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National Children's Oral Health Foundation®

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Financial Statements for the Years  
Ended June 30, 2017 and 2016 and  
Independent Auditors' Report



GreerWalker



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of America's ToothFairy: National Children's Oral Health Foundation and Affiliate:

We have audited the accompanying consolidated financial statements of America's ToothFairy: National Children's Oral Health Foundation and Affiliate (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 generally accepted accounting principles 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including 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 Organization'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 Organization'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 America's ToothFairy: National Children's Oral Health Foundation and Affiliate as of June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

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***Prior Period Financial Statements***

The consolidated financial statements of America's ToothFairy: National Children's Oral Health Foundation and Affiliate as of June 30, 2016, were audited by other auditors whose report dated November 16, 2016, expressed an unmodified opinion on those statements.

*Greer Walker LLP*

Certified Public Accountants  
October 17, 2017  
Charlotte, North Carolina

# **AMERICA'S TOOTHFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

## **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,234,318	\$ 1,200,174
Contributions receivable, net	460,850	-
Inventory	7,715	26,016
Prepaid expenses and other current assets	3,843	8,093
Total current assets	<u>1,706,726</u>	<u>1,234,283</u>
CONTRIBUTIONS RECEIVABLE, NET	<u>263,070</u>	<u>-</u>
TOTAL	<u>\$ 1,969,796</u>	<u>\$ 1,234,283</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 38,653	\$ 6,373
Accrued expenses	12,267	48,399
Total current liabilities	<u>50,920</u>	<u>54,772</u>
NET ASSETS:		
Unrestricted	654,890	757,602
Temporarily restricted	1,263,986	421,909
Total net assets	<u>1,918,876</u>	<u>1,179,511</u>
TOTAL	<u>\$ 1,969,796</u>	<u>\$ 1,234,283</u>

See notes to consolidated financial statements.

**AMERICA'S TOOTHFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 1,175,539	\$ 1,419,326	\$ 2,594,865
In-kind contributions	1,704,173	-	1,704,173
Other income	973	-	973
Net assets released from restrictions	577,249	(577,249)	-
Total support and revenue	3,457,934	842,077	4,300,011
EXPENSES:			
Program expenses	2,341,469	-	2,341,469
Management and general expenses	417,369	-	417,369
Fundraising expenses	801,808	-	801,808
Total expenses	3,560,646	-	3,560,646
CHANGE IN NET ASSETS	(102,712)	842,077	739,365
NET ASSETS, BEGINNING OF YEAR	757,602	421,909	1,179,511
NET ASSETS, END OF YEAR	\$ 654,890	\$ 1,263,986	\$ 1,918,876

See notes to consolidated financial statements.

**AMERICA'S TOOTHFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	\$ 820,324	\$ 596,721	\$ 1,417,045
In-kind contributions	1,992,232	-	1,992,232
Contributed services	11,768	-	11,768
Other income	134	-	134
Net assets released from restrictions	1,008,143	(1,008,143)	-
Total support and revenue	<u>3,832,601</u>	<u>(411,422)</u>	<u>3,421,179</u>
EXPENSES:			
Program expenses	2,729,310	-	2,729,310
Management and general expenses	325,500	-	325,500
Fundraising expenses	862,674	-	862,674
Total expenses	<u>3,917,484</u>	<u>-</u>	<u>3,917,484</u>
CHANGE IN NET ASSETS	(84,883)	(411,422)	(496,305)
NET ASSETS, BEGINNING OF YEAR	<u>842,485</u>	<u>833,331</u>	<u>1,675,816</u>
NET ASSETS, END OF YEAR	<u>\$ 757,602</u>	<u>\$ 421,909</u>	<u>\$ 1,179,511</u>

See notes to consolidated financial statements.

## **AMERICA'S TOOTHPFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

	Program	Support Services		Total
		Management and General	Fundraising	
Donated product to affiliates	\$ 1,062,306	\$ -	\$ -	\$ 1,062,306
Salary and benefit expense	409,488	223,680	111,506	744,674
Donated marketing	-	-	641,868	641,868
Affiliate grants	608,637	-	-	608,637
Professional services	43,963	114,386	-	158,349
Travel	36,494	19,934	9,938	66,366
Educational materials	57,916	-	-	57,916
Communication	26,025	14,215	7,087	47,327
Supplies, printing and postage	23,087	12,611	6,287	41,985
Rent	17,766	9,704	4,838	32,308
Meetings and events	16,336	8,923	4,448	29,707
Public relations	28,049	-	-	28,049
Special events	-	-	12,732	12,732
Computer	5,679	3,102	1,546	10,327
Fees	-	7,687	-	7,687
Insurance	3,692	2,017	1,005	6,714
Personnel development	2,031	1,110	553	3,694
Total expenses	<u>\$ 2,341,469</u>	<u>\$ 417,369</u>	<u>\$ 801,808</u>	<u>\$ 3,560,646</u>

See notes to consolidated financial statements.



## **AMERICA'S TOOTHPFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

		Support Services		
		Management		
	Program	and General	Fundraising	Total
Donated product to affiliates	\$ 1,301,311	\$ -	\$ -	\$ 1,301,311
Salary and benefit expense	514,555	175,850	114,212	804,617
Donated marketing	-	-	690,921	690,921
Affiliate grants	567,231	-	-	567,231
Professional services	-	91,270	21,650	112,920
Travel	23,137	7,907	5,136	36,180
Educational materials	19,627	-	-	19,627
Communication	23,062	7,882	5,119	36,063
Supplies, printing and postage	11,984	4,096	2,660	18,740
Rent	20,661	7,061	4,586	32,308
Meetings and events	20,882	7,136	4,635	32,653
Public relations	15,161	-	2,675	17,836
Special events	-	-	7,671	7,671
Computer	6,025	2,059	1,337	9,421
Fees	-	7,280	-	7,280
Insurance	4,895	1,673	1,086	7,654
Personnel development	4,442	1,518	986	6,946
Donated services	-	11,768	-	11,768
Bad debt expense	196,337	-	-	196,337
Total expenses	<u>\$ 2,729,310</u>	<u>\$ 325,500</u>	<u>\$ 862,674</u>	<u>\$ 3,917,484</u>

See notes to consolidated financial statements.

**AMERICA'S TOOTHFAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 739,365	\$ (496,305)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in net present value of contributions receivable	10,990	-
Changes in operating assets and liabilities:		
Contributions receivable	(734,910)	400,384
Inventory	18,301	13,288
Prepaid expenses and other current assets	4,250	(6,450)
Accounts payable	32,280	(1,472)
Accrued expenses	(36,132)	13,372
Net cash provided by (applied to) operating activities	<u>34,144</u>	<u>(77,183)</u>
NET INCREASE (DECREASE) IN CASH	34,144	(77,183)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,200,174</u>	<u>1,277,357</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,234,318</u></u>	<u><u>\$ 1,200,174</u></u>

See notes to consolidated financial statements.

## **AMERICA'S TOOTHAIRY: NATIONAL CHILDREN'S ORAL HEALTH FOUNDATION AND AFFILIATE**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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#### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - America's ToothFairy: National Children's Oral Health Foundation and Affiliate (the "Organization") was formed on December 2, 2005, and is located in Charlotte, North Carolina. The Organization 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 Organization 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 Organization's mission in Canada. As of June 30, 2016, NCOHF Canada suspended its tax-exempt status and stopped actively soliciting donations. All activity related to NCOHF Canada ceased during the year ended June 30, 2017. The Consolidations Topic of the Financial Accounting Standards Board's Accounting Standards Codification requires that NCOHF Canada be consolidated with the Organization due to the fact that the Organization has both control of and an economic interest in NCOHF.

As a result of currency translations, a loss was recognized in the amount of approximately \$500 for the year ended June 30, 2016, which is included in management and general expenses in the accompanying consolidated statement of activities.

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

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

*Temporarily restricted net assets* - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

*Permanently restricted net assets* - Net assets which contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity. As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with one financial institution that, at times, may exceed federally insured limits.

Contributions Receivable - Contributions are recognized when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if restrictions expire in the same fiscal year. All other donor-restricted net assets are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using a discount rate applicable to the year in which the promise is received. The discount rate was 1.96% for promises to give made during the year ended June 30, 2017. Subsequent amortization of the discount is included in contribution revenue. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as prior collection history and the nature of fundraising activities.

Inventory - Inventory consists of educational materials that the Organization distributes to third parties in conjunction with its programming and is stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Revenue Recognition - The Organization recognized contributions that are given unconditionally in the period the contributions are received or promised, whichever is earlier. Contributions receivable are recorded net of estimated uncollectible amounts.

The Organization may receive contributions of cash or other assets which it reports as temporarily restricted support if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Services and Goods - The Organization receives donated services and goods and engages in trade transactions, in the ordinary course of business. Such transactions involve donation of dental products, magazine advertisements and on-air advertisements. These goods and services are recorded at the estimated market value of the related goods or services received on the date that they are received. These goods and services are recorded as support in the accompanying consolidated statements of activities totaled approximately \$1,704,000 and \$1,992,000 for the years ended June 30, 2017 and 2016, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management and general, and fundraising efforts. The value of this contributed time does not meet the criteria for recognition of donated services and, accordingly, is not reflected as support in the accompanying consolidated financial statements.

Income Taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements. NCOHF Canada was a tax-exempt organization under the Canadian Income Tax Act until June 30, 2016 when it suspended its tax-exempt status as noted above.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2017 and 2016.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Reclassifications - Certain amounts in the 2016 consolidated financial statements have been reclassified to conform with 2017 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events - In preparing its consolidated financial statements, the Organization has evaluated subsequent events through October 17, 2017, which is the date the consolidated financial statements were available to be issued.

## 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at the present value of the future cash flows using an interest rate of 1.96% as of June 30, 2017. There were no contributions receivable as of June 30, 2016. Contributions receivable consisted of the following as of June 30, 2017:

Pledges due in less than one year	\$ 460,850
Pledges due in one to five years (future value)	<u>274,060</u>
Subtotal	734,910
Less: Discount to net present value	<u>(10,990)</u>
Pledges receivable, net	723,920
Current portion, net	<u>460,850</u>
Long-term portion, net	<u>\$ 263,070</u>

## 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for future periods or purposes as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Oral Health Zones	\$ 1,063,986	\$ 345,239
Underwriting	200,000	-
Programs and Event Sponsorship	-	1,555
Esther Wilkins Fund	-	36,462
Tomorrow's Smiles	<u>-</u>	<u>38,653</u>
Total	<u>\$ 1,263,986</u>	<u>\$ 421,909</u>

Net assets released from donor restrictions by incurring expenses in satisfaction of time and purpose restrictions during the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets:		
Oral Health Zones	\$ 496,159	\$ 877,679
Tomorrow's Smiles	40,993	-
Esther Wilkins Fund	38,542	5,746
Program and Event Sponsorship	1,555	15,000
Youth mentoring Programs	<u>-</u>	<u>109,718</u>
Total	<u>\$ 577,249</u>	<u>\$ 1,008,143</u>

## 4. LEASE COMMITMENTS

The Organization leases office space from an unrelated third party under an agreement classified as an operating lease. Rent expense under this agreement totaled approximately \$32,000 for each of the years ended June 30, 2017 and 2016.

Approximate future minimum lease payments under the operating lease as of June 30, 2017 are as follows:

Year ending June 30:	
2018	\$ 36,000
2019	41,000
2020	43,000
2021	<u>22,000</u>
Total minimum lease payments	<u>\$ 142,000</u>