepaid annual convention fees represent amounts collected during the current year from attendees who will attend the subsequent year's convention.

Expenses are recognized when the related liability is incurred. The Association allocates its expenses on a functional basis among its various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Other expenses that are common to several functions are allocated by various bases based on estimates by management of their respective efforts and usage.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Association. A number of unpaid volunteers have made contributions of their time to the Association. The value of this time is not reflected in these financial statements because it does not meet the criteria for recognition.



## HAWAII DENTAL ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with such generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such differences will occur within the near term.

##### Concentrations of Credit Risk

Financial instruments that potentially subject the Association to credit risk include cash and accounts receivable. Cash on deposit with financial institutions exceeded the insured amount by approximately \$864,000 and \$730,000 at December 31, 2018 and 2017, respectively. Accounts receivable, which have been adjusted for all known doubtful accounts (none at December 31, 2018 and 2017), are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

##### Property and Equipment

Property and equipment is stated at cost, or if contributed, at the estimated fair market value at the date of contribution. Depreciation of property and equipment is provided using the straight-line method over estimated useful lives of 20 to 40 years for buildings and improvements and five to 10 years for office furniture, fixtures, and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Expenditures for major additions and purchased or donated assets in excess of \$1,000 are capitalized. Minor replacements, maintenance, and repairs are charged to expense as incurred.

##### Net Assets

At December 31, 2018 and 2017, the Association's Board of Trustees had designated \$16,090 of the Association's net assets without donor restriction to fund operations and future building maintenance. Net assets with donor restrictions amounting to \$500 at December 31, 2017 were restricted for workshops. There were no net assets with donor restrictions at December 31, 2018.

##### Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Association receipts from rental income and other activities not directly related to its exempt purpose within the State; plus an additional 0.5% for such gross receipts within the City and County of Honolulu. For the year ended December 31, 2018, Hawaii general excise tax included in revenue and expenses approximated \$7,810.

## HAWAII DENTAL ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes

The Association is exempt from income taxes under U.S. Internal Revenue Code Section 501(c)(6). However, it is subject to income tax on unrelated business income (none for the year ended December 31, 2018). Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Association's tax positions as of December 31, 2018 and 2017, and for the year ended December 31, 2018, by reviewing its income tax returns and conferring with its tax advisors, and determined that there were no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods. The Tax Cuts and Jobs Act of 2017 that was signed into law on December 22, 2017 did not have a significant financial impact on the Association.

##### Adoption of New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 9 58): Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, there are two classes of net assets - net assets with donor restrictions and net assets without donor restrictions. This ASU also requires reporting of the underwater amounts for donor restricted endowments with enhanced disclosures; allows for the presentation of cash flows using the indirect or direct method without a reconciliation of the direct method to the indirect method; requires qualitative information on how the Association manages its liquid assets and associated liquidity risks; requires information on the financial statement or in the notes to the financial statements on the availability of the Association's assets to meet cash needs for general expenditures within one year; and requires reporting of expenses by function and nature along with an analysis of such expenses. The Association implemented this ASU during the year ended December 31, 2018.

#### NOTE B – LIQUIDITY

The Association manages its liquid resources to ensure that it has adequate resources to fund the programs it conducts. It monitors actual financial results to ensure that it controls costs and remains liquid. The Association's policy is to maintain cash balances sufficient to provide for its general expenditures, liabilities, and other obligations as they come due. At December 31, 2018, the Society had \$1,380,139 in financial assets available within one year of the statement of financial position date for general expenditures, consisting of cash of \$1,375,238 and accounts receivable \$4,901. At December 31, 2017, the Society had \$1,353,212 in financial assets available within one year of the statement of financial position date for general expenditures, consisting of cash of \$1,263,177 and accounts receivable \$90,035. These financial assets are not subject to donor or other contractual restrictions that would make them unavailable for general expenditure within one year of the statement of financial position date.

## HAWAII DENTAL ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018

#### NOTE C – PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 690,644	\$ 690,644
Buildings and improvements	1,958,720	1,966,220
Office furniture, fixtures, and equipment	33,228	26,599
Total	<u>2,682,592</u>	<u>2,683,463</u>
Accumulated depreciation	<u>(670,143)</u>	<u>(620,972)</u>
Property and equipment – net	<u>\$2,012,449</u>	<u>\$2,062,491</u>

#### NOTE D – LEASE

The Association leases a portion of its building and improvements to others under operating leases expiring at various dates through February 2021. The leases generally provide for annual increases in the monthly base rent. Rental income for the year ended December 31, 2018 amounted to \$100,406 and rental activity expenses amounted to \$132,111. Rental income for the year ended December 31, 2018 included \$45,348 in common area maintenance and Hawaii general excise taxes collected from tenants and remitted to the State of Hawaii.

At December 31, 2018, future minimum lease receipts were expected to approximate the following:

Years Ending June 30	
2019	\$24,400
2020	\$25,200
2021	\$ 4,200

#### NOTE E – LINE-OF-CREDIT

The Association has a \$500,000 revolving line-of-credit for working capital with Central Pacific Bank (Bank) that is available to November 30, 2019. Advances on the line-of-credit bear interest at the Bank's prime interest rate plus November 30, 2019 and is collateralized by substantially all of the Association's assets. There were no advances on the line-of-credit at December 31, 2018 and 2017. At December 31, 2018 and 2017, the Bank's prime interest rate was 5.5% and 4.5%, respectively.

## HAWAII DENTAL ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of December 31, 2018 and 2017 and  
For the Year Ended December 31, 2018**

#### NOTE F – RETIREMENT PLAN

Effective January 1, 2018, the Association established a Simple IRA Plan covering all full-time employees. The Association may make discretionary contributions to this plan up to 6% of participants' eligible compensation. For the year ended December 31, 2018 the Association contributed \$2,116 to this plan.

#### NOTE G – RELATED PARTY TRANSACTIONS

The Association provides program and administrative services to the Honolulu County Dental Society (Society). For the year ended December 31, 2018, professional fees for such services were \$90,000. At December 31, 2017, the Society owed the Association of \$90,000 for professional fees (included in accounts receivable). The Society did not owe the Association for professional fees at December 31, 2018. The Association also collects member due for and remits dues to the Society. At December 31, 2018 and 2017, amounts due to the Society for prepaid membership dues were \$45,286 and \$81,050, respectively.

In December 2017, the Association entered into an operating agreement with the Hawaii Dental Association Foundation (Foundation). The Foundation's purpose is to address the long-term charitable and community priorities of the Association. The Association provides in-kind administrative support for the general operation of the Foundation. For the year ended December 31, 2018, total support provided to the Foundation was \$4,095. At December 31, 2018 and 2017, amounts due to the Foundation for money collected on behalf of the Foundation were \$6,110 and \$4,266, respectively.

#### NOTE H – CONTINGENCIES

The Association may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Association operates in the State of Hawaii. Local, national and international events can have severe, adverse effects on economic conditions in Hawaii. The effects on the financial statements of the Association from such changes in economic conditions, if any, are not presently determinable.

#### NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2019, which is the date the financial statements were available to be issued, and determined that the Association did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.