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NATIONAL FOUNDATION OF DENTISTRY
FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 1987 AND 1988

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the secretary, or reviewed, entity and other appropriate public officials. This report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 10 1987

**GELFOND HOCHSTADT
PANGBURN & CO.**

A Professional Corporation
Certified Public Accountant
and Business Consultant

A member of the Ernst & Young Group



NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

YEARS ENDED JUNE 30, 1987 AND 1988

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Foundation of Dentistry for the
Handicapped and Affiliated Foundations
Denver, Colorado

We have audited the accompanying combined statements of financial position and cash flows of the National Foundation of Dentistry for the Handicapped and Affiliated Foundations (the "Foundation") as of and for the years ended June 30, 1997 and 1996, and the related combined statement of activities for the year ended June 30, 1997. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the New Jersey Department of the Treasury, Office of Management and Budget, Circular Letter 87-11. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position and cash flows of the National Foundation of Dentistry for the Handicapped and Affiliated Foundations as of and for the years ended June 30, 1997 and 1996, and the changes in their net assets for the year ended June 30, 1997, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 1997, on our consideration of the National Foundation of Dentistry for the Handicapped and Affiliated Foundations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements of the National Foundation of Dentistry for the Handicapped and Affiliated Foundations taken as a whole. The combining information as of and for the year ended June 30, 1997 contained in pages 16 through 19 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets and cash flows of the individual affiliates and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements, and in our opinion, is fairly stated in all material aspects in relation to the basic combined financial statements taken as a whole.

Gelfond Horstetadt Ringle, L.L.C.

September 11, 1997

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 1987 AND 1986

	ASSETS	
	1987	1986
Cash and cash equivalents	\$ 181,328	\$ 143,584
Cash restricted for program activities	12,315	14,387
Investments (Note 3)	1,236,738	1,067,879
Receivables:		
Grants and contracts	117,777	350,278
Open book (net of allowance for doubtful accounts of \$4,700 and \$7,700 in 1987 and 1986)	121,385	22,580
Other	24,886	25,499
Prepaid expenses and other	41,341	34,529
Equipment, vehicles and improvements, net (Note 4)	54,340	38,500
Investments restricted to permanent endowment (Note 3)	5,685	5,400
Total assets	\$ 1,894,321	\$ 1,730,711
	LIABILITIES AND NET ASSETS	
Note payable (Note 5)		\$ 5,000
Accounts payable	\$ 30,172	11,378
Accrued expenses	82,202	80,176
Deferred revenue	51,450	53,915
Deferred rent (Note 6)	3,120	2,451
Total liabilities	166,944	152,919
Commitments (Notes 6 and 7)		
Net assets (Note 2):		
Unrestricted	1,058,526	918,182
Temporarily restricted	693,227	647,212
Permanently restricted	5,568	5,400
Total net assets	1,757,319	1,570,794
Total liabilities and net assets	\$ 1,894,321	\$ 1,730,711

See notes to combined financial statements.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 1997, WITH SUMMARIZED FINANCIAL
INFORMATION FOR THE YEAR ENDED JUNE 30, 1996

	1997			1996
	Unrestricted	Temporarily restricted	Permanently restricted	Summarized total
Support and revenue:				
Contributed services	\$3,398,219			\$3,398,219
Grants and contracts:				
Governmental agencies		\$1,201,153		1,201,153
Nongovernmental agencies	72,040	573,394		645,434
Contributions	148,143	197,283		345,426
Special events:				
Revenues		55,987		55,987
Cost of special events		(49,829)		(49,829)
Coupon book revenue	434,388			434,388
Interest and investment income	42,656	29,158	\$ - 165	71,649
Other revenue		21,951		21,951
Net assets released from restrictions	1,582,894	(1,582,894)		
Total support and revenue	5,614,397	45,615	165	5,660,177
Expenses:				
Program services:				
Campaign of Concern	645,542			645,542
Dental House calls	389,716			389,716
Donated Dental Services	2,741,814			2,741,814
Program Development	185,858			185,858
Total program services	4,362,930			4,362,930
Supporting services:				
Management and general	347,915			347,915
Fund-raising:				
Coupon book expenses	281,864			281,864
Other	17,365			17,365
Total supporting services	367,349			367,349
Total expenses	4,730,279			4,730,279
Increase in net assets	140,263	45,615	165	186,043
Distribution of affiliate's net assets				(96,137)
Net assets at beginning of year	930,352	647,212	8,409	1,586,073
Net assets at end of year	\$1,070,615	\$ 692,827	\$ 8,574	\$ 1,772,016

See notes to combined financial statements.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Increase in net assets	\$ 166,553	\$ 367,202
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,000	14,723
Collection losses		7,700
Net realized and unrealized gains on investments	(58,430)	(30,476)
Changes in assets and liabilities, net of effects of distribution of affiliate's net assets:		
Cash restricted for program activities	2,052	(166,881)
Receivables	174,470	(230,658)
Prepaid expenses and other	(8,012)	(701)
Accounts payable	18,798	(17,624)
Accrued expenses	12,027	6,462
Deferred revenue	(42,466)	42,739
Deferred rent	(9,301)	14,749
Net cash provided by (used in) operating activities	<u>290,750</u>	<u>143,100</u>
Cash flows from investing activities:		
Purchases of equipment	(26,566)	(2,006)
Purchases of investments	(863,783)	(401,483)
Sales of investments	664,281	300,000
Net cash used in investing activities	<u>(226,068)</u>	<u>(103,493)</u>
Cash flows from financing activities:		
Payment on note payable	(5,000)	(5,000)
Net cash used in financing activities	<u>(5,000)</u>	<u>(5,000)</u>
Net increase (decrease) in cash and cash equivalents	39,732	(65,393)
Cash and cash equivalents, beginning of year	<u>143,594</u>	<u>308,150</u>
Cash and cash equivalents, end of year	<u>\$ 183,326</u>	<u>\$ 242,757</u>

(Continued)

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Supplemental disclosure of non-cash investing activities:		
In February 1996, \$59,127 of temporarily restricted net assets attributable to the Maryland affiliate were distributed to an unrelated organization as follows:		
Cash restricted for program activities	\$ 10,480	
Receivables	40,000	
Prepaid expenses and other	147	
Equipment, net of accumulated depreciation of \$2,545	<u>8,100</u>	
		<u>\$ 59,127</u>

See notes to combined financial statements.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997 AND 1996

1. Summary of significant accounting policies:

Description of organization:

The National Foundation of Dentistry for the Handicapped (the National Foundation) was founded in 1974 as a nonprofit corporation to improve the oral health of disabled and elderly people. To expand programs and program funding, the National Foundation has organized affiliate foundations in the following states (the Affiliate Foundations):

California	Indiana	Maryland (through
Colorado	Kansas	December 31, 1995)
Illinois	Louisiana	New Jersey
Rhode Island	Wyoming	

The National Foundation provides technical and administrative services to support programs of the Affiliate Foundations that provide program services within their respective geographic regions. The National Foundation also directly operates similar programs in Florida, Michigan, Mississippi, Oregon, and Western Pennsylvania.

The accompanying combined financial statements of the National Foundation of Dentistry for the Handicapped and Affiliated Foundations (the Foundation) include the assets, liabilities, net assets and activities of the National and Affiliate Foundations. Significant balances and transactions among affiliates of the Foundation have been eliminated. Effective December 31, 1995, the Maryland affiliate elected to manage their own technical and administrative services. The combined financial statements for the year ended June 30, 1996 include the activities of the Maryland affiliate for the six months ended December 31, 1995, during which time the National Foundation provided technical and administrative services. Net assets attributed to the Maryland affiliate at December 31, 1995 of \$58,127 were distributed to the new organization in February 1996.

The National Foundation has also granted licenses to organizations located in Ohio, Pennsylvania, and Alaska, to provide and administer programs developed by the National Foundation in their respective geographic regions. The assets, liabilities, net assets and activities (including contributed services) of these organizations are not included in the accompanying combined financial statements.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1987 AND 1986

1. Summary of significant accounting policies (continued)

Description of programs:

The Foundation's programs include the following:

Campaign of Concern (Bridge):

The Campaign of Concern program is a preventive dental health outreach program for mentally retarded and other developmentally disabled persons attending community-based facilities. This program seeks to reduce the incidence and severity of dental disease. Staff hygienists visit special educational schools, sheltered workshops and community residences to assess dental health and hygiene. Daily oral hygiene instruction and referrals to dentists for regular care are coordinated by the hygienists based on results of the evaluations. These services are provided in Colorado, New Jersey, and Oregon.

Dental Housecalls:

The Dental Housecalls program provides portable dental equipment and a driver/dental assistant that enables dentists from the community to care for homebound persons, nursing home residents and disabled people in vocational centers. Systems operate in Chicago, Denver, and northern New Jersey.

Donated Dental Services (DDS):

The DDS program uses volunteer dentists and laboratories to provide comprehensive dental care to disabled, elderly and medically compromised individuals who cannot afford treatment or get public aid. With the cooperation of state and local dental associations, DDS programs are operating in fifteen states as of June 30, 1987.

Program Development:

A major activity of the National Foundation is to organize and expand local, direct-care projects that provide dental services to people in need of dental care in additional states.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

1. Summary of significant accounting policies (continued):

Changes in accounting principles and basis of presentation:

During the year ended June 30, 1997, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. This change in accounting principle had no effect on the Foundation's net assets at June 30, 1996, or the change in net assets for the year ended June 30, 1997.

Comparative financial information:

The statements of activities include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 1996, from which the summarized information was derived. In addition, certain amounts reported in the 1996 financial statements have been reclassified to conform to the 1997 presentation.

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 periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ from the estimates.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

1. Summary of significant accounting policies (continued):

Cash and cash equivalents:

For purposes of the statements of cash flows, cash and cash equivalents include cash on deposit with banks and highly liquid money market accounts with original maturities of three months or less.

Restricted cash:

Restricted cash consists of cash on deposit with banks, restricted by donors for equipment purchases and program activities.

Promises to give:

Unconditional promises to give are recognized as revenues in the period received and as assets or decreases of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

During the years ended June 30, 1997 and 1996, the Foundation received \$31,000 and \$90,000, respectively, from two private organizations to establish Donated Dental Service Programs to aid the needy populations in Florida and western Pennsylvania. At June 30, 1997, the Foundation has received conditional promises from these private organizations to give the Foundation an additional \$111,000 to further develop these programs. These promises are not recorded as assets or revenues as of and for the year ended June 30, 1997.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

1. Summary of significant accounting policies (continued):

Equipment, vehicles and improvements, and related depreciation and amortization:

Equipment, vehicles and improvements are recorded at cost for purchased assets and at estimated fair market value at the date of donation for donated assets. Depreciation of equipment and vehicles is provided over their estimated five-year useful lives using the straight-line method. Amortization of leasehold improvements is provided over the term of the lease.

Contributed services:

The Foundation receives contributed services from dentists and dental laboratories who provide comprehensive dental treatments to needy disabled, elderly, and/or medically compromised persons. The value of these services is based on customary rates provided by the dentists. These contributed services have been recorded as revenue and expense as the service is rendered. Contributed service expenses were allocated to the Foundation programs as follows:

	<u>1997</u>	<u>1996</u>
Campaign of Concern		\$ 36,150
Dental House calls	\$ 225,271	331,248
Donated Dental Services	<u>3,580,945</u>	<u>2,720,234</u>
	<u>\$ 3,806,216</u>	<u>\$ 3,087,632</u>

Support and revenue:

The Foundation records support and revenues received as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. All other donor-restricted support and revenue is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

1. Summary of significant accounting policies (continued):

Support and revenue (continued):

The Foundation receives support from grants and contracts, most of which provide for specific reimbursement of expenditures. Most grants and contracts are for a one-year period and are subject to renewal. As of June 30, 1997 and 1996, grants and contracts receivable are due from eight and ten governmental agencies and private organizations, respectively. Approximately 42% and 54% of governmental grant and contract revenue in 1997 and 1996, respectively, was related to one New Jersey governmental contract.

The Foundation produces the Dents Cheque coupon book annually, which is sold to participating dentists throughout the United States. Funds raised from this activity are generally used to support the National Program development process. Costs incurred to produce the coupon books are recorded as fund-raising expense. Revenues received prior to book publication are deferred until publication and distribution.

Expense allocation:

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Income taxes:

The Foundation is exempt from federal and state income taxes under Section 504(c)(3) of the Internal Revenue Code. Accordingly, there is no federal or state income tax provision.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

2. Restrictions on net assets:

Temporarily restricted net assets of \$993,227 and \$647,212 at June 30, 1997 and 1996, respectively, are available for program activities. Permanently restricted net assets of \$5,535 and \$5,400 at June 30, 1997 and 1996, respectively, are held by the National Foundation and are restricted to permanent endowment. Investment income or loss on permanently restricted net assets is allocated between unrestricted and permanently restricted net assets utilizing a 75% and 25% allocation ratio, respectively.

The board of directors has a policy to maintain, within unrestricted net assets, a reserve of approximately one year of National's operating costs.

3. Investments:

Investments are recorded at fair value. The historical cost and fair value of investments at June 30, 1997 and 1996, are as follows:

	<u>June 30, 1997</u>		<u>June 30, 1996</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Certificates of deposit with original maturities greater than five months	\$ 849,840	\$ 849,840	\$ 606,930	\$ 606,000
Mutual fund investments, primarily invested in U.S. government securities	<u>504,871</u>	<u>491,481</u>	<u>670,398</u>	<u>452,273</u>
	<u>\$1,354,711</u>	<u>\$1,341,321</u>	<u>\$1,277,328</u>	<u>\$1,058,273</u>

Investment return for the years ended June 30, 1997 and 1996, primarily consists of interest income of \$57,683 and \$36,476, respectively.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

4. Equipment, vehicles and improvements:

The following is a summary of equipment, vehicles, improvements and accumulated depreciation and amortization as of June 30, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Office equipment and furniture	\$ 503,191	\$ 108,191
Dental equipment	59,294	59,294
Vehicles	65,629	56,012
Leasehold improvements	<u>5,566</u>	<u>5,385</u>
	233,710	228,882
Less accumulated depreciation and amortization	<u>181,370</u>	<u>159,523</u>
	<u>\$ 54,340</u>	<u>\$ 36,503</u>

5. Note payable:

During the year ended June 30, 1997, the Foundation repaid an unsecured, non-interest bearing note payable to the American Dental Association.

6. Lease obligations:

The Affiliate Foundations lease office space under various operating leases, primarily on a month-to-month basis. The National Foundation leases office space under an operating lease expiring in 1998. The future minimum payments under the operating leases expiring in 1998 are approximately \$16,000. The Foundation recognizes rental expense on a straight-line basis over the terms of the leases and incurred rent expense of approximately \$45,800 and \$42,000 for 1997 and 1996, respectively.

NATIONAL FOUNDATION OF DENTISTRY FOR THE HANDICAPPED
AND AFFILIATED FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 1997 AND 1996

7. **Employee benefit plans**

During the year ended June 30, 1996, the Foundation adopted a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (the Plan), which covers all eligible employees with at least one year of service. The Foundation makes an annual contribution to the Plan equal to 4%, 5%, or 7-1/2% of participants' compensation, depending on each participant's years of service. Contributions for the years ended June 30, 1997 and 1996, were approximately \$95,100 and \$55,500, respectively.

SUPPLEMENTARY INFORMATION

