

GLOBAL SMILE FOUNDATION, INC.
FINANCIAL STATEMENTS
December 31, 2019 and 2018

GLOBAL SMILE FOUNDATION, INC.

Financial Statements

December 31, 2019 and 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, 2019 and 2018, and the related statements of activities and net assets, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Needham, Massachusetts
October 19, 2020**

GLOBAL SMILE FOUNDATION, INC.

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 961,535	\$ 800,774
Accounts receivable	--	516
Prepaid mission expenses	<u>49,818</u>	<u>56,409</u>
Total current assets	1,011,353	857,699
PROPERTY AND EQUIPMENT:		
Office equipment	30,349	30,349
Less: accumulated depreciation	<u>23,959</u>	<u>21,376</u>
Property and equipment, net	<u>6,390</u>	<u>8,973</u>
OTHER ASSETS:		
Security deposit	<u>700</u>	<u>700</u>
Total assets	<u>\$ 1,018,443</u>	<u>\$ 867,372</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	<u>\$ 16,617</u>	<u>\$ 36,905</u>
Total current liabilities	16,617	36,905
NET ASSETS:		
Net assets without donor restrictions	969,739	794,790
Net assets with donor restrictions	<u>32,087</u>	<u>35,677</u>
Total net assets	<u>1,001,826</u>	<u>830,467</u>
Total liabilities and net assets	<u>\$ 1,018,443</u>	<u>\$ 867,372</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.
Statements of Activities and Net Assets
December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Program revenue	\$ 777,459	\$ 32,087	\$ 809,546
Fundraising revenue	62,652	--	62,652
In-kind contributions	8,485,946	--	8,485,946
Net investment income	3,265	--	3,265
Miscellaneous income	1,711	--	1,711
Net assets released from restrictions	<u>35,677</u>	<u>(35,677)</u>	<u>--</u>
Total revenue and support	9,366,710	(3,590)	9,363,120
EXPENSES:			
Program services	9,122,361	--	9,122,361
Management & general	56,715	--	56,715
Fundraising	<u>12,685.00</u>	<u>--</u>	<u>12,685.00</u>
Total expenses	<u>9,191,761</u>	<u>--</u>	<u>9,191,761</u>
INCREASE (DECREASE) IN NET ASSETS	174,949	(3,590)	171,359
NET ASSETS, BEGINNING	<u>794,790</u>	<u>35,677</u>	<u>830,467</u>
NET ASSETS, ENDING	<u>\$ 969,739</u>	<u>\$ 32,087</u>	<u>\$ 1,001,826</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.
Statements of Activities and Net Assets
December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Program revenue	\$ 561,255	\$ 35,677	\$ 596,932
Fundraising revenue	6,855	--	6,855
In-kind contributions	7,274,511	--	7,274,511
Interest income	9,669	--	9,669
Net assets released from restrictions	<u>16,584</u>	<u>(16,584)</u>	<u>--</u>
Total revenue and support	7,868,874	19,093	7,887,967
EXPENSES:			
Program services	7,785,479	--	7,785,479
Management & general	49,756	--	49,756
Fundraising	<u>10,690</u>	<u>--</u>	<u>10,690</u>
Total expenses	<u>7,845,925</u>	<u>--</u>	<u>7,845,925</u>
INCREASE (DECREASE) IN NET ASSETS	22,949	19,093	42,042
NET ASSETS, BEGINNING	<u>771,841</u>	<u>16,584</u>	<u>788,425</u>
NET ASSETS, ENDING	<u>\$ 794,790</u>	<u>\$ 35,677</u>	<u>\$ 830,467</u>

See accompanying notes and independent auditors' report.

GLOBAL SMILE FOUNDATION, INC.

Statements of Functional Expenses

December 31, 2019

	Program Services	Management and		Fund-raising	Total
		General	General		
Airline travel	\$ 112,707	\$ --	\$ --	\$ --	\$ 112,707
Ground transportation	10,722	--	--	--	10,722
Mission expense hospital staff	8,485,946	--	--	--	8,485,946
Team lodging	167,285	--	--	--	167,285
Team meals	30,485	--	--	--	30,485
Medications and supplies	73,556	--	--	--	73,556
Internet/telephone	79	--	--	--	79
Miscellaneous	24,320	--	--	--	24,320
Payroll	145,049	36,262	--	--	181,311
Payroll taxes	9,581	4,106	--	--	13,687
Insurance	3,095	3,094	--	--	6,189
Depreciation	1,292	1,291	--	--	2,583
Professional fees	29,169	4,456	--	--	33,625
Office supplies and expenses	14,957	3,739	--	--	18,696
Rent	13,800	3,450	--	--	17,250
Utilities	318	317	--	--	635
Accommodations	--	--	--	12,685	12,685
	<u>\$ 9,122,361</u>	<u>\$ 56,715</u>	<u>\$ 12,685</u>	<u>\$ 12,685</u>	<u>\$ 9,191,761</u>

See accompanying notes and independent auditors' report

GLOBAL SMILE FOUNDATION, INC.
Statements of Functional Expenses
December 31, 2018

	Program Services	Manage- ment and General	Fund- raising	Total
Airline travel	\$ 79,963	\$ --	\$ --	\$ 79,963
Ground transportation	28,706	--	--	28,706
Mission expense hospital staff	7,259,073	--	--	7,259,073
Team lodging	112,784	--	--	112,784
Team meals	51,480	--	--	51,480
Medications and supplies	53,795	--	--	53,795
Internet/telephone	185	--	--	185
Strategic planning	3,500	--	--	3,500
Miscellaneous	260	--	--	260
Payroll	115,082	28,771	--	143,853
Payroll taxes	8,282	3,550	--	11,832
Insurance	2,875	2,875	--	5,750
Depreciation	1,027	1,026	--	2,053
Professional fees	39,280	6,000	--	45,280
Office supplies and expenses	17,409	4,352	--	21,761
Rent	11,460	2,865	--	14,325
Utilities	318	317	--	635
Accommodations	--	--	10,690	10,690
	<u>\$ 7,785,479</u>	<u>\$ 49,756</u>	<u>\$ 10,690</u>	<u>\$ 7,845,925</u>

See accompanying notes and independent auditors' report
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GLOBAL SMILE FOUNDATION, INC.

Statements of Cash Flows

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 171,359	\$ 42,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,583	2,053
Donated securities	(16,445)	--
Realized (gain) loss on investments	5,618	--
Non-cash contributions	(8,485,946)	(7,274,511)
Non-cash expenditures	8,485,946	7,274,511
Changes in:		
Accounts receivable	516	(516)
Prepaid expenses	6,591	(4,731)
Accounts payable	(20,288)	10,512
	<hr/>	<hr/>
Net cash provided (used) by operating activities	149,934	49,360
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	10,827	--
Purchase of property and equipment	--	(6,649)
	<hr/>	<hr/>
Net cash provided (used) investing activities	10,827	(6,649)
NET INCREASE IN CASH AND CASH EQUIVALENTS	 160,761	 42,711
CASH - Beginning of year	 <hr/> 800,774	 <hr/> 758,063
CASH - End of year	 <hr/> <hr/> \$ 961,535	 <hr/> <hr/> \$ 800,774
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, 2019 and 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 2019, the Organization conducted 8 missions; El Salvador, (2) Lebanon, (3) Ecuador, and Peru, which included a second mission to Peru for a Cleft Workshop.

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, 2019, the Organization's uninsured cash balances total \$257,618.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2019 and 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, 2019 and 2018 was \$2,583 and \$2,053, 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 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, 2017 through 2019 are subject to examination by the respective authorities.

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).

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, together with related payroll taxes, which are allocated on the basis of estimates of time and effort. Other costs such as professional and other outside services, printing and mailing costs, information technology, travel, and other costs, which are allocated on the basis of actual costs attributable to that expense category and program or supporting function.

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2019 and 2018

(Continued)

NOTE 3 – Net Assets with Donor Restrictions:

During 2019, the Organization received \$32,087 in cash contributions for missions to be conducted in 2020, and in 2018 the Organization received \$35,677 for missions in 2019.

NOTE 4 - Prepaid Mission Expenses:

At December 31, 2019, the Organization had paid airfare and mission expenses of \$44,417, which relate to mission trips in 2020, and \$56,409 in 2018 that related to missions in 2019.

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, 2019 and 2018, the Organization received donations such as rent, equipment, supplies, lodging, and airfare with combined values of \$17,028 and \$15,438, respectively. During the year ended December 31, 2019 and 2018, the Organization was provided with medical services including the services of skilled surgical volunteer labor, valued at \$8,468,918 and \$7,259,073, respectively.

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 2019 and 2018, twelve and ten individual donors made donations in the amount of \$299,278 and \$258,200, respectively, which made up approximately 34% and 43%, respectively, 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, 2019 and 2018 was \$17,250 and \$14,325, respectively. Future minimum lease payments under the lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 18,600
2021	13,950
Thereafter	--
Total	<u>\$ 32,550</u>

GLOBAL SMILE FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2019 and 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 961,535	\$ 800,774
Accounts receivable	-	516
Less: donor restrictions for purpose and time	<u>(32,087)</u>	<u>(35,677)</u>
Total financial assets available to meet cash needs for general expenditures and missions within one year	<u>\$ 929,448</u>	<u>\$ 765,613</u>

The Organization receives major support from contributions with donor restrictions which require resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 – Subsequent Events:

ASC 855-10, "Subsequent events" defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent to June 30, 2020 to October 19, 2020 which is the date the financial statements were available to be issued. Management continues to monitor the Covid-19 outbreak, however, as of the date of these financial statements, the potential future impact of the outbreak on the Organization's business cannot be quantified.

NOTE 11 – Subsequent Events Covid-19:

During the fiscal year the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Organization's donors, members, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Organization's services and harm the Organization's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Organization's business cannot be quantified.