

**CHILDREN'S DENTAL CARE INTERNATIONAL**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**(With Report of Independent Certified Public Accountants Thereon)**

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## 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 financial statements of Children's Dental Care International (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Children's Dental Care International as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*L.L. Bradford & Company, LLC*

L.L. Bradford & Company, LLC  
October 14, 2014  
Las Vegas, Nevada

CHILDREN'S DENTAL CARE INTERNATIONAL  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013

ASSETS

Current assets		
Cash and cash equivalents	\$	529,981
Accounts receivable, net		50,533
Total current assets		<u>580,514</u>
Property and equipment, net		<u>89,512</u>
Total assets	\$	<u><u>670,026</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$	59,675
Deferred revenue		<u>68,282</u>
Total liabilities		127,957
Net assets		
Unrestricted		542,069
Temporarily restricted		-
Total net assets		<u>542,069</u>
Total liabilities and net assets	\$	<u><u>670,026</u></u>

See Accompanying Notes to Financial Statements

CHILDREN'S DENTAL CARE INTERNATIONAL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Changes in unrestricted net assets	
Revenues, gains and other support	
Clinic revenue	\$ 1,039,710
Grant revenue	20,000
Contributions	23,021
Discount in-kind rent	47,304
Other income	31
Total revenues and support	<u>1,130,066</u>
Net assets released from restrictions	212,538
Expenses and losses	
Program services	
Dental	1,220,048
Supporting services	
General and administrative	<u>31,313</u>
Total program and supporting services	1,251,361
Change in unrestricted net assets	91,243
Changes in temporarily restricted net assets	
Grant revenue	144,776
Net assets released from restrictions	<u>(212,538)</u>
Change in temporarily restricted net assets	(67,762)
Change in net assets	23,481
Net assets at beginning of year	<u>518,588</u>
Net assets at end of year	<u><u>\$ 542,069</u></u>

See Accompanying Notes to Financial Statements

CHILDREN'S DENTAL CARE INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Accounting and bookkeeping	\$ 22,931	\$ 709	\$ 23,640
Alarm service	1,391	43	1,434
Bank charges and fees	5,751	558	6,309
Computer expenses	10,657	330	10,987
Continuing education	2,534	78	2,612
Dental and orthodontic supplies	109,510	-	109,510
Depreciation	34,920	1,080	36,000
Insurance	12,092	374	12,466
Janitorial	5,130	159	5,289
Licences	6,859	212	7,071
Marketing	4,914	-	4,914
Office expense	33,083	1,022	34,105
Wages and payroll expenses	745,052	23,043	768,095
Postage	1,245	38	1,283
Rent in-kind	111,614	3,452	115,066
Subcontractors	38,922	-	38,922
Telephone	6,174	191	6,365
Travel and vehicles	57,958	-	57,958
Utilities	9,312	23	9,335
	<u>9,312</u>	<u>23</u>	<u>9,335</u>
 Total	 <u>\$ 1,220,048</u>	 <u>\$ 31,313</u>	 <u>\$ 1,251,361</u>

See Accompanying Notes to Financial Statements

CHILDREN'S DENTAL CARE INTERNATIONAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ 23,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	36,000
Rent-in kind	115,066
Discount in-kind rent (decrease)	(47,304)
Changes in assets and liabilities:	
Accounts receivable	(14,859)
Accounts payable and accrued liabilities	44,447
Deferred revenue	<u>45,000</u>
Net cash provided by operating activities	201,831
Cash flows from investing activities:	
Purchase of property and equipment	<u>(3,867)</u>
Net cash used in investing activities	(3,867)
Net change in cash and cash equivalents	197,964
Beginning balance, January 1, 2013	<u>332,017</u>
Ending balance, December 31, 2013	<u><u>\$ 529,981</u></u>

See Accompanying Notes to Financial Statements

CHILDREN'S DENTAL CARE INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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, 2013, the Organization’s has not had any losses in these accounts.

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, 2013

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, 2013.

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, 2013

2. ACCOUNTS RECEIVABLE

As of December 31, 2013, the aging of accounts receivable consists of the following:

0 - 30 days	\$	37,340
31 - 60 days		9,327
61 - 90 days		3,866
90+ days		<u>3,245</u>
		53,778
Less: allowance for doubtful accounts		<u>(3,245)</u>
		<u>\$ 50,533</u>

3. RENT IN-KIND

Clark County of Nevada is leasing to the Organization, the Enterprise Dental Center. Said lease started on August 17, 2010 and is for five years with five one year renewal options. Rent is free for the 3,960 square foot space. The lease was amended on March 15, 2011 to include monthly payments of \$500 for utilities and other associated fees. Rent in-kind totaled \$67,762 net of a discount of \$47,304 for the year ended December 31, 2013.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of December 31, 2013:

Leasehold improvements	\$	311,351
Furniture and equipment		<u>181,184</u>
		492,535
Less: accumulated depreciation		<u>(403,023)</u>
		<u>\$ 89,512</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. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 14, 2014, the date the financial statements were issued.