

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

Consolidated Financial Report  
June 30, 2014



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Children's Oral Health Foundation and Affiliate (the Foundation) which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Children's Oral Health Foundation and Affiliate as of June 30, 2014 and 2013, and the changes in their net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'McGladrey LLP'.

Charlotte, North Carolina  
October 6, 2014

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**National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Financial Position**  
**June 30, 2014 and 2013**

	2014	2013
Assets		
Cash	\$ 1,320,076	\$ 753,468
Contributions receivable, net (Note 2)	514,967	1,081,358
Deposit and other assets	1,643	1,643
Inventory (Note 4)	27,349	-
<b>Total assets</b>	<b>\$ 1,864,035</b>	<b>\$ 1,836,469</b>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 58,277	\$ 41,096
<b>Total liabilities</b>	<b>58,277</b>	<b>41,096</b>
Commitments (Note 5)		
Net Assets		
Unrestricted net assets	777,616	399,259
Temporarily restricted net assets (Note 3)	1,028,142	1,396,114
<b>Total net assets</b>	<b>1,805,758</b>	<b>1,795,373</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,864,035</b>	<b>\$ 1,836,469</b>

See Notes to Consolidated Financial Statements.

**National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Activities**  
**Years Ended June 30, 2014 and 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 776,988	\$ 852,617	\$ 1,629,605
In-kind contributions	1,848,257	-	1,848,257
Contributed services	127,156	-	127,156
Other income	-	-	-
Net assets released from restrictions (Note 3)	1,220,589	(1,220,589)	-
<b>Total support and revenue</b>	<b>3,972,990</b>	<b>(367,972)</b>	<b>3,605,018</b>
Expenses			
Program expenses	2,731,044	-	2,731,044
Management and general expenses	252,640	-	252,640
Fundraising expenses:			
Purchased	140,566	-	140,566
Donated	470,383	-	470,383
<b>Total expenses</b>	<b>3,594,633</b>	<b>-</b>	<b>3,594,633</b>
<b>Change in net assets</b>	<b>378,357</b>	<b>(367,972)</b>	<b>10,385</b>
Net Assets, Beginning	399,259	1,396,114	1,795,373
Net Assets, Ending	<u>\$ 777,616</u>	<u>\$ 1,028,142</u>	<u>\$ 1,805,758</u>

See Notes to Consolidated Financial Statements.

2013		
Unrestricted	Temporarily Restricted	Total
\$ 573,786	\$ 676,658	\$ 1,250,444
2,343,702	-	2,343,702
227,400	-	227,400
3,560	-	3,560
1,031,253	(1,031,253)	-
4,179,701	(354,595)	3,825,106
3,110,910	-	3,110,910
254,462	-	254,462
202,802	-	202,802
518,267	-	518,267
4,086,441	-	4,086,441
93,260	(354,595)	(261,335)
305,999	1,750,709	2,056,708
\$ 399,259	\$ 1,396,114	\$ 1,795,373

**National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Functional Expenses**  
**Years Ended June 30, 2014 and 2013**

Description	2014			
	Program	Management and General	Fundraising	Total
Affiliate Grants	\$ 521,113	\$ -	\$ -	\$ 521,113
Donated Product to Affiliates	1,208,419	-	-	1,208,419
Educational Materials (Note 4)	19,858	-	-	19,858
Meetings and Events	29,331	8,923	4,086	42,340
Salary Expense	588,072	184,851	87,468	860,391
Professional Services	-	24,727	38,839	63,566
Donated Services	121,392	5,764	-	127,156
Personnel Development	1,118	340	156	1,614
Rent (Note 5)	22,381	6,809	3,118	32,308
Insurance	2,976	905	415	4,296
Travel	15,308	4,657	2,132	22,097
Public Relations	2,377	-	420	2,797
Computer	2,503	762	350	3,615
Supplies, Printing and Postage	11,983	3,645	1,669	17,297
Communication	13,732	4,177	1,913	19,822
Fees	-	7,080	-	7,080
	<b>2,560,563</b>	<b>252,640</b>	<b>140,566</b>	<b>2,953,769</b>
Donated Marketing	-	-	470,383	470,383
Donated Public Service Announcements	<b>170,481</b>	-	-	<b>170,481</b>
<b>Total expenses</b>	<b>\$ 2,731,044</b>	<b>\$ 252,640</b>	<b>\$ 610,949</b>	<b>\$ 3,594,633</b>

See Notes to Consolidated Financial Statements.



2013

Program	Management and General	Fundraising	Total
\$ 376,077	\$ -	\$ -	\$ 376,077
1,739,480	-	-	1,739,480
38,840	-	-	38,840
38,282	12,495	10,474	61,251
524,885	167,181	142,155	834,221
-	28,636	25,991	54,627
213,212	14,188	-	227,400
945	308	258	1,511
17,783	5,805	4,866	28,454
5,276	1,722	1,444	8,442
28,390	9,267	7,768	45,425
14,940	-	2,636	17,576
2,640	862	723	4,225
14,086	4,598	3,854	22,538
9,625	3,141	2,633	15,399
-	6,259	-	6,259
3,024,461	254,462	202,802	3,481,725
-	-	518,267	518,267
86,449	-	-	86,449
\$ 3,110,910	\$ 254,462	\$ 721,069	\$ 4,086,441

**National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 10,385	\$ (261,335)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind contributions	(1,848,257)	(2,343,702)
Contributed services	(127,156)	(227,400)
Donated expenses	1,976,439	2,571,596
(Increase) decrease in:		
Contributions receivable	565,365	336,198
Inventory	(27,349)	-
Increase (decrease) in:		
Accounts payable	-	(5,652)
Accrued expenses	17,181	29,716
<b>Net cash provided by operating activities</b>	<b>566,608</b>	<b>99,421</b>
<b>Net increase in cash</b>	<b>566,608</b>	<b>99,421</b>
Cash		
Beginning	753,468	654,047
Ending	<b>\$ 1,320,076</b>	<b>\$ 753,468</b>

See Notes to Consolidated Financial Statements.

## National Children's Oral Health Foundation and Affiliate

### Notes to Consolidated Financial Statements

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

The National Children's Oral Health Foundation and Affiliate (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.

National Children's Oral Health Foundation of Canada (NCOHF Canada) was incorporated in Canada on February 14, 2012, and became a registered Canadian charity as of April 17, 2012. NCOHF Canada was formed to carry out the Foundation's mission in Canada. The Consolidations Topic of the FASB Codification requires that NCOHF Canada be consolidated with the Foundation due to the fact that the Foundation has both control and an economic interest in NCOHF Canada. For the years ended June 30, 2014 and 2013, the only transactions of NCOHF Canada were expenses of approximately \$8,700 and \$9,800, respectively, which are included within the Foundation's statement of activities for the years then ended.

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

Principles of consolidation: The consolidated financial statements include the accounts of National Children's Oral Health Foundation and its consolidated affiliate, NCOHF Canada. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 (GAAP).

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 2011.

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.

## National Children's Oral Health Foundation and Affiliate

### Notes to Consolidated Financial Statements

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

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.

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 in which they are received 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 consolidated financial statements in conformity with GAAP 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 receivable 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, magazine advertisements and air time on television and the radio, 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 \$1,848,257 and \$2,343,702 for 2014 and 2013, respectively. Additionally, approximately \$196,000 and \$197,000 of in-kind contributions were included in contributions receivable on the consolidated statements of financial position as of June 30, 2014 and 2013, 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 approximately \$127,200 and \$227,400 for 2014 and 2013, respectively, and is recognized in the consolidated 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, 2014 and 2013, 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 and Affiliate

### Notes to Consolidated 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, 2014) through October 6, 2014, which represents the date the consolidated financial statements were available to be issued.

#### Note 2. Contributions Receivable

As of June 30, 2014 and 2013, unconditional promises to give are expected to be realized in the following periods:

	2014	2013
In one year or less	\$ 514,967	\$ 865,993
Between one and five years	-	225,000
	514,967	1,090,993
Less unamortized discount	-	9,635
	<u>\$ 514,967</u>	<u>\$ 1,081,358</u>

#### Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 and 2013 are available for the following purposes or periods:

	2014	2013
Purpose restrictions		
Tomorrow's Smiles	\$ 35,815	\$ 60,660
Oral Health Zones	330,299	195,415
Esther Wilkins Fund	44,890	53,626
Program and event sponsorship	1,555	5,055
Youth Mentoring Program	100,616	-
Time restricted	514,967	1,081,358
	<u>\$ 1,028,142</u>	<u>\$ 1,396,114</u>

Net assets were released from donor restrictions during the years ended June 30, 2014 and 2013 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors:

	2014	2013
Temporarily restricted net assets		
Tomorrow's Smiles	\$ 27,790	\$ 56,070
Oral Health Zones	228,806	168,198
Esther Wilkins Fund	15,583	35,111
Program and event sponsorship	3,500	7,677
Youth Mentoring Program	268,884	-
Time restrictions	676,026	764,197
	<u>\$ 1,220,589</u>	<u>\$ 1,031,253</u>

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## National Children's Oral Health Foundation and Affiliate

### Notes to Consolidated 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 acted as the Vice President of Toothfairy Island. During the years ended June 30, 2014 and 2013, the Foundation purchased educational materials directly from Toothfairy Island of \$6,557 and \$32,192, respectively.

Effective March 24, 2013, the Foundation entered into a three-year licensing agreement with Toothfairy Island to obtain the right to produce certain educational materials for the exclusive use of the Foundation. In return, and upon receipt of the educational materials, the Foundation is required to remit royalties equal to 25% of total related production costs to Toothfairy Island. For the year ended June 30, 2014, the Foundation incurred total inventory production costs of approximately \$27,000, which included royalty fees of approximately \$5,000. There were no production costs or royalty fees incurred for the year ended June 30, 2013.

#### Note 5. Operating Leases

During December 2008, the Foundation entered into a non-cancelable operating lease with an unrelated party. In December 2012, the lease agreement was amended to expand the size of the leased facility and to extend the lease through December 2017. Monthly payments under the operating lease vary from \$2,050 to \$2,904. In addition to the office space, the Foundation leases office equipment under a non-cancelable agreement accounted for as an operating lease. During the years ended June 30, 2014 and 2013, rent expense for office space and equipment under these lease agreements was \$32,308 and \$28,454, respectively.

Future minimum rental payments under non-cancelable operating leases were as follows as of June 30, 2014:

#### Fiscal year ending June 30

2015	\$	35,151
2016		35,176
2017		34,509
2018		17,425
	\$	<u>122,261</u>