

**GLOBAL SMILE FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**December 31, 2016**

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**Financial Statements**

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**C O N T E N T S**

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**RAFFOL AND COMPANY, INC.**

*Certified Public Accountants*

Kenneth J. Raffol CPA, MST

Richard A. Petrie

Jonathan R. Vitale, CPA, MSA

**INDEPENDENT AUDITORS' REPORT**

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

**We have audited the accompanying financial statements of Global Smile Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and net assets and cash flows for the year 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.**

**Auditors' 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 auditors' 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 auditors consider 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Raffel and Company, Inc.*  
Needham, Massachusetts  
October 31, 2017

**GLOBAL SMILE FOUNDATION, INC.**

**Statement of Financial Position**

**December 31, 2016**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 738,100
Prepaid mission expenses	<u>56,766</u>
Total current assets	794,866

**PROPERTY AND EQUIPMENT:**

Office equipment	22,606
Less: accumulated depreciation	<u>17,682</u>
Property and equipment, net	<u>4,924</u>

**OTHER ASSETS:**

Security deposit	<u>700</u>
Total assets	<u>\$ 800,490</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ <u>14,191</u>
Total current liabilities	14,191

**NET ASSETS:**

Unrestricted net assets	734,883
Temporarily restricted net assets	<u>51,416</u>
Total net assets	<u>786,299</u>

Total liabilities and net assets	<u>\$ 800,490</u>
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See accompanying notes and independent auditors' report.



**GLOBAL SMILE FOUNDATION, INC.**  
**Statement of Activities and Net Assets**  
**December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT:</b>			
Program revenue	\$ 453,494	\$ 51,416	\$ 504,910
Fundraising revenue	5,149	--	5,149
In-kind contributions	8,497,497	--	8,497,497
Interest income	248	--	248
Net assets released from restrictions	<u>30,071</u>	<u>(30,071)</u>	<u>--</u>
Total revenue and support	8,986,459	21,345	9,007,804
<b>PROGRAM EXPENSES:</b>			
Program services	8,880,122	--	8,880,122
Management & general	30,064	--	30,064
Fundraising	<u>14,600</u>	<u>--</u>	<u>14,600</u>
Total expenses	<u>8,924,786</u>	<u>--</u>	<u>8,924,786</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	61,673	21,345	83,018
<b>NET ASSETS, BEGINNING</b>	<u>673,210</u>	<u>30,071</u>	<u>703,281</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 734,883</u>	<u>\$ 51,416</u>	<u>\$ 786,299</u>

See accompanying notes and independent auditors' report.

**GLOBAL SMILE FOUNDATION, INC.**

**Statement of Cash Flows**

**December 31, 2016**

	<b><u>2016</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase in net assets	\$ 83,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,238
Non-cash contributions	(8,497,497)
Non-cash expenditures	8,497,497
Changes in:	
Prepaid expenses	127
Accounts payable	680
Net cash provided (used) by operating activities	<u>85,063</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(3,720)</u>
Net cash used investing activities	<u>(3,720)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 81,343
 <b>CASH - Beginning of year</b>	 <u>656,757</u>
 <b>CASH - End of year</b>	 <u>\$ 738,100</u>
 <b>Supplemental Disclosures of Cash Flow Information:</b>	
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, 2016**

**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 2016, the Organization conducted 7 missions in El Salvador, (2) Lebanon, (2) Ecuador, Brazil, 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, 2016, the Organization's uninsured cash balances total \$488,100.



**GLOBAL SMILE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2016**

**(Continued)**

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

**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.

**Property and Equipment**

Property and equipment, having a unit 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, 2016 was \$1,238.

**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, 2014 through 2016 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 5).

**NOTE 3 – Temporarily Restricted Net Assets:**

During 2016, the organization received \$51,416 in cash contributions for missions to be conducted in 2017.

**NOTE 4 - Prepaid Mission Expenses:**

At December 31, 2016, the Organization had paid airfare and mission expenses of \$56,766, which relate to mission trips in 2017.



**GLOBAL SMILE FOUNDATION, INC.**

**Notes to the Financial Statements**

**December 31, 2016**

**(Continued)**

**NOTE 5 - 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, 2016, the Organization received donations such as equipment, supplies, lodging, and airfare with combined values of \$27,579. During the year ended December 31, 2016, the Organization was provided with medical services including the services of skilled surgical volunteer labor, valued at \$8,468,918.

During the year the Organization increased their office space in their Norwood, Massachusetts office and received an in-kind donation for reduction of rent by the landlord. Total in-kind donation was \$4,000 with \$1,000 being prorated to the year ended December 31, 2016.

**NOTE 6 - Concentrations:**

The Organization receives a large portion of its total support and revenue from a small number of individuals and organizations. During the year, ten individual donors donated in the amount of \$224,622, made up approximately 42% 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 5).

**NOTE 7 - Leasing Arrangements:**

On September 30, 2015, the Foundation signed an amendment to their lease for an additional office space in Norwood, Massachusetts for three years, expiring on September 30, 2018, with monthly lease payments of approximately \$1,025. Rent expense for the year ended December 31, 2016 was \$13,300. Future minimum lease payments under the new lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 12,300
2018	9,225
Total	<u>\$ 21,525</u>

**NOTE 8 - Subsequent Events:**

Management has evaluated subsequent events through October 31, 2017, the date on which the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**

**GLOBAL SMILE FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**December 31, 2016**

	Program Services	Manage- ment and General	Fund- raising	Total
Airline travel	\$ 106,200	\$ --	\$ --	\$ 106,200
Ground transportation	49,286	--	--	49,286
Mission expense hospital staff	8,496,497	--	--	8,496,497
Team lodging	73,608	--	--	73,608
Team meals	37,982	--	--	37,982
Medications and supplies	39,278	--	--	39,278
Medical education	300	--	--	300
Internet/telephone	235	--	--	235
Miscellaneous	53	--	--	53
Payroll	39,326	9,832	--	49,158
Payroll taxes	2,633	1,128	--	3,761
Insurance	2,683	2,683	--	5,366
Depreciation	619	619	--	1,238
Professional fees	--	7,765	--	7,765
Office supplies and expenses	20,539	5,135	--	25,674
Rent	10,640	2,660	--	13,300
Utilities	243	242	--	485
Accomodations	--	--	14,600	14,600
	<u>\$ 8,880,122</u>	<u>\$ 30,064</u>	<u>\$ 14,600</u>	<u>\$ 8,924,786</u>