

**COLEGIO DE CIRUJANOS DENTISTAS
DE PUERTO RICO**

FINANCIAL STATEMENTS

AS OF

FEBRUARY 29, 2016

(With Independent Certified Public Accountant's Report)

Luis A. Esquilín-Rosado, CPA

Certified Public Accountant & Consultant

Member of:
Colegio de Contadores Públicos
Autorizados de Puerto Rico

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Governing Board

**Executive Committee and Member of
Colegio de Cirujanos Dentistas de Puerto Rico**

Report on the Financial Statements

I have audited the accompanying statement of financial position of **Colegio de Cirujanos Dentistas de Puerto Rico** (the "Colegio") as of February 29, 2016, and the related statements of activities and changes in net assets, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

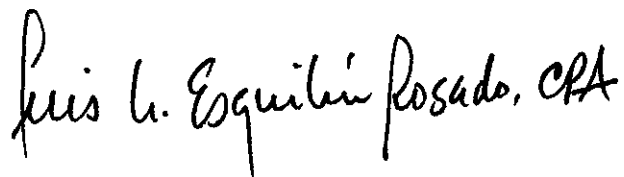
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Colegio de Cirujanos Dentistas de Puerto Rico** as of February 29, 2016, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico
January 14, 2017.

The Stamp No. 02726769 of the Puerto Rico Society of Certified Public Accountants was affixed to the record copy of this report.



COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

STATEMENT OF FINANCIAL POSITION

FEBRUARY 29, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,194,610
Accounts receivable-	
Members dues, net of allowance of \$3,366	102,212
Other	63,688
Prepayments	<u>6,051</u>
Total current assets	<u>1,366,561</u>

PROPERTY, PLANT AND EQUIPMENT:

Land, building and improvements	736,920
Parking facilities, including improvements	438,216
Computers and office equipment	87,355
Furniture and fixtures	<u>85,194</u>
	1,347,685
Less accumulated depreciation	<u>(602,546)</u>
Total property, plant and equipment - net	<u>745,139</u>

OTHER ASSETS:

Investment in securities	246,677
Other investment	<u>65,479</u>
Total other assets	<u>312,156</u>

Total assets \$ 2,423,856

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 109,241
Accrued liabilities and expenses	19,238
Deferred revenue	<u>386,493</u>
Total current liabilities	<u>514,972</u>

NET ASSETS:

Unrestricted	1,619,232
Temporarily restricted	<u>289,652</u>
Total net assets	<u>1,908,884</u>

Total liabilities and net assets \$ 2,423,856

The accompanying notes are an integral part of this statement of financial position.

COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED FEBRUARY 29, 2016

	<u>Unrestricted and Assigned Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
REVENUES			
Members dues	\$ 316,656	\$ 57,821	\$ 374,477
Scientific convention	455,622	-	455,622
Administrative convention	52,543	-	52,543
Continuing education	88,710	-	88,710
Social activities	-	1,494	1,494
Interest income	3,438	1,329	4,767
Publications	4,571	-	4,571
Miscellaneous	63,818	977	64,795
Net assets released from restrictions	<u>56,690</u>	<u>(56,690)</u>	<u>-</u>
Total revenues	<u>1,042,048</u>	<u>4,931</u>	<u>1,046,979</u>
EXPENSES			
Scientific convention	264,282	-	264,282
Administrative convention	58,751	-	58,751
District support	13,406	-	13,406
Salaries, payroll taxes and fringe benefits	170,682	-	170,682
Utilities, repairs and maintenance	41,229	-	41,229
Professional services	115,210	-	115,210
Management and general, including depreciation expense of \$23,388	<u>261,640</u>	<u>-</u>	<u>261,640</u>
Total expenses	<u>925,200</u>	<u>-</u>	<u>925,200</u>
Unrealized holding gain	<u>38,826</u>	<u>-</u>	<u>38,826</u>
CHANGE IN NET ASSETS	155,674	4,931	160,605
NET ASSETS, beginning of year	<u>1,463,558</u>	<u>284,721</u>	<u>1,748,279</u>
NET ASSETS, end of year	<u>\$1,619,232</u>	<u>\$ 289,652</u>	<u>\$1,908,884</u>

The accompanying notes are an integral part of this statement.

COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 29, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ 160,605</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,388
Unrealized holding gain	(38,825)
Changes in assets and liabilities:	
Accounts receivable – members dues	19,286
Accounts receivable – other	3,089
Prepayments	667
Accounts payable	(54,016)
Accrued liabilities and expenses	(21,657)
Deferred revenue	<u>2,166</u>
Total adjustments	<u>(65,902)</u>
Net cash provided by operating activities	<u>94,703</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in other investment	(4,230)
Improvements to parking facilities	(33,908)
Purchase of equipment	<u>(12,415)</u>
Net cash used in investing activities	<u>(50,553)</u>
NET INCREASE IN CASH	44,150
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,150,460</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$1,194,610</u>

The accompanying notes are an integral part of this statement.

COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2016

1) **Organization and summary of significant accounting policies**

Nature of organization

The Colegio de Cirujanos Dentistas de Puerto Rico (the "Colegio" or the Organization) is a non-for-profit organization created and established according to Law 162 of May 13, 1941, as amended, of the Commonwealth of Puerto Rico. As an entity created by law, the institution is responsible for the registry of all professionals authorized to practice the Dentistry profession in Puerto Rico and promote the highest ethics, morals and professional standards among the members.

The Colegio is financially supported primarily through annual mandatory dues of all dentists members authorized to practice the profession in Puerto Rico and other related activities such as the continuing education of members and the Scientific Convention, among others.

Summary of significant accounting policies

Basis of accounting

The accompanying financial statements of the Colegio have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Basis of presentation

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, and Financial Statements of Not-for-Profit Organization. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of February 29, 2016, the Colegio has no permanently restricted assets.

Temporarily restricted assets' description is as follows:

Help Plan – American Dental Association (ADA)

This plan provides help to unfortunate dentists. The same is funded by contributions of \$5.00 per year per member, which is paid from the fee of the ADA.

Mutual Help Plan

This special purpose fund was established to assist those members who are unable to perform their professional duties and/or are in need of financial assistance. The plan is funded by contributions from the general fund equivalent to 2% of members' dues.

Group Life Insurance

This fund is used for the benefit of the family members of a diseased dentist. The plan is funded by contributions from the general fund equivalent to 4% of the member fees.

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COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

NOTES TO FINANCIAL STATEMENTS

Special Tribute ("Outreach")

This plan is used to advice the community of certain dental health programs. The plan is funded by \$15.00 per active member and \$5.00 per retired member, as approved at a member's meeting in August 1993.

New Headquarters

This plan arose from the member's meeting of August 1993 to create a fund for the acquisition of a new headquarters for the Colegio. The same is funded by annual contributions of \$50.00, for the fourth, fifth and sixth year of membership, effective since 1994.

Districts

The Colegio is divided, for administrative purposes, by districts. This plan arose from the member's meeting of August 1993 to create a fund to cover the expenses of these districts. The same is funded by \$10.00 per active member and \$4.00 per retired member.

Prepaid

The fund is used to advice and to inform members of the coverage, codes and procedures of the different dental plans. The same is funded by: \$20.00 per active member, \$14.00 per new member and \$7.00 per retired member.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates.

Fair value of financial instruments

The estimated fair value of financial instruments is determined using available market information or other appropriate valuation methodologies. As of February 29, 2016, the carrying value of cash and cash equivalents approximates the estimated fair value amount.

Cash and cash equivalents

For purposes of statement of cash flows, the organization considers its cash and cash equivalents to include only cash on hand, cash in checking and savings accounts, certificates of deposit, and stock money market accounts if readily available for current operations.

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COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

NOTES TO FINANCIAL STATEMENTS

As of February 29, 2016, cash and cash equivalents is comprised of the following:

Cash – Operating Accounts	\$ 586,601
Cash – Reserve Accounts	426,048
Cash – Temporary Restricted Accounts	<u>181,961</u>
	<u>\$1,194,610</u>

Accounts receivable - Members

Members are subject to annual membership dues to provide funds for the organization’s operating expenses. As of February 29, 2016, accounts receivable – members represent amounts due from active, retired or exiled active members.

Accounts receivable - Other

As of February 29, 2016, accounts receivable – other consist of outstanding amounts due from sponsors and exhibitors who participated in activities throughout the year.

Property, plant and equipment

The Organization’s policy is to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Property, plant and equipment are recorded at cost. Maintenance, repair and minor improvements are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Estimated useful life</u>
Building and improvements	3-30 years
Computers and office equipment	3-5 years
Furniture and fixtures	3-5 years

At the time property, plant and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation is removed from the books and the resulting gain or loss, if any, is credited or charged to operations for the period.

Functional allocations of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Income taxes

The Organization is exempt from the payment of income tax, according to Section 1101 of the Puerto Rico Internal Revenue Code for a New Puerto Rico 2011, as amended. Also, it is exempt from property and municipal taxes according to different Laws of the Commonwealth of Puerto Rico.

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COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

NOTES TO FINANCIAL STATEMENTS

Subsequent events

The Colegio fiscal year ends on February 28th for each year (29th for 2016). All references to years in these notes to financial statements represent fiscal years unless otherwise noted. The Colegio has evaluated subsequent events through January 14, 2017, the date the financial statements were available to be issued, and no items require disclosure.

2) **Concentrations of credit risk**

Financial instruments that potentially expose the Colegio to concentration of credit risk consist principally of cash deposits. Deposits are insured by Federal Deposit Insurance Corporation (FDIC) and by the Corporation for Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC).

As of February 29, 2016, the deposits exceeded the insured amounts by approximately \$409,000. Accounts receivable is comprised of members' dues and convention sponsorships. Dues are collected at a high rate throughout the year due to the matched benefits received by members. Sponsorships are also highly collectible due to the Colegio's relationship with the corporate sponsors. The Colegio has not experienced any significant losses on its receivable accounts.

3) **Investment in securities**

The Organization has elected to account for this investment in securities as an investment available for sale using the fair value option. This option provides for the recording of each investment on an individual basis and any unrealized holding gain or loss is included in the change in the net assets for the current period.

As of February 29, 2016, the Organization has an investment in securities of Triple S Management Corp. (1,231 Shares – Class A; and 7,769 Shares – Class B) with an aggregated fair value amounting to \$246,677, respectively. During 2016, an unrealized holding gain amounting to approximately \$38,826 was recognized in the accompanying financial statements.

4) **Other investment**

On December 15, 2014, the Colegio made an initial investment of approximately \$61,249 in a fixed term annuity investment (Universal Life Insurance Company). In July 2015, the amount of \$3,250 was also transferred to this investment account.

Among the terms of this investment, the principal and interests are guaranteed, there are no restrictions to make cash withdrawals up to fifteen percent (15%) per year and the investment has a fixed interest income of 1.50% during a period of three (3) years.

5) **Deferred revenue**

Consists of advance membership dues for periods subsequent to February 29, 2016.

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COLEGIO DE CIRUJANOS DENTISTAS DE PUERTO RICO

NOTES TO FINANCIAL STATEMENTS

6) **Temporarily restricted net assets**

As of February 29, 2016, temporarily restricted net assets are available for the following purposes:

Help Plan – American Dental Association (ADA)	\$ 47,438
Mutual Help Plan	93,643
Special Tribute (“Outreach”)	35,704
New Headquarters	68,429
Prepaid	<u>44,438</u>
	<u>\$289,652</u>