

**KIDS IN NEED OF
DENTISTRY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KIDS IN NEED OF DENTISTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

May 19, 2008

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, 2007, 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, 2006, 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 March 7, 2007, 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, 2007, 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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 162,890	\$ 129,365
Cash and cash equivalents - temporarily restricted	35,000	139,333
Accounts receivable (net of allowance of \$30,392)	14,114	21,461
Grants receivable - unrestricted (Note 3)	33,000	82,575
Grants receivable - temporarily restricted (Note 3)	357,000	442,500
Prepaid expenses and deposits	7,787	23,266
Investments (Note 4)	180,825	172,862
Net property and equipment (Note 5)	116,206	134,163
Total assets	<u>\$ 906,822</u>	<u>\$ 1,145,525</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 13,653	\$ 20,539
Accrued payroll costs	18,827	22,470
Capital lease obligation (Note 6)	9,670	-
Commitments (Note 7)	-	-
Total liabilities	<u>42,150</u>	<u>43,009</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	366,136	386,520
Net investment in fixed assets	106,536	134,163
Temporarily restricted (Note 8)	392,000	581,833
Total net assets	<u>864,672</u>	<u>1,102,516</u>
Total liabilities and net assets	<u>\$ 906,822</u>	<u>\$ 1,145,525</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007			2006
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Foundations	\$ 123,755	\$ 377,500	\$ 501,255	\$ 609,589
Program fees	204,738	-	204,738	162,383
Government	76,902	-	76,902	72,420
United Way	15,479	40,997	56,476	63,534
Corporations	13,280	17,500	30,780	148,677
Individuals	28,506	-	28,506	19,338
Special event income (Note 9)	18,041	-	18,041	23,918
Investment income	17,192	-	17,192	14,690
Other	1,159	-	1,159	101
In-kind (Note 10)	633,788	-	633,788	542,985
Net assets released from restrictions (Note 11)	625,830	(625,830)	-	-
Total revenue and other support	<u>1,758,670</u>	<u>(189,833)</u>	<u>1,568,837</u>	<u>1,657,635</u>
<u>Expense</u>				
Program services	1,519,567	-	1,519,567	1,494,215
Supporting services				
Administration	266,968	-	266,968	157,614
Fund-raising	20,146	-	20,146	36,882
Total expense	<u>1,806,681</u>	<u>-</u>	<u>1,806,681</u>	<u>1,688,711</u>
Change in net assets	(48,011)	(189,833)	(237,844)	(31,076)
Net assets, beginning of year	<u>520,683</u>	<u>581,833</u>	<u>1,102,516</u>	<u>1,133,592</u>
Net assets, end of year	<u>\$ 472,672</u>	<u>\$ 392,000</u>	<u>\$ 864,672</u>	<u>\$1,102,516</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007			2006	
	<u>Supporting Services</u>				
	Program	Management	Fund-	Total	Total
	Services	And General	raising		
Salaries	\$ 636,026	\$ 85,102	\$ 4,418	\$ 725,546	\$ 712,868
Payroll taxes and benefits	76,965	10,995	2,944	90,904	81,018
Dental services	370,000	-	-	370,000	296,146
Occupancy	233,402	32,749	-	266,151	251,793
Program and office supplies	56,176	7,051	100	63,327	72,455
Travel	37,848	2,027	-	39,875	42,167
Professional fees	3,968	22,022	12,600	38,590	52,076
Direct fund raising expense	-	-	34,193	34,193	21,286
Bad debts	30,392	-	-	30,392	-
Insurance	5,407	24,971	-	30,378	13,313
Advertising	-	26,776	-	26,776	19,209
Contract services	19	16,983	-	17,002	29,146
Telephone	8,415	6,214	-	14,629	15,266
Repair and maintenance	13,835	170	-	14,005	16,365
Patient lab bills	8,433	-	-	8,433	3,479
Equipment	1,047	4,480	-	5,527	7,320
Staff development	746	4,629	-	5,375	5,018
Postage	529	4,759	-	5,288	5,079
All other	2,841	8,768	84	11,693	18,954
	<u>1,486,049</u>	<u>257,696</u>	<u>54,339</u>	<u>1,798,084</u>	<u>1,662,958</u>
Depreciation	33,518	9,272	-	42,790	47,039
Total expenses	1,519,567	266,968	54,339	1,840,874	1,709,997
Less expenses included with revenues on the statement of activities	-	-	(34,193)	(34,193)	(21,286)
Total expenses on statement of activities	<u>\$1,519,567</u>	<u>\$ 266,968</u>	<u>\$ 20,146</u>	<u>\$1,806,681</u>	<u>\$1,688,711</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (237,844)	\$ (31,076)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	42,790	47,039
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	7,347	(12,821)
(Increase)decrease in grants receivable	135,075	(118,497)
(Increase)decrease in prepaid expenses	15,479	(11,395)
Increase(decrease) in accounts payable	(6,886)	16,387
Increase(decrease) in payroll accruals	(3,643)	1,928
Net cash provided(used) by operating activities	<u>(47,682)</u>	<u>(108,435)</u>
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	(24,833)	(5,298)
(Purchases) of investments	-	(23,636)
Proceeds (Reinvestment of income) from sales of investments	(7,963)	152,275
Net cash provided(used) by investing activities	<u>(32,796)</u>	<u>123,341</u>
<u>Cash flows from financing activities</u>		
Borrowing on a capital lease	9,670	-
Net increase(decrease) in cash and cash equivalents	(70,808)	14,906
Cash and cash equivalents, beginning of year	268,698	253,792
Cash and cash equivalents, end of year	<u>\$ 197,890</u>	<u>\$ 268,698</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 621</u>	<u>\$ 479</u>
Noncash investing and financing transactions		
Property purchased under a capital lease	<u>\$ 9,999</u>	<u>\$ -</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 of 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, 2007, 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, 2006, 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>
2008	\$ 146,500
2009	113,750
2010	64,750
2011	<u>65,000</u>
Total	<u>\$ 390,000</u>

NOTE 4 - INVESTMENTS

Investments consist of certificates of deposits. The cost of these investments approximates fair value.

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>(450,798)</u>
Net property and equipment	<u>\$ 116,206</u>

Depreciation expense for the year was \$42,790.

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>
2008	\$ 2,700
2009	2,700
2010	2,700
2011	2,700
2012	<u>2,700</u>
Total payments	13,500
Less: amount representing interest	<u>(3,830)</u>
Present value of capital lease	<u>\$ 9,670</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 four 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	\$ 257,000
Denver clinics	100,000
Miles for Smiles	20,000
Chopper Topper	<u>15,000</u>
Total	<u>\$ 392,000</u>

NOTE 9 - SPECIAL EVENTS

For the year, special events consisted of:

<u>Description</u>	<u>Amount</u>
Special event income	\$ 52,234
Less direct expenses:	<u>(34,193)</u>
Net special event income	<u>\$ 18,041</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 services	\$ 370,000
Donated space for clinics	230,000
Donated space for administration	32,218
Donated materials	<u>1,570</u>
Total	<u>\$ 633,788</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	\$ 231,833
Miles for Smiles	177,500
Chopper Topper	75,000
Equality in health initiative	63,000
Support services	60,997
Ortho program	12,500
Colorado Springs clinic	<u>5,000</u>
Total	<u>\$ 625,830</u>

NOTE 12 - UNAUTHORIZED TRANSACTIONS

During 2007, there were allegations that a former employee had mis-appropriated funds. The actions of the former employee are currently under investigation by the District Attorney's Office for possible criminal and/or civil action. Management has not completed its investigation and is currently unable to determine the extent of the loss and what portion of the loss if any, that will be covered through its insurance. Management has changed its policies and procedures and believes the new procedures are adequate to monitor the receipt and disbursement of funds.

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Organization places excess cash in certificates of deposit with high quality financial institutions. Amounts over \$100,000 are not insured by the FDIC or related entity.