Financial Reports

BRIGHTER WAY INSTITUTE

Phoenix, Arizona

FINANCIAL STATEMENTS

Year Ended December 31, 2018

Henry+Horne

BRIGHTER WAY INSTITUTE
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Brighter Way Institute
Phoenix, Arizona

We have reviewed the accompanying statements of financial position of Brighter Way Institute (a not for profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as the basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
September 26, 2019

BRIGHTER WAY INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	339,462
Accounts receivable		600,692
Promises to give, current portion		838
Prepaid expenses		32,564
TOTAL CURRENT ASSETS		973,556
PROMISES TO GIVE, net of current portion		8,050
PROPERTY AND EQUIPMENT, net		854,841
TOTAL ASSETS	$	1,836,447
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	67,228
Accrued expenses		244,555
Deferred revenue		264,827
TOTAL CURRENT LIABILITIES		576,610
NOTE PAYABLE		300,000
TOTAL LIABILITIES		876,610
NET ASSETS		
Without donor restrictions		276,292
With donor restrictions		683,545
TOTAL NET ASSETS		959,837
TOTAL LIABILITIES AND NET ASSETS	$	1,836,447

BRIGHTER WAY INSTITUTE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Program service fees	$ 4,506,722	$ -	$ 4,506,722
Contributions and other grants	366,248	670,000	1,036,248
In-kind donations	1,207,012	-	1,207,012
Other income	1,002	-	1,002
Net assets released from purpose restrictions	866,455	(866,455)	-
TOTAL REVENUES AND SUPPORT	6,947,439	(196,455)	6,750,984
OPERATING EXPENSES			
Program services	6,291,752	-	6,291,752
General and administrative	482,675	-	482,675
Fundraising expenses	226,491	-	226,491
TOTAL EXPENSES	7,000,918	-	7,000,918
CHANGE IN NET ASSETS	(53,479)	(196,455)	(249,934)
NET ASSETS, BEGINNING OF YEAR	329,771	880,000	1,209,771
NET ASSETS, END OF YEAR	$ 276,292	$ 683,545	$ 959,837

BRIGHTER WAY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising Expenses	Total Expenses
Salaries	$ 3,382,837	$ 161,255	$ 124,724	$ 3,668,816
Payroll taxes	210,310	30,845	12,269	253,424
Employee benefits	235,584	82,180	6,451	324,215
TOTAL PAYROLL	3,828,731	274,280	143,444	4,246,455
Professional services	363,326	78,468	29,043	470,837
Staff development	4,113	924	19,750	24,787
Mobile clinic expense	(8,176)	-	-	(8,176)
Dental supplies	378,480	-	-	378,480
Laboratory fees	159,974	-	-	159,974
Dental equipment	24,459	-	-	24,459
In-kind goods expense	732,187	-	-	732,187
Advertising and marketing	38,047	13,532	6,289	57,868
Occupancy expense	142,481	35,285	7,555	185,321
In-kind services expense	287,910	-	-	287,910
Communication and technology	87,123	8,181	1,484	96,788
Insurance	13,590	32,973	-	46,563
Sponsorship	1,918	-	-	1,918
Supplies expense	122,150	22,410	6,244	150,804
Travel	7,707	10,445	12,682	30,834
Depreciation	107,535	-	-	107,535
Interest expense	-	6,177	-	6,177
Bad debt expense	197	-	-	197
TOTAL EXPENSES	$ 6,291,752	$ 482,675	$ 226,491	$ 7,000,918

BRIGHTER WAY INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (249,934)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	107,535
Decrease (increase) in:	
Accounts receivable	(598,077)
Promises to give	805,682
Prepaid expenses	(11,535)
Increase (decrease) in:	
Accounts payable	(50,640)
Accrued expenses	3,913
Deferred revenue	264,827
NET CASH PROVIDED BY OPERATING ACTIVITIES	271,771
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(465,913)
NET CASH (USED IN) INVESTING ACTIVITIES	(465,913)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	300,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	300,000
NET INCREASE IN CASH	105,858
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	233,604
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 339,462
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for interest	$ 6,177

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brighter Way Institute (“the Organization") 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 at Canyon State Academy 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

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.

Revenue Recognition for Program Service Fees

Program service fees consist of income earned from dental training and education and dental services provided to various clients for various programs. Program service fees are recognized when services are rendered. Income from program services that is collected in advance is recorded as deferred revenue and recognized as revenue when the related services are performed.

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.

Donated Services and Materials

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.

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.

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

Brighter Way Institute 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, 2018, 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 year ended December 31, 2018, 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.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and resulted in temporarily and permanently restricted net assets as of December 31, 2017 being renamed as net assets with donor restrictions, and resulted in unrestricted net assets being renamed as net assets without donor restrictions. Also, a new disclosure about liquidity and availability has been added.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year because of donor-imposed or other restrictions or internal designations.

Cash and cash equivalents	$ 339,462
Accounts receivable	600,692
Promises to give	8,888
Prepaid expenses	32,564
Total financial assets at year end	981,606
Restricted for mobile clinic	(383,545)
Promises to give, net of current portion	(8,050)
Financial assets available for expenditures	$ 590,011

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. The Organization maintains a line of credit with maximum available borrowings of $500,000 as of December 31, 2018.

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 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

Tenant improvements	$ 270,867
Dental equipment	322,846
Office furniture and equipment	410,095
Software	9,148
	1,012,956
Accumulated depreciation and amortization	(185,982)
	826,974
Construction in progress - tenant improvements	27,867
Property and equipment, net	$ 854,841

Depreciation expense was $107,535 for the year ended December 31, 2018. Construction in progress consists of tenant building improvements. These assets will be classified to the appropriate property and equipment category and commence depreciation and amortization when placed into service.

NOTE 5 NOTE 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 monthly at the rate of 4% per annum. All outstanding principal and accrued interest is payable no later than September 1, 2021 and the note is collateralized by equipment of the Organization. As of December 31, 2018, the balance of the note payable was $300,000.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Purpose restrictions:	
Fund development director salary	$ 50,000
Mobile clinic operations	383,545
Veteran's dental program	250,000
	$ 683,545

NOTE 7 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 recorded contribution expense of approximately $26,328 for the year ended December 31, 2018.

NOTE 8 IN-KIND SUPPORT

In-kind support for the year ended December 31, 2018 is as follows:

	Program Services	Management and General	Fundraising	Total
Dental supplies	$ 732,687	$ -	$ -	$ 732,687
Dentist and other services	474,325			474,325
	$ 1,207,012	$ -	$ -	$ 1,207,012

NOTE 9 OPERATING LEASES

The Organization leases office and building equipment under operating lease agreements that expire at various dates through December 2021. Approximate minimum future payments under these non-cancelable operating leases as of December 31, 2018, are as follows:

Years Ending December 31,		
2019	$	48,042
2020		49,770
2021		19,334
	$	117,146

Total rental expense under these leases and month-to-month office leases was approximately $132,978 for the year ended December 31, 2018.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2018. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update (‘ASU”) No. 2016-02, *Leases.* For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2020. The standard’s core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.