

HOWARD DENTAL CENTER

Financial Statements As Of December 31, 2009
(With Summarized Comparative Financial Information
For The Year Ended December 31, 2008)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Howard Dental Center:

We have audited the accompanying statement of financial position of Howard Dental Center, (the "Center") as of December 31, 2009, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2008 financial statements and, in our report dated May 11, 2009, we expressed an unqualified opinion on those financial statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Howard Dental Center as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

JDS Professional Group

June 30, 2010

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HOWARD DENTAL CENTER

Statement Of Financial Position

As Of December 31, 2009

(With Summarized Financial Information For The Year Ended 2008)

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	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 137,167	\$ 243,560
Receivables:		
Promises to give		72,455
Receivable due from government agencies	100,291	38,641
Investments	373,538	254,173
Prepaid expenses	3,530	5,066
Total Current Assets	<u>614,526</u>	<u>613,895</u>
Property and equipment, net	<u>231,382</u>	<u>269,901</u>
TOTAL ASSETS	<u><u>\$ 845,908</u></u>	<u><u>\$ 883,796</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities -		
Accounts payable	\$ 33,621	\$ 146
Accrued liabilities	21,559	31,908
Current portion of capital lease obligation	2,992	2,445
Deferred revenue		3,923
Total Current Liabilities	<u>58,172</u>	<u>38,422</u>
Capital lease obligation		<u>2,077</u>
Total liabilities	<u>58,172</u>	<u>40,499</u>
Net Assets:		
Unrestricted	772,736	803,297
Temporarily restricted	15,000	40,000
Total Net Assets	<u>787,736</u>	<u>843,297</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 845,908</u></u>	<u><u>\$ 883,796</u></u>

The accompanying notes are an integral part of the financial statements.

HOWARD DENTAL CENTER

Statement Of Activities
For The Year Ended December 31, 2009
(With Summarized Financial Information For The Year Ended 2008)

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	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
Support And Revenue:				
Grants -				
Government	\$ 575,148	\$	\$ 575,148	\$ 574,842
Private	112,653	25,000	137,653	284,495
Contributions	37,521		37,521	63,797
Special events	80,963			
Less: Direct benefit to donors	<u>(39,747)</u>		41,216	103,032
Service fees	33,085		33,085	33,280
Gain (loss) on investments	60,843		60,843	(126,542)
Interest income	7,842		7,842	12,302
Miscellaneous income	7,287		7,287	4,686
Net assets released from restriction:				
Satisfaction of time restriction	50,000	(50,000)		
Total Support And Revenue	<u>925,595</u>	<u>(25,000)</u>	<u>900,595</u>	<u>949,892</u>
Expenses:				
Program Services -				
Dentistry	801,671		801,671	716,241
Supporting Services -				
General administrative	52,923		52,923	46,867
Fundraising	101,562		101,562	122,522
Total Supporting Services	<u>154,485</u>		<u>154,485</u>	<u>169,389</u>
Total Expenses	<u>956,156</u>		<u>956,156</u>	<u>885,630</u>
CHANGES IN NET ASSETS	(30,561)	(25,000)	(55,561)	64,262
Net Assets, Beginning Of Year	<u>803,297</u>	40,000	<u>843,297</u>	<u>779,035</u>
NET ASSETS, END OF YEAR	<u>\$ 772,736</u>	<u>\$ 15,000</u>	<u>\$ 787,736</u>	<u>\$ 843,297</u>

The accompanying notes are an integral part of the financial statements.

HOWARD DENTAL CENTER

Statement Of Cash Flows

For The Year Ended December 31, 2009

(With Summarized Financial Information For The Year Ended 2008)

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	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$ (55,561)	\$ 64,262
(Gain) loss on investments	(60,737)	126,908
Depreciation and amortization	43,406	45,559
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Decrease in receivables	10,805	87,966
Decrease (increase) in prepaid expenses	1,536	5,425
(Decrease) increase in accounts payable	33,475	(118,234)
(Decrease) increase in accrued liabilities	(10,349)	30,908
(Decrease) in deferred revenue	(3,923)	(14,827)
Net cash provided by (used in) operating activities	<u>(41,348)</u>	<u>227,967</u>
Cash flows from investing activities:		
Purchases of investments	(286,493)	(155,547)
Sales of investments	227,865	99,590
Purchases of property and equipment	(4,887)	(17,212)
Net cash (used in) investing activities	<u>(63,515)</u>	<u>(73,169)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,530)	(2,444)
Net cash (used in) financing activities	<u>(1,530)</u>	<u>(2,444)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(106,393)	152,354
Cash and Cash Equivalents, Beginning Of Year	<u>243,560</u>	<u>91,206</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 137,167</u></u>	<u><u>\$ 243,560</u></u>

The accompanying notes are an integral part of the financial statements.

HOWARD DENTAL CENTER

Notes To Financial Statements
For The Year Ended December 31, 2009

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(1) Nature Of Organization

Howard Dental Center (the "Center") is a nonprofit organization incorporated for the purpose of providing dental care for people who have been diagnosed as having the AIDS virus or who have tested positive for HIV.

During the year ended December 31, 2009, approximately 64% of the total support and revenue was received from the City and County of Denver which was passed-through from the U.S. Department of Health and Human Services. Additionally, 73% of the total receivables is due from the same government entity. The ability of the Center to continue functioning at its current level of operations is dependent upon its ability to generate similar future funding.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements of the Center have been prepared on the accrual basis.

Basis Of Accounting

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205-45-2, and FASB ASC 958-205-45-28-32. Under the standards, the Center 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 of December 31, 2009, the Center did not have any permanently restricted net assets.

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 statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

HOWARD DENTAL CENTER

Notes To Financial Statements (continued)

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Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and money market holdings.

Promises To Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are expected to be collected within one year.

Investments

Investments are reflected at fair market value.

Property And Equipment

All property and equipment are stated at cost, or fair value if donated, and depreciated over the following estimated useful lives using the straight-line method:

	<u>Estimated Useful Lives</u>
Furniture and fixtures	10 years
Machinery and equipment	10 years
Computer equipment	3-5 years

Expenses for maintenance, repairs, and minor replacements are charged to operations, and expenses for major replacements and betterments with a useful life of one year or more, and in excess of \$500 are capitalized. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining lease term. The cost of properties held under capital lease is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease. Amortization of capital leases is included with depreciation expense.

Contributions And Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires

in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of any restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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. Accordingly, certain costs have been allocated among the program and supporting service benefitted.

Prior Year Amounts

The financial statements 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 Center's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

Fair Value Measurements

The Center adopted FASB ASC 820-10-35, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks and fixed income: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheets.

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables, payables and accrued liabilities, and short term debt obligations, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Subsequent Events

The Organization has performed an evaluation of subsequent events through June 1, 2010, which is the date the financial statements were available to be issued and considered any relevant matters in the preparation of the financial statements and footnotes.

HOWARD DENTAL CENTER

Notes To Financial Statements (continued)

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(3) Tax Exempt Status

The Center has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Center. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Center adopted FASB ASC 740-10-25, which clarifies the accounting and reporting for uncertainties in income tax law. FASB ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken if that position will more likely than not be sustained on audit, based on the technical merits of the position. FASB ASC 740-10-25 also provides guidance related to de-recognition, classification, and interest and penalties. During the year ended December 31, 2009, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

(4) Concentrations Of Credit Risk

The Center's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2009, the Center's cash demand deposits are below FDIC's insurance limit.

(5) Investments

The following table presents the Center's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities	\$ 261,856	\$	\$	\$ 261,856
Fixed income	111,682			111,682
Total	<u>\$ 373,538</u>	<u>\$</u>	<u>\$</u>	<u>\$ 373,538</u>

HOWARD DENTAL CENTER

Notes To Financial Statements (continued)

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(6) Property And Equipment

Property and equipment consisted of the following as of December 31, 2009:

Furniture and fixtures	\$ 23,710
Machinery and equipment	202,234
Leasehold improvements	230,491
Computer equipment	22,091
	<hr/>
	478,526
Less: accumulated depreciation and amortization	247,144
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	\$ 231,382

Amounts under capital leases, which are included in machinery and equipment as of December 31, 2009, are as follows:

Furniture and fixtures	\$ 9,504
Less: accumulated depreciation and amortization	5,702
	<hr/>
	\$ 3,802

(7) Lease Commitment

The Center entered into an agreement to lease office space which continues until July 31, 2010. Future minimum rents due under the lease for the Center are as follows:

<u>December 31,</u>	
2010	\$ 20,650
	<hr/>

Rent expense for the year ended December 31, 2009 amounted to \$35,760.

(8) Expenses

Total expenses incurred are as follows:

Total expenses reported by function	\$ 956,156
Cost of direct benefit to donors	39,747
Total expenses	<hr/>
	\$ 995,903

(9) **Retirement Plan**

The Center implemented an Internal Revenue Code Section 403(b) tax-deferred annuity plan. All employees are eligible to participate in the plan. Employees wishing to participate may contribute any whole percentage of their salary, provided they do not contribute more than the maximum permitted by law.

(10) **Temporarily Restricted Net Assets**

As of December 31, 2009, temporarily restricted net assets consists of restrictions relating to medical case management in the amount of \$15,000.