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Brighter Way Institute

Financial Statements

December 31, 2022 and 2021

BRIGHTER WAY INSTITUTE

TABLE OF CONTENTS

Independent Auditors’ Report	1
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses	
Year Ended December 31, 2022	6
Statement of Functional Expenses	
Year Ended December 31, 2021 *	7
Statements of Cash Flows	8
Notes to Financial Statements	10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brighter Way Institute
Phoenix, Arizona

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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, on January 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842),* and its related amendments. Our opinion is not modified with respect to this matter.

As described in Note 15 to the financial statements, the December 31, 2021 have been restated to correct for amounts incorrectly classified. Our opinion is not modified with respect to this matter.

Baker Tilly US, LLP

Tempe, Arizona
June 1, 2023

BRIGHTER WAY INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,415,636	$ 2,103,317
Accounts receivable, net of allowance of $15,512 and $0, respectively	311,105	286,644
Promises to give, current portion	4,270	2,260
Employee Retention Tax Credit receivable	23,249	383,588
Prepaid expenses	19,722	19,647
Supplies inventory	47,266	17,742
TOTAL CURRENT ASSETS	1,821,248	2,813,198
OTHER ASSETS		
Promises to give, net of current portion	-	3,000
Endowment:		
Cash	3,771	109,457
Promises to give	7,080	12,260
Investments	106,769	-
	117,620	121,717
Operating lease right-of-use assets	273,614	-
Property and equipment, net	820,762	778,271
TOTAL OTHER ASSETS	1,211,996	902,988
TOTAL ASSETS	$ 3,033,244	$ 3,716,186
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 68,884	$ 65,106
Accrued expenses	119,189	122,745
Deferred revenue	231,252	179,081
Current portion of operating lease liabilities	75,012	-
TOTAL CURRENT LIABILITIES	494,337	366,932
LONG-TERM LIABILITIES		
Notes payable, net of current	458,871	474,727
Operating lease liabilities, net of current	198,602	-
TOTAL LONG-TERM LIABILITIES	657,473	474,727
TOTAL LIABILITIES	1,151,810	841,659
NET ASSETS		
Without donor restrictions	1,607,285	2,474,213
With donor restrictions	274,149	400,314
TOTAL NET ASSETS	1,881,434	2,874,527
TOTAL LIABILITIES AND NET ASSETS	$ 3,033,244	$ 3,716,186

BRIGHTER WAY INSTITUTE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Program service fees	$ 2,715,523	$ -	$ 2,715,523	$ 2,424,523	$ -	$ 2,424,523
Contributions and other grants	285,966	51,640	337,606	259,945	200,717	460,662
In-kind donations	618,272	-	618,272	109,005	-	109,005
Other income	-	-	-	728,738	-	728,738
Investment return	9,534	(4,097)	5,437	-	-	-
Net assets released from:						
Time restrictions	-	-	-	1,500,000	(1,500,000)	-
Purpose restrictions	173,708	(173,708)	-	349,080	(349,080)	-
TOTAL REVENUES AND SUPPORT	3,803,003	(126,165)	3,676,838	5,371,291	(1,648,363)	3,722,928
OPERATING EXPENSES						
Program services	4,169,972	-	4,169,972	2,696,626	-	2,696,626
General and administrative	404,174	-	404,174	725,081	-	725,081
Fundraising expenses	95,785	-	95,785	54,953	-	54,953
TOTAL EXPENSES	4,669,931	-	4,669,931	3,476,660	-	3,476,660
CHANGE IN NET ASSETS	(866,928)	(126,165)	(993,093)	1,894,631	(1,648,363)	246,268
NET ASSETS, BEGINNING OF YEAR	2,474,213	400,314	2,874,527	579,582	2,048,677	2,628,259
NET ASSETS, END OF YEAR (Restated)	$ 1,607,285	$ 274,149	$ 1,881,434	$ 2,474,213	$ 400,314	$ 2,874,527

See accompanying notes.

BRIGHTER WAY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising Expenses	Total Expenses
Salaries	$ 1,622,615	$ 94,906	$ -	$ 1,717,521
Payroll taxes	122,409	7,160	-	129,569
Employee benefits	152,754	34,436	-	187,190
TOTAL PAYROLL	1,897,778	136,502	-	2,034,280
Professional services	614,955	63,439	34,879	713,273
Mobile clinic expense	6,604	-	-	6,604
Dental supplies	349,300	-	-	349,300
Laboratory fees	213,491	-	-	213,491
Dental equipment	58,020	-	-	58,020
In-kind dental supplies	42,272	-	-	42,272
In-kind dental services	504,000	-	-	504,000
Events	-	-	-	12,500
Advertising and marketing	15,800	54,627	2,664	73,091
Occupancy expense	129,702	-	-	129,702
Communication and technology	87,330	43,554	1,800	132,684
Insurance	-	38,470	-	38,470
Supplies expense	89,381	34,768	14,405	138,554
Travel	1,836	11,504	39,387	52,727
Donation	-	1,000	2,650	3,650
Depreciation	132,490	2,704	-	135,194
Bad debt expense	15,512	-	-	15,512
Miscellaneous expense	11,501	462	-	11,963
Interest expense	-	17,144	-	17,144
TOTAL EXPENSES	$ 4,169,972	$ 404,174	$ 95,785	$ 4,669,931

BRIGHTER WAY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021 *

	Program Services	General and Administrative	Fundraising Expenses	Total Expenses
Salaries	$ 1,372,781	$ 124,189	$ -	$ 1,496,970
Payroll taxes	102,964	9,181	-	112,145
Employee benefits	125,382	41,916	-	167,298
TOTAL PAYROLL	1,601,127	175,286	-	1,776,413
Professional services	422,039	141,627	28,865	592,531
Mobile clinic expense	3,444	-	-	3,444
Dental supplies	263,684	-	-	263,684
Laboratory fees	163,791	-	-	163,791
Dental equipment	50,729	-	-	50,729
In-kind dental services	84,240	-	-	84,240
Events	12,500	-		12,500
Advertising and marketing	325	23,188	3,027	26,540
Occupancy expense	89,681	-	-	89,681
Communication and technology	97,676	26,943	1,800	126,419
Insurance	-	34,507	-	34,507
Supplies expense	60,479	22,996	18,590	102,065
Travel	2,266	9,683	16	11,965
Depreciation	116,424	2,376	-	118,800
Interest expense	-	19,351	-	19,351
TOTAL EXPENSES	$ 2,968,405	$ 455,957	$ 52,298	$ 3,476,660

* Reclassified to conform to current year presentation.

BRIGHTER WAY INSTITUTE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (993,093)	$ 246,268
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,194	118,800
Amortization of operating leases right-of-use assets	73,992	-
Net realized/unrealized loss (gain) on investments	4,864	-
In-kind donation of property and equipment	(72,000)	-
Forgiveness of the Paycheck Protection Program loan	-	(225,393)
Provision for bad debts	15,512	-
Decrease (increase) in:		
Accounts receivable	(39,973)	(151,460)
Promises to give	6,170	1,792,480
Employee Retention Tax Credit receivable	360,339	-
Other receivables	-	(232,758)
Prepaid expenses	(75)	(6,414)
Supplies inventory	(29,524)	19,476
Increase (decrease) in:		
Accounts payable	3,778	15,020
Accrued expenses	(3,556)	66,648
Deferred revenue	52,171	(68,521)
Operating lease liabilities	(73,992)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(560,193)	1,574,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(111,633)	-
Purchase of property and equipment	(105,685)	(136,898)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(217,318)	(136,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments made on notes payable	(15,856)	(16,278)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(15,856)	(16,278)
NET INCREASE (DECREASE) IN CASH	(793,367)	1,420,970
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,212,774	791,804
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,419,407	$ 2,212,774

See accompanying notes.

BRIGHTER WAY INSTITUTE
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	$ 1,415,636	$ 2,103,317
Endowment cash	3,771	109,457
	$ 1,419,407	$ 2,212,774
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 17,144	$ 19,351
Forgiveness of Paycheck Protection Program loan	$ -	$ 225,393
Cash paid for amounts included in the measurement of lease liabilities	$ 78,291	$ -

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brighter Way Institute (the Organization) works in collaborative and medically integrated environments to serve the needs of the most vulnerable populations at three locations. Brighter Way Dental Center Downtown, in collaboration with other dental companies, strives to give the most comprehensive care available in the nation to our Veterans and to the homeless. Parsons Center for Pediatric Dentistry and Orthodontics 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 that the procedure is not covered by insurance or the patient is un-insured, the service is provided without charge. No allowance for uncollectible accounts is recorded as management expects collection on the total balance of accounts receivable.

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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Continued)

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, 2022 and 2021 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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

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.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Program Service Fees (Continued)

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,		
	2022	2021	2020
Accounts receivable	$ 326,617	$ 286,644	$ 135,184
Deferred revenue	$ 231,252	$ 179,081	$ 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 and Adoption of Accounting Standard

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the Organization to present contributed nonfinancial assets in a separate line item in the statement of activities and to disclose certain information about the contributed nonfinancial assets, including whether the assets were monetized or utilized by the Organization. In addition, the Organization is required to disclose a description of how these assets are valued. The Organization adopted this standard on a retrospective basis as of January 1, 2021.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donations and Adoption of Accounting Standard (Continued)

Donated materials and other non-cash 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.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“the Code”), 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 Code 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, 2022 and 2021, 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, 2022 and 2021, the Organization did not have any income tax related interest and penalty expense.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Organization's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. 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. Lease expense for the Organization's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $347,606.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard (Continued)

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and non-lease components for all assets.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all assets.

- The Organization elected not to apply the recognition requirements to all 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 will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 14.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 1, 2023, the date the financial statements were available to be issued.

NOTE 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:

	2022	2021
Cash and cash equivalents	$ 1,419,407	$ 2,103,317
Accounts receivable	311,105	286,644
Promises to give	6,170	17,520
Other receivable	23,249	383,588
Total financial assets at year-end	1,759,931	2,791,069
Restricted for mobile clinic	(4,889)	(79,000)
Restricted for clinic construction	-	(124,121)
Promises to give, net of current portion	-	(3,000)
Financial assets available for expenditures	$ 1,755,042	$ 2,584,948

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. The Organization maintains a line of credit with maximum available borrowings of $500,000 as of December 31, 2022 and 2021 that may be made available for general expenditures, if needed.

NOTE 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.

NOTE 4 PROMISES TO GIVE

Unconditional promises to give include the following at December 31:

	2022	2021
General operations	$ 4,270	$ 2,260
Restricted for endowment	7,080	12,260
Restricted for implant coordinator salary	-	3,000
	$ 11,350	$ 17,520

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

	2022	2021
Due in less than one year	$ 11,350	$ 17,520
Due in one to five years	-	-
Total promises to give	$ 11,350	$ 17,520

NOTE 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, 2022:

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

NOTE 5 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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	10,872
Realized and unrealized losses	(4,863)
Investment fees	(572)
Balance, December 31, 2022	$ 116,303

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

	2022	2021
Interest and dividends	$ 10,872	$ -
Realized gain (loss)	758	-
Unrealized gain (loss)	(5,621)	-
Investment fees	(572)	-
Investment return	$ 5,437	$ -

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Tenant improvements	$ 561,429	$ 526,196
Dental equipment	494,119	351,667
Office furniture and equipment	410,095	410,095
Software	9,148	9,148
	1,474,791	1,297,106
Accumulated depreciation	(654,029)	(518,835)
Property and equipment, net	$ 820,762	$ 778,271

Depreciation expense was $135,194 and $118,800 for the years ended December 31, 2022 and 2021, respectively.

NOTE 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, 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)
	$ -	$ 117,620	$ 117,620

Endowment net asset composition at December 31, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original donor-restricted amount	$ -	$ 121,717	$ 121,717
Accumulated investment earnings	-	-	-
	$ -	$ 121,717	$ 121,717

NOTE 7 ENDOWMENT (Continued)

Changes in the endowment fund for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds, December 31, 2020	$ -	$ -	$ -
Contributions	-	121,717	121,717
Realized and unrealized gains	-	-	-
Interest income	-	-	-
Amounts appropriated for expenditures	-	-	-
Investment fees	-	-	-
Endowment funds, December 31, 2021	$ -	$ 121,717	$ 121,717
Contributions	-	-	-
Realized and unrealized losses	-	(4,864)	(4,864)
Interest income	-	1,338	1,338
Amounts appropriated for expenditures	-	-	-
Investment fees	-	(572)	(572)
Endowment funds, December 31, 2022	$ -	$ 117,620	$ 117,620

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 fund	$ 110,866	$ 106,769	$ (4,097)

NOTE 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, 2022 and 2021, the balance of the note payable was $458,871 and $474,727, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Purpose restricted:		
Mobile clinic operations	$ 4,889	$ 78,597
Downtown clinic	2,500	-
Oral health for low income children	49,140	-
	56,529	78,597
Time and purpose restricted:		
Implant coordinator salary	100,000	200,000
Endowment:		
Portion of endowment fund that is required to be permanently retained	121,717	121,717
Investment return on endowment fund subject to time restrictions under MCFA	(4,097)	-
	117,620	121,717
	$ 274,149	$ 400,314

NOTE 10 IN-KIND SUPPORT

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

Non-Financial Asset	Revenue Recognized as of December 31, 2022	Revenue Recognized as of December 31, 2021	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	42,272	24,765	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	504,000	84,240	Program Services	None	Estimate based on number of hours provided and current cost of service provided by vendors operating in the greater Phoenix metropolitan area.
	$ 618,272	$ 109,005			

NOTE 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 $55,300 and $45,600 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, the Organization received funding in the amount of $225,393 under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The funding and accrued interest are forgivable after 24 weeks as long as the Organization uses the loan proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent, and utilities. The PPP loan was forgiven by the SBA in May 2021, and at which time the Organization recognized the loan proceeds of $225,393 as a other income in the statement of activities during the year ended December 31, 2021. The Organization is subject to possible audit or investigation by the Small Business Administration to determine whether award funds were used for eligible and allowable purposes.

NOTE 13 EMPLOYEE RETENTION 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 years ended December 31, 2021, the Organization received $232,758 in ERTC, which is 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. The ERTC receivable balance was $23,249 and $383,588 at December 31, 2022 and 2021, 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.

NOTE 14 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.

NOTE 14 OPERATING LEASES (Continued)

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. Additionally, upon adoption of the new standard, the Organization made judgments regarding lease terms for certain of its real property leases that contained auto-renewal clauses. 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 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, 2022:

Operating lease right-of-use assets	$ 273,614
Operating lease liabilities:	
Current	$ 75,012
Long-term	198,602
Total operating lease liabilities	$ 273,614

NOTE 14 OPERATING LEASES (Continued)

Below is a summary of expense incurred pertaining to leases during the year ended December 31, 2022:

Operating lease expense	$ 78,291
Short-term lease expense	-
Variable lease expense	-
Total lease expense	$ 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, 2022, the weighted average remaining lease term was 3.58 years.

The table below summarizes the Organization's approximate future minimum lease payments for years ending after December 31, 2022:

Years Ending December 31,	
2023	$ 78,291
2024	78,291
2025	78,291
2026	45,668
Total lease payments	280,541
Less: present value discount	(6,927)
Total lease liabilities	273,614
Less current portion	(75,012)
Long-term lease liabilities	$ 198,602

The Organization's approximate future minimum lease payments as of December 31, 2021 amounted to $39,000. Total rental expense under these leases and month-to-month office leases was approximately $72,000 for the year ended December 31, 2021.

NOTE 15 RESTATEMENT

During the year ended December 31, 2022, it was discovered that certain restricted contributions received during the year ended December 31, 2021 in the amount $109,457 were incorrectly classified as net assets without restriction instead of net assets with restriction. As a result, the 2021 net assets without restriction was overstated and net assets with restriction was understated by $109,457. There was no impact to the change in net assets or the total net asset balance for the year ended December 31, 2021.