Brighter Way Institute

Financial Statements

December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
Brighter Way Institute

Opinion

We have audited the accompanying financial statements of Brighter Way Institute (a nonprofit organization), which comprise the statements of financial position as December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brighter Way Institute as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brighter Way Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighter Way Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Brighter Way Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighter Way Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Tempe, Arizona
June 12, 2024

Brighter Way Institute

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 515,012	$ 1,415,636
Accounts receivable	324,824	311,105
Promises to give, current portion	11,856	4,270
Employee Retention Tax Credit receivable	-	23,249
Prepaid expenses	10,086	19,722
Supplies inventory	22,973	47,266
Total current assets	884,751	1,821,248
Other Assets		
Endowment:		
Cash	2,275	3,771
Promises to give	-	7,080
Investments	130,402	106,769
	132,677	117,620
Operating Lease Right-of-Use Assets	198,602	273,614
Property and Equipment, Net	765,011	820,762
Total other assets	1,096,290	1,211,996
Total assets	$ 1,981,041	$ 3,033,244
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 127,549	$ 68,884
Accrued expenses	131,483	119,189
Deferred revenue	53,675	231,252
Current portion of operating lease liabilities	76,046	75,012
Total current liabilities	388,753	494,337
Long-Term Liabilities		
Note payable	446,440	458,871
Operating lease liabilities, net of current	122,556	198,602
Total long-term liabilities	568,996	657,473
Total liabilities	957,749	1,151,810
Net Assets		
Without donor restrictions	856,744	1,607,285
With donor restrictions	166,548	274,149
Total net assets	1,023,292	1,881,434
Total liabilities and net assets	$ 1,981,041	$ 3,033,244

See notes to financial statements

Brighter Way Institute

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues and Support						
Program service fees	$ 3,507,759	$ -	$ 3,507,759	$ 2,715,523	$ -	$ 2,715,523
Contributions and other grants	246,105	35,575	281,680	285,966	51,640	337,606
In-kind donations	217,408	-	217,408	618,272	-	618,272
Investment return	2,424	13,353	15,777	9,534	(4,097)	5,437
Net assets released from:						
Time restrictions	100,000	(100,000)	-	-	-	-
Purpose restrictions	56,529	(56,529)	-	173,708	(173,708)	-
Total revenues and support	4,130,225	(107,601)	4,022,624	3,803,003	(126,165)	3,676,838
Operating Expenses						
Program services	4,516,922	-	4,516,922	4,169,972	-	4,169,972
General and administrative	246,828	-	246,828	404,174	-	404,174
Fundraising expenses	117,016	-	117,016	95,785	-	95,785
Total expenses	4,880,766	-	4,880,766	4,669,931	-	4,669,931
Change in net assets	(750,541)	(107,601)	(858,142)	(866,928)	(126,165)	(993,093)
Net Assets, Beginning	1,607,285	274,149	1,881,434	2,474,213	400,314	2,874,527
Net Assets, Ending	$ 856,744	$ 166,548	$ 1,023,292	$ 1,607,285	$ 274,149	$ 1,881,434

See notes to financial statements

Brighter Way Institute

Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Diane & Bruce Halle Brighter Way Dental Center	The Bob & Renee Parsons Center for Pediatric Dentistry	Total Program Services	General and Administrative	Fundraising Expenses	Total Expenses
Salaries	$ 1,236,667	$ 1,233,533	$ 2,470,200	$ 109,623	$ -	$ 2,579,823
Payroll taxes	120,312	96,896	217,208	6,932	-	224,140
Employee benefits	126,251	104,128	230,379	25,208	-	255,587
Total payroll	1,483,230	1,434,557	2,917,787	141,763	-	3,059,550
Professional services	48,232	20,442	68,674	49,209	50,027	167,910
Mobile clinic expense	6,217	6,217	12,434	-	-	12,434
Dental supplies	323,227	141,907	465,134	-	-	465,134
Laboratory fees	216,100	17,625	233,725	-	-	233,725
Dental equipment	46,979	13,315	60,294	-	-	60,294
In-kind dental supplies	101,908	-	101,908	-	-	101,908
In-kind dental services	113,000	-	113,000	-	-	113,000
Advertising and marketing	20,405	18,259	38,664	-	249	38,913
Occupancy expense	87,018	29,105	116,123	-	-	116,123
Communication and technology	68,864	56,036	124,900	3,887	1,800	130,587
Insurance	20,999	21,160	42,159	-	-	42,159
Supplies expense	44,056	36,233	80,289	40,296	11,882	132,467
Travel	99	110	209	3,156	47,936	51,301
Donation	-	-	-	1,291	5,122	6,413
Depreciation	76,146	65,476	141,622	-	-	141,622
Interest expense	-	-	-	7,226	-	7,226
Total expenses	$ 2,656,480	$ 1,860,442	$ 4,516,922	$ 246,828	$ 117,016	$ 4,880,766

See notes to financial statements

	Program Services			Supporting Services		
	Diane & Bruce Halle Brighter Way Dental Center	The Bob & Renee Parsons Center for Pediatric Dentistry	Total Program Services	General and Administrative	Fundraising Expenses	Total Expenses
Salaries	$ 1,049,069	$ 573,546	$ 1,622,615	$ 94,906	$ -	$ 1,717,521
Payroll taxes	80,605	41,804	122,409	7,160	-	129,569
Employee benefits	87,926	64,828	152,754	34,436	-	187,190
Total payroll	1,217,600	680,178	1,897,778	136,502	-	2,034,280
Professional services	196,122	418,833	614,955	63,439	34,879	713,273
Mobile clinic expense	6,604	-	6,604	-	-	6,604
Dental supplies	205,924	143,376	349,300	-	-	349,300
Laboratory fees	193,516	19,975	213,491	-	-	213,491
Dental equipment	40,243	17,777	58,020	-	-	58,020
In-kind dental supplies	42,272	-	42,272	-	-	42,272
In-kind dental services	504,000	-	504,000	-	-	504,000
Advertising and marketing	10,532	5,268	15,800	54,627	2,664	73,091
Occupancy expense	84,168	45,534	129,702	-	-	129,702
Communication and technology	47,233	40,097	87,330	43,554	1,800	132,684
Insurance	-	-	-	38,470	-	38,470
Supplies expense	44,747	44,634	89,381	34,768	14,405	138,554
Travel	1,768	68	1,836	11,504	39,387	52,727
Donation	-	-	-	1,000	2,650	3,650
Depreciation	71,657	60,833	132,490	2,704	-	135,194
Bad debt expense	15,512	-	15,512	-	-	15,512
Miscellaneous expense	11,501	-	11,501	462	-	11,963
Interest expense	-	-	-	17,144	-	17,144
Total expenses	$ 2,693,399	$ 1,476,573	$ 4,169,972	$ 404,174	$ 95,785	$ 4,669,931

Brighter Way Institute

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ (858,142)	$ (993,093)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	141,622	135,194
Amortization of operating leases right-of-use assets	75,012	73,992
Net realized/unrealized loss (gain) on investments	(12,158)	4,864
In-kind donation of property and equipment	-	(72,000)
Provision for bad debts	-	15,512
Decrease (increase) in:		
Accounts receivable	(13,719)	(39,973)
Promises to give	(506)	6,170
Employee Retention Tax Credit receivable	23,249	360,339
Prepaid expenses	9,636	(75)
Supplies inventory	24,293	(29,524)
Increase (decrease) in:		
Accounts payable	58,665	3,778
Accrued expenses	12,294	(3,556)
Deferred revenue	(177,577)	52,171
Operating lease liabilities	(75,012)	(73,992)
Net cash provided by (used in) operating activities	(792,343)	(560,193)
Cash Flows From Investing Activities		
Purchases of investments	(11,476)	(111,633)
Purchase of property and equipment	(85,870)	(105,685)
Net cash provided by (used in) investing activities	(97,346)	(217,318)
Cash Flows From Financing Activities		
Principal payments made on notes payable	(12,431)	(15,856)
Net cash provided by (used in) financing activities	(12,431)	(15,856)
Net increase (decrease) in cash	(902,120)	(793,367)
Cash and Cash Equivalents, Beginning	1,419,407	2,212,774
Cash and Cash Equivalents, Ending	$ 517,287	$ 1,419,407
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	$ 515,012	$ 1,415,636
Endowment cash	2,275	3,771
	$ 517,287	$ 1,419,407
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 6,157	$ 17,144

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Notes to Financial Statements

Brighter Way Institute (the Organization) works in collaborative and medically integrated environments to serve the needs of the most vulnerable populations at two locations and a mobile clinic. Diane & Bruce Halle Brighter Way Dental Center, in collaboration with other dental companies, strives to give the most comprehensive care available in the nation to our Veterans and to the homeless. The Bob & Renee Parsons Center for Pediatric Dentistry is providing comprehensive dental care to children in impoverished and underserved areas. The Brighter Way Dental Center was designed to address the issues of oral health for foster children who have limited access to comprehensive dental care.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with a remaining maturity of three months or less at date of acquisition to be cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due for billings and is stated at the amount management expects to collect under the terms of the service contracts. Benefits to be paid are confirmed with the funding source before services are rendered. If it is later found that the procedure is not covered by insurance or the patient is un-insured, the service is provided without charge.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. Receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the aging method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables.

Promises to Give

Unconditional promises to give are recognized as revenue in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Organization records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give at December 31, 2023 and 2022 are considered to be fully collectible by management, and accordingly, an allowance for doubtful accounts is not deemed necessary.

Fair Value Measurements

A framework for measuring fair value has been established by Accounting Standards Codification and 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 are as follows:

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 term (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, and usually reflect the Center's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the statements of financial position. Investment return or loss is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Risk and Uncertainty

The Organization invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of $2,500 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor- or grantor- restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Endowment Funds

The Organization's endowments consist of funds established to for the purpose of supporting the Organization's operations. Its endowment consists of one donor-designated endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Income from the endowment fund assets can be used to support general activities of the Organization.

The Organization follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continues in perpetuity.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment funds also include accumulated earnings in the funds that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization's Board.

In accordance with MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Organization's other resources, and (7) the Organization's investment policies.

Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in Arizona Community Foundation's (ACF) long-term investment pool which has an objective to grow capital long-term through a highly diversified portfolio designed to reduce public market volatility through diversification and enhance returns through private market investments. The ACF long-term investment pool includes equity, fixed income, hedge funds and private equity investments. ACF places the pooled funds with various investment managers to implement the strategy and credits a proportionate share of the investment income and gains or losses to the Organization's funds on a monthly basis.

Spending policy. In establishing this policy, the Organization considered the long-term expected return on its endowment. The current spending policy is at the discretion of the Organization's Board of Directors. However, historically, the spending policy has mirrored the allowable annual draws for the ACF endowment funds. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Revenue Recognition for Program Service Fees

The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised services. Program service fees consists of income earned from dental training and education and dental services provided to various clients for various programs. Program service fees are recognized in the period in which the Organization satisfies performance obligations under contracts by transferring services to its patients. The majority of program services fees revenue is recognized at a point in time, in the period the services are provided. This revenue is recognized in the amount to which the Organization expects to be entitled, based on contracted rates with funding sources. Amounts billed are due within 30 days of invoicing. Management records estimated contractual adjustment percentages based on contractual agreements, discount policies, and history of payments received compared to claim amounts billed at established rates.

For uninsured patients, the Organization recognizes revenue on the basis of discounted rates based on historical experience of collections. Based on historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services rendered.

Income from program services that is collected in advance is recorded as contract liabilities (deferred revenue) and is recognized as revenue when the related services are performed.

The beginning and ending contract liabilities were as follows:

	December 31,		
	2023	**2022**	**2021**
Accounts receivable	$ 340,336	$ 326,617	$ 286,644
Deferred revenue	$ 53,675	$ 231,252	$ 247,602

Contributions

Contributions and grants, including promises to give, are received and recorded as income and net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Donations

Donated materials and other noncash assets are recorded at fair value in the period received. Donated services that create or enhance the Organization's nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donated services, are recorded at their fair market values in the period received.

Functional Expenses

Expenses are charged to program services, management and general, and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity, square footage, and other appropriate indicators. Certain employee positions are allocated based on time and effort.

Leasing Activities

The Organization recognizes the assets and liabilities that arise from leases on the statements of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. The Organization does not separate lease and non-lease components for all asset classes when determining the measurement of the right-of-use assets and lease liabilities. When the rate implicit in the lease is not determinable, rather than use the Organization’s incremental borrowing rate, the Organization uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes. In addition, the Organization does not apply the recognition requirements to any leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather short-term leases are recorded on a straight-line basis over the lease term.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization follows accounting standards for uncertainty in income taxes, which require that tax positions initially need to be recognized in the financial statements when it is "more likely than not" that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2023 and 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2023 and 2022, the Organization did not have any income tax related interest and penalty expense.

Use of 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 reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended December 31, 2023.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2024, the date the financial statements were available to be issued.

2. Liquidity and Availability

The following reflects the Organization's financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures as of December 31:

	2023	2022
Cash and cash equivalents, nonendowed	$ 515,012	$ 1,415,636
Accounts receivable	324,824	311,105
Promises to give	11,856	4,270
Other receivable	-	23,249
Total financial assets at year-end	851,692	1,754,260
Restricted for mobile clinic	-	(4,889)
Financial assets available for expenditures	$ 851,692	$ 1,749,371

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also operating with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers any amounts with restrictions for ongoing program activities to be amounts available to meet financial obligations. Additionally, the Organization has a revolving note payable agreement with maximum available borrowings of $500,000 as of December 31, 2023 and 2022, that may be made available for general expenditures, if needed. The balance on this note payable as of December 31, 2023 and 2022 was $446,440 and $458,871, respectively.

3. Concentration of Credit Risk

Financial instruments that subject the Organization to potential concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

4. Promises to Give

Unconditional promises to give include the following at December 31:

	2023	2022
General operations	$ 11,856	$ 4,270
Restricted for endowment	-	7,080
Total	$ 11,856	$ 11,350

Unconditional promises to give are expected to be realized in the following periods:

	2023	2022
Due in less than one year	$ 11,856	$ 11,350
Due in one to five years	-	-
Total promises to give	$ 11,856	$ 11,350

5. Investments and Fair Value of Financial Instruments

Investments consist of funds held at and managed by Arizona Community Foundation (ACF). These funds are accessible to the Organization at any time, upon board approval. The Organization is invested in pools that seek to preserve capital, reduce market volatility and enhance returns through diversifying strategies. Investments held in funds with ACF are valued based on the value of the underlying assets held by ACF and the Organization's percentage in ACF's investment pool (Level 3).

The following is a summary of financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Funds held with ACF	$ -	$ -	$ 130,402	$ 130,402
Total investments	$ -	$ -	$ 130,402	$ 130,402

The following is a summary of financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Funds held with ACF	$ -	$ -	$ 106,769	$ 106,769
Total investments	$ -	$ -	$ 106,769	$ 106,769

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs during the year ended December 31:

Balance, December 31, 2021	$ -
Purchase of investments	110,866
Interest income	1,338
Realized and unrealized losses	(4,863)
Investment fees	(572)
Balance, December 31, 2022	106,769
Purchase of investments	10,279
Interest income	2,265
Realized and unrealized gain	12,158
Investment fees	(1,069)
Balance, December 31, 2023	$ 130,402

Investment return (loss) is summarized as follows for the years ended December 31:

	2023	2022
Interest and dividends	$ 4,688	$ 10,872
Realized gain (loss)	(249)	758
Unrealized gain (loss)	12,407	(5,621)
Investment fees	(1,069)	(572)
Investment return	$ 15,777	$ 5,437

6. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Tenant improvements	$ 553,421	$ 561,429
Dental equipment	587,997	494,119
Office furniture and equipment	410,095	410,095
Software	9,148	9,148
	1,560,661	1,474,791
Accumulated depreciation	(795,650)	(654,029)
Property and equipment, net	$ 765,011	$ 820,762

Depreciation expense was $141,622 and $135,194 for the years ended December 31, 2023 and 2022, respectively.

7. Endowment

The endowment consists of one fund restricted in perpetuity by the donors and is included in net assets with donor restrictions.

Endowment net asset composition at December 31, 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted amount	$ -	$ 123,421	$ 123,421
Accumulated investment earnings	-	9,256	9,256
Total	$ -	$ 132,677	$ 132,677

Endowment net asset composition at December 31, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted amount	$ -	$ 121,717	$ 121,717
Underwater portion of endowment	-	(4,097)	(4,097)
Total	$ -	$ 117,620	$ 117,620

Changes in the endowment fund for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds, December 31, 2021	$ -	$ 121,717	$ 121,717
Contributions	-	-	-
Realized and unrealized losses	-	(4,863)	(4,863)
Interest income	-	1,338	1,338
Amounts appropriated for expenditures	-	-	-
Investment fees	-	(572)	(572)
Endowment funds, December 31, 2022	-	117,620	117,620
Contributions		1,703	1,703
Realized and unrealized gain		12,158	12,158
Interest income		2,265	2,265
Amounts appropriated for expenditures		-	-
Investment fees		(1,069)	(1,069)
Endowment funds, December 31, 2023	$ -	$ 132,677	$ 132,677

The fair value of assets associated with individual donor-restricted endowments may have fair values less than the amount required to be maintained by donors or law (underwater endowments). We have interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2022, the endowment fund fair value was less than the original gift value resulting in a deficiency. This deficiency is resulting from unfavorable market fluctuations. The original gift, fair value, and deficiency (underwater) amounts as of December 31, 2022 are as follows:

	Original Gift Value	Fair Value	Deficiency
Donor-restricted endowment funds	$ 110,866	$ 106,769	$ (4,097)

8. Notes Payable

The Organization has a promissory note with Dignity Health which provides for maximum borrowings of $500,000, which can be drawn upon as needed. Interest is due quarterly at the rate of 4% per annum. All outstanding principal and accrued interest are payable no later than April 27, 2029 and the note is collateralized by equipment of the Organization. As of December 31, 2023 and 2022, the balance of the note payable was $446,440 and $458,871, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Purpose restricted:		
Mobile clinic operations	$ -	$ 4,889
Downtown clinic	7,083	2,500
Smile Bags	1,488	-
Oral health for low income children	-	49,140
	8,571	56,529
Time restricted:		
Expansion of patients	25,300	-
Time and purpose restricted:		
Implant coordinator salary	-	100,000
Endowment:		
Portion of endowment fund that is required to be permanently retained	123,421	121,717
Investment return on endowment fund subject to time restrictions under MCFA	9,256	(4,097)
	132,677	117,620
Total	$ 166,548	$ 274,149

10. In-Kind Donations

In-kind support is as follows for the years ended December 31:

Nonfinancial Asset	Revenue Recognized as of December 31, 2023	Revenue Recognized as of December 31, 2022	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Sculpture	$ -	$ 72,000	Supporting services	None	Estimate based on current cost of the sculpture provided by the retail vendor donating sculpture.
Dental supplies	104,408	42,272	Program services	None	Estimate based on current cost of the products provided by the retail vendors operating in the greater Phoenix metropolitan area.
Dentist and other services	113,000	504,000	Program services	None	Estimate based on number of hours provided as current cost of service provided by vendors operating in the greater Phoenix metropolitan area.
	$ 104,408	$ 504,000			

11. Retirement Plan

The Organization sponsors a 403(b) retirement plan (the Plan) for its eligible employees. Under the terms of the Plan, employees may make voluntary contributions, subject to Internal Revenue Service limitations. The Organization matches the employee contributions up to a maximum amount of eligible compensation subject to certain eligibility criteria as stated in the plan document.

The Organization also has a 457(f) non-qualified deferred compensation retirement plan covering the Chief Executive Officer of the Organization. The 457(f) plan provides for employer contributions at the discretion of the Organization's Board of Directors.

Total contributions made towards the 403(b) and 457(f) plans amounted to approximately $37,600 and $55,300 for the years ended December 31, 2023 and 2022, respectively.

12. Employee Retention Tax Credit

The Organization applied for the Employee Retention Tax Credit (ERTC), which is a refundable credit to be applied against certain employment taxes for qualified wages. The ERTC is available for entities that fully or partially suspend operations during any calendar quarter in 2020 and 2021 due to orders from an appropriate authority limiting commerce due to COVID-19 or experienced a significant decline in gross receipts during the calendar quarter. During the year ended December 31, 2021, the Organization received $232,758 in ERTC, which was recorded as other income on the statement of activities. This income is a conditional contribution where the income is recognized when the conditions are substantially met. As of December 31, 2023 and 2022, the Organization had an ERTC receivable balance of $0 and $23,249, respectively. The Organization is subject to possible audit or investigation by the IRS to determine whether the tax credit amounts were used for allowable purposes and whether the Organization met the eligibility requirements related to decreased revenue.

13. Operating Leases

The Organization leases office and building equipment under operating lease agreements that expire at various dates through June 2026. The agreements require monthly payments ranging from approximately $2,274 to $4,250.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. The Organization estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Accounting Standards Codification Topic 842, *Leases* (Topic 842).

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determined whether contracts contain embedded leases.

The Organization does not have any material leasing transactions with any related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2023 and 2022:

	2023	2022
Operating lease right-of-use assets	$ 198,602	$ 273,614
Operating lease liabilities:		
Current	$ 76,046	$ 75,012
Long-term	122,556	198,602
Total operating lease liabilities	$ 198,602	$ 273,614

Below is a summary of expenses incurred pertaining to leases during the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease expense	$ 78,291	$ 78,291
Short-term lease expense	-	-
Variable lease expense	-	-
Total lease expense	$ 78,291	$ 78,291

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 1.37%. As of December 31, 2023, the weighted average remaining lease term was 2.58 years.

The table below summarizes the Organization's future minimum lease payments for years ending after December 31, 2023:

Years ending December 31:	
2024	$ 78,291
2025	78,291
2026	45,668
Total lease payments	202,250
Less present value discount	(3,648)
Total lease liabilities	198,602
Less current portion	(76,046)
Long-term lease liabilities	$ 122,556