

# **National Children's Oral Health Foundation**

Financial Report

June 30, 2011

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## Independent Auditor's Report

To the Board of Directors  
National Children's Oral Health Foundation  
Charlotte, North Carolina

We have audited the accompanying statements of financial position of the National Children's Oral Health Foundation (the "Foundation") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 the National Children's Oral Health Foundation as of June 30, 2011 and 2010, and the changes in its net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Charlotte, North Carolina  
September 23, 2011

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**National Children's Oral Health Foundation**

**Statements of Financial Position  
June 30, 2011 and 2010**

	2011	2010
Assets:		
Cash	\$ 719,545	\$ 480,683
Contributions receivable, net (Note 2)	923,178	1,358,238
Deposit and other assets	7,623	1,643
<b>Total assets</b>	<b>\$ 1,650,346</b>	<b>\$ 1,840,564</b>
Liabilities:		
Accrued payroll	\$ 7,091	\$ 8,824
Deferred rent	-	2,514
<b>Total liabilities</b>	<b>7,091</b>	<b>11,338</b>
Commitments (Note 5)		
Net Assets:		
Unrestricted net assets	305,995	292,923
Temporarily restricted net assets (Note 3)	1,337,260	1,536,303
<b>Total net assets</b>	<b>1,643,255</b>	<b>1,829,226</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,650,346</b>	<b>\$ 1,840,564</b>

See Notes to Financial Statements.

**National Children's Oral Health Foundation**

**Statements of Activities**

**Years Ended June 30, 2011 and 2010**

	2011		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 114,832	\$ 991,644	\$ 1,106,476
In-kind contributions	2,330,808	-	2,330,808
Contributed services	88,068	-	88,068
Other income	7,487	-	7,487
Net assets released from restrictions (Note 3)	1,190,687	(1,190,687)	-
<b>Total support and revenue</b>	<b>3,731,882</b>	<b>(199,043)</b>	<b>3,532,839</b>
Expenses:			
Program expenses	2,651,476	-	2,651,476
Management and general expenses	309,579	-	309,579
Fundraising expenses:			
Purchased	196,766	-	196,766
Donated	560,989	-	560,989
<b>Total expenses</b>	<b>3,718,810</b>	<b>-</b>	<b>3,718,810</b>
<b>Change in net assets</b>	<b>13,072</b>	<b>(199,043)</b>	<b>(185,971)</b>
Net assets, beginning	292,923	1,536,303	1,829,226
Net assets, ending	<u>\$ 305,995</u>	<u>\$ 1,337,260</u>	<u>\$ 1,643,255</u>

See Notes to Financial Statements.

2010		
Unrestricted	Temporarily Restricted	Total
\$ 280,066	\$ 1,253,961	\$ 1,534,027
2,431,626	197,393	2,629,019
164,986	-	164,986
10,500	-	10,500
889,750	(889,750)	-
3,776,928	561,604	4,338,532
2,921,188	-	2,921,188
246,334	-	246,334
142,551	-	142,551
468,779	-	468,779
3,778,852	-	3,778,852
(1,924)	561,604	559,680
294,847	974,699	1,269,546
\$ 292,923	\$ 1,536,303	\$ 1,829,226

# National Children's Oral Health Foundation

## Statements of Functional Expenses Years Ended June 30, 2011 and 2010

Description	2011			
	Program	Management and General	Fundraising	Total
Affiliate grants	\$ 298,809	\$ -	\$ -	\$ 298,809
Donated product to affiliates	1,813,760	-	-	1,813,760
Educational materials (Note 4)	47,140	-	-	47,140
Meetings and events	13,326	6,821	6,086	26,233
Salary expense	303,834	155,506	138,759	598,099
Professional services	1,124	17,234	19,108	37,466
Donated services	74,965	13,103	-	88,068
Personnel development	1,477	756	674	2,907
Rent (Note 5)	9,597	4,911	4,382	18,890
Insurance	2,255	1,154	1,030	4,439
Travel	15,721	8,046	7,179	30,946
Public relations	43,461	-	7,670	51,131
Office equipment and furnishings	63	32	29	124
Computer	5,229	2,676	2,389	10,294
Supplies, printing and postage	14,167	7,251	6,470	27,888
Communication	6,548	3,351	2,990	12,889
Miscellaneous expense	-	387	-	387
Bad debt expense	-	80,000	-	80,000
Fees	-	8,351	-	8,351
	2,651,476	309,579	196,766	3,157,821
Donated marketing	-	-	560,989	560,989
<b>Total expenses</b>	<b>\$ 2,651,476</b>	<b>\$ 309,579</b>	<b>\$ 757,755</b>	<b>\$ 3,718,810</b>

See Notes to Financial Statements.

2010

Program	Management and General	Fundraising	Total
\$ 335,070	\$ -	\$ -	\$ 335,070
1,987,847	-	-	1,987,847
43,156	-	-	43,156
9,116	4,070	3,093	16,279
292,150	130,424	99,122	521,696
903	13,839	15,343	30,085
159,633	5,353	-	164,986
2,031	907	689	3,627
10,905	4,869	3,700	19,474
3,019	1,348	1,024	5,391
14,128	6,307	4,794	25,229
40,956	-	7,228	48,184
-	-	-	-
5,200	2,322	1,765	9,287
9,666	4,315	3,279	17,260
7,408	3,307	2,514	13,229
-	-	-	-
-	62,262	-	62,262
-	7,011	-	7,011
2,921,188	246,334	142,551	3,310,073
-	-	468,779	468,779
\$ 2,921,188	\$ 246,334	\$ 611,330	\$ 3,778,852

**National Children's Oral Health Foundation**

**Statements of Cash Flows**

**Years Ended June 30, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ (185,971)	\$ 559,680
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	80,000	62,262
In-kind contributions	(2,330,808)	(2,629,019)
Contributed services	(88,068)	(164,986)
Donated expenses	2,462,817	2,621,612
(Increase) decrease in:		
Contributions receivable	311,119	(467,262)
Other receivables	-	264
Prepaid expenses	-	4,109
Deposit and other assets	(5,980)	-
Increase (decrease) in:		
Accrued payroll	(1,733)	8,824
Deferred rent	(2,514)	(632)
<b>Net cash provided by (used in) operating activities</b>	<b>238,862</b>	<b>(5,148)</b>
<b>Net increase (decrease) in cash</b>	<b>238,862</b>	<b>(5,148)</b>
Cash:		
Beginning	480,683	485,831
Ending	<u>\$ 719,545</u>	<u>\$ 480,683</u>

See Notes to Financial Statements.

## National Children's Oral Health Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

The National Children's Oral Health Foundation (the "Foundation"), formed on December 2, 2005, is located in Charlotte, North Carolina. The Foundation is a not-for-profit corporation whose mission is to eliminate dental disease and to promote overall health and well-being for the growing numbers of dentally underserved children by assuring access to the best comprehensive preventive, educational and treatment services. The Foundation is a comprehensive resource provider for non-profit pediatric oral health programs for underserved children.

Within the next ten years, the Foundation seeks to establish a network of affiliate programs that will:

- Treat children most in need through more than 500 centers throughout the United States and begin providing support globally.
- Educate and support the delivery of preventive community-based services and programs to underserved children.

A summary of the Foundation's significant accounting policies follows:

Accrual basis: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income taxes: The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Basis of presentation: Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. The board may designate unrestricted net assets for working capital at its discretion.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. The Foundation currently has no permanently restricted net assets.

## National Children's Oral Health Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Gifts of cash and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 temporarily restricted contributions when received and reported as net assets released from restriction when the restriction expires.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and grants receivable: Unconditional promises to give that are expected to be collected in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of estimated future cash flows. The discounts on contributions made before June 30, 2008 are computed using a risk-free interest rate applicable to the year in which the promise is received. The discounts on contributions receivable made after July 1, 2008 are computed using a rate commensurate with the risk of the contributions receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Functional allocation of expenses: The Foundation allocates certain of its expenses to program and supporting services based on management's estimates of the percentage of time personnel spend on program, management and general, and fundraising activities.

In-kind contributions and contributed services: In-kind contributions consist of dental products and magazine advertisements and are recognized at their estimated fair value in the statement of activities as in-kind contribution revenues and donated expenses. The estimated fair value of these contributions was \$2,330,808 and \$2,629,019 for 2011 and 2010, respectively. Of these contributed amounts, approximately \$222,000 and \$272,000 were included in contributions receivable on the statements of financial position as of June 30, 2011 and 2010, respectively.

Contributed services are recognized at their estimated fair value when they are received if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Contributed services consisted of pro-bono dental, legal and web site development services. The estimated fair value of these contributed services was \$88,068 and \$164,986 for 2011 and 2010, respectively, and is recognized in the statements of activities and functional expenses as contributed services revenues and donated services expenses.

Concentration of credit risk: Cash is held at one financial institution as of June 30, 2011 and 2010, which at times may exceed federally insured limits. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash.

## National Children's Oral Health Foundation

### Notes to Financial Statements

#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Subsequent events: The Foundation has evaluated its subsequent events (events occurring after June 30, 2011) through September 23, 2011, which represents the date the financial statements were available to be issued.

#### Note 2. Contributions Receivable

As of June 30, 2011 and 2010, unconditional promises to give are expected to be realized in the following periods:

	2011	2010
In one year or less	\$ 947,563	\$ 908,393
Between one and five years	-	475,000
	947,563	1,383,393
Less unamortized discount	24,385	25,155
	<u>\$ 923,178</u>	<u>\$ 1,358,238</u>

#### Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes or periods:

	2011	2010
Purpose Restrictions:		
Tomorrow's Smiles	\$ 173,080	\$ 178,065
Oral Health Zones	158,867	-
Esther Wilkins Fund	82,135	-
Time Restricted	923,178	1,358,238
	<u>\$ 1,337,260</u>	<u>\$ 1,536,303</u>

Net assets were released from donor restrictions during the years ended June 30, 2011 and 2010 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors:

	2011	2010
Temporarily restricted net assets:		
Tomorrow's Smiles	\$ 9,524	\$ 5,677
Oral Health Zones	1,133	62,073
Receptions	20,000	15,000
Video	-	10,000
Esther Wilkins Fund	25,000	-
Time restrictions	1,135,030	797,000
	<u>\$ 1,190,687</u>	<u>\$ 889,750</u>

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## National Children's Oral Health Foundation

### Notes to Financial Statements

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#### Note 4. Related Party Transactions

Toothfairy Island is an organization that creates educational materials to enhance pediatric wellness programs. The former chairperson of the Foundation's Board of Directors also acts as the Vice President of Toothfairy Island. During the years ending June 30, 2011 and 2010, the Foundation purchased educational materials from Toothfairy Island of \$47,140 and \$43,156, respectively.

#### Note 5. Operating Leases

During December 2008, the Foundation entered into a non-cancelable operating lease with an unrelated party which was scheduled to expire in January 2012. In February 2011, the lease agreement was amended to allow the Foundation to relocate to a larger space within the same building. The amended lease agreement is scheduled to expire in December 2014. During the years ending June 30, 2011 and 2010, rent expense for office space under these lease agreements was \$18,890 and \$19,474, respectively. In addition to the office space, the Foundation leases office equipment under a non-cancelable agreement accounted for as an operating lease.

Future minimum rental payments under non-cancelable operating leases were as follows as of June 30, 2011:

#### Fiscal year ending June 30

2012	\$	26,004
2013		27,504
2014		15,204
2015		2,304
2016		1,536
	\$	<u>72,552</u>