

KIDS IN NEED OF DENTISTRY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KIDS IN NEED OF DENTISTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6


Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

May 19, 2009

Independent Auditors' Report

Board of Directors
Kids in Need of Dentistry
Denver, Colorado

We have audited the accompanying statement of financial position of **Kids in Need of Dentistry** (a Colorado nonprofit corporation) as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Kids in Need of Dentistry's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2007, is presented for comparative purposes only and was extracted from the financial statements and presented by net asset class for that year, on which an unqualified opinion dated May 19, 2008, was expressed.

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 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 audit provides 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 Kids in Need of Dentistry as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

KIDS IN NEED OF DENTISTRY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 71,308	\$ 162,890
Cash and cash equivalents - temporarily restricted	79,475	35,000
Employee loans	2,800	-
Accounts receivable (net of allowances of \$5,000 and \$30,392)	96,755	14,114
Grants receivable - unrestricted (Note 3)	169,382	33,000
Grants receivable - temporarily restricted (Note 3)	243,500	357,000
Prepaid expenses and deposits	14,127	7,787
Investments - temporarily restricted and unrestricted (Note 4)	168,014	180,825
Net property and equipment (Note 5)	75,445	116,206
Total assets	<u>\$ 920,806</u>	<u>\$ 906,822</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 18,628	\$ 13,653
Accrued payroll costs	19,726	18,827
Capital lease obligation (Note 6)	8,234	9,670
Commitments (Note 7)	-	-
Total liabilities	<u>46,588</u>	<u>42,150</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	404,558	366,136
Net investment in fixed assets	67,211	106,536
Temporarily restricted (Note 8)	402,449	392,000
Total net assets	<u>874,218</u>	<u>864,672</u>
Total liabilities and net assets	<u>\$ 920,806</u>	<u>\$ 906,822</u>

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DENTISTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Foundations	\$ 99,500	\$ 283,949	\$ 383,449	\$ 501,255
Program fees	366,533	-	366,533	204,738
Government	99,093	-	99,093	76,902
Individuals	88,601	-	88,601	28,506
United Way	16,628	38,768	55,396	56,476
Corporations	14,500	20,000	34,500	30,780
Special event income (Note 9)	16,563	-	16,563	18,041
Investment income	8,439	-	8,439	17,192
Other	1,131	-	1,131	1,159
In-kind (Note 10)	486,789	-	486,789	633,788
Net assets released from restrictions (Note 11)	332,268	(332,268)	-	-
Total revenue and other support	<u>1,530,045</u>	<u>10,449</u>	<u>1,540,494</u>	<u>1,568,837</u>
<u>Expense</u>				
Program services	1,246,616	-	1,246,616	1,519,567
Supporting services				
Administration	271,655	-	271,655	266,968
Fund-raising	12,677	-	12,677	20,146
Total expense	<u>1,530,948</u>	<u>-</u>	<u>1,530,948</u>	<u>1,806,681</u>
Change in net assets	(903)	10,449	9,546	(237,844)
Net assets, beginning of year	<u>472,672</u>	<u>392,000</u>	<u>864,672</u>	<u>1,102,516</u>
Net assets, end of year	<u>\$ 471,769</u>	<u>\$ 402,449</u>	<u>\$ 874,218</u>	<u>\$ 864,672</u>

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DENTISTRY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			2007	
	Program Services	Supporting Services		Total	Total
		Management And General	Fund- raising		
Salaries	\$ 572,959	\$ 113,532	\$ -	\$ 686,491	\$ 725,546
Payroll taxes and benefits	62,838	18,125	-	80,963	90,904
Occupancy	233,700	33,518	-	267,218	266,151
Dental services	224,571	-	-	224,571	370,000
Program and office supplies	55,216	5,846	-	61,062	63,327
Professional fees	-	30,557	12,600	43,157	38,590
Direct fund raising expense	-	-	23,948	23,948	34,193
Travel	19,354	1,022	-	20,376	39,875
Contract services	-	18,686	-	18,686	17,002
Repair and maintenance	15,057	1,518	-	16,575	14,005
Insurance	866	15,234	-	16,100	30,378
Telephone	7,151	6,435	-	13,586	14,629
Staff development	908	6,557	-	7,465	5,375
Advertising	7,172	-	-	7,172	26,776
Bad debts	6,528	-	-	6,528	30,392
Equipment	4,483	943	-	5,426	5,527
Postage	1,429	2,948	-	4,377	5,288
Interest	38	2,238	-	2,276	621
Bank fees	7	1,564	-	1,571	1,442
All other	2,811	3,697	77	6,585	18,063
	<u>1,215,088</u>	<u>262,420</u>	<u>36,625</u>	<u>1,514,133</u>	<u>1,798,084</u>
Depreciation	31,528	9,235	-	40,763	42,790
Total expenses	1,246,616	271,655	36,625	1,554,896	1,840,874
Less expenses included with revenues on the statement of activities	-	-	(23,948)	(23,948)	(34,193)
Total expenses on statement of activities	<u>\$1,246,616</u>	<u>\$ 271,655</u>	<u>\$ 12,677</u>	<u>\$1,530,948</u>	<u>\$1,806,681</u>

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DENTISTRY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 9,546	\$ (237,844)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,763	42,790
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(82,641)	7,347
(Increase)decrease in employee receivables	(2,800)	-
(Increase)decrease in grants receivable	(22,882)	135,075
(Increase)decrease in prepaid expenses	(6,340)	15,479
Increase(decrease) in accounts payable	4,975	(6,886)
Increase(decrease) in payroll accruals	899	(3,643)
Net cash provided(used) by operating activities	<u>(58,482)</u>	<u>(47,682)</u>
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	-	(24,833)
(Purchases) of investments	12,811	-
Proceeds (reinvestment of income) from maturity of investments	-	(7,963)
Net cash provided(used) by investing activities	<u>12,811</u>	<u>(32,796)</u>
<u>Cash flows from financing activities</u>		
Borrowing (repayment) on a capital lease	(1,436)	9,670
Net increase(decrease) in cash and cash equivalents	(47,107)	(70,808)
Cash and cash equivalents, beginning of year	<u>197,890</u>	<u>268,698</u>
Cash and cash equivalents, end of year	<u>\$ 150,783</u>	<u>\$ 197,890</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 2,276</u>	<u>\$ 621</u>
Noncash investing and financing transactions		
Property purchased under a capital lease	<u>\$ -</u>	<u>\$ 9,999</u>

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DENTISTRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - NATURE OF ACTIVITIES

Kids in Need of Dentistry (“Organization”) was incorporated as a non-profit corporation in the state of Colorado. Through its clinics, volunteers and paid staff, the Organization provides low-cost dental care as well as education and prevention activities to Colorado children up to age 18 whose families are unable to afford private insurance and unable to qualify for public assistance. It is management’s policy that no patient is ever turned away due to the inability to pay.

The many generous dental professionals who contribute their time to the program make many of the services provided by the Organization possible. Without their continued support, the Organization would be unable to serve the more than 5,000 children who benefit from its programs. Patient services are provided both in the Organization’s clinics and in volunteer dental professionals’ practices. The Organization operates three clinics in the metropolitan Denver area and one in Colorado Springs.

The Organization also operates a mobile dental clinic. The Organization engages in dental education and screenings through its community outreach program, and offers a school-based sealant program through its Chopper Topper program. The Organization has received endorsements from the American Academy of Pediatric Dentistry and the American Dental Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standard (SFAS) No. 117, “Financial Statement of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

4. Accounts Receivable

The Organization states accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

5. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

6. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

9. Functional Reporting of Expenses

For the year ended December 31, 2008, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTE 3 - GRANTS RECEIVABLE

The Organization has received several commitments including multi-year awards. The commitments are expected in the following years:

<u>Description</u>	<u>Amount</u>
2009	\$ 283,132
2010	64,750
2011	<u>65,000</u>
Total	<u>\$ 412,882</u>

NOTE 4 - INVESTMENTS

Investments consist of certificates of deposits. The cost of these investments approximates fair value. Interest income for the year was \$8,439.

NOTE 5 - PROPERTY AND EQUIPMENT

Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. At year-end, property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Mobile dental clinic	\$ 357,470
Leasehold improvements and medical equipment	140,089
Equipment	59,446
Leased equipment	<u>9,999</u>
Total	567,004
Less: accumulated depreciation	<u>(491,559)</u>
Net property and equipment	<u>\$ 75,445</u>

Depreciation expense for the year was \$40,763.

NOTE 6 - CAPITAL LEASE OBLIGATION

The Organization has acquired a photocopier under capital leasing arrangements. The future minimum lease payments are:

<u>Description</u>	<u>Amount</u>
2009	\$ 2,700
2010	2,700
2011	2,700
2012	<u>2,700</u>
Total payments	10,800
Less: amount representing interest	<u>(2,566)</u>
Present value of capital lease	<u>\$ 8,234</u>

NOTE 7 - LEASE COMMITMENTS

The Organization has entered into an office lease with a local government agency. Under the terms of the lease, the Organization is obligated to pay \$25 for each day that the clinic is open. The organization also uses donated office and program space at three other locations.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

<u>Description</u>	<u>Amount</u>
Equality in health initiative	\$ 193,500
Chopper Topper	150,000
Denver clinics	50,000
Dental equipment	<u>8,949</u>
Total	<u>\$ 402,449</u>

NOTE 9 - SPECIAL EVENTS

For the year, special events consisted of:

<u>Description</u>	<u>Amount</u>
Special event income	\$ 40,511
Less direct expenses:	<u>(23,948)</u>
Net special event income	<u>\$ 16,563</u>

Direct special events expense consists of items that are of direct benefit to the attendees.

NOTE 10 - IN-KIND CONTRIBUTIONS

Donated space, professional services, and materials are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated space, professional services, and materials included in the financial statements for the year are as follows:

<u>Description</u>	<u>Amount</u>
Dental space for clinics	\$ 230,000
Dental services	222,787
Donated space for administration	32,218
Donated materials	<u>1,784</u>
Total	<u>\$ 486,789</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Denver clinics	\$ 113,768
Chopper Topper	105,000
Equality in health initiative	63,500
Early prevention	25,000
Miles for Smiles	<u>25,000</u>
Total	<u>\$ 332,268</u>