

**GIVE KIDS A SMILE, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2012 AND 2011**

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Bender, Weltman, Thomas, Perry & Co, PC  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Give Kids A Smile, Inc.  
St. Charles, Missouri

We have audited the accompanying statements of financial position of Give Kids A Smile, Inc. (the "Organization"), a not-for-profit corporation, as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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 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 Give Kids A Smile, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bender, Weltman, Thomas, Perry & Co., P.C.*

Bender, Weltman, Thomas, Perry & Co., P.C.  
September 12, 2013

**GIVE KIDS A SMILE, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 217,400	\$ 311,648
Grant receivable	-	5,000
Prepaid rent and other assets	13,664	13,440
<b>Total Current Assets</b>	<u>231,064</u>	<u>330,088</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>4,080</u>	<u>8,174</u>
<b>TOTAL ASSETS</b>	<u>\$ 235,144</u>	<u>\$ 338,262</u>

**LIABILITIES AND NET ASSETS**

<b>NET ASSETS</b>		
Unrestricted net assets	\$ 235,144	\$ 333,262
Temporarily restricted net assets	-	5,000
<b>Total Net Assets</b>	<u>235,144</u>	<u>338,262</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 235,144</u>	<u>\$ 338,262</u>

**GIVE KIDS A SMILE, INC.****STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Unrestricted Revenues, Gains and Public Support:</b>		
Contributions	\$ 24,108	\$ 19,180
Government Programs	55,883	59,143
Contributed services	600,120	516,200
In-kind donations	3,654	4,607
Event revenue	49,260	52,787
Grants	10,000	10,200
Miscellaneous income	9,137	4,538
Net assets released from restrictions	20,000	98,500
<b>Total Unrestricted Revenues, Gains, and Public Support</b>	<u>772,162</u>	<u>765,155</u>
<b>Expenses:</b>		
Social program	763,768	691,182
Supporting services - management and general	52,907	49,856
Fundraising	53,605	53,869
<b>Total Functional Expenses</b>	<u>870,280</u>	<u>794,907</u>
<b>Change in Unrestricted Net Assets</b>	(98,118)	(29,752)
<b>UNRESTRICTED NET ASSETS - BEGINNING OF YEAR</b>	<u>333,262</u>	<u>363,014</u>
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<u>\$ 235,144</u>	<u>\$ 333,262</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions and grants	\$ 15,000	\$ 51,000
Net assets released from restrictions	(20,000)	(98,500)
<b>Change in Temporarily Restricted Net Assets</b>	<u>(5,000)</u>	<u>(47,500)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS - BEGINNING OF YEAR</b>	<u>5,000</u>	<u>52,500</u>
<b>TEMPORARILY RESTRICTED NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,000</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	\$ (103,118)	\$ (77,252)
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<u>338,262</u>	<u>415,514</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 235,144</u>	<u>\$ 338,262</u>

## GIVE KIDS A SMILE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Social Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
<b>EXPENSES:</b>				
Salaries and related benefits	\$ 90,664	\$ 30,222	\$ 30,222	\$ 151,108
Professional contract services	604,120	-	-	604,120
Rent	16,018	4,258	-	20,276
Transportation	-	2,183	-	2,183
Insurance	2,296	610	-	2,906
Professional services	-	5,145	-	5,145
Communications	-	5,963	-	5,963
Materials and supplies	38,338	2,099	18,809	59,246
Postage and delivery	3,207	-	-	3,207
Membership fees and licenses	-	436	-	436
Bank charges	-	1,568	-	1,568
Utilities	1,590	423	-	2,013
Newsletters, printing and promotions	798	-	4,574	5,372
Miscellaneous	2,643	-	-	2,643
Depreciation of property and equipment	4,094	-	-	4,094
<b>Total</b>	<u>\$ 763,768</u>	<u>\$ 52,907</u>	<u>\$ 53,605</u>	<u>\$ 870,280</u>

## GIVE KIDS A SMILE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Social Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
<b>FUNCTIONAL EXPENSES</b>				
Salaries and related benefits	\$ 88,619	\$ 29,539	\$ 29,539	\$ 147,697
Professional contract services	519,200	-	-	519,200
Rent	15,934	4,236	-	20,170
Transportation	-	1,886	-	1,886
Insurance	2,225	592	-	2,817
Professional services	-	4,845	-	4,845
Communications	-	2,260	-	2,260
Materials and supplies	38,048	4,485	20,418	62,951
Postage and delivery	3,081	-	-	3,081
Membership fees and licenses	-	188	-	188
Bank charges	-	1,364	-	1,364
Utilities	1,732	461	-	2,193
Newsletters, printing and promotions	5,504	-	3,912	9,416
Miscellaneous	6,898	-	-	6,898
Depreciation of property and equipment	9,941	-	-	9,941
<b>Total</b>	<u>\$ 691,182</u>	<u>\$ 49,856</u>	<u>\$ 53,869</u>	<u>\$ 794,907</u>



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**GIVE KIDS A SMILE, INC.**

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**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (103,118)	\$ (77,252)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,094	9,941
(Increase) decrease in operating assets:		
Grants receivable	5,000	47,500
Prepaid rent and other assets	(224)	-
<b>Net Cash From Operating Activities</b>	<u>(94,248)</u>	<u>(19,811)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	-	(1,545)
<b>Net Cash From Investing Activities</b>	<u>-</u>	<u>(1,545)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(94,248)	(21,356)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>311,648</u>	<u>333,004</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 217,400</u>	<u>\$ 311,648</u>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES</b>		
Revenues from in-kind contributions and donated services have been recorded in the statement of activities with an offsetting amount to their respective expense classifications	\$ <u>603,774</u>	\$ <u>520,807</u>

# GIVE KIDS A SMILE, INC.

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## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Organization and Significant Accounting Policies**

#### **Nature of Operations**

Give Kids A Smile, Inc., (the "Organization"), a not-for-profit corporation, was incorporated in the State of Missouri in October 2004 to bring volunteers and organizations together for the purpose of delivering quality dental services to children in the St. Louis, Missouri area.

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Financial Statement Format**

According to generally accepted accounting principles in the United States of America, 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. As permitted by the statement, the Organization does not use fund accounting. The three classes of net assets are described in more detail as follows:

1. *Unrestricted Net Assets* represent those net assets whose use is not restricted by donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets were \$235,144 and \$333,262 at December 31, 2012 and 2011, respectively.
2. *Temporarily Restricted Net Assets* represent those net assets whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. There were no temporarily restricted net assets at December 31, 2012. Temporarily restricted net assets were \$5,000 at December 31, 2011.
3. *Permanently Restricted Net Assets* represents those net assets whose use has been limited by donor-imposed stipulations and must be maintained in perpetuity. The Organization had no permanently restricted net assets at December 31, 2012 and 2011.

#### **Social Program Accounting**

The Organization contracts space from Saint Louis University to host a biannual dental clinic for children whose families cannot currently afford necessary dental care. Each clinic is held for two days and will provide services for over five hundred children. The Organization also hosts Redbird Rookies Health fairs and a back to school event to educate children in dental hygiene and provide children with dental supplies.

# GIVE KIDS A SMILE, INC.

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **Note 1 - Organization and Significant Accounting Policies (Continued)**

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with a maturity of three months or less at date of purchase to be cash equivalents.

#### **Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are provided using accelerated methods over the estimated useful lives for furniture and fixtures and equipment of 5 - 7 years.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 vary from those estimates.

#### **Support and Revenue**

The Organization receives grant support from the Missouri Foundation for Health for two years of operations. Funding is to go towards staff salary and benefits to coordinate the scheduling of patients, volunteers, and supplies for free dental clinics. The Organization also receives support from private contributions by way of fundraising and donations.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated among the programs and supporting services benefited.

Costs related to occupancy of the building from which the Organization operates are allocated to supporting service and program services based upon the pro rata share of the total 1,200 square footage of space utilized in providing such services and management and general expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### **Revenue Recognition**

Grants or promises to give are recognized in the period they are received.

# **GIVE KIDS A SMILE, INC.**

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## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **Note 1 - Organization and Significant Accounting Policies (Continued)**

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### **Donated Services**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and program events. The total donated services reported were \$600,120 and \$516,200 for the years ended December 31, 2012 and 2011, respectively. These amounts represent the fair market value for dental services provided by dentists and dental hygienists donated during the dental clinics.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

#### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, has made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2012 and 2011.

#### **Subsequent Events**

The Organization has evaluated subsequent events through September 12, 2013 the date the financial statements were available to be issued.

### **Note 2 – Concentrations of Risk and Contingencies**

The Organization, on occasion, maintains cash deposits with a bank that include funds greater than the federally insured limit. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

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## GIVE KIDS A SMILE, INC.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **Note 3 – Property and Equipment**

Property and equipment as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 98,634	\$ 98,634
Furniture and fixtures	4,770	4,770
Total Property and equipment	<u>103,404</u>	<u>103,404</u>
Less: accumulated depreciation	<u>(99,324)</u>	<u>(95,230)</u>
Machinery and Equipment, Net	<u>\$ 4,080</u>	<u>\$ 8,174</u>

Depreciation expense charged to operations for the years ended December 31, 2012 and 2011, was \$4,094 and \$9,941, respectively.

#### **Note 4 – Operating Lease Commitment**

As of September 1, 2012, the project entered into a one-year non-cancelable operating lease for its office facility requiring rent of \$20,500 annually. The lease grants the organization the right to renew the lease for an additional one-year term. The total rent expense charged to operations for the years ended December 31, 2012 and 2011 was \$20,276 and \$20,170, respectively.

#### **Note 5 – Fundraising Events**

The Organization received revenue of \$49,260 and \$52,787 for the years ended December 31, 2012 and 2011, respectively, through charity events such as the pub crawl, trivia night and a golf tournament held in the St. Louis community. Direct expenses of \$23,383 and \$24,330 for these events are included in fundraising expenses for the years ended December 31, 2012 and 2011, respectively.

#### **Note 6 – Government Programs**

The Organization entered into a contract to accept Medicaid reimbursements as an exchange transaction for services provided to eligible patients at its dental clinics.

The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including Medicaid. Such administrative directives, rules and regulations are subject to change by these agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

#### **Note 7 – Temporarily Restricted Net Assets**

The Organization received the final payment of a two year grant of \$100,000 for salaries, with \$5,000 received during the year ended December 31, 2012. There were no temporarily restricted net assets at December 31, 2012.

## GIVE KIDS A SMILE, INC.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **Note 8 – Income Taxes**

The Company files income tax returns in the U.S. federal jurisdiction. The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years ended prior to December 31, 2010.

The Company follows the provisions of uncertain tax positions as addressed in the accounting standards. The Company recognized no increase in the liability for unrecognized tax benefits. The Company has no tax positions at December 31, 2012 and 2011 for which the ultimate deductibility is highly uncertain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties related to income taxes at December 31, 2012 and 2011.