

Consolidated Financial Statements and
Supplementary Information Together
with Report of Independent Certified
Public Accountants

Smile Train, Inc. and Affiliates

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Smile Train, Inc. and Affiliates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Smile Train, Inc. and Affiliates (“Smile Train”), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Smile Train’s preparation and fair presentation of the consolidated 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 Smile Train’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smile Train, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities as of and for the year ended June 30, 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York
March 28, 2022

Smile Train, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 18,343,369	\$ 27,293,287
Investments - board-designated operating reserve	95,350,506	99,682,338
Investments - board-designated endowment fund	293,474,412	217,990,030
Investments - donor-designated endowment fund	5,140,252	4,008,195
Contributions receivable	2,224,764	1,092,071
Goodwill	1,457,346	-
Inventory	40,332	-
Prepaid expenses and other assets	2,156,663	1,533,176
Property and equipment, net	20,639,957	20,455,195
Total assets	\$ 438,827,601	\$ 372,054,292
LIABILITIES AND NET ASSETS		
Liabilities		
Grants and contracts payable	\$ 5,076,585	\$ 4,942,377
Accounts payable and accrued expenses	6,318,249	6,376,929
Total liabilities	11,394,834	11,319,306
Net assets		
Without donor restrictions		
Board-designated operating reserve	95,350,506	99,682,338
Board-designated endowment fund	293,474,412	217,990,030
Undesignated	31,244,066	36,970,132
Total without donor restrictions	420,068,984	354,642,500
With donor restrictions	7,363,783	6,092,486
Total net assets	427,432,767	360,734,986
Total liabilities and net assets	\$ 438,827,601	\$ 372,054,292

The accompanying notes are an integral part of these consolidated financial statements.

Smile Train, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 89,736,752	\$ 5,936,849	\$ 95,673,601
Contributions in-kind	49,358,725	-	49,358,725
Investment income, net	65,994,247	934,356	66,928,603
Other income	348,407	-	348,407
Gain in currency transactions	244,689	-	244,689
Net assets released from restriction			
Satisfaction of purpose restrictions	5,599,908	(5,599,908)	-
Total support and revenue	211,282,728	1,271,297	212,554,025
Expenses			
Program services			
Treatment	94,925,783	-	94,925,783
Training	3,253,775	-	3,253,775
Public education	14,843,415	-	14,843,415
Total program services	113,022,973	-	113,022,973
Support services			
Management and general	3,380,884	-	3,380,884
Fundraising	29,452,387	-	29,452,387
Total supporting services	32,833,271	-	32,833,271
Total expenses	145,856,244	-	145,856,244
CHANGES IN NET ASSETS	65,426,484	1,271,297	66,697,781
Net assets, beginning of year	354,642,500	6,092,486	360,734,986
Net assets, end of year	\$ 420,068,984	\$ 7,363,783	\$ 427,432,767

The accompanying notes are an integral part of this consolidated financial statement.

Smile Train, Inc. and Affiliates
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 87,991,340	\$ 11,073,172	\$ 99,064,512
Contributions in-kind	54,748,299	-	54,748,299
Investment income, net	8,826,309	7,982	8,834,291
Other income	278,653	-	278,653
Loss in currency transactions	(172,951)	-	(172,951)
Net assets released from restriction			
Satisfaction of purpose restrictions	5,696,628	(5,696,628)	-
	<u>157,368,278</u>	<u>5,384,526</u>	<u>162,752,804</u>
Total support and revenue			
Expenses			
Program services			
Treatment	96,905,504	-	96,905,504
Training	1,812,587	-	1,812,587
Public education	12,094,084	-	12,094,084
	<u>110,812,175</u>	<u>-</u>	<u>110,812,175</u>
Total program services			
Support services			
Management and general	3,174,158	-	3,174,158
Fundraising	26,245,987	-	26,245,987
	<u>29,420,145</u>	<u>-</u>	<u>29,420,145</u>
Total supporting services			
Total expenses	<u>140,232,320</u>	<u>-</u>	<u>140,232,320</u>
CHANGES IN NET ASSETS	<u>17,135,958</u>	<u>5,384,526</u>	<u>22,520,484</u>
Net assets, beginning of year	<u>337,502,542</u>	<u>707,960</u>	<u>338,210,502</u>
Net assets, end of year	<u>\$ 354,638,500</u>	<u>\$ 6,092,486</u>	<u>\$ 360,730,986</u>

The accompanying notes are an integral part of this consolidated financial statement.

Smile Train, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	Program Services				Supporting Services			
	Treatment	Training	Public Education	Total	Management and General	Fundraising	Total	Total
Grants	\$ 12,728,959	\$ 2,604,895	\$ 2,323,067	\$ 17,656,921	\$ -	\$ -	\$ -	\$ 17,656,921
Contracts with treatment partners	74,414,978	-	-	74,414,978	-	-	-	74,414,978
Medical advisory services	1,386,300	-	-	1,386,300	-	-	-	1,386,300
Salaries and employee benefits	2,708,691	445,721	640,262	3,794,674	2,113,717	5,998,581	8,112,298	11,906,972
Professional fees	2,053,790	86,850	71,505	2,212,145	618,207	932,981	1,551,188	3,763,333
Rents	126,838	11,008	9,063	146,909	220,323	87,891	308,214	455,123
Office expenses	424,947	48,285	39,754	512,986	283,234	426,927	710,161	1,223,147
Repairs and maintenance	296,897	10,054	8,278	315,229	24,204	118,254	142,458	457,687
Travel, food, and other	279,478	317	261	280,056	2,285	19,598	21,883	301,939
Marketing and fundraising infrastructure	20,616	-	6,601,336	6,621,952	6,349	10,612,372	10,618,721	17,240,673
Advertising	1,734	-	5,111,485	5,113,219	-	10,896,634	10,896,634	16,009,853
Depreciation and amortization	482,555	46,645	38,404	567,604	112,565	359,149	471,714	1,039,318
Total	<u>\$ 94,925,783</u>	<u>\$ 3,253,775</u>	<u>\$ 14,843,415</u>	<u>\$ 113,022,973</u>	<u>\$ 3,380,884</u>	<u>\$ 29,452,387</u>	<u>\$ 32,833,271</u>	<u>\$ 145,856,244</u>

The accompanying notes are an integral part of this consolidated financial statement.

Smile Train, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services				Supporting Services			
	Treatment	Training	Public Education	Total	Management and General	Fundraising	Total	Total
Grants	\$ 11,019,378	\$ 1,213,541	\$ 1,314,529	\$ 13,547,448	\$ -	\$ -	\$ -	\$ 13,547,448
Contracts with treatment partners	78,134,241	-	-	78,134,241	-	-	-	78,134,241
Medical advisory services	1,355,891	-	-	1,355,891	-	-	-	1,355,891
Salaries and employee benefits	2,454,016	417,983	639,633	3,511,632	1,977,120	5,206,217	7,183,337	10,694,969
Professional fees	1,836,745	59,289	46,367	1,942,401	518,706	833,999	1,352,705	3,295,106
Rents	138,098	12,237	9,570	159,905	191,639	103,646	295,285	455,190
Office expenses	410,992	47,826	37,404	496,222	199,466	452,591	652,057	1,148,279
Repairs and maintenance	463,413	12,350	9,658	485,421	33,796	102,944	136,740	622,161
Travel, food, and other	718,021	2,840	2,221	723,082	10,299	213,054	223,353	946,435
Marketing and fundraising infrastructure	523	-	6,987,897	6,988,420	127,890	12,100,976	12,228,866	19,217,286
Advertising	7,986	-	3,010,424	3,018,410	-	6,843,275	6,843,275	9,861,685
Depreciation and amortization	366,200	46,521	36,381	449,102	115,242	385,285	500,527	949,629
Total	<u>\$ 96,905,504</u>	<u>\$ 1,812,587</u>	<u>\$ 12,094,084</u>	<u>\$ 110,812,175</u>	<u>\$ 3,174,158</u>	<u>\$ 26,241,987</u>	<u>\$ 29,416,145</u>	<u>\$ 140,228,320</u>

The accompanying notes are an integral part of this consolidated financial statement.

Smile Train, Inc. and Affiliates
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30,

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 66,697,781	\$ 22,524,484
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,039,318	949,629
Net appreciation on investments	(61,831,188)	(3,329,144)
Donated securities	(633,477)	(614,802)
Donated mineral rights	(19,200)	-
(Increase) decrease in contributions receivable	(1,132,693)	104,127
(Increase) decrease in prepaid expenses and other assets	(604,287)	315,640
Increase in grants and contracts payable	134,208	1,013,475
(Decrease) increase in accounts payable and accrued expenses	(58,680)	2,058,728
	3,591,782	23,022,137
Cash flows from investing activities:		
Purchases of investments	(204,840,062)	(330,617,301)
Proceeds from sale of investments	195,020,120	318,657,355
Acquisition of Simulare Medical Corp	(1,497,678)	-
Purchases of property and equipment	(1,224,080)	(1,135,069)
	(12,541,700)	(13,095,015)
Net cash provided by operating activities	3,591,782	23,022,137
Net cash used in investing activities	(12,541,700)	(13,095,015)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,949,918)	9,927,122
Cash and cash equivalents, beginning of year	27,293,287	17,366,165
Cash and cash equivalents, end of year	\$ 18,343,369	\$ 27,293,287

The accompanying notes are an integral part of these consolidated financial statements.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION

Nature of Operations

Smile Train, Inc. and Affiliates (“Smile Train”) is an international children’s charity with a sustainable approach to a single, solvable problem: cleft lip and palate. Many children with clefts around the world live in isolation, but more importantly, have difficulty eating, breathing, hearing and speaking. Cleft repair surgery is simple, and the transformation is immediate. Our sustainable model provides training, funding and resources to empower local doctors in 90+ developing countries to support 100% free cleft repair surgery and comprehensive cleft care in their own communities.

The Smile Train UK (“UK”), a non-profit organization, was incorporated in March 2006 under the laws of the United Kingdom as an affiliate of Smile Train, Inc. The Smile Train UK Trading Company Limited was incorporated in June 2014 under the Companies Act 2006 as a private company that is limited by shares with UK as the sole member.

The Smile Train India (“India”) was incorporated in August 2009 as a not-for-profit company under Section 25 of the Indian Companies Act 1956 as an affiliate of Smile Train, Inc.

The Smile Train Stiftung (“Germany”) was incorporated in October 2008 under civil law.

The Smile Train, Inc. Beijing Representative Office (“BRO”) was established in December 2013 as a non-governmental organization in China.

Yayasan Smile Train Indonesia (“Indonesia”) was incorporated as a Foundation in October 2014 pursuant to Pancasila and the 1945 Constitution of the Republic of Indonesia.

Smile Train Inc. established a branch office in the International Humanitarian City, Dubai, UAE in December 2014.

Smile Train Philippines Foundation, Inc. (“Philippines”) was incorporated as a non-stock, non-profit organization in April 2016 in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg.68).

Associação Smile Train Brasil (“Brazil”) was incorporated in June 2015 as a private, non-profit organization, organized under Brazilian Laws for charitable and philanthropic purposes.

Fundación Smile Train Mexico, AC (“Mexico”), was incorporated in February 2017 as a Civil Association (charitable organization) under the laws of Mexico.

Simulare Medical Inc. (“Simulare”) was incorporated in October 2020 as a not-for-profit corporation under the laws of Canada.

UK, India, Germany, BRO, Indonesia, Philippines, Brazil, Mexico, and Simulare’s objectives are congruent with Smile Train’s mission. These objectives are achieved through an ongoing marketing campaign used to raise awareness and receive donations within the United Kingdom, India, Germany, Indonesia, Philippines, Brazil, Mexico, and Canada. Donations, net of related costs, are then made to Smile Train, which has the infrastructure in place to carry out the collective mission.

Smile Train Real Estate LLC (“Real Estate”) was formed in March 2017 for the purpose of holding certain real estate assets, which were transferred to Real Estate from Smile Train, Inc. during the year ended June 30, 2017. Real Estate is a disregarded entity for tax purposes with Smile Train, Inc. being its sole corporate member. The net assets of Real Estate are reflected within the net assets and activities of Smile

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Train, Inc. on the accompanying consolidating schedules of financial position and activities and changes in net assets.

The Smile Train (“Kenya”), Smile Train France (“France”), Smile Train International, LLC, and The Smile Train Canada Foundation (“Canada Foundation”) are also affiliates of Smile Train, Inc. Kenya was formed in October 2006 as a charity under the laws of the country. France was incorporated in October 2008 as a charity organization under the laws of the country. Smile Train International, LLC was formed in August 2013, exclusively to carry out the charitable and educational purposes of its sole member, Smile Train, Inc. Canada Foundation was incorporated in September 2016 as a corporation without share capital under the Canada Corporations Act. These affiliates did not have any operating activities during the years ended June 30, 2021 and 2020.

Tax Status

The Internal Revenue Service has recognized Smile Train, Inc. as a public charity exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code” or “IRC”). Smile Train has likewise obtained exemption from state and local taxes in New York and some other jurisdictions in which it operates.

The Smile Train UK is a registered charity and as such is potentially exempt from taxation on its income and gains, to the extent that they fall within the charity exemptions in the Corporation Tax Act 2010 or Section 256 Taxation of Chargeable Gains Act 1992. During the years ended June 30, 2021 and 2020, no tax charges arose from the charity’s commercial trading activities. The Smile Train UK Trading Company Limited is a private company and was established to carry the commercial trading activities of its sole member, The Smile Train UK.

Smile Train India is registered with the Indian Revenue Service in India but has no taxable income. Donations to this subsidiary are eligible for tax deductibility to the extent of 50% under Section 80G of the Indian Income Tax Act.

According to the certificate from the tax office in Munich, Germany, Smile Train Stiftung is recognized as a charitable foundation. Smile Train Stiftung exclusively and immediately serves non-profitable purposes according to Art. 51 et seqq. of the German fiscal code.

Yayasan Smile Train Indonesia is a non-profit institution in accordance with the Law Number 16 of 2001 as amended by Law Number 28 of 2004 concerning Foundations and all its amendment.

The Smile Train, Inc. Beijing Representative Office (“BRO”) is a non-governmental organization and is subject to enterprise income tax and business tax pursuant to the Provisional Regulations of the People’s Republic of China. The BRO has been approved to use the actual income and costs and expenses tax return declaration method of the State Council which results in zero tax liability due to the nature of the BRO’s activities.

Smile Train Philippines Foundation, Inc. is registered as a non-stock, non-profit organization, governed under Section 30(E) of the Republic Act No. 8424, “An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes.” The receipts from activities conducted in pursuit of the objectives for which the Philippines was established are exempt from income tax. However, any income arising from its real or personal properties, or from activities conducted for profit, regardless of the disposition made of such income, is subject to income tax.

Smile Train Mexico has been authorized as a non-profit entity (donataria autorizada) by the Tax Service Administration (Servicio de Administracion Tributaria) and its revenue is exempt from income tax.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Simulare is incorporated under the Canada Not-for-profit Corporations Act and generally is exempt from paying income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The classification of Smile Train's net assets are based on the existence or absence of donor-imposed restrictions. Amounts for each of the two classes of net assets (with donor restrictions and without donor restrictions) are displayed in the accompanying consolidated statements of financial position and changes in each of those classes of net assets are displayed in the accompanying consolidated statements of activities and changes in net assets. The consolidated financial statements of Smile Train have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require Smile Train to report information regarding its consolidated financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The net assets without donor restrictions may be used at the discretion of Smile Train's management and the Board of Directors.

During a fiscal year 2018 meeting of the Smile Train Board of Directors, the Board by resolution established a "Quasi-Endowment Fund using all funds in excess of \$90 million currently held in Smile Train's general portfolio." At that same meeting, it was also resolved that 1 to 1.5 years of all-in operating budget would be maintained as an operating reserve, and that the operating reserve would not invest in alternative investments in order to ensure liquidity and minimize volatility. The Investment Committee of the Board of Directors is currently considering a spending policy, which is to be determined at a future Board meeting.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that will be met by actions of Smile Train and/or the passage of time. When a donor-imposed restriction is fulfilled or when a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Other net assets with donor restrictions that are subject to donor-imposed restrictions whereby the corpus must be maintained in perpetuity by Smile Train, allow Smile Train to use the all or part of the income earned on related investments for general purposes or donor restricted purposes.

The consolidated financial statements include the accounts of Smile Train and its affiliates, UK, India Germany, Indonesia, Philippines, Brazil, Mexico and Simulare. All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Smile Train considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except for those amounts that are held in the investment portfolio which are considered to be invested for long-term purposes.

Concentrations of Credit

Financial instruments which potentially subject Smile Train to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Smile Train maintains cash and cash equivalents and

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

investments in depository accounts with creditworthy, high-quality financial institutions which, at times, may exceed federally insured limits. Smile Train has not experienced, nor does it anticipate, any losses with respect to such accounts and believes it is not exposed to any significant credit risk related to its cash, cash equivalents or investments.

Investments

Investments are measured and reported at fair value. Changes in fair value are reported as net investment income in the accompanying consolidated statements of activities and changes in net assets.

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. The fair value of non-U.S. Treasury debt securities is determined by a nationally recognized independent pricing service.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities and changes in net assets in the period in which the securities are sold. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

The alternative investments are carried at net asset value ("NAV") per share as provided by the investment managers as of the reporting date. Smile Train's management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. In 2021 and 2020, these estimated fair values represented approximately 2% of total investments, each year.

All investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fair Value Measurements

Smile Train accounts for fair value measurements under the accounting standard that establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value:

- Level 1 - Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.
- Level 2 - Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others; and
- Level 3 - Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

Inputs are used in applying the various valuation techniques and broadly refer to the assumption that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Smile Train's management. Smile Train considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Smile Train's perceived risk of that instrument.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contributions revenue. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2021 and 2020, Smile Train's contributions receivable consisted of unconditional promises to give that are expected to be collected within one year and Smile Train was not aware of any conditional promises.

Goodwill

Goodwill represents the excess of the cost of the assets acquired over the fair value of the net assets at the date of acquisition (Note 3). Goodwill is not amortized and Smile Train will test for impairment annually, or more frequently if events or circumstances indicate that goodwill might be impaired. As of June 30, 2021, management believes that Goodwill is not impaired.

Inventory

Inventory primarily represents cleft lip and cleft palate surgical simulator components packaging and other supplies and is stated at the lower of weighted average cost or market.

Surgery Advances

Smile Train advances money to Smile Train partners to either establish or help sustain cleft treatment programs. Surgery advances are included in prepaid expenses and other assets in the accompanying consolidated statements of financial position.

Property and Equipment, net

Smile Train capitalizes property and equipment in excess of \$5,000, which are stated at cost less accumulated depreciation and amortization, including costs incurred related to the purchase and renovation of its condominium. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. Depreciation and amortization are calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from 3 to 39 years. Maintenance and repair costs are expensed as incurred.

Grants and Contracts Payable

Grants and contracts payable include all unconditional awards that have been authorized prior to Smile Train's fiscal year end, but remain unpaid as of June 30, 2021 and 2020. Conditional grants are expensed and considered an obligation in the period the conditions are substantially satisfied. Smile Train expensed approximately \$610,000 and \$0 of conditional grants during fiscal years 2021 and 2020, respectively. There

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

were approximately \$2,390,000 and \$0 of conditional grants authorized as of June 30, 2021 and 2020 respectively.

Contributions

Smile Train recognizes revenue from contributions and grants in accordance with Accounting Standards Update (“ASU”) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, Smile Train evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, Smile Train applies the guidance under ASC 606. If the transfer of assets is determined to be a contribution, Smile Train evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before Smile Train is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. During the year ended June 30, 2021 and 2020 there were no conditional pledges received by Smile Train.

Contributions are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor’s restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions In-Kind

Contributions in-kind include donated services, materials, use of facilities and equipment and are recorded at their fair value on the date of donation. Volunteers have also donated time to Smile Train’s program services and fundraising campaigns. These services were not reflected in the accompanying consolidated statement of activities and changes in net assets because they do not meet the necessary criteria for recognition under U.S. GAAP.

Advertising

Smile Train expenses the cost of advertising as incurred. Advertising expense was \$16,009,853 and \$9,861,685 for the years ended June 30, 2021 and 2020, respectively.

Smile Train received donated print, radio, online banners and television public service announcements with a fair value of \$4,900,000 and \$2,880,266 for the years ended June 30, 2021 and 2020, respectively. Such amounts, which are based upon information provided by third-party media services, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and public education program expense on the accompanying consolidated statements of activities and changes in net assets and functional expenses.

Donated Securities

Donated securities are promptly sold and recorded at their fair values as of the date they are received.

Functional Allocation

The costs of providing program services and other activities of Smile Train have been classified on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates the direct costs of its operations to its programs and services based upon the percentage of direct labor costs charged to each program and supporting services by Smile Train’s staff.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Foreign Currency Translation

The functional currencies for the UK, India, Germany, Indonesia, Philippines, Brazil, Mexico and Simulare are the pound sterling, Indian rupees, Euros, Indonesian rupiah, Philippine peso, Brazilian real, Mexican peso and Canadian dollar, respectively. All elements of the consolidated financial statements are translated using the appropriate exchange rate. For assets and liabilities, the exchange rate at the date of the consolidated statements of financial position is used. For support and revenues, expenses, and gains and losses, an appropriately weighted-average exchange rate for the period is used to translate those amounts.

Income Taxes

Smile Train, Inc. follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Smile Train, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Smile Train has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Smile Train has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

New Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the consolidated statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The effective date of this standard was deferred by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, and is now effective for Smile Train for fiscal year 2023. Smile Train is in the process of evaluating the impact this standard will have on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 will require not-for-profit entities to separately present contributed nonfinancial assets on the statement of activities and disclose enhanced qualitative and quantitative information. The

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

ASU is effective for annual periods beginning after June 15, 2022. Smile Train is currently evaluating the impact this standard will have on the consolidated financial statements.

NOTE 3 - ASSET ACQUISITION

On October 31, 2020, Simulare acquired the assets of Simulare Medical Corporation for total cash consideration of approximately \$1.4 million, including costs to complete the acquisition. As of the closing, the condensed statement of financial position of Simulare consisted of the following (U.S. dollars):

<u>Assets</u>	<u>As of October 31, 2020</u>
Current assets	
Inventory	\$ 37,500
Other current assets	-
Total current assets	37,500
Long-term assets	
Computer, software and equipment	7,500
Goodwill	1,355,000
Total long-term assets	1,362,500
Total assets	\$ 1,400,000

NOTE 4 - INVESTMENTS

Investments, held in Smile Train's board-designated operating reserve and endowment fund at June 30, 2021, and undesignated at June 30, 2020, are reported at fair value and consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,999,087	\$ 29,257,616
Equities - stocks and mutual funds	229,045,163	144,895,516
Fixed income - mutual funds	12,881,932	21,131,417
Real estate - mutual funds	2,065,961	1,036,388
Fixed income - government bonds	15,391,690	16,424,560
Fixed income - corporate bonds	119,042,236	102,386,561
Alternative assets - hedge funds	7,539,101	6,548,505
Total investments	\$ 393,965,170	\$ 321,680,563

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following tables provide the fair value hierarchy of Smile Train's investments as of June 30, 2021 and 2020:

	2021			Total
	Level 1	Level 2	Level 3	\$
Cash and cash equivalents				7,999,087
Equities - stocks	\$ 162,454,502	\$ -	\$ -	162,454,502
Equities - mutual funds:				
Domestic	59,665,101	-	-	59,665,101
International	6,925,560	-	-	6,925,560
Fixed income - mutual funds	12,881,932	-	-	12,881,932
Real estate - mutual funds	2,065,961	-	-	2,065,961
Commodities - mutual funds	-	-	-	-
Fixed income - government bonds	-	15,391,690	-	15,391,690
Fixed income - corporate bonds	-	119,042,236	-	119,042,236
Total	\$ 243,993,056	\$ 134,433,926	\$ -	378,426,982
Investments measured at NAV				7,539,101
Total investments				\$ 393,965,170
	2020			Total
	Level 1	Level 2	Level 3	\$
Cash and cash equivalents				29,257,616
Equities - stocks	\$ 92,712,365	\$ -	\$ -	92,712,365
Equities - mutual funds:				
Domestic	47,258,127	-	-	47,258,127
International	4,925,024	-	-	4,925,024
Fixed income - mutual funds	21,131,417	-	-	21,131,417
Real estate - mutual funds	1,036,388	-	-	1,036,388
Commodities - mutual funds	-	-	-	-
Fixed income - government bonds	-	16,424,560	-	16,424,560
Fixed income - corporate bonds	-	102,386,561	-	102,386,561
Total	\$ 167,063,321	\$ 118,811,121	\$ -	315,132,058
Investments measured at NAV				6,548,505
Total investments				\$ 321,680,563

Smile Train's equity securities and mutual funds trade on a major exchange. Accordingly, such equity securities and mutual funds are disclosed in Level 1 of the hierarchy.

The fixed income government bonds and fixed income corporate bonds employ a strategy of direct holdings of treasuries and fixed income positions to seek maximum total return consistent with the preservation of capital. The fair value estimates of such fixed income securities are based on observable market information rather than market quotes as of the measurement date. Accordingly, the estimates of fair value for such fixed income securities, are included in the fixed income securities amount disclosed in Level 2 of the hierarchy.

Smile Train invests in one hedge fund. This fund is not available to retail investors and is not publicly traded. The fair value estimate of this investment is based on NAV as provided by the respective investment manager. Because Smile Train uses NAV as a practical expedient for fair value, this investment is excluded from the fair value hierarchy.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Information with respect to redemption terms, strategies, risks and funding commitments for this investment as of June 30, 2021 and 2020 is as follows:

2021							
Strategy	Significant Investment Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Frequency	Redemption Notice Period	Redemption Restrictions
Citi Hedge Fund ^(a)	Multi-strategy fund of hedge funds portfolio	\$ 7,539,101	\$ -	None	Quarterly	90 calendar days	N/A

2020							
Strategy	Significant Investment Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Frequency	Redemption Notice Period	Redemption Restrictions
Citi Hedge Fund ^(a)	Multi-strategy fund of hedge funds portfolio	\$ 6,548,505	\$ -	None	Quarterly	90 calendar days	N/A

(a) The Citi hedge fund investment is a concentrated, multi-strategy fund of hedge fund portfolio that seeks to provide investors attractive long-term capital appreciation, with moderate volatility and correlation to the broad equity and fixed income markets. In order to manage the overall volatility of its investments, this series primarily invests with portfolio managers employing different investment strategies. Due to this investment objective, the investment is intended for investors who are willing to subject their principal to increased risk in order to potentially generate a greater rate of return. The investment has provisions for quarterly redemptions provided that notice is made in writing 90 days prior to the applicable withdrawal date.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following as of June 30:

	2021	2020
Condominium and improvements	\$ 19,715,112	\$ 19,613,906
Furniture and equipment	4,186,894	3,064,020
Total	23,902,006	22,677,926
Less: accumulated depreciation	(3,262,049)	(2,222,731)
Property and equipment, net	\$ 20,639,957	\$ 20,455,195

Depreciation and amortization expense was \$1,039,318 and \$949,629 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - GOODWILL

Goodwill relates to the fiscal year 2021 acquisition of Simulare, a leader in the development of key cleft simulation training technology. Goodwill consisted of \$1,457,346 and \$0 as of June 30, 2021 and 2020, respectively.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 7 - CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Grants and contracts with treatment partners	\$ 43,129,473	\$ 50,610,354
Medical advisory services	1,274,119	1,199,564
Consulting services	-	51,515
Software	46,300	-
Advertising	4,900,000	2,880,266
Medical supplies	8,833	6,600
Total contributions in-kind	\$ 49,358,725	\$ 54,748,299

Grants and contracts with treatment partners consist of hospitals, doctors, and other providers performing surgeries and related services that are compensated at contract rates that are below the rates they charge based on their respective fee schedules. Smile Train adopted the policy of determining contributions of their services based on the excess of the fair value rates established on their fee schedules over the contract rates negotiated between them and Smile Train.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 are as follows:

	2021	2020
Treatment program services	\$ 2,223,531	\$ 2,084,291
Donor-designated endowments	5,140,252	4,008,195
	\$ 7,363,783	\$ 6,092,486

Smile Train's donor-designated endowments consists of two funds, one established for the purpose of supporting growth of cleft surgeries worldwide, and the other established for the purpose of supporting education and training in the areas of cleft lip and palate.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	2021	2020
Treatment program services	\$ 5,599,908	\$ 5,694,128
Other	-	2,500
	\$ 5,599,908	\$ 5,696,628

NOTE 9 - ENDOWMENT FUNDS

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA applies to endowments and, among other things, updates requirements governing investment conduct, expenditure of funds, delegation of management and investment, and release or modification of restrictions. Accounting guidance issued by the FASB addresses the disclosure of endowment funds and addresses the net asset classification of endowment funds for organizations subject to the State enacted Prudent Management of Institutional Funds Act.

A key component of this guidance is a requirement to classify the portion of an endowment fund that is not classified as restricted net assets held in perpetuity as restricted net assets until appropriated for expenditure. In addition, the FASB issued guidance requiring new disclosures about an organization’s board-designated endowment funds.

Interpretation of Relevant Law

Smile Train’s Board of Directors has interpreted the NYPMIFA as requiring Smile Train, to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligations to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. Smile Train classifies the funds in the board-designated endowment fund as net assets without donor restrictions. Smile Train classifies the funds in the donor-designated endowment fund as net assets with donor restrictions. At June 30, 2021 and 2020, Smile Train has not spent below the historical dollar value of the endowment funds.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021	
	With Donor Restrictions	Without Donor Restrictions
Endowment net assets, beginning of year	\$ 4,008,195	\$ 217,990,030
Net appreciation (realized and unrealized)	934,356	65,234,382
Contributions	197,701	-
Transfer in (out), net	-	10,250,000
	\$ 5,140,252	\$ 293,474,412

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020	
	With Donor Restrictions	Without Donor Restrictions
Endowment net assets, beginning of year	\$ -	\$ 212,184,623
Net appreciation (realized and unrealized)	7,982	6,055,407
Contributions	4,000,213	-
Transfer in (out), net	-	(250,000)
Endowment net assets, end of year	\$ 4,008,195	\$ 217,990,030

NOTE 10 - ALLOCATION OF JOINT COSTS

Smile Train conducts direct mail campaigns and print advertising that include a program/educational component, along with the request for contributions. The costs of conducting these joint activities were allocated as follows:

	2021	2020
Program (education)	\$ 6,601,335	\$ 6,987,897
Fundraising	4,562,988	6,162,789
Total joint costs	11,164,323	13,150,686
Direct program	5,133,836	3,018,933
Direct fundraising	16,952,367	12,909,352
Total	\$ 33,250,526	\$ 29,078,971

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases

Smile Train has entered into various non-cancelable operating leases for its existing office locations, which expire at various dates through fiscal 2023.

As of June 30, 2021, the minimum future annual rental payments are as follows for the years ending June 30:

2022	\$ 121,910
2023	33,961
	\$ 155,871

Rent expense for Smile Train Inc. and its affiliates was \$455,123 and \$455,190 for the years ended June 30, 2021 and 2020, respectively.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Contingencies

In the normal course of its operations, Smile Train is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of Smile Train is not aware of any claims or contingencies that would have a material adverse effect on Smile Train's consolidated financial position, changes in net assets or cash flows.

NOTE 12 - RETIREMENT PLAN

Smile Train Inc. established a defined contribution retirement plan, which covers all eligible full-time employees. Smile Train matches 100% of employees' contributions up to 6% of an employee's salary. Smile Train's contributions for the years ended June 30, 2021 and 2020, were \$359,339 and \$321,456, respectively.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2021 and 2020, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2021	2020
Cash and cash equivalents	\$ 18,343,369	\$ 27,293,287
Investments	393,965,170	321,680,563
Contributions receivable	2,224,764	1,092,071
Total financial assets	414,533,303	350,065,921
Contractual or donor-imposed restrictions:		
Purpose or time restricted gifts	(2,223,531)	(2,084,291)
Donor-designated endowments	(5,140,252)	(4,008,195)
Board designations:		
Endowment funds	(293,474,412)	(217,990,030)
Operating reserve	(95,350,506)	(99,682,338)
Financial assets available to meet cash needs for general expenditures within one year	\$ 18,344,602	\$ 26,301,067

Smile Train examines liquidity required to meet its ongoing operating expenses regularly, considering all expenditures related to ongoing activities over a twelve-month period. Smile Train has an operating reserve that had a balance of approximately \$95.4 and \$99.7 million at June 30, 2021 and 2020, respectively. This is a governing board-designated reserve to fund operating needs with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity requirement. The target for this reserve is a total of \$90 million, which was determined based on management's judgment about the appropriate amount of funds to have set aside in addition to working capital. Additionally, Smile Train has board-designated endowment funds, as described in Note 9. Although Smile Train does not intend to receive disbursements from the operating reserve or board-designated endowment fund, these amounts could be made available to Smile Train through board resolution. Contributions receivable are expected to be collected within one year.

Smile Train, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2022, which is the date the consolidated financial statements were available to be issued.

Smile Train is not aware of any material subsequent events that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Smile Train, Inc. and Affiliates
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
As of June 30, 2021

	Smile Train, Inc.	Smile Train UK	Smile Train UK Trading Co.	Smile Train Brazil	Smile Train India	Smile Train Germany	Smile Train Indonesia	Smile Train Philippines	Smile Train Mexico	Simulare Medical	Eliminations	Total
ASSETS												
Cash and cash equivalents	\$ 13,882,873	\$ 1,361,033	\$ 16,898	\$ 107,941	\$ 1,909,732	\$ 323,539	\$ 478,026	\$ 108,838	\$ 97,273	\$ 57,216	\$ -	\$ 18,343,369
Investments - board-designated operating reserve	95,350,506	-	-	-	-	-	-	-	-	-	-	95,350,506
Investments - board-designated endowment fund	293,474,412	-	-	-	-	-	-	-	-	-	-	293,474,412
Investments - donor-designated endowment fund	5,140,252	-	-	-	-	-	-	-	-	-	-	5,140,252
Contributions receivable	1,170,263	996,135	-	-	33,877	-	-	-	-	24,489	-	2,224,764
Due from affiliates	222,306	-	-	-	-	-	-	-	-	-	(222,306)	-
Goodwill	-	-	-	-	-	-	-	-	-	1,457,346	-	1,457,346
Inventory	-	-	-	-	-	-	-	-	-	40,332	-	40,332
Prepaid expenses and other assets	2,012,169	72,546	-	6,013	29,226	5,533	9,561	495	-	21,120	-	2,156,663
Property and equipment, net	20,576,538	494	-	-	6,988	1,141	-	1,398	-	53,398	-	20,639,957
Total assets	<u>\$ 431,829,319</u>	<u>\$ 2,430,208</u>	<u>\$ 16,898</u>	<u>\$ 113,954</u>	<u>\$ 1,979,823</u>	<u>\$ 330,213</u>	<u>\$ 487,587</u>	<u>\$ 110,731</u>	<u>\$ 97,273</u>	<u>\$ 1,653,901</u>	<u>\$ (222,306)</u>	<u>\$ 438,827,601</u>
LIABILITIES AND NET ASSETS												
Liabilities												
Grants and contracts payable	\$ 4,075,841	\$ -	\$ -	\$ 75,611	\$ 843,441	\$ -	\$ 22,615	\$ 11,553	\$ 47,524	\$ -	\$ -	\$ 5,076,585
Accounts payable and accrued expenses	4,963,460	425,307	2,489	13,750	308,142	129,121	455,148	8,009	11,309	1,514	-	6,318,249
Due to affiliates	-	204,303	18,003	-	-	-	-	-	-	-	(222,306)	-
Total liabilities	<u>9,039,301</u>	<u>629,610</u>	<u>20,492</u>	<u>89,361</u>	<u>1,151,583</u>	<u>129,121</u>	<u>477,763</u>	<u>19,562</u>	<u>58,833</u>	<u>1,514</u>	<u>(222,306)</u>	<u>11,394,834</u>
Net assets												
Without donor restrictions												
Board-designated operating reserve	95,350,506	-	-	-	-	-	-	-	-	-	-	95,350,506
Board-designated endowment fund	293,474,412	-	-	-	-	-	-	-	-	-	-	293,474,412
Undesignated	27,387,523	1,798,301	(3,594)	24,593	44,849	201,092	9,306	91,169	38,440	1,652,387	-	31,244,066
Total without donor restrictions	<u>416,212,441</u>	<u>1,798,301</u>	<u>(3,594)</u>	<u>24,593</u>	<u>44,849</u>	<u>201,092</u>	<u>9,306</u>	<u>91,169</u>	<u>38,440</u>	<u>1,652,387</u>	<u>-</u>	<u>420,068,984</u>
With donor restrictions												
	<u>6,577,577</u>	<u>2,297</u>	<u>-</u>	<u>-</u>	<u>783,391</u>	<u>-</u>	<u>518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,363,783</u>
Total net assets	<u>422,790,018</u>	<u>1,800,598</u>	<u>(3,594)</u>	<u>24,593</u>	<u>828,240</u>	<u>201,092</u>	<u>9,824</u>	<u>91,169</u>	<u>38,440</u>	<u>1,652,387</u>	<u>-</u>	<u>427,432,767</u>
Total liabilities and net asset:	<u>\$ 431,829,319</u>	<u>\$ 2,430,208</u>	<u>\$ 16,898</u>	<u>\$ 113,954</u>	<u>\$ 1,979,823</u>	<u>\$ 330,213</u>	<u>\$ 487,587</u>	<u>\$ 110,731</u>	<u>\$ 97,273</u>	<u>\$ 1,653,901</u>	<u>\$ (222,306)</u>	<u>\$ 438,827,601</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.

Smile Train, Inc. and Affiliates
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the year ended June 30, 2021

	Smile Train, Inc.		Smile Train UK		Smile Train UK Trading Co		Smile Train Brazil		Smile Train India			Smile Train Germany			Smile Train Indonesia			Smile Train Philippines	Smile Train Mexico	Smile Train Medical	Eliminations	Consolidated Total					
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions			
Support and revenue:																											
Contributions	\$ 87,624,439	\$ 3,922,645	\$ 91,547,084	\$ 11,408,408	\$ 36,355	\$ 11,444,763	\$ -	\$ 1,439,185	\$ 57,936	\$ 1,497,121	\$ 8,294,111	\$ 1,736,172	\$ 10,030,283	\$ 4,157,750	\$ 38,392	\$ 4,196,142	\$ 3,488,414	\$ 145,349	\$ 3,633,763	\$ 463,030	\$ 148,267	\$ 1,753,288	\$ (20,040,140)	\$ 89,736,752	\$ 5,936,849	\$ 95,673,601	
Contributions in-kind	30,750,524	-	30,750,524	986,265	-	586,265	-	4,458,165	-	4,458,165	-	4,458,165	10,051,358	-	10,051,358	-	-	-	4,070,803	330	27,545	-	(866,265)	49,358,725	-	49,358,725	
Investment income	60,994,247	934,356	60,994,247	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,994,247	934,356	66,928,603	
Other income	238,485	-	238,485	44	-	44	-	364	-	42,593	-	42,593	-	-	666	-	666	-	568	-	568	480	-	349,407	-	348,407	
(Loss) gain in currency transactions	(47,033)	-	(47,033)	214,682	-	214,682	(16,157)	4,425	-	7,379	-	7,379	26,877	-	26,877	-	26,877	(1)	(1)	-	461	(40)	-	54,101	-	54,601	
Net assets released from restriction: Satisfaction of purpose restrictions	3,688,764	(3,688,764)	-	34,058	(34,058)	-	-	57,936	(57,936)	-	1,633,377	(1,633,377)	-	38,392	(38,392)	-	147,381	(147,381)	-	-	-	-	-	-	5,099,958	(5,099,958)	
Total support and revenue	188,249,426	1,168,237	189,417,663	12,243,457	2,297	12,245,754	(16,167)	5,960,075	(5,960,075)	20,028,818	102,795	20,129,613	4,223,685	-	4,223,685	7,707,165	(2,032)	7,705,133	464,301	175,787	1,874,998	(29,626,456)	211,282,728	1,271,297	212,554,025		
Expenses:																											
Program services:																											
Treatment	79,742,632	-	79,742,632	7,002,476	-	7,002,476	-	6,109,232	-	6,109,232	19,542,632	-	19,542,632	3,160,642	-	3,160,642	7,706,842	-	7,706,842	435,054	98,865	138,351	(20,009,943)	94,925,783	-	94,925,783	
Training	3,593,776	-	3,593,776	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,593,776	-	3,593,776
Public education	14,728,951	-	14,728,951	-	-	-	-	-	-	-	-	-	115,964	-	115,964	-	-	-	-	-	-	-	-	-	14,844,915	-	14,844,915
Total program services	97,724,758	-	97,724,758	7,002,476	-	7,002,476	-	6,109,232	-	6,109,232	19,542,632	-	19,542,632	3,276,706	-	3,276,706	7,706,842	-	7,705,842	435,054	98,865	138,351	(20,009,943)	113,022,873	-	113,022,873	
Support services:																											
Management and general	2,439,325	-	2,439,325	506,265	-	506,265	33,697	72,365	-	72,365	204,598	-	204,598	99,927	-	99,927	113,061	-	113,061	38,525	17,835	83,858	(28,562)	3,380,884	-	3,380,884	
Fundraising	73,912,894	-	73,912,894	4,630,842	-	4,630,842	-	32,842	-	32,842	291,239	-	291,239	1,013,703	-	1,013,703	13,276	-	13,276	14,953	21,944	-	(387,000)	29,452,387	-	29,452,387	
Total support services	26,352,219	-	26,352,219	5,136,107	-	5,136,107	33,697	104,897	-	104,897	495,837	-	495,837	1,113,630	-	1,113,630	126,331	-	126,331	53,378	39,779	83,858	(616,462)	32,833,271	-	32,833,271	
Total expenses	124,076,977	-	124,076,977	12,138,583	-	12,138,583	33,697	6,214,129	-	6,214,129	19,948,469	-	19,948,469	4,390,336	-	4,390,336	7,832,173	-	7,832,173	488,432	138,644	222,209	(29,626,456)	145,856,244	-	145,856,244	
Change in net assets	64,172,449	1,168,237	65,340,686	104,874	2,297	107,171	(49,854)	(254,054)	-	(254,054)	78,349	102,795	181,144	(165,651)	-	(165,651)	(125,008)	(2,032)	(127,040)	(24,131)	37,123	1,652,387	-	65,426,484	1,271,297	66,697,781	
Net assets (deficit), beginning of year	352,039,992	5,409,340	357,449,332	1,693,427	-	1,693,427	48,200	278,647	-	278,647	(33,500)	680,596	647,096	366,743	-	366,743	134,314	2,560	136,864	115,300	1,317	-	-	354,642,500	6,092,486	360,734,986	
Net assets (deficit), end of year	\$ 416,212,441	\$ 6,577,577	\$ 422,790,018	\$ 1,798,301	\$ 2,297	\$ 1,800,598	\$ (3,594)	\$ 24,593	\$ -	\$ 24,593	\$ 44,849	\$ 783,391	\$ 828,240	\$ 201,092	\$ -	\$ 201,092	\$ 9,306	\$ 518	\$ 9,824	\$ 91,169	\$ 38,440	\$ 1,652,387	\$ -	\$ 420,068,984	\$ 7,363,783	\$ 427,432,767	

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.