



**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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# **SONRISAS DENTAL HEALTH, INC.**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sonrisas Dental Health, Inc. (Agency), a component unit of the Peninsula Health Care District (District), as of and for the year ended June 30, 2018, 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 respective financial position of the Agency, as of June 30, 2018, 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, 2018, 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.

*Vavrinck, Trine, Day & Co. LLP*

Palo Alto, California  
November 15, 2018

# SONRISAS DENTAL HEALTH, INC.

## STATEMENT OF NET POSITION JUNE 30, 2018

### ASSETS:

#### CURRENT ASSETS:

Cash and investments	\$ 405,696
Receivables, net	
Patient receivable	150,073
Grant receivable	5,725
Prepaid items	42,418
Other assets	5,574
<b>TOTAL CURRENT ASSETS</b>	<b>609,486</b>

#### NONCURRENT ASSETS:

Deposit receivable	14,697
Depreciable capital assets, net	1,495,734
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,510,431</b>
<b>TOTAL ASSETS</b>	<b>2,119,917</b>

### LIABILITIES:

#### CURRENT LIABILITIES:

Accounts payable and accrued expenses	215,463
Unearned revenues	34,046
<b>TOTAL CURRENT LIABILITIES</b>	<b>249,509</b>

#### NONCURRENT LIABILITIES:

Advances from Peninsula Health Care District	2,124,995
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,124,995</b>
<b>TOTAL LIABILITIES</b>	<b>2,374,504</b>

#### NET POSITION:

Restricted for capital projects	40,000
Unrestricted	(294,587)
<b>TOTAL NET POSITION</b>	<b>\$ (254,587)</b>

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

# SONRISAS DENTAL HEALTH, INC.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

### OPERATING REVENUES:

Patient services	\$ 1,397,284
<b>TOTAL OPERATING REVENUES</b>	<u>1,397,284</u>

### OPERATING EXPENSES:

Salaries and benefits	1,853,401
Supplies and other	562,472
Legal fees and purchased services	165,481
Rental expenses	219,672
Depreciation	<u>267,470</u>

<b>TOTAL OPERATING EXPENSES</b>	<u>3,068,496</u>
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<b>OPERATING LOSS</b>	<u>(1,671,212)</u>
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### NONOPERATING INCOME (EXPENSE):

Grants and contributions	275,613
Investment gain / loss	2,122
Income from settlement	75,489
Other income	<u>2,906</u>

<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<u>356,130</u>
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<b>INCOME LOSS TRANSFERS</b>	<u>(1,315,082)</u>
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Transfers from Peninsula Health Care District	<u>975,489</u>
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Change in Net Position	(339,593)
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Net Position, beginning	<u>85,006</u>
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Net Position, ending	<u><u>\$ (254,587)</u></u>
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The accompanying notes are an integral part of these financial statements.



# SONRISAS DENTAL HEALTH, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Cash received from patients	\$ 1,434,063
Cash paid to suppliers for goods and services	(2,822,082)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(1,388,019)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Principal paid on debt	(139,972)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(139,972)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating grants	297,300
Other Income	74,722
Transfers in	1,213,275
<b>NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES</b>	<b>1,585,297</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	2,122
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,122</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>59,428</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR</b>	<b>346,268</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR</b>	<b>\$ 405,696</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (1,671,212)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	267,470
(Increase) Decrease in Operating Assets:	
Patient receivable	2,733
Prepaid items	(29,513)
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accrued expenses	8,457
Unearned revenues	34,046
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,388,019)</b>

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

# SONRISAS DENTAL HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 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 proprietary fund and is in the business of providing dental care to low income families, people with disabilities, seniors, and other lacking access to dental care throughout San Mateo County including the Peninsula and Coastside communities.

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, 2018.

#### **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 JUNE 30, 2018

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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, 2018 consists of the following:

Cash in Bank	<u>\$ 405,696</u>
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Deposits with financial institutions are insured by the Federal Depository Insurance Corporation up to \$250,000 per bank. There were no bank deposits that exceeded the FDIC limits.

### NOTE 3 – CAPITAL ASSETS

Leasehold improvements	\$ 1,042,642
Dental Equipment	578,015
Office equipment and furniture	519,774
Total	<u>2,140,431</u>
Less: accumulated depreciation	<u>(644,697)</u>
Net property and equipment	<u>\$ 1,495,734</u>

**SONRISAS DENTAL HEALTH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 4 – PENINSULA HEALTH CARE DISTRICT**

The District provides some administrative accounting and monetary support to the Agency. The Agency received \$900,000 from the District to provide dental services to eligible patients in San Mateo County in the current year.

In addition, the Agency received a loan in the amount of \$2,124,995 from the District for startup costs in the current and prior years.