GLOBAL SMILE FOUNDATION, INC.

FINANCIAL STATEMENTS

December 31, 2012

GLOBAL SMILE FOUNDATION, INC.

Financial Statements

December 31, 2012

CONTENTS

H H &Co

Heald Hoffmeister and Company, Inc.
Certified Public Accountants

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

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, 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 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 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 opinion.

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, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Heald Hoffmeister and Company, Inc.

Needham, Massachusetts
October 25, 2013

105 Chestnut Street, Suite 10, Needham, MA 02492, P. 781.449.3343, F. 781.444.2119
258 Main Street, Suite A1, Buzzards Bay, MA 02532, P.508.759.6761, F. 508.759.6762
www.hhcocpas.com

GLOBAL SMILE FOUNDATION, INC.

Statement of Financial Position

December 31, 2012

ASSETS

CURRENT ASSETS:		
Cash	$	314,228
Prepaid mission expenses		23,943
Total current assets		338,171
PROPERTY AND EQUIPMENT:		
Office equipment		15,406
Less: accumulated depreciation		9,301
Property and equipment, net		6,105
Total assets	$	344,276

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	20,540
Total current liabilities		20,540
NET ASSETS:		
Unrestricted net assets		296,736
Temporarily restricted net assets		27,000
Total net assets		323,736
Total liabilities and net assets	$	344,276

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statement of Activities

December 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT:			
Program revenue	$ 188,348	$ 27,000	$ 215,348
Contributions	34,079	--	34,079
Fundraising revenue	19,405	--	19,405
In-kind contributions	7,206,723	--	7,206,723
Interest income	269	--	269
Net assets released from restrictions	32,867	(32,867)	--
Total revenue and support	7,481,691	(5,867)	7,475,824
PROGRAM EXPENSES:			
Airline travel	49,660	--	49,660
Ground transportation	6,291	--	6,291
Mission expense hospital staff	7,200,000	--	7,200,000
Team lodging	42,147	--	42,147
Team meals	19,186	--	19,186
Medications and supplies	22,687	--	22,687
Medical education	10,100	--	10,100
Internet/telephone	469	--	469
Miscellaneous	7,411	--	7,411
Office administrative costs	30,840	--	30,840
	7,388,791	--	7,388,791
MANAGEMENT & GENERAL:			
Payroll	43,134	--	43,134
Payroll taxes	3,215	--	3,215
Insurance	3,315	--	3,315
Depreciation	3,781	--	3,781
Professional fees	6,125		6,125
Office supplies and expenses	22,419	--	22,419
Rent	8,400	--	8,400
Utilities	340	--	340
	90,729	--	90,729
Total expenses	7,479,520	--	7,479,520
INCREASE (DECREASE) IN NET ASSETS	2,171	(5,867)	(3,696)
NET ASSETS, BEGINNING	294,565	32,867	327,432
NET ASSETS, ENDING	$ 296,736	$ 27,000	$ 323,736

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statement of Cash Flows

December 31, 2012

		2012
CASH FLOWS FROM OPERATING ACTVITIES:		
Increase (decrease) in net assets	$	(3,696)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		3,781
Non-cash contributions		(7,206,723)
Non-cash expenditures		7,206,723
Changes in:		
Prepaid expenses		(7,475)
Accounts payable		3,871
Net cash provided (used) by operating activities		(3,519)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment		-
Net cash used investing activities		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,519)
CASH - Beginning of year		317,747
CASH - End of year	$	314,228

Supplemental Disclosures of Cash Flow Information:		
Cash paid for taxes	$	-
Cash paid for interest	$	-

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2012

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 2012, the Organization conducted 6 missions in Lebanon, Guatemala, Ecuador, Ivory Coast, Salvador and Peru.

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.

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, 2012, the Organization's uninsured cash balances total $64,229.

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.

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, 2012 was $3,781.

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 Foundation 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, 2010 through 2012 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, 2012, the Organization had paid airfare and mission expenses of $23,943, which related to missions trips in the subsequent year.

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, 2012, the Organization received donations such as equipment, supplies, lodging, and airfare with combined values of $6,723. During the year ended December 31, 2012, the Organization was provided with medical services including the services of skilled surgical volunteer labor, valued at $7,200,000.

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 an individual donation in the amount of $50,000, which is approximately 18% 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).

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2012
(Continued)

NOTE 6 - Leasing Arrangements:

On July 1, 2011, the Foundation 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 Foundation became a tenant at will starting July 1, 2012 and continued paying $700 a month. On August 21, 2013, the Foundation signed a new lease for office space in Norwood, Massachusetts for three years, expiring on September 30, 2016, with monthly lease payments of approximately $700. Rent expense for the year ended December 31, 2012 was $8,400. Future minimum lease payments under the new lease are as follows:

Year Ending December 31,	Amount
2013	$ 2,100
2014	8,400
2015	8,475
2016	6,525
Total	$ 25,500

NOTE 7 - Subsequent Events:

Management has evaluated subsequent events through October 25, 2013, the date on which the financial statements were available to be issued.