

# **America's ToothFairy: National Children's Oral Health Foundation and Affiliate**



Consolidated Financial Report  
June 30, 2015

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## Independent Auditor's Report

To the Board of Directors  
America's ToothFairy:  
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 America's ToothFairy: National Children's Oral Health Foundation and Affiliate (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, 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 consolidated financial position of America's ToothFairy: National Children's Oral Health Foundation and Affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their 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". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
October 21, 2015

**America's ToothFairy: National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Financial Position  
June 30, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Cash	\$ 1,277,357	\$ 1,320,076
Contributions receivable, net (Note 2)	400,384	514,967
Deposit and other assets	1,643	1,643
Inventory (Note 3)	39,304	27,349
<b>Total assets</b>	<b>\$ 1,718,688</b>	<b>\$ 1,864,035</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,845	\$ -
Accrued expenses	35,027	58,277
<b>Total liabilities</b>	<b>42,872</b>	<b>58,277</b>
Commitments (Note 5)		
<b>Net Assets</b>		
Unrestricted net assets	842,485	777,616
Temporarily restricted net assets (Note 4)	833,331	1,028,142
<b>Total net assets</b>	<b>1,675,816</b>	<b>1,805,758</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,718,688</b>	<b>\$ 1,864,035</b>

See Notes to Consolidated Financial Statements.

**America's ToothFairy: National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Activities**  
**Years Ended June 30, 2015 and 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 719,488	\$ 956,002	\$ 1,675,490
In-kind contributions	2,380,807	-	2,380,807
Contributed services	100,899	-	100,899
Other income	490	-	490
Net assets released from restrictions (Note 4)	1,150,813	(1,150,813)	-
<b>Total support and revenue</b>	<b>4,352,497</b>	<b>(194,811)</b>	<b>4,157,686</b>
Expenses			
Program expenses	2,600,313	-	2,600,313
Management and general expenses	293,208	-	293,208
Fundraising expenses:			
Purchased	156,968	-	156,968
Donated	1,237,139	-	1,237,139
<b>Total expenses</b>	<b>4,287,628</b>	<b>-</b>	<b>4,287,628</b>
<b>Change in net assets</b>	<b>64,869</b>	<b>(194,811)</b>	<b>(129,942)</b>
Net Assets, Beginning	777,616	1,028,142	1,805,758
Net Assets, Ending	<u>\$ 842,485</u>	<u>\$ 833,331</u>	<u>\$ 1,675,816</u>

See Notes to Consolidated Financial Statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 776,988	\$ 852,617	\$ 1,629,605
1,848,257	-	1,848,257
127,156	-	127,156
-	-	-
1,220,589	(1,220,589)	-
3,972,990	(367,972)	3,605,018
2,731,044	-	2,731,044
252,640	-	252,640
140,566	-	140,566
470,383	-	470,383
3,594,633	-	3,594,633
378,357	(367,972)	10,385
399,259	1,396,114	1,795,373
\$ 777,616	\$ 1,028,142	\$ 1,805,758

**America's ToothFairy: National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Functional Expenses**  
**Years Ended June 30, 2015 and 2014**

Description	2015			
	Program	Management and General	Fundraising	Total
Affiliate grants	\$ 742,366	\$ -	\$ -	\$ 742,366
Donated product to affiliates	1,143,668	-	-	1,143,668
Educational materials (Note 3)	18,917	-	-	18,917
Meetings and events	22,626	6,882	12,510	42,018
Salary expense	495,616	150,758	110,553	756,927
Professional services	-	100,868	16,285	117,153
Donated services	97,190	3,709	-	100,899
Personnel development	3,978	1,210	887	6,075
Rent (Note 5)	21,155	6,435	4,719	32,309
Insurance	4,585	1,395	1,023	7,003
Travel	11,404	3,469	2,544	17,417
Public relations	4,505	-	795	5,300
Computer	494	149	110	753
Supplies, printing and postage	12,951	3,939	2,889	19,779
Communication	20,858	6,345	4,653	31,856
Fees	-	8,049	-	8,049
	<b>2,600,313</b>	<b>293,208</b>	<b>156,968</b>	<b>3,050,489</b>
Donated marketing	-	-	1,237,139	1,237,139
Donated public service announcements	-	-	-	-
<b>Total expenses</b>	<b>\$ 2,600,313</b>	<b>\$ 293,208</b>	<b>\$ 1,394,107</b>	<b>\$ 4,287,628</b>

See Notes to Consolidated Financial Statements.



2014

Program	Management and General	Fundraising	Total
\$ 521,113	\$ -	\$ -	\$ 521,113
1,208,419	-	-	1,208,419
19,858	-	-	19,858
29,331	8,923	4,086	42,340
588,072	184,851	87,468	860,391
-	24,727	38,839	63,566
121,392	5,764	-	127,156
1,118	340	156	1,614
22,381	6,809	3,118	32,308
2,976	905	415	4,296
15,308	4,657	2,132	22,097
2,377	-	420	2,797
2,503	762	350	3,615
11,983	3,645	1,669	17,297
13,732	4,177	1,913	19,822
-	7,080	-	7,080
2,560,563	252,640	140,566	2,953,769
-	-	470,383	470,383
170,481	-	-	170,481
\$ 2,731,044	\$ 252,640	\$ 610,949	\$ 3,594,633

**America's ToothFairy: National Children's Oral Health Foundation and Affiliate**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (129,942)	\$ 10,385
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind contributions	(2,380,807)	(1,848,257)
Contributed services	(100,899)	(127,156)
Donated expenses	2,481,706	1,976,439
(Increase) decrease in:		
Contributions receivable	114,583	565,365
Inventory	(11,955)	(27,349)
Increase (decrease) in:		
Accounts payable	7,845	-
Accrued expenses	(23,250)	17,181
<b>Net cash provided by (used in) operating activities</b>	<b>(42,719)</b>	<b>566,608</b>
<b>Net increase (decrease) in cash</b>	<b>(42,719)</b>	<b>566,608</b>
Cash		
Beginning	1,320,076	753,468
Ending	<u><u>\$ 1,277,357</u></u>	<u><u>\$ 1,320,076</u></u>

See Notes to Consolidated Financial Statements.

## America's ToothFairy: 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

America's ToothFairy: National Children's Oral Health Foundation and Affiliate (the Foundation), was formed on December 2, 2005, and is located in Charlotte, North Carolina. The Foundation is a not-for-profit corporation whose mission is to eliminate children's pain and suffering from preventable pediatric dental disease and improve quality of life for at-risk children. Serving as an Educator, Preventer and Protector, the Foundation drives systems change by delivering proven programs and resources that expand access to care and education, improve oral health literacy and promote overall wellness.

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 of and an economic interest in NCOHF Canada.

Summary financial information for NCOHF Canada, translated into United States dollars, included in the accompanying consolidated financial statements is as follows:

	2015	2014
Assets	\$ 32,000	\$ -
Liabilities	25,000	13,000
Revenue	72,000	13,000
Expenses	53,000	10,000
Change in net assets	19,000	3,000

As a result of currency translations, a loss was recognized in the amount of approximately \$1,000 and \$0 for the years ended June 30, 2015 and 2014, respectively, which is included in management and general expenses in the accompanying statement of activities.

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. NCOHF Canada is a tax-exempt organization under the Canadian Income Tax Act. 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.

## America's ToothFairy: 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)

**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 of Directors 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.

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 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 approximately \$2,381,000 and \$1,848,000 for 2015 and 2014, respectively. Additionally, approximately \$196,000 of in-kind contributions were included in contributions receivable on the consolidated statements of financial position as of June 30, 2015 and 2014.

## America's ToothFairy: 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)**

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 \$101,000 and \$127,000 for 2015 and 2014, 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, 2015 and 2014, 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.

**Reclassifications:** Certain reclassifications have been made to the 2014 financial statements to be consistent with the classifications adopted for the year ended June 30, 2015. These reclassifications had no effect on the change in net asset or net assets.

**Subsequent Events:** The Foundation has evaluated its subsequent events (events occurring after June 30, 2015) through October 21, 2015, which represents the date the consolidated financial statements were available to be issued.

#### **Note 2. Contributions Receivable**

Contributions receivable as of June 30, 2015 and 2014, are all due in less than one year.

During the years ended June 30, 2015 and 2014, the Foundation recognized contribution revenue from related parties of approximately \$46,000 and \$47,000, respectively. There were no contributions receivable due from related parties as of June 30, 2015 or 2014.

#### **Note 3. Inventory**

Inventory consists of educational materials that the Foundation distributes to its affiliates. Effective March 24, 2013, the Foundation entered into a three-year licensing agreement with a third party in order 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, net of tax. For the years ended June 30, 2015 and 2014, the Foundation incurred total inventory production costs of approximately \$54,700 and \$27,300, respectively. Additionally, during the year ended June 30, 2015 and 2014, the Foundation remitted approximately \$10,000 and \$0, respectively, in royalty fees associated with the agreement, which are included in management and general expenses on the accompanying statement of activities.

## National Children's Oral Health Foundation and Affiliate

### Notes to Consolidated Financial Statements

#### Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014, are available for the following purposes or periods:

	2015	2014
Purpose restrictions		
Tomorrow's Smiles	\$ 36,313	\$ 35,815
Oral Health Zones	311,361	330,299
Esther Wilkins Fund	38,215	44,890
Program and event sponsorship	1,555	1,555
Youth mentoring programs	45,503	100,616
Time restricted	400,384	514,967
	<u>\$ 833,331</u>	<u>\$ 1,028,142</u>

Net assets were released from donor restrictions during the years ended June 30, 2015 and 2014, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors:

	2015	2014
Temporarily restricted net assets		
Tomorrow's Smiles	\$ 100	\$ 27,790
Oral Health Zones	424,438	228,806
Esther Wilkins Fund	8,842	15,583
Program and event sponsorship	3,500	3,500
Youth mentoring programs	195,303	268,884
Time restrictions	518,630	676,026
	<u>\$ 1,150,813</u>	<u>\$ 1,220,589</u>

#### 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 each of the years ended June 30, 2015 and 2014, rent expense for office space and equipment under these lease agreements was approximately \$32,300.

Future minimum rental payments under non-cancelable operating leases were as follows as of June 30, 2015:

##### Fiscal year ending June 30,

2016	\$ 35,176
2017	34,509
2018	17,425
	<u>\$ 87,110</u>