

Raffol and Company, Inc.
Certified Public Accountants

Kenneth J. Raffol, CPA, MST • Jonathan R. Vitale, CPA, MSA

GLOBAL SMILE FOUNDATION, INC.



Financial Statements

For the Years Ended December 31, 2021 and 2020

GLOBAL SMILE FOUNDATION, INC.

Financial Statements

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Independent Auditors' Report

To the Board of Directors
Global Smile Foundation, Inc.
Norwood, Massachusetts

Opinion

We have audited the accompanying financial statements of Global Smile Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Global Smile Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Smile Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Global Smile Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Smile Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Needham, Massachusetts

September 26, 2022

GLOBAL SMILE FOUNDATION, INC.

Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 1,196,472	\$ 1,067,685
Accounts receivable	-	60,420
Prepaid expenses	18,528	45,961
Property and equipment, net	3,367	4,072
Security deposit	-	700
<i>Total assets</i>	<u>\$ 1,218,367</u>	<u>\$ 1,178,838</u>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable	\$ 21,186	\$ 24,021
Accrued expenses	6,000	5,793
Refundable advance, PPP loan	-	37,773
Deferred mission revenue	-	10,218
<i>Total liabilities</i>	<u>27,186</u>	<u>77,805</u>
Net Assets:		
Without donor restrictions	<u>1,191,181</u>	<u>1,101,033</u>
<i>Total net assets</i>	<u>1,191,181</u>	<u>1,101,033</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,218,367</u>	<u>\$ 1,178,838</u>

GLOBAL SMILE FOUNDATION, INC.

Statements of Activities and Changes in

Net Assets Without Donor Restrictions

For the Years Ended December 31, 2021 and 2020

	<i>2021</i>	<i>2020</i>
Revenue and Support:		
Contributions and grants	\$ 542,542	\$ 547,603
Governemnt grant, PPP loan	37,773	-
Program service fees	158,349	624
Fundraising revenue	77,348	58,496
In-kind equipment	57,816	41,101
In-kind medical services	12,777,400	2,983,945
Net investment income	224	2,396
	<i>Total revenue and support</i>	3,634,165
Expenses:		
Program services	13,458,899	3,420,388
General and administration	91,304	74,483
Fundraising	11,101	8,000
	<i>Total expenses</i>	3,502,871
	<i>Changes in net assets</i>	131,294
Net Assets, beginning of year	1,101,033	969,739
Net assets, end of year	\$ 1,191,181	\$ 1,101,033

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Statements of Functional Expenses

For the Years Ended December 31, 2021 and 2020

	<i>2021</i>				<i>2020</i>			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 172,103	\$ 43,026	\$ -	\$ 215,129	\$ 145,981	\$ 36,495	\$ -	\$ 182,476
Payroll taxes	10,828	2,707	-	13,535	9,178	2,295	-	11,473
Fringe Benefits	6,749	1,687	-	8,436	-	-	-	-
Total payroll and related expenses	189,680	47,420	-	237,100	155,159	38,790	-	193,949
Airline travel	60,314	-	-	60,314	56,519	-	-	56,519
Ground transportation	12,102	-	-	12,102	6,109	-	-	6,109
In-kind equipment	57,816	-	-	57,816	41,101	-	-	41,101
In-kind medical services	12,777,400	-	-	12,777,400	2,983,945	-	-	2,983,945
Team lodging	161,742	-	-	161,742	48,904	-	-	48,904
Team meals	16,408	-	-	16,408	7,182	-	-	7,182
Medications and supplies	29,470	-	-	29,470	8,373	-	-	8,373
Internet/telephone	7,725	-	-	7,725	7,257	-	-	7,257
Miscellaneous	1,276	-	-	1,276	-	-	-	-
Insurance	3,246	3,246	-	6,492	2,730	2,730	-	5,460
Depreciation	993	994	-	1,987	1,159	1,159	-	2,318
Professional fees	2,607	4,842	-	7,449	3,783	7,026	-	10,809
Consultants	32,635	8,159	-	40,794	21,488	5,372	-	26,860
Advertising	18,901	4,725	-	23,626	6,014	1,504	-	7,518
Bank service charges	8,859	2,215	-	11,074	7,558	1,889	-	9,447
Online platform commissions	5,036	1,259	-	6,295	4,309	1,077	-	5,386
Dues and subscriptions	492	123	-	615	416	104	-	520
Taxes and licenses	138	35	-	173	2,686	671	-	3,357
Office supplies and expenses	24,058	6,014	-	30,072	17,073	4,268	-	21,341
Website	1,487	372	-	1,859	3,748	937	-	4,685
Software and computer expenses	30,870	7,717	-	38,587	19,477	4,869	-	24,346
Rent	15,280	3,820	-	19,100	15,080	3,770	-	18,850
Utilities	364	363	-	727	318	317	-	635
Fundraising expenses	-	-	11,101	11,101	-	-	8,000	8,000
Total expenses	\$ 13,458,899	\$ 91,304	\$ 11,101	\$ 13,561,304	\$ 3,420,388	\$ 74,483	\$ 8,000	\$ 3,502,871

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<i>2021</i>	<i>2020</i>
Cash Flows from Operating Activities:		
Change in net assets	\$ 90,148	\$ 131,294
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,987	2,318
Forgiveness of indebtedness, PPP loan	(37,773)	-
Changes in:		
Accounts receivable	60,420	(60,420)
Prepaid expenses	27,433	3,857
Accounts payable	(2,835)	7,404
Accrued expenses	207	5,793
Security deposit	700	-
Deferred mission revenue	(10,218)	(21,869)
<i>Net cash provided by operating activities</i>	130,069	68,377
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,282)	-
<i>Net cash used in investing activities</i>	(1,282)	-
Cash Flows from Financing Activities:		
Proceeds from refundable advance, PPP	-	37,773
<i>Net cash provided by financing activities</i>	-	37,773
<i>Net increase in cash and cash equivalents</i>	128,787	106,150
Cash and cash equivalents, beginning of year	1,067,685	961,535
Cash and cash equivalents, end of year	\$ 1,196,472	\$ 1,067,685

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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 2021 and 2020, the Organization conducted 3 and 3 missions, respectively, in El Salvador, Lebanon, Ecuador, and a mission in Istanbul and Chennai for Cleft Workshops.

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. Revenues are recognized when the services are performed, and expenses are recorded as incurred.

Financial Statement 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.

Use of Estimates and Assumptions

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 (FDIC) up to \$250,000. At December 31, 2021 and 2020, the Organization's uninsured cash balances totaled \$490,676 and \$567,686, respectively.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Deferred Revenue

Contributions: The Organization recognizes contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

Exchange transactions: Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606") on December 1, 2020 using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization applies Topic 606 to exchange transactions in which it receives consideration for products or services offered. Under U.S. GAAP, these arrangements are exchange transactions between The Organization and the customers participating in the Organization's programs or using their services.

The following is a discussion of key revenue streams within the scope of Topic 606. The Organization provides medical procedures to individuals in need at no cost. The Organization's donated revenue are recognized immediately upon the completion of the mission, any future mission's revenue is deferred until completion of the mission.

Contributed goods and services: The Organization records in-kind goods and goods as expenses upon receipt or performance. All donated goods and services are utilized within the Organization's programs and are recorded as revenue and offsetting expense upon receipt. Contributions are recognized at the estimated fair market value when received. The amounts reflected in the accompanying financial statements as "in-kind revenue" are offset by amounts included in expenses.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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 statements 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 computed using the straight-line method calculated to extinguish the book value of the respective assets over their estimated useful lives, which are as follows:

Leasehold improvements	Remaining life of lease
Equipment	5-10 years
Motor vehicles	5 years

Advertising

The Organization expenses advertising costs as they are incurred.

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 2008.

New Accounting Pronouncements

The Organization is currently reviewing the implementation of ASU No. 2016-02 *Leases (Topic 842)* for the year end December 31, 2022, which requires the Organization to capitalize any operating leases which are greater than 12-months as an asset and liability on the statement of financial position and amortize the lease over the term of the lease on a straight-line basis. Finance leases have both an interest factor and depreciation of the lease asset. Non-lease components of monthly payment are a consideration, and the standard allows a practical expedient to lessees to no account for non-lease components separately. This ASU is required for fiscal years beginning after December 15, 2021.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Professional fees, salary, payroll taxes and benefits are allocated depending on time and effort. Depreciation is allocated across the useful life of the assets. Rent is allocated in accordance with square footage used by full time equivalents.

The following functional expenses are directly allocated to the programs, projects and departments as they are utilized:

- Meeting expenses
- Program supplies
- Postage and delivery
- Printing

The following functional expenses are allocated depending on time and effort:

- Office supplies
- Payroll taxes and benefits
- Professional fees
- Rent
- Salary
- Telephone

Note 3. Prepaid Mission Expenses

At December 31, 2021 and 2020, the Organization had paid airfare and mission expenses of \$18,528 and \$45,681, respectively, 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 years ended December 31, 2021 and 2020, the Organization received donations such as rent, equipment, supplies, lodging, and airfare with combined values of \$57,816 and \$41,101, respectively. During the years ended December 31, 2021 and 2020, the Organization was provided with medical services, including the services of skilled surgical volunteer labor, valued at \$12,777,400 and \$2,983,945, respectively. All in-kind donations and services are utilized within the Organization's missions.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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 ended December 31, 2021, 16 individual donors combined made donations in the amount of \$500,115, which made up approximately 64% of the Organization's total revenue (excluding in-kind donations). For the year ended December 31, 2020, 10 individual donors combined made donations in the amount of \$315,547, which made up approximately 52% of the Organization's total revenue (excluding in-kind donations). The Organization is dependent upon the contribution of services from highly skilled medical doctors, dentists, and nurses.

Note 6. Advertising

The Organization using advertising to promote its programs. The Organization's policy is to expense advertising costs as they are incurred. The advertising expense for the years ended December 31, 2021 and 2020 was \$23,626 and \$7,519, respectively.

Note 7. Leasing Arrangements

On October 1, 2018, the Organization renewed its Norwood, Massachusetts office lease for an additional three years, expiring on September 30, 2021, with monthly lease payments of approximately \$1,400.

On September 3, 2021, the Organization signed a five-year office lease at 106 Access Road, Norwood, which will expire on September 30, 2026.

Rent expense for the years ended December 31, 2021 and 2020 was \$19,100 and \$18,850, respectively.

Future minimum lease payments under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 36,270
2023	37,358
2024	38,479
2025	39,633
2026	30,389
Total	\$ <u>182,129</u>

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 8. *Liquidity and Availability of Financial Assets*

The following reflects the Organization's financial assets based on the statements of financial position, reduced by amounts not available for general use within one year of the statement of financial position as of December 31, 2021:

Cash and cash equivalents	\$	1,196,472
Accounts receivable		<u>-</u>
<i>Total financial assets available to meet cash needs for general expenditures and missions within one year</i>		<u>\$</u> 1,196,472

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 9. *Property and Equipment*

Property and equipment and accumulated depreciation account balances at December 31, are as follows:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 31,631	\$ 30,349
Accumulated depreciation	<u>(28,264)</u>	<u>(26,277)</u>
<i>Property and equipment, net</i>	<u>\$ 3,367</u>	<u>\$ 4,072</u>

For the years ended December 31, 2021 and 2020, the depreciation expense was \$1,987 and \$2,318, respectively.

Note 10. *Paycheck Protection Program Loan Forgiveness*

The Organization was granted a first-round loan from a bank for \$37,773 on November 4, 2020, pursuant to the PPP, which was entirely forgiven during the year. Therefore, the loan is reported as revenue for the year ended December 31, 2021.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 11. Additional Disclosure of Cash Flow Information

	<u>2021</u>	<u>2020</u>
Contributions of donated services	\$ 12,777,400	\$ 2,983,945
Contributions of donated goods	57,816	41,101

Note 12. 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 evaluated events that occurred after December 31, 2021, the date of the statement of financial position, but before the date the financial statements were available to be issued, September 26, 2022, for potential recognition or disclosure in the financial statements. The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, the disruption of the Organization's programs.