

GLOBAL SMILE FOUNDATION, INC.
FINANCIAL STATEMENTS
December 31, 2018

GLOBAL SMILE FOUNDATION, INC.

Financial Statements

December 31, 2018

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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.
Norwood, 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, 2018, and the related statement of activities and net assets, statement of functional expenses 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, 2018, 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 Summarized Comparative Information

We have previously audited Global Smile Foundation, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffel and Company, Inc.

Needham, Massachusetts

November 5, 2019

GLOBAL SMILE FOUNDATION, INC.
Statements of Financial Position
December 31, 2018
With Comparative Totals as of December 31, 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 800,774	\$ 758,063
Accounts receivable	516	--
Prepaid mission expenses	<u>56,409</u>	<u>51,678</u>
Total current assets	857,699	809,741
PROPERTY AND EQUIPMENT:		
Office equipment	30,349	23,700
Less: accumulated depreciation	<u>21,376</u>	<u>19,323</u>
Property and equipment, net	<u>8,973</u>	<u>4,377</u>
OTHER ASSETS:		
Security deposit	<u>700</u>	<u>700</u>
Total assets	<u>\$ 867,372</u>	<u>\$ 814,818</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	<u>\$ 36,905</u>	<u>\$ 26,393</u>
Total current liabilities	36,905	26,393
NET ASSETS:		
Net assets without donor restrictions	794,790	771,841
Net assets with donor restrictions	<u>35,677</u>	<u>16,584</u>
Total net assets	<u>830,467</u>	<u>788,425</u>
Total liabilities and net assets	<u>\$ 867,372</u>	<u>\$ 814,818</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.
Statements of Activities and Net Assets
December 31, 2018
With Comparative Totals as of December 31, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
REVENUE AND SUPPORT:				
Program revenue	\$ 561,255	\$ 35,677	\$ 596,932	\$ 524,378
Fundraising revenue	6,855	--	6,855	5,000
In-kind contributions	7,274,511	--	7,274,511	9,804,937
Interest income	9,669	--	9,669	199
Net assets released from restrictions	<u>16,584</u>	<u>(16,584)</u>	<u>--</u>	<u>--</u>
Total revenue and support	7,868,874	19,093	7,887,967	10,334,514
EXPENSES:				
Program services	7,785,479	--	7,785,479	10,282,757
Management & general	49,756	--	49,756	46,555
Fundraising	<u>10,690</u>	<u>--</u>	<u>10,690</u>	<u>3,076</u>
Total expenses	<u>7,845,925</u>	<u>--</u>	<u>7,845,925</u>	<u>10,332,388</u>
INCREASE (DECREASE) IN NET ASSETS	22,949	19,093	42,042	2,126
NET ASSETS, BEGINNING	<u>771,841</u>	<u>16,584</u>	<u>788,425</u>	<u>786,299</u>
NET ASSETS, ENDING	<u>\$ 794,790</u>	<u>\$ 35,677</u>	<u>\$ 830,467</u>	<u>\$ 788,425</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statements of Functional Expenses

December 31, 2018

With Comparative Totals as of December 31, 2017

	Program Services	Management and General	Fund-raising	2018 Total	2017 Total
Airline travel	\$ 79,963	\$ --	\$ --	\$ 79,963	\$ 82,681
Ground transportation	28,706	--	--	28,706	34,661
Mission expense hospital staff	7,259,073	--	--	7,259,073	9,678,763
Team lodging	112,784	--	--	112,784	125,490
Team meals	51,480	--	--	51,480	25,534
Medications and supplies	53,795	--	--	53,795	162,520
Internet/telephone	185	--	--	185	434
Strategic planning	3,500	--	--	3,500	--
Miscellaneous	260	--	--	260	61
Payroll	115,082	28,771	--	143,853	111,549
Payroll taxes	8,282	3,550	--	11,832	8,534
Insurance	2,875	2,875	--	5,750	5,194
Depreciation	1,027	1,026	--	2,053	1,641
Professional fees	39,280	6,000	--	45,280	33,265
Office supplies and expenses	17,409	4,352	--	21,761	38,122
Rent	11,460	2,865	--	14,325	20,175
Utilities	318	317	--	635	388
Accommodations	--	--	10,690	10,690	3,076
	<u>\$ 7,785,479</u>	<u>\$ 49,756</u>	<u>\$ 10,690</u>	<u>\$ 7,845,925</u>	<u>\$ 10,332,388</u>

See accompanying notes and independent auditors' report

GLOBAL SMILE FOUNDATION, INC.
Statements of Cash Flows
December 31, 2018
With Comparative Totals as of December 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 42,042	\$ 2,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,053	1,641
Non-cash contributions	(7,274,511)	(9,804,937)
Non-cash expenditures	7,274,511	9,804,937
Changes in:		
Accounts receivable	(516)	--
Prepaid expenses	(4,731)	5,088
Accounts payable	10,512	12,202
	<hr/>	<hr/>
Net cash provided (used) by operating activities	49,360	21,057
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,649)	(1,094)
	<hr/>	<hr/>
Net cash provided (used) investing activities	(6,649)	(1,094)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 42,711	 19,963
 CASH - Beginning of year	 758,063	 738,100
	<hr/>	<hr/>
CASH - End of year	\$ 800,774	\$ 758,063
	<hr/> <hr/>	<hr/> <hr/>
 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, 2018

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 2018, the Organization conducted 6 missions in El Salvador, Lebanon, (3) Ecuador, 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

As required by the FASB Accounting Standards Codification, the Organization's net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- or certain grantor- imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018, the Organization's uninsured cash balances total \$316,403.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2018

(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 cash in 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, 2018 and 2017 was \$2,053 and \$1,641, respectively.

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, 2016 through 2018 are subject to examination by the respective authorities.

Summarized Financial Information for 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class. The financial statements do not include a full presentation of the statement of functional expenses. In addition, financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Contributions

The Organization is required to record contributions received as with donor restrictions or without donor restrictions, 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 – Net Assets with Donor Restrictions:

During 2018, the organization received \$35,677 in cash contributions for missions to be conducted in 2019, and \$16,584 in 2018.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2018

(Continued)

NOTE 4 - Prepaid Mission Expenses:

At December 31, 2018, the Organization had paid airfare and mission expenses of \$56,409, which relate to mission trips in 2019, and \$51,678 in 2017 that related to missions in 2018.

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, 2018 and 2017, the Organization received donations such as equipment, supplies, lodging, and airfare with combined values of \$15,438 and \$119,674, respectively. During the year ended December 31, 2018 and 2017, the Organization was provided with medical services including the services of skilled surgical volunteer labor, valued at \$7,259,073 and \$9,678,763, respectively. In addition, the Organization received in-kind rent of \$6,500 in 2017.

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 made donations in the amount of \$258,200, which made up approximately 43% 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 October 1, 2018 the Organization renewed their Norwood, Massachusetts office lease for an additional three years, expiring on September 30, 2021 with monthly lease payments of approximately \$1,400. Rent expense for the year ended December 31, 2018 was \$14,325. Future minimum lease payments under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	17,250
2020	18,600
2021	13,950
Total	<u>\$ 49,800</u>

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2018

(Continued)

NOTE 8 – Availability of Financial Assets:

The following reflects the Organization's financial assets based on the balance sheet, reduced by amounts not available for general use within one year of the balance sheet date.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 800,774	\$ 758,063
Accounts receivable	516	--
Less: donor restrictions for purpose and time	<u>(35,677)</u>	<u>(16,584)</u>
Total financial assets available to meet cash needs for general expenditures and missions within one year	<u>\$ 765,613</u>	<u>\$ 741,479</u>

NOTE 9 – Information about Liquidity:

The Organization has cash and receivables at year end totaling \$765,613, which are available to use to meet the future needs of the Organization's general operating and mission expenses. The Organizations target was to have liquid assets available to fund operations for one year which is estimated to be \$600,000, which was achieved.

NOTE 10 - Subsequent Events:

Management has evaluated subsequent events through November 5, 2019, the date on which the financial statements were available to be issued.