

HAWAII DENTAL ASSOCIATION

**FINANCIAL STATEMENTS
As of and For the Year Ended December 31, 2020
With Prior Year Comparative Information
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, 2020, 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 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 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, 2020, 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, 2020, the Association adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Report on Prior Year Comparative Information

We have previously audited the financial statements of the Association as of and for the year ended December 31, 2019, and we expressed an unmodified opinion on those audited financial statements in our reported dated September 25, 2020. In our opinion, the accompanying prior year comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
October 13, 2021

HAWAII DENTAL ASSOCIATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2020
(With Prior Year Comparative Information)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest bearing accounts)	\$ 1,496,667	\$ 1,263,631
Investments in marketable securities	156,822	80,062
Accounts receivable – net	36,040	44,404
Convention deposits	-	74,295
Prepaid expenses and other assets	<u>5,827</u>	<u>9,247</u>
Total current assets	1,695,356	1,471,639
 PROPERTY AND EQUIPMENT – Net	 <u>1,938,842</u>	 <u>1,966,297</u>
 TOTAL ASSETS	 <u>\$3,634,198</u>	 <u>\$3,437,936</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 43,704	\$ 39,729
Due to societies and ADA	326,660	318,585
Prepaid membership dues	207,097	191,810
Prepaid convention fees	-	46,970
Rental deposits and other liabilities	<u>48,902</u>	<u>47,816</u>
Total current liabilities	626,363	644,910
 TOTAL LIABILITIES	 <u>626,363</u>	 <u>644,910</u>
 NET ASSETS		
Net assets without donor restrictions	<u>3,007,835</u>	<u>2,793,026</u>
Total net assets	<u>3,007,835</u>	<u>2,793,026</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$3,634,198</u>	 <u>\$3,437,936</u>

See accompanying notes to the financial statements.

HAWAII DENTAL ASSOCIATION

STATEMENT OF ACTIVITIES

**For the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Annual convention fees	\$ 425,590	\$ 137,828
Member dues	321,737	335,177
Net assets released from donor restrictions	60,500	61,250
Member services	60,000	60,000
Royalty income	53,538	55,986
Rental income	52,019	57,785
County assistance	38,420	32,003
Sales and marketing income	25,564	33,449
Investment and other income	7,304	3,949
Total revenue and support	<u>1,044,672</u>	<u>777,427</u>
Expenses		
Program services		
Member services	264,989	342,809
Education	221,083	147,386
Membership development	30,669	71,764
Total program services	<u>516,741</u>	<u>561,959</u>
Supporting services		
Management and general	195,863	212,557
Rental activity	117,259	117,843
Total supporting services	<u>313,122</u>	<u>330,400</u>
Total expenses	<u>829,863</u>	<u>892,359</u>
Increase (decrease) in net assets without donor restrictions	<u>214,809</u>	<u>(114,932)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	60,500	61,250
Net assets released from donor restrictions	<u>(60,500)</u>	<u>(61,250)</u>
Increase (decrease) in net assets with donor restrictions	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	214,809	(114,932)
NET ASSETS – Beginning of year	<u>2,793,026</u>	<u>2,907,958</u>
NET ASSETS – End of year	<u>\$3,007,835</u>	<u>\$2,793,026</u>

See accompanying notes to the financial statements.

HAWAII DENTAL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(With Prior Year Comparative Information)

	Program Services			Supporting Services			2020 Total	2019 Total	
	Member Services	Education	Membership Development	Total Program Services	Management and General	Rental Activity			Total Supporting Services
Salaries, wages, and benefits	\$109,841	\$ 16,104	\$11,609	\$137,554	\$ 95,137	\$ 3,408	\$ 98,545	\$236,099	\$221,366
Convention	-	182,668	-	182,668	-	-	-	182,668	110,777
Committee projects	95,161	-	13,177	108,338	-	-	-	108,338	132,833
Professional fees	885	2,256	-	3,141	66,257	12,565	78,822	81,963	72,178
Depreciation	6,771	967	699	8,437	5,857	39,442	45,299	53,736	52,341
Taxes and fees	6,327	454	328	7,109	2,749	21,061	23,810	30,919	29,720
Repairs and maintenance	3,339	477	345	4,161	2,889	19,454	22,343	26,504	27,091
Office	10,444	2,314	1,985	14,743	9,963	313	10,276	25,019	27,457
Bank fees	8,753	15,194	-	23,947	320	-	320	24,267	15,481
Utilities	2,817	402	291	3,510	2,437	16,410	18,847	22,357	26,312
Membership services	12,619	-	-	12,619	-	-	-	12,619	23,837
Insurance	1,704	247	178	2,129	4,301	4,606	8,907	11,036	11,741
Conferences and meetings	1,391	-	174	1,565	5,325	-	5,325	6,890	120,463
Contributions to Foundation	4,937	-	-	4,937	-	-	-	4,937	20,047
Other expenses	-	-	1,883	1,883	628	-	628	2,511	715
Total expenses	\$264,989	\$221,083	\$30,669	\$516,741	\$195,863	\$117,259	\$313,122	\$829,863	\$892,359

See accompanying notes to the financial statements.

HAWAII DENTAL ASSOCIATION

STATEMENT OF CASH FLOWS

**For the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 214,809	\$ (114,932)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	53,736	52,341
Unrealized gains on marketable securities	(1,344)	(58)
(Increase) decrease in		
Accounts receivable – net	8,364	(39,503)
Convention deposits	74,295	(74,295)
Prepaid expenses and other assets	3,420	5,772
Increase (decrease) in		
Accounts payable and accrued liabilities	3,975	7,599
Due to societies and ADA	8,075	70,657
Prepaid membership dues	15,287	(1,673)
Prepaid convention fees	(46,970)	46,970
Net cash provided (used) by operating activities	<u>333,647</u>	<u>(47,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	150,000	220,000
Purchases of marketable securities	(225,416)	(300,004)
Purchases of property and equipment	(26,281)	(6,189)
Net cash used by investing activities	<u>(101,697)</u>	<u>(86,193)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in rental deposits and other liabilities	<u>1,086</u>	<u>14,502</u>
Net cash provided by financing activities	<u>1,086</u>	<u>14,502</u>
NET INCREASE (DECREASE) IN CASH	233,036	(118,813)
CASH – Beginning of year	<u>1,263,631</u>	<u>1,382,444</u>
CASH – End of year	<u>\$ 1,496,667</u>	<u>\$ 1,263,631</u>

See accompanying notes to the financial statements.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

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 Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and board of directors.

Net Assets with Donor Restrictions (none at December 31, 2020 and 2019) consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The accompanying financial statements include prior year comparative information that does not constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements as of and for the year ended December 31, 2019, from which the information was derived. Certain amounts in the prior year comparative financial information have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to credit risk include cash, investments in marketable securities, and accounts receivable. Cash on deposit with financial institutions exceeded the insured amount by approximately \$888,000 and \$546,000 at December 31, 2020 and 2019, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts receivable, which have been adjusted for all known doubtful accounts (none at December 31, 2020 and 2019), and are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances; including historical experience, an assessment of economic conditions, and a review of subsequent collections. Investments in marketable securities are fully-insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the average cost method, are included in other income.

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 seven 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.

Revenue and Expense Recognition

Revenue from performance obligations satisfied at a point in time consists of revenue from annual convention fees, and from sales and marketing income, which is recognized in the period in which the event or sales occur. Revenue from performance obligations satisfied over time consists of revenue from nonrefundable membership dues, which is recognized in the applicable membership period; and revenue from membership services, royalty income, rental income, and County assistance, which is recognized over the terms of the agreements. Revenue from sources other than performance obligations consists of investment and other income. The Association recognizes revenue when it satisfies a performance obligation by transferring control and does not have any significant financing components.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (continued)

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, such as building expenses, are allocated by based on square footage for capital related costs such as depreciation, utilities, real property taxes; the content and objectives for conferences and meetings; and actual time spent by personnel for all other expenses.

Donor Contributions

The Association recognizes contributions when cash or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promise to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Association did not receive conditional contributions during the year ended December 31, 2020

Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase to net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Goods and Services

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount. Donated service 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 also made contributions of their time to the Association. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Association from rental income and other activities not directly related to its exempt purpose within Hawaii; plus an additional 0.5% for such gross receipts within the City and County of Honolulu. For the years ended December 31, 2020 and 2019, Hawaii general excise tax included in revenue and expenses amounted to \$5,702 and \$5,085, respectively.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)

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 years ended December 31, 2020 and 2019).

U.S. GAAP requires 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, 2020 and 2019, and for the years then ended, and determined that there were no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expected to be entitled in exchange for those goods or services. This ASU eliminated the transaction-specific and industry-specific revenue recognition guidance under previous U.S. GAAP and replaced it with a principle based approach for determining revenue recognition.

The Association implemented this ASU during the year ended December 31, 2020 using the modified retrospective transition method, whereby contracts that were not substantially completed as of December 31, 2019 were evaluated under this ASU and the cumulative effect of initially applying this ASU, if any, would be recognized as an adjustment to net assets as of the date. The cumulative effect of applying this ASU was not significant to the Association's financial position or results of operations as of January 1, 2020 and for the year ended December 31, 2020.

NOTE B – CASH (INCLUDING INTEREST-BEARING ACCOUNTS)

At December 31, 2020 and 2019, cash (including interest-bearing accounts) consisted of the following:

	<u>2020</u>	<u>2019</u>
Operating cash (including interest bearing accounts)	\$ 1,490,148	\$ 1,258,735
Cash held by property management company	<u>6,519</u>	<u>4,896</u>
Total cash (including interest bearing accounts)	<u>\$ 1,496,667</u>	<u>\$ 1,263,631</u>

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

NOTE C – 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. 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. The Association also has a line-of-credit (see Note G) to meet unanticipated operating needs.

At December 31, 2020 and 2019, the Association’s financial assets and the amounts of financial assets that were readily available within one year of the statement of financial position date to meet general expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Cash (including interest bearing accounts)	\$ 1,496,667	\$ 1,263,631
Investments in marketable securities	156,822	80,062
Accounts receivable – net	<u>36,040</u>	<u>44,404</u>
Total	1,689,529	1,388,097
Cash held by property management company	<u>(6,519)</u>	<u>(4,896)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,683,010</u>	<u>\$ 1,383,201</u>

NOTE D – INVESTMENTS IN MARKETABLE SECURITIES

At December 31, 2020 and 2019, investments in marketable securities consisted of the following:

	<u>2020</u>	<u>2019</u>
Exchange traded funds	\$ 142,822	\$ 30,062
Brokered certificates of deposit	<u>14,000</u>	<u>50,000</u>
Total investments in marketable securities	<u>\$ 156,822</u>	<u>\$ 80,062</u>

At December 31, 2020 and 2019, the fair value of the investments in marketable securities exceeded their cost by \$1,344 and \$58, respectively.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

NOTE D – INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Investment income (included in other income) consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$1,960	\$ 3,893
Unrealized gains (losses) from holding marketable securities	<u>1,344</u>	<u>(58)</u>
 Total investment income	 <u>\$3,304</u>	 <u>\$ 3,835</u>

NOTE E – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Association values brokered certificates of deposit and exchange traded funds at quoted market prices, a Level 1 measurement. There were no investments valued as Level 2 or Level 3. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, the Association’s investments in marketable securities at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Short-term bond index fund	\$ 142,822	\$ -	\$ -	\$ 142,822
Brokered certificates of deposit	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>14,000</u>
 Total investments in marketable securities	 <u>\$ 156,822</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 156,822</u>

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, the Association’s investments in marketable securities at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds				
Short-term bond index fund	\$ 30,062	\$ -	\$ -	\$ 30,062
Brokeraged certificates of deposit	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
 Total investments in marketable securities	 <u>\$ 80,062</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 80,062</u>

NOTE F – PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 690,644	\$ 690,644
Buildings and improvements	1,958,720	1,958,720
Office furniture, fixtures, and equipment	<u>45,004</u>	<u>18,723</u>
Total	2,694,368	2,668,087
Accumulated depreciation	<u>(755,526)</u>	<u>(701,790)</u>
 Property and equipment – net	 <u>\$1,938,842</u>	 <u>\$1,966,297</u>

NOTE G – 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, 2021. Advances on the line-of-credit bear interest at the Bank’s prime interest rate plus 0.5% and are collateralized by substantially all of the Association’s assets. There were no advances on the line-of-credit at December 31, 2020 and 2019. At December 31, 2020 and 2019, the Bank’s prime interest rate was 3.25% and 4.75%, respectively.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

NOTE H – LEASE

The Association leases a portion of its building and improvements to others under operating leases expiring in February 2021. The leases generally provide for annual increases in the monthly base rent. For the years ended December 31, 2020 and 2019, rental income amounted to \$52,019 and \$57,785, respectively, and rental activity expenses amounted to \$117,259 and \$117,843, respectively. Rental income for the years ended December 31, 2020 and 2019 included \$23,804 and \$29,473, respectively, in common area maintenance and Hawaii general excise taxes collected from tenants and remitted to the State of Hawaii. At December 31, 2020, future minimum lease receipts were expected to approximate \$4,200 for the year ending December 31, 2021.

NOTE I – RETIREMENT PLAN

The Association sponsors 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 years ended December 31, 2020 and 2019 the Association contributed \$4,676 and \$4,634, respectively, to this plan.

NOTE J – RELATED PARTY TRANSACTIONS

The Association provides program and administrative services to the Honolulu County Dental Society (Society). For the years ended December 31, 2020 and 2019, professional fees for such services were \$60,000. Amounts due from the Society for professional fees amounted to \$30,000 and \$0 at December 31, 2020 and 2019, respectively. The Association also collects member dues for and remits dues to the Society. Amounts due to the Society for prepaid membership dues amounted to \$61,782 and \$58,268 at December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, the Association provided assistance to the County Dental Societies with respect to their events, for which it received fees of \$38,420 and \$32,003, respectively.

The Association has 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 years ended December 31, 2020 and 2019, total support provided to the Foundation amounted to \$4,937 and \$20,047, respectively. At December 31, 2020 and 2019, amounts due to the Foundation for money collected on behalf of the Foundation amounted to \$17,700 and \$18,200, respectively.

NOTE K – 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.

HAWAII DENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2020
(With Prior Year Comparative Information)**

NOTE K – CONTINGENCIES (Continued)

The Association operates in the State of Hawaii. Local, national and international events (such as the COVID-19 pandemic) can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustment that would result if the Association were to account for future losses or asset impairments, as the effects on the financial statements of the Association from such changes in economic conditions are not presently determinable.

The COVID-19 pandemic has caused business disruption from government-mandated and voluntary closings or reductions in services for all industries, and affected the volatility of marketable securities. While the disruption is currently expected to be temporary, there is considerable uncertainty as to the duration of the economic impact from such disruption. The Association expects this matter to continue to impact its operating results; however, the related financial impact cannot be reasonably estimated at this time.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2021, 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.
