



Sonrisas Dental Health



ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

SONRISAS DENTAL HEALTH, INC.

TABLE OF CONTENTS JUNE 30, 2020

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

Governing Board
Sonrisas Dental Health, Inc.
San Mateo, California

We have audited the financial statements of Sonrisas Dental Health, Inc. (Agency), a component unit of the Peninsula Health Care District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the District, as of June 30, 2020, the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Palo Alto, California
December 31, 2020

SONRISAS DENTAL HEALTH, INC.

STATEMENT OF NET POSITION JUNE 30, 2020

Assets:

Current Assets:

Cash and investments	\$ 1,362,054
Receivables, net	
Patient receivable, net	76,345
Grant receivable	189,897
Prepaid items	27,906
Other assets	1,898

Total Current Assets	<u>1,658,100</u>
-----------------------------	------------------

Noncurrent Assets:

Deposit receivable	14,697
Depreciable capital assets, net	1,062,842

Total Noncurrent Assets	<u>1,077,539</u>
--------------------------------	------------------

Total Assets	<u>2,735,639</u>
---------------------	------------------

Liabilities:

Current Liabilities:

Accounts payable and accrued expenses	215,227
Unearned revenues	24,804
Social Security Tax Deferral	9,920

Total Current Liabilities	<u>249,951</u>
----------------------------------	----------------

Noncurrent Liabilities:

PPP Loan	395,365
----------	---------

Total Noncurrent Liabilities	<u>395,365</u>
-------------------------------------	----------------

Total Liabilities	<u>645,316</u>
--------------------------	----------------

Net Position:

Net investment in capital assets	1,062,842
Unrestricted	1,027,481

Total Net Position	<u>\$ 2,090,323</u>
---------------------------	---------------------

See notes to the financial statements.

SONRISAS DENTAL HEALTH, INC.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

Operating Revenues:	
Patient services	\$ 1,450,913
Total Operating Revenues	<u>1,450,913</u>
Operating Expenses:	
Salaries and benefits	2,265,055
Supplies and other	520,339
Legal fees and purchased services	69,380
Rental expenses	39,600
Depreciation	271,355
Total Operating Expenses	<u>3,165,729</u>
Operating Income (Loss)	<u>(1,714,816)</u>
Nonoperating Income (Expense):	
Grants and contributions	962,631
Investment gain/loss	2,255
Other income	1,840
Total Non-Operating Income (Expense)	<u>966,726</u>
Income (Loss) Before Transfers	<u>(748,090)</u>
Transfers from Peninsula Health Care District	<u>925,000</u>
Change in Net Position	176,910
Net Position, beginning	<u>1,913,413</u>
Net Position, ending	<u><u>\$ 2,090,323</u></u>

See notes to the financial statements.

SONRISAS DENTAL HEALTH, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

Cash Flow from Operating Activities:	
Cash received from patients	\$ 1,529,484
Cash paid to suppliers for goods and services	(2,913,154)
Other Income	3,738
Net Cash Used For Operating Activities	<u>(1,379,932)</u>
Cash Flows from Capital Financing Activities:	
Purchase of capital assets	<u>(56,826)</u>
Net Cash Used for Capital Financing Activities	<u>(56,826)</u>
Cash Flows from Noncapital Financing Activities:	
Operating grants	783,039
Social Security Tax Deferral	9,920
Transfers in for the District	925,000
PPP Loan Proceeds	395,365
Net Cash Provided by Noncapital Financing Activities	<u>2,113,324</u>
Cash Flows from Investing Activities:	
Investment income	<u>2,255</u>
Net Cash Provided (Used) By Investing Activities	<u>2,255</u>
Net Increase (Decrease) In Cash and Cash Equivalents	678,821
Cash and Cash Equivalents at The Beginning of The Fiscal Year	<u>683,233</u>
Cash and Cash Equivalents at The End of The Fiscal Year	<u>\$ 1,362,054</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating loss	\$ (1,714,816)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	271,355
Other Income	3,738
(Increase) Decrease in Operating Assets:	
Patient receivable	82,624
Prepaid items	(1,204)
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued expenses	(17,576)
Unearned revenues	(4,053)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,379,932)</u>

See notes to the financial statements.

SONRISAS DENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sonrisas Dental Health, Inc. (the Agency) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

Description of the Organization

Sonrisas Dental Health, Inc. is a non-profit and is in the business of providing dental care and oral health education to all residents in San Mateo County. Patients include low income adults and children, people with disabilities, seniors, and others lacking access to dental care as well as patients with insurance and who pay cash.

The Agency operates two dental facilities in San Mateo County and was previously doing business as Apple Tree Dental California, Inc. In fiscal year 17/18, the Peninsula Health Care District (District) appointed the voting majority of the Agency and provided financial support to provide the dental services. The Agency is a component unit of the District. The financial statements present only net position, changes in net position and cash flow of the Agency. They do not purport to, and do not present fairly, the financial position and changes in net position of the District as of June 30, 2020.

Measurement Focus and Basis of Accounting

The accounts of the Agency are organized on the basis of fund accounting. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The Agency utilizes a proprietary type fund to account for its activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the economic resource measurement and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The Agency applies all GASB pronouncements.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand and in banks.

Capital Assets and Depreciation

The valuation basis for capital assets is historical costs, or where historical costs is not available, estimated historical cost based on replacement cost. The fund uses a capitalization threshold of \$5,000. Maintenance and repairs of property and equipment are charged to operations, and major renewals are capitalized.

SONRISAS DENTAL HEALTH, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follow:

	<u>Lives of Assets</u>
Leasehold improvements	10-20 years
Dental equipment	5-10 years
Office equipment and furniture	5-10 years

Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the Agency are amounts from patients, third-party payers, and others for services rendered. Operating expenses for the Agency include the cost of providing dental services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ materially from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash as of June 30, 2020 consists of the following:

Cash in bank	<u>\$ 1,362,054</u>
--------------	---------------------

Deposits with financial institutions are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 per bank. The Agency had bank balances in amount of \$885,973 in excess of the insurance coverage provided by FDIC.

SONRISAS DENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 – CAPITAL ASSETS

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital Assets, being depreciated:				
Buildings and improvements	\$ 1,042,642	\$ 10,869	\$ -	\$ 1,053,511
Equipment	1,145,326	45,956	-	1,191,282
Total Capital Assets, being depreciated	<u>2,187,968</u>	<u>56,825</u>	<u>-</u>	<u>2,244,793</u>
Accumulated Depreciation				
Buildings and improvements	(381,399)	(122,545)	-	(503,944)
Equipment	(529,198)	(148,809)	-	(678,007)
Total Accumulated Depreciation	<u>(910,597)</u>	<u>(271,354)</u>	<u>-</u>	<u>(1,181,951)</u>
Total Capital Assets, being depreciated, net	<u>1,277,371</u>	<u>(214,529)</u>	<u>-</u>	<u>1,062,842</u>

NOTE 4 – PENINSULA HEALTH CARE DISTRICT

The District provides some administrative accounting and monetary support to the Agency. The Agency received \$925,000 from the District to support Sonrisas Dental Health's ability to serve low income, uninsured residents of the PHCD district.

NOTE 5 - PAYCHECK PROTECTION PROGRAM

The Agency was granted a \$395,365 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Agency is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Agency has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Agency will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

NOTE 6 –CONTINGENCIES

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Agency is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Agency is not known.