

**HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
(A California Not-For-Profit Corporation)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for June 30, 2012)

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INDEPENDENT AUDITORS' REPORT

William
Tilley
CPA

To the Board of Directors of
Healthy Smiles for Kids of Orange County
Garden Grove, California

J. Pearse
Leonard
CPA

We have audited the accompanying statement of financial position of Healthy Smiles for Kids of Orange County (the "Organization") (a California not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

James T.
Chang
CPA

Management's Responsibility for the Financial Statements

Fabio
Vasco
CPA

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.

Manny
Gleicher
CPA
(Retired)

Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, 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 Organization's 2012 financial statements, and our report dated October 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

GTL, LLP

Studio City, California
October 31, 2013

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(With comparative totals for 2012)

	ASSETS	
	June 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,697,578	\$ 1,096,540
Accounts receivable, net of allowance of \$12,349 and \$9,726 for 2013 and 2012, respectively	255,468	257,343
Grants receivable	145,628	169,913
Retention receivable	148,958	111,747
Inventory	53,768	72,008
Prepaid expenses	4,126	356
Total current assets	2,305,526	1,707,907
 PROPERTY AND EQUIPMENT, net	 447,311	 293,203
 DEPOSITS	 9,000	 7,500
 TOTAL ASSETS	 \$ 2,761,837	 \$ 2,008,610
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 327,985	\$ 367,812
Long-term debt - current portion	16,636	54,329
Total current liabilities	344,621	422,141
 LONG-TERM DEBT, net of current portion	 -	 8,338
Total liabilities	344,621	430,479
 NET ASSETS		
Unrestricted	1,847,584	1,306,886
Temporarily restricted	569,632	271,245
Total net assets	2,417,216	1,578,131
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,761,837	 \$ 2,008,610

See independent auditors' report and accompanying notes to the financial statements

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	JUNE 30,	
	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains and other support:		
Grants	\$ 1,688,437	\$ 1,815,375
Contributions and donations	105,632	100,683
Service fees	895,714	1,002,543
In-kind donations	35,433	76,415
Contract revenue	472,822	284,200
Other income	3,025	16,723
Interest	1,215	6,432
Total unrestricted revenues, gains and other support	3,202,278	3,302,371
 NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfied by payments	1,065,300	532,363
Total unrestricted revenue, gains and other support	4,267,578	3,834,734
 FUNCTIONAL EXPENSES		
Program services	3,114,438	2,735,329
Management and general	458,238	576,295
Fundraising	154,204	132,882
Total functional expenses	3,726,880	3,444,506
 INCREASE IN UNRESTRICTED NET ASSETS	540,698	390,228
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	1,363,687	530,881
Net assets released from restrictions	(1,065,300)	(532,363)
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	298,387	(1,482)
 CHANGE IN NET ASSETS	839,085	388,746
 NET ASSETS, beginning of year	1,578,131	1,189,385
NET ASSETS, end of year	\$ 2,417,216	\$ 1,578,131

See independent auditors' report and accompanying notes to the financial statements

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	JUNE 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 839,085	\$ 388,746
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	58,297	88,441
Earned grant advance reduction	-	(148,638)
Change in current assets and liabilities:		
Accounts receivable	1,875	(49,265)
Grants receivable	24,285	310,185
Retention receivable	(37,211)	23,880
Inventory	18,240	8,479
Prepaid expenses	(3,770)	(356)
Deposits	(1,500)	-
Accounts payable and accrued liabilities	(39,827)	21,672
Net cash provided by operating activities	859,474	643,144
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(212,405)	(24,836)
Net cash (used in) investing activities	(212,405)	(24,836)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payments	(46,031)	(51,779)
Net cash (used in) financing activities	(46,031)	(51,779)
 NET INCREASE IN CASH	601,038	566,529
 Cash and cash equivalents, beginning of year	1,096,540	530,011
Cash and cash equivalents, end of year	\$ 1,697,578	\$ 1,096,540
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 2,706	\$ 3,104

See independent auditors' report and accompanying notes to the financial statements

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Operations

Healthy Smiles for Kids of Orange County ("the Organization") was founded in the State of California on January 25, 2003 as a public benefit corporation and received non-profit status on June 25, 2003. It operates as a 501(c)(3) tax exempt not-for-profit corporation. The administrative offices are located in Garden Grove, California. The Organization's mission is to improve the oral health of children in Orange County through collaborative programs directed at prevention, outreach and education, access to treatment and advocacy. The Organization operates dental clinics in Garden Grove and Orange, as well as a mobile dental clinic ("Smile Mobile"), which provides services at community locations within Orange County. In July 2007, the Organization expanded its school based education, screening and prevention services through the acquisition of the operations of Seals on Wheels. Since 2007, the Organization has collaborated with the USC School of Dentistry and Children's Hospital of Orange County for the training of pediatric dental residents.

b. Basis of Presentation

In accordance with current codified financial accounting standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Restrictions of net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Donated noncash items are reflected in the financial statements as contributions when meeting the requirements for recognition. Donations of property and equipment, materials and professionals services are recorded as support at their estimated fair value.

Current codified financial accounting standards also requires the Organization 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. The Organization had no permanently restricted assets at June 30, 2013 and 2012.

c. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

d. Cash and Cash Equivalents

The Organization maintains its cash balances in high credit quality financial institutions and, at times, these balances may exceed federally insured limits. The Organization has not experienced any losses on such accounts. Cash equivalents may include money market accounts, time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less which are not securing any of the Organization obligations.

e. Accounts Receivable and Allowance for Doubtful Accounts

The Organization annually reviews its accounts receivable at year-end to assess their collectability and to adjust, if necessary, the allowance for doubtful accounts. At June 30, 2013 and 2012, net accounts receivable of \$255,468 and \$257,343 includes an allowance for doubtful accounts of \$12,349 and \$9,726 respectively.

f. Property and Equipment

Property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions 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 restricted contributions. 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 temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold Improvements	20 years
Furniture, Computer and Office Equipment	3-7 years
Vehicles	5-7 years
Mobile Dental Clinic	10 years

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

g. Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

h. Contributed Services and Costs

Contributed services and costs are reflected at their fair value of the services received. The contributions of services and costs are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills, and (c) the services and costs would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized. Donated materials and assets are recorded at fair value at the date of the gift.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in carrying out the Organization's program services. For the years ended June 30, 2013 and 2012, the donated services contributed by the volunteers were 1,419 and 853 hours, respectively. The total value of those volunteer services at the rate of \$13 per hour amounted to \$18,447 and \$11,089, respectively. No amounts have been recognized in the statement of activities for these volunteers because the criterion for recognition under current financial accounting standards was not met.

i. Functional Allocation of Expenses

Costs are charged to program and supporting services (management and general) based primarily on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated (indirect costs applied) on direct labor dollars, square footage utilized, or a comparably reasonable basis of allocation.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

j. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, Section 27301d of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements. The Organization is required per accounting guidance to evaluate its tax positions and recognize a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, the Organization's policy will be to recognize any tax liability so reported, including applicable interest and penalties, as a component of income tax expense.

The Organization's federal income tax returns for tax years 2010 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2009 and beyond.

k. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's prior year financial statements, from which this selected financial data was derived.

l. Subsequent Events

The Organization has evaluated events subsequent to June 30, 2013, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 31, 2013, the date the financial statements were available to be issued. Based upon this evaluation, management determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

m. Reclassifications

Certain amounts in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 presentation. There was no effect on net assets.

n. Legal Assertion

The Organization may be subject to legal proceedings which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of any claims or litigation, if any, will not have a materially adverse effect on the Organization's financial position.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

o. Service Agreement with ADP TotalSource, Inc.

Effective January 1, 2013, the Organization entered into an agreement with ADP TotalSource Inc., a Professional Employer Organization (PEO) in which TotalSource will provide the Organization with PEO services as defined in the agreement. Under the agreement, TotalSource will become a co-employer of all "Worksite Employees" as defined. The agreement is cancellable within 30 days notice.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable are unrestricted and consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Children and Families Commission of O.C.	\$ 139,033	\$ 147,387
HRSA/SOS	<u>6,595</u>	<u>22,526</u>
Total	<u>\$ 145,628</u>	<u>\$ 169,913</u>

There is no allowance for uncollectible grants receivable at June 30, 2013 and 2012. Management expects all grants to be collected within the following year.

NOTE 3 - RETENTION RECEIVABLE

Retention receivable consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Children and Families Commission of O.C.	<u>\$ 148,958</u>	<u>\$ 111,747</u>

The retention is withheld by the Children and Families Commission of Orange County pending the timely and successful completion of the final fiscal audits. Management believes all retention receivable will be collected.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 4 - INVENTORY

Inventory consists of dental supplies donated by several dental supply wholesalers, with fair value of \$53,768 and \$72,008 at June 30, 2013 and 2012, respectively. This inventory is primarily composed of dental crowns, which make up \$48,721 and \$53,533 of the total dental supplies inventory at June 30, 2013 and 2012, respectively. All such inventory is recorded at fair market value at the date of donation, which has been determined to be the net realizable value expected to be received if the Organization was to sell the inventory. The Organization uses the specific identification method for tracking inventory. No allowance for obsolescence has been established by management, as management believes that all inventories will be usable.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Office furniture and equipment	\$ 13,158	\$ 650,110
Computer equipment	193,798	175,468
Leasehold improvements	170,728	170,728
Vehicle	26,072	26,072
Mobile dental clinic	442,259	261,342
	<u>846,015</u>	<u>1,283,720</u>
Less: accumulated depreciation	<u>(398,704)</u>	<u>(990,517)</u>
Property and equipment, net	<u>\$ 447,311</u>	<u>\$ 293,203</u>

Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$58,297 and \$88,441, respectively. During the year ended June 30, 2013, the Organization wrote off all fully depreciated equipment which had a cost of \$650,110. There was no gain or loss from the write off of the equipment.

NOTE 6 - LONG-TERM DEBT

The Organization has a not-to-exceed \$30,000 unsecured revolving line of credit with Wells Fargo Bank, bearing interest of 11.75%. There were no outstanding borrowings at June 30, 2013 and 2012.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 6 - LONG-TERM DEBT - CONTINUED

	JUNE 30,	
	2013	2012
<p>The Organization has a commercial line of credit, not-to-exceed \$100,000, with Clearinghouse Community Development Financial Institution; fixed interest rate of 7.50%; monthly principal and interest payments of \$2,600, due August 1, 2013. The line of credit is secured by all of the Organization's property, equipment and inventory.</p>	\$ 677	\$ 30,557
<p>The Organization has a commercial loan agreement, not-to-exceed \$100,000, with Clearinghouse Community Development Financial Institution; fixed interest rate of 7.50%; monthly principal and interest payments of \$2,200, due May 1, 2014. The loan agreement is secured by all of the Organization's property, equipment and inventory.</p>	15,959	32,110
Total long term debt	16,636	62,667
Less: current portion	(16,636)	(54,329)
	\$ -	\$ 8,338

The aggregate principal maturities on loans and agreements payable are as follows:

<u>Year ending June 30,</u>	
2014	\$ 16,636

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 7 - LEASE COMMITMENTS

The Organization conducts its operations at office leased facilities in Garden Grove and Irvine, CA and also uses leased copy machines. The following is a schedule by year of the future minimum lease payments required under the operating leases that have noncancelable lease terms in excess of one year as of June 30, 2013:

<u>Year ending June 30,</u>	
2014	116,676
2015	86,633
2016	76,578
2017	76,578
2018	76,578
Thereafter	<u>153,156</u>
	<u>\$ 586,199</u>

Rent expense for the years ended June 30, 2013 and 2012 totaled \$95,805 and \$74,938, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30:

	<u>2013</u>	<u>2012</u>
Core Support	118,907	10,459
Education and outreach	177,547	172,456
Residency Program	39,096	63,185
Sedation Support	15,000	23,544
Patient Mobile Unit	<u>219,082</u>	<u>1,601</u>
	<u>\$ 569,632</u>	<u>\$ 271,245</u>

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 9 - GRANTS

Revenue recognized from significant grants as of June 30, was as follows:

	<u>2013</u>	<u>2012</u>
Children and Families Commission of O.C.	\$ 1,489,549	\$ 1,266,106
CHOC - GME Funds	117,022	81,851
Pacific Life Foundation	182,518	8,399
Partners in Health Foundation	34,000	-
Kaiser Foundation	43,989	76,011
St Joseph	55,800	39,772
TCWF	63,185	77,340
Murray Anesthesia	17,716	-
TCE - Valley High	122,652	121,394
Funders Round Table	29,070	-
HRSA	494,380	506,743
United Way	37,703	-
Weingard Foundation	74,420	-
Others	290,120	168,640
	<u>3,052,124</u>	<u>2,346,256</u>
Less temporarily restricted grants	<u>1,363,687</u>	<u>530,881</u>
Unrestricted grants	<u>\$ 1,688,437</u>	<u>\$ 1,815,375</u>

NOTE 10 - DONATED SERVICES, FIXED ASSETS, INVENTORY AND SUPPLIES

The estimated fair market value of donated services, fixed assets, inventory and supplies

	<u>2013</u>	<u>2012</u>
Support and Expense:		
Donated services	<u>\$ 35,433</u>	<u>\$ 76,415</u>

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 11- RETIREMENT PLAN

The Organization has an Internal Revenue Code 401(k) tax shelter annuity for all eligible employees. All full-time employees who have been employed at least thirty (30) days and have attained age of twenty-one are eligible to participate in the Plan. Generally, employees can defer a portion of their salary into the Plan, not to exceed Federal and State limitations. The Organization may also make discretionary matching contributions for such participants who are making pretax deferrals and meet the Plan's other requirements for sharing in matching contributions. The Organization did not make any matching contributions during the years ended June 30, 2013 and 2012.

NOTE 12- CONCENTRATION OF RISKS

a. Cash and Cash Equivalents

The Organization maintains cash balances at various financial institutions that it considers to be high quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2013 and 2012, the Organization had bank balances exceeding this limit by approximately \$1,232,401 and \$672,831, respectively.

b. Support and Revenues

Approximately 53% and 54% of total grant revenue was received from one agency for the years ended June 30, 2013 and 2012, respectively. Grants receivable in the statement of financial position at June 30, 2013 and 2012, from this one governmental agency represented 96% and 87%, respectively.

NOTE 13- RELATED PARTY TRANSACTIONS

During the year ended June 30, 2013 the Organization paid one of its board members a total of \$44,760 in consulting fees. In addition, the Organization received donation contributions from various members of the board and staff for a total of \$12,836.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

NOTE 14- DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Current accounting standards, ASC 820 topic Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

Accounts, Grants and Retention Receivable from Supporting Organizations

Fair value is estimated at the present value of the future distributions from the supporting organizations. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Long-Term Debt and Grant Advance Payable

The carrying amount of the Organization's long-term debt and grant advance payable approximates fair value. The fair value of the Organization's long-term debt and grant advance payable is estimated using discounted cash flow analysis based on the Organization's current incremental borrowing rates for similar types of borrowing arrangements.

HEALTHY SMILES FOR KIDS OF ORANGE COUNTY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	Program Services	Management and General	Fundraising	2013 Totals	2012 Totals
Accounting	\$ -	\$ 32,500	\$ -	\$ 32,500	\$ 42,829
Advertising	691	6,161	22,907	29,759	1,976
Bad debts	2,662	-	-	2,662	-
Bank charges	843	3,672	92	4,607	4,662
Conferences & travel	168	1,949	16	2,133	12,978
Consultants - clinicians	1,142,191	-	-	1,142,191	1,060,745
Consultants - non clinicians	61,858	59,502	23,875	145,235	111,434
Dental supplies	261,940	-	-	261,940	239,786
Depreciation	52,908	5,389	-	58,297	88,441
Dues and subscriptions	6,262	2,513	169	8,944	6,738
Employee benefits	196,238	54,392	11,885	262,515	253,903
Insurance	9,634	10,348	723	20,705	37,777
Interest	-	2,706	-	2,706	3,104
Legal	1,270	3,128	-	4,398	900
Licenses, permits & fees	2,344	1,376	-	3,720	2,002
Meals & entertainment	298	2,295	269	2,862	4,347
Miscellaneous	1,379	-	1,124	2,503	7,732
Office supplies	35,222	12,786	1,995	50,003	34,068
Payroll fees	11,888	4,344	666	16,898	9,745
Postage	1,445	1,269	312	3,026	2,830
Printing	880	198	288	1,366	446
Rent & utilities	83,545	6,422	5,838	95,805	74,938
Repairs & maintenance	644	-	-	644	-
Salaries & wages	1,207,281	221,890	73,945	1,503,116	1,408,079
Special events	464	1,587	7,580	9,631	9,248
Telephone	20,964	11,307	462	32,733	24,682
Training & education	1,808	5,517	1,480	8,805	1,116
Travel & mileage	7,164	6,987	578	14,729	-
E-Smile	2,447	-	-	2,447	-
Total expenses	\$ 3,114,438	\$ 458,238	\$ 154,204	\$ 3,726,880	\$ 3,444,506