

COMMUNITY DENTAL CLINIC, INC.

Financial Statements

September 30, 2019

(With Independent Auditor's Report Thereon)

COMMUNITY DENTAL CLINIC, INC.

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Dental Clinic, Inc.:

We have audited the accompanying financial statements of Community Dental Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit. 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 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 organization'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 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 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 financial position of Community Dental Clinic, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Community Dental Clinic, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ellen Fontana CPA LLC

Clearwater, Florida

June 29, 2020

COMMUNITY DENTAL CLINIC, INC.

Statement of Financial Position

September 30, 2019

With Summarized Financial Information as of September 30, 2018

Assets	2019	2018
Current assets:		
Cash	\$ 80,543	130,522
Grants receivable	2,500	12,600
Accounts receivable	66,225	—
Promises to give, current	7,200	—
Dental supplies	27,034	14,923
Prepaid expenses	1,488	1,363
Total current assets	184,990	159,408
Promises to give, long term	9,000	—
Furniture, fixtures and equipment, net of accumulated depreciation	25,858	27,858
Deposits	540	540
Total assets	\$ 220,388	187,806
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,793	6,509
Total current liabilities	3,793	6,509
Net assets:		
Without donor restrictions	135,395	181,297
With donor restrictions	81,200	—
Total net assets	216,595	181,297
Total liabilities and net assets	\$ 220,388	187,806

See accompanying notes to financial statements.

COMMUNITY DENTAL CLINIC, INC.

Statement of Activities

Year Ended September 30, 2019

With Summarized Financial Information for the Year Ended September 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Support and revenue:				
Grants	\$ 73,550	—	73,550	63,771
Contributions:				
In-kind	146,038	—	146,038	132,769
Patient contributions	11,727	—	11,727	14,395
Other	43,821	81,200	125,021	20,628
Special events, net of direct expenses of \$13,156 and \$8,704, respectively	127,305	—	127,305	61,066
Other income	785	—	785	—
Net assets released from restrictions:				
Expiration of time/use restrictions	—	—	—	—
Total support and revenue	<u>403,226</u>	<u>81,200</u>	<u>484,426</u>	<u>292,629</u>
Expenses:				
Program services	356,416	—	356,416	236,051
Support services:				
Management and general	64,270	—	64,270	64,780
Fundraising	28,442	—	28,442	15,531
Total expenses	<u>449,128</u>	<u>—</u>	<u>449,128</u>	<u>316,362</u>
Change in net assets	(45,902)	81,200	35,298	(23,733)
Net assets, beginning of year	<u>181,297</u>	<u>—</u>	<u>181,297</u>	<u>205,030</u>
Net assets, end of year	<u>\$ 135,395</u>	<u>81,200</u>	<u>216,595</u>	<u>181,297</u>

See accompanying notes to financial statements.

COMMUNITY DENTAL CLINIC, INC.

Statement of Functional Expenses

Year Ended September 30, 2019

With Summarized Financial Information for the Year Ended September 30, 2018

	Program Services	Supporting services			Total	
		Management and General	Fundraising	Total	2019	2018
Salaries	\$ 108,762	33,000	8,250	41,250	150,012	111,094
Payroll taxes	9,159	2,779	695	3,474	12,633	9,469
Employee insurance	468	142	35	177	645	596
Payroll and background fees	—	1,764	—	1,764	1,764	1,361
Total salaries and related expenses	118,389	37,685	8,980	46,665	165,054	122,520
In-kind dental services	66,844	—	—	—	66,844	73,200
In-kind rent	27,900	2,790	310	3,100	31,000	31,000
In-kind services	8,718	2,179	10,897	13,076	21,794	8,569
Contracted dentists	80,700	—	—	—	80,700	—
Dental supplies	13,967	—	—	—	13,967	11,687
Utilities	10,436	1,044	116	1,160	11,596	10,259
Professional fees	—	—	—	—	—	8,092
Dental maintenance & contracts	7,054	—	—	—	7,054	6,269
Repairs and maintenance	5,235	524	58	582	5,817	5,134
Postage and printing	37	337	3,365	3,702	3,739	3,648
Lab fees	800	—	—	—	800	3,223
Insurance	1,407	1,407	—	1,407	2,814	2,903
Retreat	—	3,463	—	3,463	3,463	—
Grant fee	—	2,090	—	2,090	2,090	2,398
Newsletter	—	—	4,482	4,482	4,482	—
Accounting	—	7,200	—	7,200	7,200	2,250
Office supplies	1,048	838	210	1,048	2,096	1,798
Technology	2,120	212	24	236	2,356	1,227
Loss on impaired asset	—	1,416	—	1,416	1,416	—
Other	1,186	1,910	—	1,910	3,096	2,672
Total expenses before depreciation and amortization	345,841	63,095	28,442	91,537	437,378	296,849
Depreciation and amortization	10,575	1,175	—	1,175	11,750	19,513
Total expenses	\$ 356,416	64,270	28,442	92,712	449,128	316,362

See accompanying notes to financial statements.

COMMUNITY DENTAL CLINIC, INC.

Statement of Cash Flows

Year Ended September 30, 2019

With Summarized Financial Information for the Year Ended September 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 35,298	(23,733)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,750	19,513
Loss on impairment of asset	1,416	—
Decrease (increase) in grant receivable	10,100	(12,600)
Increase in accounts receivable	(66,225)	—
Decrease in accrued bequest	—	107,073
Increase in promises to give	(16,200)	—
Increase in dental supplies	(12,111)	(14,923)
Decrease (increase) in prepaid expenses	(125)	1,136
Increase in deposits	—	(540)
Decrease in accounts payable and accrued expenses	(2,716)	(15,738)
Net cash provided by (used in) operating activities	<u>(38,813)</u>	<u>60,188</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(11,166)</u>	<u>(3,806)</u>
Net cash used in investing activities	<u>(11,166)</u>	<u>(3,806)</u>
Net change in cash	(49,979)	56,382
Cash at beginning of year	<u>130,522</u>	<u>74,140</u>
Cash at end of year	<u>\$ 80,543</u>	<u>130,522</u>

See accompanying notes to financial statements.

COMMUNITY DENTAL CLINIC, INC.

Notes to Financial Statements

September 30, 2019

(1) Nature of Organization

The Community Dental Clinic, Inc. (the "Clinic" or the "Organization") provides access to comprehensive and preventative dental healthcare through volunteerism and community partnerships serving very low-income adults and the developmentally disabled (struggling at 200% and below the federal poverty level), regardless of race, ethnicity, gender, and disability. The Clinic was incorporated as a non-for-profit organization in the State of Florida on October 5, 2011 and began providing dental care to low income families in Pinellas County, Florida in September 2013.

(2) Summary of Significant Accounting Policies and Practices

(a) *Basis of Accounting*

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets, which are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated the resources be maintain in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulation time has elapsed, when the stipulation purpose for which the resource was restricted has been fulfilled, or both.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as increases in net assets without donor restrictions.

(b) *Promises to Give*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a market interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included until the conditions are substantially met.

COMMUNITY DENTAL CLINIC, INC.

Notes to Financial Statements

September 30, 2019

(c) Furniture, Fixtures, and Equipment

Property and equipment are stated at cost, if purchased, or at estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. It is the policy of the Organization to maintain all property and equipment in good condition.

(d) Donated Services, Facilities, and Materials

Donated services are recorded at their estimated fair value if the services received create or enhance non-financial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind revenue and expense is also recorded for the difference between the actual charge of facilities and materials and the estimated fair market value.

A number of volunteers donated time to the Organization's programs during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

(e) Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, utilities, repairs and maintenance, office supplies, technology, and depreciation, which are allocated on a square footage basis, as well as salaries, payroll taxes, and employee insurance, which are allocated on the basis of estimates of time and effort.

(f) Use of Estimates

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(g) Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Organization is subject to the accounting standards on accounting for uncertainty in income taxes. Management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Organization's federal returns are generally open for examination for three years following the date filed.

COMMUNITY DENTAL CLINIC, INC.

Notes to Financial Statements

September 30, 2019

(h) Summarized Financial Information for 2018

The financial information for the year ended September 30, 2018, presented for comparative purposes, is not intended to be a complete presentation. Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

(i) Fair Value of Financial Instruments

The fair value of the Organization's financial instruments which include cash, grants receivable, accounts receivable, and accounts payable are equal to their carrying amounts as presented in the accompanying statement of financial position.

(3) Promises to Give

As of September 30, 2019, the Organization had the following unconditional promises to give outstanding:

<u>Amounts due:</u>	<u>Gross</u>	<u>Allowance</u>	<u>Discount</u>	<u>Net</u>
Less than one year	\$ 7,200	—	—	7,200
One to five years	9,000	—	—	9,000
Total pledges	<u>\$ 16,200</u>	<u>—</u>	<u>—</u>	<u>16,200</u>

The discount to present value of amounts collectible in one to five years is not material to the financial statements at September 30, 2019.

(4) Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment consists of the following at September 30, 2019:

		<u>Estimated Useful Lives</u>
Dental equipment	\$ 71,494	5 years
Leasehold improvements	81,937	5 years
Computer equipment	<u>12,222</u>	5 years
	165,653	
Less: accumulated depreciation	<u>(139,795)</u>	
	<u>\$ 25,858</u>	

COMMUNITY DENTAL CLINIC, INC.

Notes to Financial Statements

September 30, 2019

(5) Liquidity and Availability

Financial assets available for general expenditures, that is, without donor imposed or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 80,543
Grants receivable	2,500
Accounts receivable without donor restrictions	1,225
Promises to give, current	<u>7,200</u>
	91,468
Less: cash with donor restrictions	<u>(65,000)</u>
	<u><u>\$ 26,468</u></u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions as of September 30, 2019 relate to the promises to give discussed in Note 3 and \$65,000 restricted by a donor for dental equipment.

(7) Contributed Goods and Services

The Clinic received the following goods and services recognized as in-kind support for the year ended September 30, 2019:

Volunteer dentists and hygienists	\$ 66,844
Gifted facility	31,000
Dental supplies & equipment	26,400
Copier services	4,594
Advertising	15,200
Accounting services	1,850
Pest services	<u>150</u>
	<u><u>\$ 146,038</u></u>

(8) Operating Leases

On February 26, 2013, the Clinic entered into a five-year lease with the City of Clearwater (the "City") to use 3,500 square feet of a City-owned building for operations. The stated rent is \$1 per year. The Clinic has the option to request an extension of the term of the lease for an additional five years subject to the approval of the City. The cost of the common area maintenance, taxes, and utilities are allocated between the Clinic and the City. The City, at its option, may terminate the lease in the event that the City Council determines that the premises are required for other municipal purposes and provides the Clinic with 120 days' notice. The annual in-kind fair market value of this leased facility is estimated to be \$31,000 for the year ended September 30, 2019.

COMMUNITY DENTAL CLINIC, INC.

Notes to Financial Statements

September 30, 2019

(9) Recent Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (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 provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

(10) Concentrations

The Florida Association of Free and Charitable Clinics, a donation from one donor, and the Organization's fundraisers provided 12%, 19% and 38%, respectively, of the Organization's revenue excluding in-kind.

(11) Commitments and Contingencies

The Organization is subject to audit examination by funding sources to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required. Management believes the Organization is in compliance with the terms of its grant agreements.

(12) Subsequent Events

Management has evaluated subsequent events through June 29, 2020, the date which the financial statements were available for issue.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The Organization had to close their physical location and all employees must work remotely as they can. Future potential impacts may include continued disruptions or restrictions on employees' ability to work and impairment of the Organization's ability to obtain contributions and volunteers. The future effects of these issues are unknown.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for year ended 2020.

Subsequent to year end, the Organization applied for and was approved a \$34,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

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