

HEALTHY SMILES MOBILE DENTAL FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND
INDEPENDENT AUDITOR'S REPORT

HEALTHY SMILES MOBILE DENTAL FOUNDATION
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

July 24, 2014

Board of Directors
Healthy Smiles Mobile Dental Foundation
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Healthy Smiles Mobile Dental Foundation (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2013 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.

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 judgement, 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.

Healthy Smiles Mobile Dental Foundation
July 24, 2014
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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, 2013 and the changes in its financial position and its cash flows for the year then ended in accordance 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 FINANCIAL POSITION
DECEMBER 31, 2013

	2013
Assets	
Current assets	
Cash and cash equivalents	\$ 216,960
Accounts receivable	14,148
Prepaid expense	10,816
Total current assets	241,924
Capital assets, net of allowance for depreciation	78,963
Total assets	320,887
Liabilities	
Current liabilities	
Accounts payable and accrued expense	28,875
Payroll liabilities	23,855
Deferred revenue	115,659
Total current liabilities	168,389
Net Assets	
Invested in capital assets, net of related debt	78,963
Unrestricted	73,535
Total net assets	\$ 152,498

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013
Support and revenue	
Support	
Services rendered	\$ 590,456
Grants and contracts	147,736
Contributions	8,000
Total support and revenue	746,192
Expense	
Program services	706,110
Support services	
General and administrative	149,775
Total expense	855,885
Change in net assets	(109,693)
Net assets, beginning of year	262,191
Net assets, end of year	\$ 152,498

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013
Cash flow provided by/(used for) operating activities:	
Change in net assets	\$ (109,693)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	17,392
Decrease/(increase) in accounts receivable	10,440
Decrease/(increase) in prepaid expense	(4,555)
Increase/(decrease) in accounts payable and accrued expense	19,555
Increase/(decrease) in payroll liabilities	(493)
Increase/(decrease) in deferred revenue	(13,236)
Net cash provided by/(used for) operating activities	(80,590)
Cash flow provided by/(used for) investing activities	
Purchase of equipment	(21,426)
Cash flow provided by/(used for) financing activities	-0-
Net increase/(decrease) in cash	(102,016)
Cash and cash equivalents, beginning of year	318,976
Cash and cash equivalents, end of year	\$ 216,960

See accompanying notes to financial statements.

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 third party insurance payments. The following are the significant accounting policies of the Foundation:

Basis of Accounting – The financial statements have been prepared using the accrual method 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, 2013

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, 2013:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Automotive equipment	\$ 438,759	\$ 4,340	\$	\$ 443,099
Dental equipment	118,420	5,479		123,899
Leasehold improvements	38,865			38,865
Computer and office equipment	<u>28,818</u>	<u>11,607</u>	<u>(19,892)</u>	<u>20,533</u>
Total	624,862	21,426	(19,892)	626,396
Allowance for depreciation	<u>(549,933)</u>	<u>(17,392)</u>	<u>(19,892)</u>	<u>(547,433)</u>
	<u>\$ 74,929</u>	<u>\$ 4,034</u>	<u>\$</u>	<u>\$ 78,963</u>

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

3. Deferred Revenue

Deferred revenue as of December 31, 2013 consisted of the following:

California Wellness Foundation	\$ 107,809
Waterford Foundation	<u>7,850</u>
	<u>\$ 115,659</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, 2013 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, 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>\$ 85,520</u>	<u>\$ 7,667</u>	<u>\$ 18,316</u>	<u>\$ 111,503</u>

For the year ended December 31, 2013, office rent expense, vehicle lease expense and office equipment lease expense were \$25,080, \$13,108 and \$11,184, respectively.

5. Prior Period Adjustment

Depreciation expense was overstated by \$26,895 in 2012, as follows:

Net assets as of January 1, 2013, as previously stated	\$ 235,296
Overstatement of depreciation in 2012	<u>26,895</u>
Net assets as of January 1, 2013, as restated	<u>\$ 262,191</u>

HEALTHY SMILES MOBILE DENTAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

6. Functional Classification of Expenses

Expenses by functional classification for the year ended December 31, 2013 are as follows:

	<u>Program Services</u>	<u>Management and Administrative</u>	<u>Total</u>
Salaries and wages – employees	\$ 194,724	\$ 36,611	\$ 231,335
Salaries and wages – officers and directors	70,605	64,065	134,670
Payroll taxes	23,288	8,837	32,125
Employee benefits	<u>21,620</u>	<u>8,203</u>	<u>29,823</u>
 Total personnel	 310,237	 117,716	 427,953
 Contracted dentists services	 153,054		 153,054
Travel	60,228	3,170	63,398
Dental supplies	59,786		59,786
Other	26,662	9,695	36,357
Office supplies	23,039	5,760	28,799
Occupancy costs	23,249	4,103	27,352
Depreciation and amortization	15,752	1,640	17,392
Fees for service	6,921	5,800	12,721
Insurance	11,966	630	12,596
Information technology	11,074	583	11,657
Conferences, conventions and meeting	3,690		3,690
Advertising and promotion	<u>452</u>	<u>678</u>	<u>1,130</u>
	<u>\$ 706,110</u>	<u>\$ 149,775</u>	<u>\$ 855,885</u>

7. Board of Directors

Members of the Board of Directors as of December 31, 2013 were:

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

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