

FUTURE SMILES
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
Years Ended June 30, 2019 and June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Future Smiles

We have audited the accompanying financial statements of Future Smiles (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets-cash basis as of June 30, 2019 and 2018, and the related statements of support, revenue and expenses-cash basis and statements of functional expenses-cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Notes 2 and 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Future Smiles as of June 30, 2019 and 2018, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Notes 2 and 3.

Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Financial Accounting Standards Board recently issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities which supersedes accounting standards that currently exist under GAAP and addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and return on investments. In August 2016, the FASB issued ASU 2016-14 which is effective for annual reporting periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2018. The ASU has been applied retrospectively to all periods presented.



Prescott, Arizona
February 10, 2020

**FUTURE SMILES
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-CASH BASIS
JUNE 30, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,038,534	\$ 1,217,606
Certificates of deposit	250,000	-
Property, plant and equipment, net	<u>167,201</u>	<u>102,378</u>
TOTAL ASSETS	<u>\$ 1,455,735</u>	<u>\$ 1,319,984</u>
LIABILITIES		
Credit card payable	<u>\$ 3,994</u>	<u>\$ 1,948</u>
TOTAL LIABILITIES	3,994	1,948
NET ASSETS		
Without donor restrictions	1,441,910	1,318,036
With donor restrictions		
Purpose restricted	<u>9,831</u>	<u>-</u>
TOTAL NET ASSETS	<u>1,451,741</u>	<u>1,318,036</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,455,735</u>	<u>\$ 1,319,984</u>

See accompanying notes and independent auditors' report

**FUTURE SMILES
STATEMENTS OF SUPPORT, REVENUE AND EXPENSES-CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Direct public support	\$ 11,940	\$ 3,651	\$ 15,591
Direct public grants	488,743	423,500	912,243
Government programs and grants	-	50,300	50,300
Medicaid payments	375,393	-	375,393
In-Kind contributions	131,603	-	131,603
Interest income	6,933	-	6,933
Other revenue	3,225	-	3,225
TOTAL SUPPORT AND REVENUE	1,017,837	477,451	1,495,288
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor restrictions	467,620	(467,620)	-
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	1,485,457	9,831	1,495,288
EXPENSES			
Program services	1,189,134	-	1,189,134
Management and general	129,110	-	129,110
Fundraising	43,339	-	43,339
TOTAL EXPENSES	1,361,583	-	1,361,583
INCREASE(DECREASE) IN NET ASSETS	123,874	9,831	133,705
NET ASSETS - BEGINNING OF YEAR	1,318,036	-	1,318,036
NET ASSETS - END OF YEAR	\$ 1,441,910	\$ 9,831	\$ 1,451,741

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 16,296	\$ -	\$ 16,296
531,371	817,365	1,348,736
1,005	46,050	47,055
234,951	-	234,951
114,643	-	114,643
2,869	-	2,869
1,978	-	1,978
<u>903,113</u>	<u>863,415</u>	<u>1,766,528</u>
 919,064	 (919,064)	 -
 1,822,177	 (55,649)	 1,766,528
 1,033,634	 -	 1,033,634
121,200	-	121,200
31,602	-	31,602
<u>1,186,436</u>	<u>-</u>	<u>1,186,436</u>
 635,741	 (55,649)	 580,092
 682,295	 55,649	 737,944
<u>\$ 1,318,036</u>	<u>\$ -</u>	<u>\$ 1,318,036</u>

See accompanying notes and independent auditors' report

**FUTURE SMILES
STATEMENT OF FUNCTIONAL EXPENSES-CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries and wages	\$ 585,992	\$ 63,979	\$38,565	\$ 688,536
Payroll taxes	59,278	4,262	2,569	66,109
Payroll processing fees	-	2,437	-	2,437
Payroll and related	<u>645,270</u>	<u>70,678</u>	<u>41,134</u>	<u>757,082</u>
Bank fees	-	60	-	60
Depreciation	30,512	3,051	339	33,902
Donations	1,450	-	-	1,450
Insurance	80,406	-	-	80,406
Marketing	7,267	-	-	7,267
Office expenses	59,185	7,290	810	67,285
Postage and delivery	425	42	5	472
Printing and copying	11,921	1,192	132	13,245
Professional fees	66,441	24,598	-	91,039
Program expenses	175,047	-	-	175,047
Rent	82,080	8,208	912	91,200
Travel and conferences	26,503	-	-	26,503
Volunteer benefits	<u>2,025</u>	<u>-</u>	<u>-</u>	<u>2,025</u>
TOTAL EXPENSES	<u><u>\$ 1,189,134</u></u>	<u><u>\$ 129,110</u></u>	<u><u>\$43,339</u></u>	<u><u>\$ 1,361,583</u></u>
	87%	9%	4%	100%

See accompanying notes and independent auditors' report

**FUTURE SMILES
STATEMENT OF FUNCTIONAL EXPENSES-CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries and wages	\$ 564,347	\$ 70,339	\$ 25,434	\$ 660,120
Payroll taxes	43,192	5,359	1,938	50,489
Payroll processing fees	-	3,458	-	3,458
Payroll and related	<u>607,539</u>	<u>79,156</u>	<u>27,372</u>	<u>714,067</u>
Bank fees	-	50	-	50
Depreciation	25,403	2,540	282	28,225
Donations	1,000	-	-	1,000
Insurance	56,630	9,563	2,301	68,494
Marketing	13,094	-	-	13,094
Office expenses	32,363	4,445	494	37,302
Postage and delivery	544	54	6	604
Printing and copying	10,337	1,034	115	11,486
Professional fees	45,819	15,070	-	60,889
Program expenses	122,191	-	-	122,191
Rent	92,880	9,288	1,032	103,200
Travel and meetings	23,841	-	-	23,841
Volunteer benefits	1,993	-	-	1,993
TOTAL EXPENSES	<u><u>\$ 1,033,634</u></u>	<u><u>\$ 121,200</u></u>	<u><u>\$ 31,602</u></u>	<u><u>\$ 1,186,436</u></u>
	87%	10%	3%	100%

See accompanying notes and independent auditors' report

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 – ORGANIZATION AND PURPOSE

Future Smiles (a nonprofit corporation) (the “Organization”), is located in Las Vegas, Nevada and was incorporated in the state of Nevada on June 11, 2010. The mission of the Organization is to increase access to oral healthcare in underserved, at-risk populations. The Organization receives most of its support through public donations, grants and Medicaid reimbursements. The Organization operated a location in Northern Nevada until December 2018 when the Northern Nevada operations were discontinued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on a modified cash basis of accounting and reflect only assets and liabilities arising from cash and credit card transactions except for capitalizing and depreciating property and equipment as explained below. The significant accounting policies followed are described below.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions on the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

The value of the use of the facilities granted by the Clark County School District is estimated at an average of one dollar (\$1) per square foot for each facility and represents a fair approximation of market value. See NOTE 9.

Cash and Cash Equivalents

The Organization considers short term, highly liquid investments which are readily convertible to cash within ninety (90) days of purchase to be cash equivalents.

Property and Equipment

The Organization's policy is to capitalize property and equipment at costs in excess of \$2,500. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment have been depreciated using the straight-line method over their estimated useful lives which is an acceptable modification to the cash basis of accounting. Repair and maintenance costs are expensed as incurred.

Credit Card Payable

Purchases made with the Organization's credit card are treated as cash purchases and are recorded when made. As of June 30, 2019 and 2018, \$3,994 and \$1,948, respectively, was due to the credit card company and is presented as *Credit card payable* in the Statement of Assets, Liabilities and Net Assets – Cash Basis.

Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. When restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as "Net Assets Released from Restrictions".

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Facilities

The Organization records various types of in-kind contributions including professional services, facilities, and materials. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

Additionally, the Organization receives unskilled, contributed time, typically from high school and college students, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

The Organization receives free use of school facilities throughout the Clark County School District in Las Vegas, Nevada. The estimated monthly rent per square foot is \$1 and is used consistently for all school sites to record in-kind income and rent expense.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$0.

Income Taxes

The Organization is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization does not have any unrelated business income.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See NOTE 12.

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and return investment. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied to all periods presented.

NOTE 3 – MODIFIED CASH BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and support are recognized when received rather than when earned, and certain expenses are recognized when paid by cash or credit card rather than when the obligation is incurred. Consequently, the Organization has not recognized accounts receivable from Medicaid, grants receivable from grantors, or accounts payable to vendors, except for amounts payable to the credit card company, and their related effects on earnings in the accompanying financial statements, except where noted as a modification in these financial statements.

NOTE 4 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31,

Financial assets at year-end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$1,038,533	\$1,217,606
Certificates of deposit	<u>250,000</u>	<u>-</u>
	1,288,533	1,217,606
Less:		
Purpose restricted net assets	<u>(9,831)</u>	<u>-</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$1,278,702</u>	<u>\$1,217,606</u>

The Organization maintains sufficient resources to meet donor-imposed restrictions. As part of the Organization’s liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations as they come due.

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 – CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of June 30, 2019 and 2018, the uninsured bank balance is \$1,039,191 and \$952,803, respectively. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>Useful Life</u>
Dental equipment	\$222,280	\$186,772	5-10 years
Office equipment	36,243	36,243	3-5 years
Leasehold improvements	<u>63,217</u>	<u>-</u>	15 years
	321,740	223,015	
Less accumulated depreciation	<u>(154,539)</u>	<u>(120,637)</u>	
	<u>\$167,201</u>	<u>\$102,378</u>	

Depreciation expense for the years ended June 30, 2019 and 2018 was \$33,902 and \$28,225, respectively.

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization received contributions of services, goods, and facilities for the years ended June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Facilities	\$ 91,200	\$103,200
Consulting services	-	-
Dental supplies	10,754	-
Information technology services	27,624	9,450
Other skilled labor	2,025	1,993
Other supplies	<u>-</u>	<u>-</u>
	<u>\$131,603</u>	<u>\$114,643</u>

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 – CONCENTRATIONS

During the years ended June 30, 2019 and 2018, a significant amount of contributions were provided by a few major grantors (73% and 64% respectively). It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization’s market is concentrated in the Las Vegas, Nevada, and Northern Nevada geographical areas. The Northern Nevada branch was discontinued in December 2018.

NOTE 9 – FREE USE OF FACILITIES

The Organization has been granted the use of space in buildings owned by the Clark County School District to run its programs. The value of these in-kind rents has been recorded at the estimated fair value of \$1 per square foot per month as both a contribution and expense.

Rent expense for the use of these buildings is \$91,200 and \$103,200 for the years ended June 30, 2019 and 2018, respectively. The original Memorandum of Understanding between the school district and Future Smiles is dated June 2011 and was effective through August 2016.

A separate Memorandum was executed specifically for the use of the Clark County High School modular building for the period beginning June 8, 2011 through June 8, 2016, with an option to renew up to two times for five years each. All MOUs were combined into a third amendment dated September 2016 and extending through June 1, 2021.

NOTE 10 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2019 and 2018 relate to contributions designated for specific purposes.

Net assets with donor restrictions are available for the following purpose:

	<u>2019</u>	<u>2018</u>
Protect Our Smiles	\$6,210	\$ -
Wynn Resorts – dental sealants	<u>3,621</u>	<u>-</u>
Total	<u>\$9,831</u>	<u>\$ -</u>

NOTE 11 – RELATED PARTIES

The Organization received a significant contribution from a private foundation whose personal representative is the spouse of the Executive Director. For the years ending June 30, 2019 and 2018, the Foundation contributed \$50,000 and \$100,000, respectively for unrestricted use.

The Organization paid \$6,349 to a board member for consulting services provided during the year ended June 30, 2018. The board member’s consulting services were not used during the year ended June 30, 2019.

**FUTURE SMILES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 – RELATED PARTIES (Continued)

The Organization paid \$27,388 and \$12,196 to a company owned by a board member for information technology services during the years ended June 30, 2019 and 2018, respectively. The company also provided additional services valued at \$27,624 and \$9,450 to the Organization at no charge during the years ended June 30, 2019 and 2018, respectively, which is included in *In-Kind contributions* on the Statement of Support, Revenue, and Expenses-Cash Basis.

NOTE 12 – COST ALLOCATION

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages, and payroll taxes, which are allocated on the basis of estimates of time and effort; depreciation, office expenses, postage and delivery, printing and copying, and rent, which are allocated based on expenses used for dental purposes vs office purposes; and professional fees which are allocated based on the actual category of the service.

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 10, 2020, the date which the financial statements were available to be issued. No additional disclosures are required.