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GLOBAL SMILE FOUNDATION, INC.

FINANCIAL STATEMENTS

December 31, 2011

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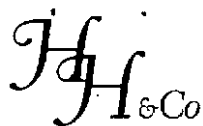
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GLOBAL SMILE FOUNDATION, INC.
Financial Statements
December 31, 2011

2011

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 7



Heald Hoffmeister and Company, Inc.
Certified Public Accountants

2011

Audit

050107

Kenneth J. Raffol, CPA, MST • Jill B. Treeful, CPA • Richard A. Petrie • Ryan M. Damaso, CPA, MST

Claude P. Boudwin, CPA - Audit Manager

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Global Smile Foundation, Inc.
Westwood, Massachusetts

We have audited the accompanying statement of financial position of Global Smile Foundation, Inc. (a non-profit organization) as of December 31, 2011, and the related statement of activities and cash flow for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Smile Foundation, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Heald Hoffmeister and Company Inc.

October 31, 2012

GLOBAL SMILE FOUNDATION, INC.

Statement of Financial Position

December 31, 2011

ASSETS

CURRENT ASSETS:

Cash	\$ 317,747
Prepaid mission expenses	<u>16,468</u>
Total current assets	334,215

PROPERTY AND EQUIPMENT:

Office equipment	15,406
Less: accumulated depreciation	<u>5,520</u>
Property and equipment, net	<u>9,886</u>

Total assets	<u>\$ 344,101</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 16,669
Deferred revenue	<u>32,867</u>
Total current liabilities	49,536

NET ASSETS:

Unrestricted	<u>294,565</u>
Total net assets	<u>294,565</u>

Total liabilities and net assets	<u>\$ 344,101</u>
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See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statement of Activities

December 31, 2011

	<u>Unrestricted</u>
REVENUE AND OTHER SUPPORT:	
Program revenue	\$ 266,513
Contributions	44,574
Fundraising revenue	14,277
In-kind contributions	6,288,122
Interest income	<u>334</u>
Total revenue and support	6,613,820
PROGRAM EXPENSES:	
Airline travel	62,288
Ground transportation	7,483
Hospital staff	6,250,000
Team lodging	24,803
Team meals	15,847
Medications and supplies	59,247
Depreciation	2,344
In-country internet/telephone	404
Miscellaneous	637
Office administrative costs	<u>9,171</u>
	6,432,224
MANAGEMENT & GENERAL:	
Payroll	11,788
Payroll taxes	1,299
Insurance	1,689
Office supplies and expenses	16,801
Rent	8,401
Utilities	<u>336</u>
	40,314
FUNDRAISING EXPENSES	
Accommodations	<u>3,000</u>
Total expenses	<u>6,475,538</u>
INCREASE IN ASSETS	138,282
NET ASSETS, BEGINNING	<u>156,283</u>
NET ASSETS, ENDING	<u>\$ 294,565</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statement of Cash Flows

December 31, 2011

	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 138,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,344
Non-cash contributions	(6,288,122)
Non-cash expenditures	6,288,122
Changes in:	
Prepaid expenses	6,803
Accounts payable	16,660
Deferred revenue	<u>(30,404)</u>
Net cash provided by operating activities	133,685
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(9,405)</u>
Net cash used investing activities	<u>(9,405)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	124,280
 CASH - Beginning of year	<u>193,467</u>
 CASH - End of year	<u>\$ 317,747</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2011

NOTE 1 - Nature of Activities:

Global Smile Foundation, Inc. "The Organization" (a non-profit organization) was incorporated under the laws of the Commonwealth of Massachusetts and commenced operating on October 1, 2008. The Organization's goal is to alleviate the suffering of underserved patients born with facial congenital deformities with special emphasis on cleft lips and palates with a focus on the urgent need for implementing comprehensive care coupled with educational and preventive programs. During 2011, the Organization conducted 5 missions in El Salvador, Ecuador, Peru, and Senegal.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Accounting

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.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees. The Organization only had unrestricted assets as of December 31, 2011

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor imposed restrictions that they be maintained permanently by the Organization.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2011, the Organization's uninsured cash balances total \$67,747.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to be cash on hand, cash in operating bank accounts, and brokerage accounts. For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2011

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued):

Property and Equipment

Property and equipment, having a cost in excess of \$1,000 and having an estimated useful life of at least three years, are capitalized at cost. Donations of property and equipment are recorded as support revenue at their estimated fair value. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expenses as incurred. Depreciation for the year ended December 31, 2011 was \$2,344.

Income Taxes

The Organization is a tax-exempt organization under the Internal Revenue Code 501(c)(3) and as such has no federal income tax liability. This status was granted by the Internal Revenue Service District Director in October of 2008. The Organization believes that there are no uncertain tax positions that would require disclosures in these financial statements. The Organization's federal and state informational returns for the year ended December 31, 2009 through 2011 are subject to examination by the respective authorities.

Contributions

The Organization is required to record contributions received as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

The Organization is required to recognize donated services, materials, etc. that create or enhance non-financial assets like property and equipment and is also required to recognize donated services that require specialized skills, provided by individuals possessing those skills, that would typically need to be purchased if not provided by donation (see Note 4).

NOTE 3 - Prepaid Mission Expenses:

At December 31, 2011, the Organization had paid airfare and event expenses of \$16,468, which related to missions and events in the subsequent years.

NOTE 4 - In-Kind Contributions:

To provide additional further support for its medical activities, the Organization solicits and receives donations of supplies, equipment, and volunteer support. During the year ended December 31, 2011, the Organization received donations such as equipment, supplies, lodging, and airfare with combined values of \$38,122. During the year ended December 31, 2011, the Organization was provided with services of skilled surgical volunteer labor, valued at \$6,250,000.

NOTE 5 - Concentrations:

The Organization receives a large portion of its total support and revenue from a small number of individuals and organizations. During the year, the largest contribution was a foundation grant in the amount of \$79,300, which is approximately 22% of the Organization's total revenue (excluding in-kind donations). The Organization is also dependent upon the contribution of services from highly skilled medical doctors, dentists, and nurses (see Note 4).

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GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2011

(Continued)

NOTE 6 - Leasing Arrangements:

On July 1, 2011, the Organization renewed the lease for its office space in Lexington, Massachusetts for one additional year, expiring on June 30, 2012, with monthly lease payments of approximately \$700. The lease is expected to be renewed on an annual basis. Rent expense for the year ended December 31, 2011 was \$8,401. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u> <u>2012</u>	<u>Amount</u>
	<u>\$ 4,200</u>
Total	<u>\$ 4,200</u>

NOTE 7 - Subsequent Events:

Management has evaluated subsequent events through October 31, 2012, the date on which the financial statements were available to be issued. As of August 28, 2012, the Organization became aware that it's largest contributor has decided to stop providing grants to non-profit organizations due to the downturn in the economy. The Organization is continuing to expand its base of contributors.