

HEALTHY SMILES MOBILE DENTAL FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
AND
INDEPENDENT AUDITOR'S REPORT

HEALTHY SMILES MOBILE DENTAL FOUNDATION
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

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SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

1423 Eleventh Street
P O Box 1057
Reedley CA 93654

(559) 638-8600
(800) 464-5711
Fax (559) 638-8700

INDEPENDENT AUDITOR'S REPORT

May 14, 2013

Board of Directors
Healthy Smiles Mobile Dental Foundation
Fresno, California

We have audited the accompanying statement of net assets of Healthy Smiles Mobile Dental Foundation (a California nonprofit corporation) as of December 31, 2012 and the related statements of activities and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthy Smiles Mobile Dental Foundation as of December 31, 2012, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants

GENERAL PURPOSE FINANCIAL STATEMENTS

HEALTHY SMILES MOBILE DENTAL FOUNDATION
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	2012
Assets	
Current assets	
Cash and cash equivalents	\$ 318,976
Accounts receivable	24,588
Prepaid expense	6,261
Total current assets	349,825
Capital assets, net of allowance for depreciation	51,571
Total assets	401,396
Liabilities	
Current liabilities	
Accounts payable and accrued expense	12,857
Payroll liabilities	24,348
Deferred revenue	128,895
Total current liabilities	166,100
Net Assets	
Invested in capital assets, net of related debt	51,571
Unrestricted	183,725
Total net assets	\$ 235,296

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
Support and revenue	
Support	
Services rendered	\$ 569,898
Grants and contracts	235,526
Contributions	1,175
Total support and revenue	806,599
Expense	
Program services	709,636
Support services	
General and administrative	122,732
Total expense	832,368
Change in net assets	(25,769)
Net assets, beginning of year	261,065
Net assets, end of year	\$ 235,296

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
Cash flow provided by/(used for) operating activities:	
Change in net assets	\$ (25,769)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	64,889
Decrease/(increase) in accounts receivable	9,799
Decrease/(increase) in prepaid expense	4,206
Increase/(decrease) in accounts payable and accrued expense	(7,911)
Increase/(decrease) in payroll liabilities	300
Increase/(decrease) in deferred revenue	10,840
Net cash provided by/(used for) operating activities	56,354
Cash flow provided by/(used for) investing activities	
Purchase of equipment	(6,595)
Cash flow provided by/(used for) financing activities	-0-
Net increase in cash	49,759
Cash and cash equivalents, beginning of year	269,217
Cash and cash equivalents, end of year	\$ 318,976

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Summary of Significant Accounting Policies

Organization and Operation – Healthy Smiles Mobile Dental Foundation is a California nonprofit corporation created in 2001 and organized to provide dental services to low-income and no-income patients throughout the central and northern California area. The Foundation is supported primarily by grants, fee for service contracts and charges for services. The following are the significant accounting policies of the Foundation:

Basis of Accounting – The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues when earned and expenses when incurred.

Basis of Presentation – The financial statements of the Foundation are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets; and permanently restricted net assets.

Revenue – Healthy Smiles Mobile Dental Foundation receives substantially its entire grant and contract revenue from local foundations. The Corporation recognizes contract revenue (up to the contract ceiling) from its contracts either on a pro-rata basis over a twelve-month period, which represents the service period for certain contracts or to the extent of related contract expense. Revenue recognition depends upon the contract.

Grants and Contracts Receivable – Grants and contracts 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 receivables from grants and contracts. 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 the applicable receivable. Changes in the valuation allowance have not been material to the financial statements.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Healthy Smiles Mobile Dental Foundation has not received any donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Deferred Program Revenue – Deferred revenue consists of funds advanced to the Foundation from various funding agencies for future services to be rendered and to cover obligations of the projects being performed through the Foundation. Revenue received related to program expenses not yet incurred are included as deferred revenue. As program expenses are incurred, the related revenue will be included in program revenue.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012

1. Summary of Significant Accounting Policies (continued)

Capital Assets – Capital assets (real estate, vehicles and equipment) are recorded at cost, if purchased, or at the estimated current value, if donated. The Corporation follows the practice of capitalizing all expenditures for capital assets in excess of \$1,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts. Any gains or losses on the disposition by sales or retirement are recognized currently in net income or loss. Maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently.

Income Taxes – Healthy Smiles Mobile Dental Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Corporation has made no provision for federal or state income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code.

Cash and Cash Equivalents – Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Capital Assets

The following is a summary of capital assets for the year ended December 31, 2012:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Automotive equipment	\$ 438,759	\$	\$	\$ 438,759
Dental equipment	118,420			118,420
Leasehold improvements	38,865			38,865
Computer and office equipment	22,223	6,595		28,818
Total	618,267	6,595		624,862
Allowance for depreciation	(508,402)	(64,889)		(573,291)
	<u>\$ 109,865</u>	<u>\$ (58,294)</u>	<u>\$</u>	<u>\$ 51,571</u>

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

3. Deferred Revenue

Deferred revenue as of December 31, 2012 consisted of the following:

Fansler Foundation	\$ 71,041
California Wellness Foundation	54,516
Waterford Foundation	<u>3,338</u>
	<u>\$ 128,895</u>

4. Commitments and Contingencies

Services:

The Foundation receives revenue from various fee for service contracts and charges for services. The loss of a major contract would have an impact on the financial statements of the Foundation.

During the year ended December 31, 2012 approximately 65 percent of the Foundation's support was from Denti-Cal.

Leases:

The Foundation has entered into five operating lease agreements: an office lease for the Shaw Avenue location which terminates in 2017; two vehicle leases which terminate in 2014 and 2015; and two office equipment leases which terminate in 2015. Future minimum lease payments on these leases are as follows:

	Office	Vehicles	Office Equipment	Total
Due during the year ending				
December 31, 2013	\$ 25,080	\$ 13,108	\$ 11,184	\$ 49,372
December 31, 2014	25,080	5,840	11,184	42,104
December 31, 2015	25,480	1,827	7,132	34,439
December 31, 2016	26,160			26,160
December 31, 2017	<u>8,800</u>			<u>8,800</u>
	<u>\$ 110,600</u>	<u>\$ 20,775</u>	<u>\$ 29,500</u>	<u>\$ 160,875</u>

For the year ended December 31, 2012, office rent expense, vehicle lease expense and office equipment lease expense were \$25,080, \$15,530 and \$8,300, respectively.

5. Related Party Transactions

The Chief Executive Officer and President of the Foundation is Wayne Kodama, DDS. During the year ended December 31, 2012, there were advances by the Foundation on behalf of Dr. Kodama in the amount of \$8,807. That same amount was reimbursed by Dr. Kodama to the Foundation during 2012. In addition, as of December 31, 2012, there was a net amount of \$121 owed by the Foundation to Dr. Kodama.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

8. Board of Directors

Members of the Board of Directors as of December 31, 2012 were:

Wayne Kodama	President
Michael Alijani	Member
Dalila Herrera-Agustin	Member
Vince Nishikawa	Member
Dave Rose	Member

In addition, Wayne Kodama is the Chief Executive Officer and Tai Hartman is the Executive Director of the Foundation.

9. Functional Classification of Expenses

Expenses by functional classification for the year ended December 31, 2012 are as follows:

	<u>Program Services</u>	<u>Management and Administrative</u>	<u>Total</u>
Salaries and wages – employees	\$ 175,630	\$ 30,993	\$ 206,623
Salaries and wages – officers and directors	130,215	22,979	153,194
Payroll taxes	25,138	4,436	29,574
Employee benefits	<u>5,938</u>	<u>852</u>	<u>6,790</u>
Total personnel	336,921	59,260	396,181
Contracted dentists services	152,412		152,412
Depreciation and amortization	25,956	38,933	64,889
Travel	50,025	2,633	52,658
Dental supplies	46,940		46,940
Occupancy costs	26,138	6,534	32,672
Office supplies	25,907	6,477	32,384
Other	18,185	4,547	22,732
Information technology	11,744	2,936	14,680
Insurance	8,227	433	8,660
Fees for service	4,609	512	5,121
Conferences, conventions and meeting	2,261		2,261
Advertising and promotion	<u>311</u>	<u>467</u>	<u>778</u>
	<u>\$ 709,636</u>	<u>\$ 122,732</u>	<u>\$ 832,368</u>