

# CHILDREN'S DENTAL CARE INTERNATIONAL

## FINANCIAL STATEMENTS

DECEMBER 31, 2012

(With Report of Independent Certified Public Accountants Thereon)

## TABLE OF CONTENTS

	<u>PAGE NO.</u>
Report of Independent Certified Public Accountants	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Children's Dental Care International  
(A non-profit organization)  
Las Vegas, Nevada

We have audited the accompanying statements of financial position of Children's Dental Care International (a non-profit organization) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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. 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 the 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 Children's Dental Care International as of December 31, 2012, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*L.L. Bradford & Company, LLC*  
L.L. Bradford & Company, LLC  
October 10, 2013  
Las Vegas, Nevada

**CHILDREN'S DENTAL CARE INTERNATIONAL  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 332,017
Accounts receivable	35,674
Total current assets	<u>367,691</u>
Building (capitalized in-kind rent)	67,762
Property and equipment, net	<u>121,645</u>
Total assets	<u><u>\$ 557,098</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable and accrued liabilities	\$ 15,228
Deferred revenue	<u>23,282</u>
Total liabilities	38,510
Net assets	
Unrestricted	450,826
Temporarily restricted	<u>67,762</u>
Total net assets	<u>518,588</u>
Total liabilities and net assets	<u><u>\$ 557,098</u></u>

**CHILDREN'S DENTAL CARE INTERNATIONAL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Changes in unrestricted net assets	
Revenues, gains and other support	
Revenue clinic	\$ 875,064
Contributions	60,816
Discount in-kind rent	13,119
Other income	<u>11,750</u>
Total revenues and support	960,749
Net assets released from restrictions	132,212
Expenses and losses	
Program services	
Dental	1,170,774
Supporting services	
Fundraising	18,741
General and administrative	<u>35,450</u>
Total program and supporting services	1,224,965
Change in unrestricted net assets	(132,004)
Changes in temporarily restricted net assets	
Grant revenue	8,450
Net assets released from restrictions	<u>(132,212)</u>
Change in temporarily restricted net assets	(123,762)
Change in net assets	(255,766)
Net assets at beginning of year	<u>774,354</u>
Net assets at end of year	<u>\$ 518,588</u>

See Accompanying Notes to Financial Statements

**CHILDREN'S DENTAL CARE INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program	Fundraising	Administrative	Total
Accounting and bookkeeping	\$ 14,211	\$ -	\$ 440	\$ 14,650
Advertising	-	11,222	-	11,222
Alarm service	1,160	-	36	1,196
Bad debt expense	23,782	-	-	23,782
Bank charges	-	-	2,359	2,359
Computer expenses	7,736	-	239	7,975
Continuing education	444	-	14	458
Dental supplies	62,787	-	1,942	64,729
Depreciation	50,676	-	1,567	52,243
Insurance	12,485	-	386	12,871
Janitorial	22,304	-	690	22,994
Licences	7,229	-	224	7,453
Office expense	19,576	-	605	20,181
Wages and payroll expenses	721,810	7,519	22,557	751,885
Postage	1,199		37	1,236
Rent in-kind	132,969	-	4,112	137,081
Subcontractors	34,010	-	-	34,010
Telephone	7,058	-	218	7,276
Travel and vehicles	41,533	-	-	41,533
Utilities	9,806	-	25	9,831
Total	<u>\$ 1,170,774</u>	<u>\$ 18,741</u>	<u>\$ 35,450</u>	<u>\$ 1,224,965</u>

See Accompanying Notes to Financial Statements

**CHILDREN'S DENTAL CARE INTERNATIONAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Change in net assets	\$ (255,766)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	52,243
Rent-in kind	137,081
Discount in-kind rent (decrease)	(13,119)
Changes in assets and liabilities:	
Accounts receivable	33,396
Prepaid expenses	2,415
Accounts payable and accrued liabilities	(15,951)
Deferred revenue	23,282
Net cash used in operating activities	(36,419)
Cash flows from investing activities:	
Purchase of property and equipment	(10,700)
Net cash used in investing activities	(10,700)
Net change in cash and cash equivalents	(47,119)
Beginning balance, January 1, 2012	379,136
Ending balance, December 31, 2012	\$ 332,017

See Accompanying Notes to Financial Statements

CHILDREN'S DENTAL CARE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

1. HISTORY, BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and background – The Children's Dental Care International (the “Organization”) is a not-for-profit established in October 2001 to provide children in the most neglected parts of the world with critically needed dental care service and to promote children's dental care education throughout the world. In addition, the Organization runs low income dental clinics in Las Vegas and North Las Vegas, Nevada.

In order to provide dental services to all in need the Organization accepts insurance, and uses a sliding scale fee schedule, which allows the Organization to offer services at a greatly reduced rate for those who qualify, and also offer services free of charge to those without the ability to pay for services. No child is refused services based on their inability to pay for services.

Basis of accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Basis of presentation – Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted. Donor-restricted contributions whose restrictions may or will be met in different reporting periods are reported as temporarily restricted. Donor-restricted contributions with stipulations of contributions maintained permanently by the Organization are reported as permanently restricted. Generally, the donors of contributions reported as permanently restricted permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include all cash balances in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Company maintains a cash balance with several financial institutions. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2012, the Organization's uninsured cash balances were approximately \$21,000.

Property and equipment – Property acquired is presented at cost, if purchased, or fair value at date of donation, if acquired by gift or bequest. Depreciation is provided on the straight-line method over the estimated useful life of the asset.

The Organization periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Organization uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

CHILDREN'S DENTAL CARE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

1. HISTORY, BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Revenue and expense recognition – Revenue is recognized in the period that it is earned. Expenses are recognized during the period in which they are incurred.

Donations – The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated materials including supplies, if significant in amount, are recorded at their fair market value if the Organization has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills and would otherwise need to be purchased by the Organization.

Accounts receivable – Accounts receivable are monies due from the patient or the insurance company. Any payments due from the patient would be pending based on the explanation of benefits received from the insurance company. These receivables are reconciled when the insurance company sends a check and the detail showing how much is covered, what amounts should be adjusted and the amount due from the patient.

Deferred revenue – Deferred revenue consists of payments received for contract services to be provided subsequent to December 31, 2012.

Promises to give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 and in the Statement of Functional Revenues and Expenses. Costs are allocated among fundraising, general and administrative and the appropriate program based on evaluations of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising – The Organization expensed all of its advertising costs as they were incurred.

Income taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(3).

**CHILDREN'S DENTAL CARE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**2. ACCOUNTS RECEIVABLE**

As of December 31, 2012, the aging of accounts receivable consists of the following:

0 - 30 days	\$ 54,293
31 - 60 days	1,830
61 - 90 days	3,333
90+ days	<hr/> -
	59,456
Less: allowance for doubtful accounts	<hr/> <u>(23,782)</u>
	 <u>\$ 35,674</u>

**3. BUILDING (CAPITALIZED IN-KIND RENT)**

Clark County of Nevada is leasing to the Organization the former Paradise Community Center at below market rates. Said lease started on April 5, 2005 and is for five years with five one year renewal options. The rent on the building is \$10 per year. The rent for the first five years was paid in advance.

The fair market rental value (average rental cost using the building's location) of the former Paradise Community Center was recorded on the books at its net present value less actual rent paid for the entire term of the lease including the five option years (ten years in total) in the year the lease started. Said rental value is recorded in the books as a rental expense. A discount is recorded as income. The discount is determined by using the Consumer Price Index change from the year and month the lease started, February 2004, to the February of the current year. This amount was 2.7% for the current year.

The balance for the building (capitalized in-kind rent) was \$67,762 as of December 31, 2012.

**4. PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following as of December 31, 2012:

Leasehold improvements	\$ 311,351
Furniture and equipment	<hr/> 177,317
	488,668
Less: accumulated depreciation	<hr/> <u>(367,023)</u>
	 <u>\$ 121,645</u>

**5. RELATED PARTIES**

Dawn McClellan, DDS, President and Director of the Organization, is the sister of Fae Hutchinson. Ms. Hutchinson serves on the Organization's Board of Directors. Ms. Hutchinson does not receive any compensation for said services.

**6. CONCENTRATIONS**

The Organization received a significant portion of its funds to run the low income dental clinic at the former Paradise Community Center from Clark County of Nevada, 13% for the year ended December 31, 2012.

CHILDREN'S DENTAL CARE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 10, 2013 the date the financial statements were issued.