VIRGINIA DENTAL HEALTH FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Virginia Dental Health Foundation
Richmond, Virginia

We have reviewed the accompanying statement of financial position of the Virginia Dental Health Foundation (the "Foundation") as of December 31, 2008, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Foundation.

A review consists principally of inquiries of Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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.

March 5, 2009

[Signature]

Keith, Stephens, Hurst, Gary & Shreaves, P.C.
VIRGINIA DENTAL HEALTH FOUNDATION

Statement of Financial Position
December 31, 2008

Assets

Current assets:
Cash and cash equivalents $ 170,546
Accounts receivable 10,450
Inventories 17,083
Investments - certificates of deposit 33,346

Total current assets 231,425

Property and equipment:
Furniture and fixtures 193,573
Accumulated depreciation (85,317)

Property and equipment, net 108,256

Total assets $ 339,681

Liabilities and Net Assets

Current liabilities:
Accounts payable and accrued expenses $ 16,515

Net assets:
Unrestricted 241,517
Temporarily restricted 81,649

Total net assets 323,166

Total liabilities and net assets $ 339,681

See accountants’ review report and accompanying notes to financial statements.
VIRGINIA DENTAL HEALTH FOUNDATION

Statement of Activities
Year Ended December 31, 2008

<table>
<thead>
<tr>
<th>Support and revenue:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$131,850</td>
<td>$40,000</td>
<td>$171,850</td>
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<tr>
<td>Missions of Mercy project contributions</td>
<td>130,056</td>
<td>4,870</td>
<td>134,926</td>
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<tr>
<td>Donated services</td>
<td>1,109,872</td>
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<td>1,109,872</td>
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<tr>
<td>Contributions</td>
<td>55,273</td>
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<td>55,273</td>
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<tr>
<td>Investment income</td>
<td>1,571</td>
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<td>1,571</td>
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<tr>
<td>Miscellaneous</td>
<td>8,007</td>
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<td>8,007</td>
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<tr>
<td>Net assets released from restriction</td>
<td>17,943</td>
<td>(17,943)</td>
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<tr>
<td><strong>Total support and revenue</strong></td>
<td>1,454,572</td>
<td>26,927</td>
<td>1,481,499</td>
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</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missions of Mercy project</td>
<td>1,254,203</td>
<td></td>
<td>1,254,203</td>
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<tr>
<td>Salaries and employee benefits</td>
<td>49,948</td>
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<td>49,948</td>
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<td>Meetings and conferences</td>
<td>681</td>
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<td>681</td>
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<td>Accounting fees</td>
<td>8,521</td>
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<td>Grant writing services</td>
<td>4,500</td>
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<td>Travel expenses</td>
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<td>Postage/mailing permits</td>
<td>2,145</td>
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<td>Telephone</td>
<td>3,338</td>
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<td>3,338</td>
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<tr>
<td>Taxes, licenses and fees</td>
<td>5,199</td>
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<tr>
<td>Printing</td>
<td>3,485</td>
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<tr>
<td>Supplies</td>
<td>3,772</td>
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<tr>
<td>Insurance</td>
<td>8,824</td>
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<tr>
<td>Depreciation</td>
<td>21,851</td>
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<td>21,851</td>
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<tr>
<td>Miscellaneous</td>
<td>3,042</td>
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<tr>
<td><strong>Total expenses</strong></td>
<td>1,373,221</td>
<td></td>
<td>1,373,221</td>
</tr>
</tbody>
</table>

| Change in net assets                              | 81,351       | 26,927                 | 108,278 |
| Net assets, beginning of year                     | 160,166      | 54,722                 | 214,888 |
| Net asset, end of year                            | $241,517     | $81,649                | $323,166|

See accountants' review report and accompanying notes to financial statements.
VIRGINIA DENTAL HEALTH FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2008

Cash flows from operating activities:
Change in net assets $ 108,278

Adjustments to reconcile change in net assets to net cash provided by operating activities:
  Depreciation 21,851
  Interest income reinvested (1,571)

Change in operating assets and liabilities:
  Accounts receivable 6,506
  Inventories (801)
  Accounts payable and accrued expenses 3,428

Net cash provided by operating activities 137,691

Cash flows from investing activities - purchases of property and equipment (100,912)

Net increase in cash and cash equivalents 36,779

Cash and cash equivalents, beginning of year 133,767

Cash and cash equivalents, end of year $ 170,546

See accountants' review report and accompanying notes to financial statements.
1. Summary of Significant Accounting Policies:

Nature of Activities: The Virginia Dental Health Foundation (the "Foundation") is organized to perform and promote programs that support the improvement and enhancement of the quality of dental health and dental health education, and programs for the continuing professional education of dentists, dental assistants, and dental hygienists who are members of the Virginia Dental Association (the "Association").

Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Investments: Investments are certificates of deposit with maturity dates in excess of three months and are stated at market value.

Recognition of Contributions and Grants: Contributions and grants are recognized when the donor makes a promise to give to the Foundation that is in substance unconditional. Contributions and grants that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted. As of December 31, 2008, there were no permanently restricted net assets.

Receivables: The Foundation closely monitors outstanding accounts receivables and identifies bad debts based on the collectibility of the receivable and management's judgment. The Foundation uses the reserve method of accounting for bad debts. The amount of doubtful accounts at December 31, 2008 was immaterial, and no reserve was considered necessary.

Inventories: Dentists donate dental supplies and other materials to the Foundation. Also, the Foundation purchases dental supplies and other materials. The inventory is used in the Missions of Mercy Project. The Foundation values the inventory using the first-in, first-out ("FIFO") method.
1. **Summary of Significant Accounting Policies, Continued:**

**Property and Equipment:** Property and equipment are stated at cost. All donated property and equipment are stated at fair market value at the date of gift. Depreciation is charged to expense over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for major improvements are capitalized.

**Income Taxes:** The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Contributed Materials and Services:** The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically have been purchased if not contributed, has been recognized in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs.

The Foundation received donated services relating to the Missions of Mercy project, which amounted to $1,109,872 in 2008. The Foundation also receives donations of dental supplies. Donations of dental supplies received during 2008 totaled $2,425.

**Net Assets:** The Foundation classifies its net assets into two categories: unrestricted and temporarily restricted.

Unrestricted funds include funds that impose no restrictions on the Foundation as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

Temporarily restricted funds include funds that are primarily restricted for use in a subsequent year or for a specific purpose. All grant funds received are recorded as an increase in temporarily restricted net assets. As the activities are performed or the time restriction has expired, the restrictions to these net assets are released and subsequently reclassified to unrestricted net assets. If the contribution and the activity occur in the same year, the revenue is recorded in unrestricted net assets.

**Concentration of Credit Risk:** Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation maintains its cash and cash equivalent balances at a financial institution in Richmond, Virginia. The Foundation periodically has funds in excess of the federally insured limit.
1. **Summary of Significant Accounting Policies, continued:**

**Pending Accounting Pronouncement:** In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). This interpretation clarifies the accounting for uncertainty in income taxes and details how entities should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect or disclose expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. The Foundation has elected to defer the adoption of FIN 48 until its fiscal year ending December 31, 2009, pending additional clarification of FIN 48's applicability to not-for-profit entities such as the Foundation. In instances where the Foundation has taken or expects to take a tax position in its tax returns and the Foundation believes that it is more likely than not that such tax position will be upheld by the relevant tax authorities, the Foundation has not disclosed such tax position in the financial statements. Management has evaluated the impact of FIN 48 and does not expect it to have a material impact on the Foundation's financial condition, change in net assets or income tax disclosure practices.

2. **Related Party Transactions:**

The Foundation's accounts receivable at December 31, 2008 includes $9,657 due from the Virginia Dental Association. The Foundation's accounts payable at December 31, 2008 includes $16,289 due to the Virginia Dental Association for expense reimbursements. During the year the Foundation incurred expenses totaling $63,294 for payroll and office expenses that were reimbursed to the Virginia Dental Association.

3. **Temporarily Restricted Net Assets:**

Temporarily restricted net assets consisted of the following at December 31, 2008:

- Missions of Mercy project: $53,078
- DDS Tri-City program: $28,411
- Commonwealth of Virginia - dental services for children: $150

**Total:** $81,649
4. Guarantees:

Financial Accounting Standards Board Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* requires the disclosures of certain guarantees and clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of certain types of guarantee obligations.

The Foundation has certain obligations to indemnify its officers and directors against any losses, expenses, or damages paid in settlement of any claims sustained by the officer or director in connection with the Foundation, provided that the actions were not a result of the officer's or director's intentional breach of the articles of incorporation, or as a result of the officer's or director's willful misconduct, gross negligence, or bad faith.