

Combined Financial Statements Together with  
Report of Independent Certified Public Accountants

**SMILE TRAIN, INC. AND AFFILIATES**

June 30, 2014 and 2013

# SMILE TRAIN, INC. AND AFFILIATES

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

### **Report on the financial statements**

We have audited the accompanying combined financial statements of Smile Train, Inc. and Affiliates (“Smile Train”), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization’s preparation and fair presentation of the combined 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 organization’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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Smile Train, Inc. and Affiliates as of June 30, 2014 and 2013, and the combined 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.

*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining schedules as of and for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined 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 combined financial statements or to the combined 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 combined financial statements as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

New York, New York  
May 4, 2015

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statements of Financial Position**  
**As of June 30, 2014 and 2013**

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<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 9,870,492	\$ 16,207,275
Investments	250,165,489	214,243,129
Contributions receivable, net	1,506,673	612,779
Prepaid expenses and other assets	2,148,219	1,745,314
Furniture and equipment, net	<u>907,488</u>	<u>298,111</u>
Total assets	<u>\$ 264,598,361</u>	<u>\$ 233,106,608</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Grants and contracts payable	\$ 8,645,203	\$ 5,240,947
Accounts payable and accrued expenses	2,176,604	2,477,751
Deferred rent payable	<u>114,528</u>	<u>116,184</u>
Total liabilities	<u>10,936,335</u>	<u>7,834,882</u>
 <b>NET ASSETS</b>		
Unrestricted	252,489,122	224,439,568
Temporarily restricted	<u>1,172,904</u>	<u>832,158</u>
Total net assets	<u>253,662,026</u>	<u>225,271,726</u>
Total liabilities and net assets	<u>\$ 264,598,361</u>	<u>\$ 233,106,608</u>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statement of Activities and Changes in Net Assets**  
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 92,366,348	\$ 1,422,461	\$ 93,788,809
Special event, net	604,084	-	604,084
Contributions in-kind	57,462,744	-	57,462,744
Investment income, net	30,767,107	-	30,767,107
Other income	3,124,750	-	3,124,750
Gains (loss) in currency transactions	102,638	-	102,638
Net assets released from restriction:			
Satisfaction of purpose restrictions	<u>1,081,715</u>	<u>(1,081,715)</u>	<u>-</u>
Total support and revenue	<u>185,509,386</u>	<u>340,746</u>	<u>185,850,132</u>
<b>EXPENSES</b>			
Program services:			
Treatment	110,612,135	-	110,612,135
Training	1,461,859	-	1,461,859
Public education	<u>13,272,872</u>	<u>-</u>	<u>13,272,872</u>
Total program services	<u>125,346,866</u>	<u>-</u>	<u>125,346,866</u>
Support services:			
Management and general	2,451,751	-	2,451,751
Fundraising	<u>29,661,215</u>	<u>-</u>	<u>29,661,215</u>
Total supporting services	<u>32,112,966</u>	<u>-</u>	<u>32,112,966</u>
Total expenses	<u>157,459,832</u>	<u>-</u>	<u>157,459,832</u>
Changes in net assets	<u>28,049,554</u>	<u>340,746</u>	<u>28,390,300</u>
Net assets, beginning of year	<u>224,439,568</u>	<u>832,158</u>	<u>225,271,726</u>
Net assets, end of year	<u>\$ 252,489,122</u>	<u>\$ 1,172,904</u>	<u>\$ 253,662,026</u>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statement of Activities and Changes in Net Assets**  
For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 96,364,856	\$ 722,263	\$ 97,087,119
Contributions in-kind	52,525,367	-	52,525,367
Investment income, net	18,733,464	-	18,733,464
Other income	1,874,162	-	1,874,162
(Losses) in currency transactions	(295,444)	-	(295,444)
Net assets released from restriction:			
Satisfaction of purpose restrictions	<u>1,794,175</u>	<u>(1,794,175)</u>	<u>-</u>
Total support and revenue	<u>170,996,580</u>	<u>(1,071,912)</u>	<u>169,924,668</u>
<b>EXPENSES</b>			
Program services:			
Treatment	106,560,112	-	106,560,112
Training	1,767,308	-	1,767,308
Public education	<u>10,311,966</u>	<u>-</u>	<u>10,311,966</u>
Total program services	<u>118,639,386</u>	<u>-</u>	<u>118,639,386</u>
Support services:			
Management and general	2,353,327	-	2,353,327
Fundraising	<u>20,531,010</u>	<u>-</u>	<u>20,531,010</u>
Total supporting services	<u>22,884,337</u>	<u>-</u>	<u>22,884,337</u>
Total expenses	<u>141,523,723</u>	<u>-</u>	<u>141,523,723</u>
Changes in net assets	<u>29,472,857</u>	<u>(1,071,912)</u>	<u>28,400,945</u>
Net assets, beginning of year	<u>194,966,711</u>	<u>1,904,070</u>	<u>196,870,781</u>
Net assets, end of year	<u>\$ 224,439,568</u>	<u>\$ 832,158</u>	<u>\$ 225,271,726</u>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statement of Functional Expenses**  
For the year ended June 30, 2014

	Program Services				Supporting Services			
	Treatment	Training	Public Education	Total	Management and General	Fundraising	Total	Total
Grants	\$ 1,551,402	\$ 589,341	\$ 392,134	\$ 2,532,877	\$ -	\$ -	\$ -	\$ 2,532,877
Contracts with treatment partners	102,104,807	-	-	102,104,807	-	-	-	102,104,807
Medical advisory services	336,535	336,535	-	673,070	-	-	-	673,070
Salaries and employee benefits	1,367,981	272,759	186,351	1,827,091	1,272,569	2,316,215	3,588,784	5,415,875
Professional fees	3,329,056	113,776	123,978	3,566,810	560,477	541,018	1,101,495	4,668,305
Rents	459,426	66,234	72,172	597,832	161,426	312,968	474,394	1,072,226
Office expenses	526,883	63,554	69,252	659,689	418,374	300,311	718,685	1,378,374
Repairs and maintenance	180,485	5,343	5,822	191,650	9,671	25,245	34,916	226,566
Travel, food, and other	691,286	3,881	4,229	699,396	9,846	18,338	28,184	727,580
Printed program material and services	-	-	11,827,115	11,827,115	-	17,384,620	17,384,620	29,211,735
Advertising	-	-	580,448	580,448	-	8,713,189	8,713,189	9,293,637
Depreciation and amortization	64,274	10,436	11,371	86,081	19,388	49,311	68,699	154,780
Total	<u>\$ 110,612,135</u>	<u>\$ 1,461,859</u>	<u>\$ 13,272,872</u>	<u>\$ 125,346,866</u>	<u>\$ 2,451,751</u>	<u>\$ 29,661,215</u>	<u>\$ 32,112,966</u>	<u>\$ 157,459,832</u>

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



**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statement of Functional Expenses**  
For the year ended June 30, 2013

	Program Services				Supporting Services			
	Treatment	Training	Public Education	Total	Management and General	Fundraising	Total	Total
Grants	\$ 1,595,628	\$ 1,147,682	\$ 438,748	\$ 3,182,058	\$ -	\$ -	\$ -	\$ 3,182,058
Contracts with treatment partners	98,758,076	-	-	98,758,076	-	-	-	98,758,076
Medical advisory services	206,863	206,863	-	413,726	-	-	-	413,726
Salaries and employee benefits	1,666,915	204,428	277,111	2,148,454	1,342,814	2,390,108	3,732,922	5,881,376
Professional fees	2,404,339	87,364	120,071	2,611,774	460,056	408,766	868,822	3,480,596
Rents	499,401	58,137	79,901	637,439	161,895	272,014	433,909	1,071,348
Office expenses	526,393	48,349	66,452	641,194	330,335	226,312	556,647	1,197,841
Repairs and maintenance	91,748	3,625	4,982	100,355	8,021	16,960	24,981	125,336
Travel, food, and other	755,533	3,853	5,295	764,681	34,701	18,035	52,736	817,417
Printed program material and services	-	-	8,470,011	8,470,011	-	10,999,827	10,999,827	19,469,838
Advertising	-	-	839,764	839,764	-	6,166,200	6,166,200	7,005,964
Depreciation and amortization	55,216	7,007	9,631	71,854	15,505	32,788	48,293	120,147
<b>Total</b>	<b>\$ 106,560,112</b>	<b>\$ 1,767,308</b>	<b>\$ 10,311,966</b>	<b>\$ 118,639,386</b>	<b>\$ 2,353,327</b>	<b>\$ 20,531,010</b>	<b>\$ 22,884,337</b>	<b>\$ 141,523,723</b>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combined Statements of Cash Flows**  
**For the years ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 28,390,300	\$ 28,400,945
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	154,780	120,147
Net appreciation on investments	(26,124,368)	(15,686,529)
Donated securities	(503,261)	(405,205)
Donated software	(426,200)	-
(Increase) decrease in contributions receivable	(893,894)	209,369
(Increase) decrease in prepaid expenses and other assets	(402,905)	350,659
Increase (decrease) in grants and contracts payable	3,404,256	(1,466,154)
Decrease in accounts payable and accrued expenses	(301,147)	(318,031)
Decrease in other liabilities	-	(12,790)
Decrease in deferred rent payable	(1,656)	(1,656)
	<u>3,295,905</u>	<u>11,190,755</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of securities	(297,107,855)	(483,976,980)
Proceeds from sale of securities	287,813,124	461,251,516
Purchases of furniture and equipment	(337,957)	(265,670)
	<u>(9,632,688)</u>	<u>(22,991,134)</u>
Net cash used in investing activities	<u>(9,632,688)</u>	<u>(22,991,134)</u>
Net decrease in cash and cash equivalents	(6,336,783)	(11,800,379)
Cash and cash equivalents, beginning of year	<u>16,207,275</u>	<u>28,007,654</u>
Cash and cash equivalents, end of year	<u>\$ 9,870,492</u>	<u>\$ 16,207,275</u>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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**1. ORGANIZATION**

**Nature of Operations**

Smile Train, Inc. and Affiliates (“Smile Train”) is a non-profit organization dedicated to helping children worldwide who are born with cleft lips and palates. Smile Train’s mission is to provide free cleft surgery for poor children in developing countries and to provide free cleft-related training for doctors and medical professionals until there are no more children who need help and the problem of clefts is completely eradicated.

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 Canada (“Canada”) was incorporated in July 2008 as a corporation without share capital under the Canada Corporations Act.

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 was established in December 2013 as a non-governmental organization in China.

UK, Canada, India and Germany’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, Canada, India, and Germany. 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 France (“France”) and Smile Train International, LLC are also affiliates of Smile Train, Inc. 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. These affiliates did not have any operating activities during the years ended June 30, 2014 and 2013.

**Tax Status**

The IRS 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”); 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, 2014 and 2013, a tax charge of \$126,819 and \$108,122, respectively, arose from the charity’s commercial trading activities. The Smile Train UK is registered with HMRC in the UK for VAT purposes and, in common with many other charities, is unable to recover the majority of VAT that is incurred on purchases of goods and services in

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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the UK. 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.

The Smile Train Canada is classified as a registered charity as defined in paragraph 149(1)(f) of the Canada Corporations Act (the “Act”) and, therefore, is exempt from income taxes provided that it complies with donation and certain other requirements as specified by the Act.

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.

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.

**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 three classes of net assets (unrestricted, temporarily restricted and permanently restricted) are displayed in the accompanying combined statements of financial position and changes in each of those classes of net assets are displayed in the accompanying combining statements of activities and changes in net assets. The combined financial statements of Smile Train have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Smile Train to report information regarding its combined financial position and activities according to the following net asset classifications:

Unrestricted net assets

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 unrestricted net assets may be used at the discretion of Smile Train’s management and the Board of Directors.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that will be met by actions of Smile Train and/or the passage of time.

Permanently restricted net assets

Net assets which include donor-imposed restrictions that stipulate that the resources are to be maintained in perpetuity. Income earned on permanently restricted net assets is available to be used in the unrestricted or temporarily restricted net asset class, based on stipulations by the donors. As of June 30, 2014 and 2013, Smile Train did not have any permanently restricted net assets.

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

The combined financial statements include the accounts of Smile Train and its affiliates, UK, Canada, India and Germany. All intercompany balances and transactions have been eliminated in combination.

**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 discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2014 and 2013, 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.

**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. Other volunteers have also donated time to Smile Train's program services and fundraising campaigns. These services were not reflected in the accompanying combined statement of activities and changes in net assets because they do not meet the necessary criteria for recognition under US GAAP.

**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.

**Investments**

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

The fair value of debt and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges. The alternative investments are carried at net asset value ("NAV") per share as provided by the investment managers. The Company'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.

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 combined statements of activities in the period in which the securities are sold. Dividends are accrued based on the ex-dividend date. Interest is recognized as earned.

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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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 combined 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. Also included in Level 2 are investments measured using NAV, or its equivalent, that may be redeemed at that NAV at the date of the combined statement of financial position or in the near term, which Smile Train has generally considered to be within ninety days.
- 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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

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 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.

**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 combined statements of financial position.

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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**Furniture and Equipment, net**

Smile Train capitalizes expenditures for furniture and equipment and leasehold improvements in excess of \$1,000 which are stated at cost less accumulated depreciation and amortization. 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 three to five 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, 2014 and 2013. Conditional grants are expensed and considered an obligation in the period the conditions are substantially satisfied.

**Advertising**

Smile Train expenses the cost of advertising as incurred. Advertising expense was \$9,293,637 and \$7,005,964 for the years ended June 30, 2014 and 2013, respectively.

**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 combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Use of Estimates**

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

**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 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.

**Foreign Currency Translation**

The functional currencies for the UK, Canada, India and Germany are the pound sterling, Canadian dollars, Indian rupees, and Euros, respectively. All elements of the combined financial statements are translated by using the appropriate exchange rate. For assets and liabilities, the exchange rate at the date of the combined

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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statement 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 elements.

**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 combined 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. The tax years ended June 30, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. Smile Train has determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

**Reclassification**

Certain fiscal 2013 amounts have been reclassified in order to conform to the fiscal 2014 presentation.

**Subsequent Events**

Subsequent events have been evaluated through May 4, 2015, which is the date the combined 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 combined financial statements.



**SMILE TRAIN, INC. AND AFFILIATES**  
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**3. INVESTMENTS**

Investments held by Smile Train are reported at fair value and consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 5,702,253	\$ 13,996,736
Equities - stocks and mutual funds	166,722,278	133,552,184
Fixed income - mutual funds	26,552,083	20,152,196
Real estate - mutual funds	2,309,627	9,198,705
Commodities - mutual funds	3,927,857	3,767,635
Arbitrage - mutual funds	7,104,015	2,005,381
Fixed income - government bonds	9,608,866	14,218,827
Fixed income - corporate bonds	22,020,900	13,049,923
Alternative assets - hedge funds	<u>5,757,097</u>	<u>3,919,247</u>
	249,704,976	213,860,834
Accrued income	<u>460,513</u>	<u>382,295</u>
Total investments	<u>\$ 250,165,489</u>	<u>\$ 214,243,129</u>

Investment income, net, for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 5,811,569	\$ 3,839,694
Net unrealized and realized gains on investments	26,124,368	15,686,529
Investment fees	<u>(1,168,830)</u>	<u>(792,759)</u>
	<u>\$ 30,767,107</u>	<u>\$ 18,733,464</u>

**SMILE TRAIN, INC. AND AFFILIATES**  
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The following tables provide the fair value hierarchy of Smile Train's investments as of June 30, 2014 and 2013:

	<b>2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents				\$ 5,702,253
Equities - stocks:				
Basic materials	\$ 1,888,468	\$ -	\$ -	1,888,468
Biotechnology	131,412	-	-	131,412
Consumer - discretionary	11,011,414	-	-	11,011,414
Consumer - staples	6,981,942	-	-	6,981,942
Energy	6,225,406	-	-	6,225,406
Financials	12,261,173	-	-	12,261,173
Healthcare	10,048,722	-	-	10,048,722
Industrials	11,042,145	-	-	11,042,145
Information technology	11,023,674	-	-	11,023,674
Materials	2,633,425	-	-	2,633,425
Services	1,346,789	-	-	1,346,789
Technology	2,265,844	-	-	2,265,844
Telecom services	977,086	-	-	977,086
Utilities	2,121,108	-	-	2,121,108
Equities - mutual funds:				
Domestic	43,524,444	-	-	43,524,444
International	43,239,226	-	-	43,239,226
Fixed income - mutual funds	26,552,083	-	-	26,552,083
Real estate - mutual funds	2,309,627	-	-	2,309,627
Commodities - mutual funds	3,927,857	-	-	3,927,857
Arbitrage - mutual funds	7,104,015	-	-	7,104,015
Fixed income - government bonds	-	9,608,866	-	9,608,866
Fixed income - corporate bonds	-	22,020,900	-	22,020,900
Alternative assets - hedge funds	-	5,757,097	-	5,757,097
Total	<u>\$ 206,615,860</u>	<u>\$ 37,386,863</u>	<u>\$ -</u>	<u>\$ 249,704,976</u>

**SMILE TRAIN, INC. AND AFFILIATES**  
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	2013			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and cash equivalents				\$ 13,996,736
Equities - stocks:				
Basic materials	\$ 2,040,125	\$ -	\$ -	2,040,125
Biotechnology	65,410	-	-	65,410
Consumer - discretionary	10,219,631	-	-	10,219,631
Consumer - staples	8,281,021	-	-	8,281,021
Energy	4,994,357	-	-	4,994,357
Financials	11,019,626	-	-	11,019,626
Healthcare	11,707,390	-	-	11,707,390
Industrials	9,824,999	-	-	9,824,999
Information technology	12,988,491	-	-	12,988,491
Materials	2,696,909	-	-	2,696,909
Services	2,127,585	-	-	2,127,585
Technology	2,720,298	-	-	2,720,298
Telecom services	1,173,974	-	-	1,173,974
Utilities	1,813,209	-	-	1,813,209
Equities - mutual funds:				
Domestic	19,611,834	-	-	19,611,834
International	32,267,325	-	-	32,267,325
Fixed income - mutual funds	20,152,196	-	-	20,152,196
Real estate - mutual funds	9,198,705	-	-	9,198,705
Commodities - mutual funds	3,767,635	-	-	3,767,635
Arbitrage - mutual funds	2,005,381	-	-	2,005,381
Fixed income - government bonds	-	14,218,827	-	14,218,827
Fixed income - corporate bonds	-	13,049,923	-	13,049,923
Alternative assets - hedge funds	-	3,790,181	129,066	3,919,247
Total	<u>\$ 168,676,101</u>	<u>\$ 31,058,931</u>	<u>\$ 129,066</u>	<u>\$ 213,860,834</u>

During fiscal year 2014, Smile Train had two alternative investments, one with Citibank (“Citi”) as the investment manager, and the other with Brown Brothers Harriman (“BBH”) as the investment manager. The investment with BBH was fully liquidated during fiscal year 2014. The following summarizes the strategy of the alternative investments:

The Citi alternative investment is a concentrated, multi-strategy fund of hedge funds 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.

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The BBH alternative assets are invested in a unit trust that invests in funds focused on investing its assets in funds or accounts managed by independent investment managers specializing in equity investments in specific Asian countries. While the funds are primarily invested in publicly-traded common stocks and equity-linked instruments, they also may have investments in fixed-income securities, currencies or other financial instruments, and may also hold short positions in any security or instrument. The underlying assets are invested in a fund (the “Fund”) whose objective is to achieve consistent, absolute returns independent of the broader market movements and generate over the long term returns within a certain range based on the London interbank offered rate. The Fund attempts to achieve this objective primarily by investing in investment companies implementing a variety of strategies in the U.S. and international securities markets. The terms and conditions of those strategies, including provisions for additional contributions and redemptions, are subject to the terms of the respective shareholder agreements. The investments generally have provisions for monthly, quarterly, semi-annual, or annual redemptions, subject to, in some cases, lock-up periods. The Fund is in the process of liquidating and distributing its assets to shareholders.

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.

Smile Train uses the NAV per share for purposes of reporting the fair value of all its underlying investments which: (a) may not have a readily determinable fair value, and (b) the investment managers prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments valued at NAV by major category:

2014							
Strategy	Level of Investment	Significant Investment Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Frequency	Redemption Notice Period
Citi Hedge Fund	2	Multi-strategy fund of hedge funds portfolio	\$ 5,757,097	-	None	Quarterly	90 calendar days
2013							
Strategy	Level of Investment	Significant Investment Strategy	NAV in Funds	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Frequency	Redemption Notice Period
BBH Hedge Fund	3	Market neutral or arbitrage strategies in the US and international securities markets	\$ 129,066	-	Fund is in liquidation	Fund is in liquidation	Fund is in liquidation
Citi Hedge Fund	2	Multi-strategy fund of hedge funds portfolio	\$ 3,790,181	-	None	Quarterly	90 calendar days

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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The following is a reconciliation of Smile Train's Level 3 hedge fund investments for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Balance at beginning of year</b>	\$ 129,066	\$ 269,831
Liquidation proceeds (sales)	(132,499)	(31,009)
Net gain (loss)	<u>3,433</u>	<u>(109,756)</u>
<b>Balance at end of year</b>	<u>\$ -</u>	<u>\$ 129,066</u>

**4. FURNITURE AND EQUIPMENT, NET**

Furniture and equipment, net, consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 1,420,741	\$ 1,398,087
Leasehold improvements	585,545	127,180
Assets not placed in service	<u>426,200</u>	<u>143,061</u>
Total	2,432,486	1,668,328
Less: accumulated depreciation	<u>(1,524,998)</u>	<u>(1,370,217)</u>
Furniture and equipment, net	<u>\$ 907,488</u>	<u>\$ 298,111</u>

Assets not placed in service consisted of donated software of \$426,200 and construction-in-progress of \$143,061 relating to the build out of additional space in the New York headquarters, for the years ended June 30, 2014 and 2013, respectively. The assets relating to the build out of the New York office were placed into service in September 2013.

Depreciation expense was \$154,780 and \$120,147 for the years ended June 30, 2014 and 2013.

**5. CONTRIBUTIONS IN-KIND**

Contributions in-kind consisted of the following for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Grants and contracts with treatment partners	\$ 55,789,392	\$ 52,167,752
Medical advisory services	589,152	289,365
Consulting services	550,000	-
Software	426,200	-
Advertising	108,000	-
Medical supplies	<u>-</u>	<u>68,250</u>
Total contributions in-kind	<u>\$ 57,462,744</u>	<u>\$ 52,525,367</u>

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
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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.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2014 and 2013 were available as follows:

	<u>2014</u>	<u>2013</u>
Treatment program services	\$ 1,022,904	\$ 788,722
Other	<u>150,000</u>	<u>43,436</u>
	<u>\$ 1,172,904</u>	<u>\$ 832,158</u>

During the years ended June 30, 2014 and 2013, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	<u>2014</u>	<u>2013</u>
Treatment program services	\$ 1,037,708	\$ 1,584,428
Other	<u>44,007</u>	<u>209,747</u>
	<u>\$ 1,081,715</u>	<u>\$ 1,794,175</u>

**7. 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:

	<u>2014</u>	<u>2013</u>
Program (education)	\$ 12,083,228	\$ 9,086,717
Fundraising	<u>12,103,703</u>	<u>9,962,712</u>
Total joint costs	24,186,931	19,049,429
Direct program	119,998	223,058
Direct fundraising	<u>14,198,443</u>	<u>7,203,315</u>
Total	<u>\$ 38,505,372</u>	<u>\$ 26,475,802</u>

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
**June 30, 2014 and 2013**

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**8. SPECIAL EVENTS**

During 2014, Smile Train reached two important milestones, the 15 year anniversary of the organization and the successful completion of one million surgeries. To celebrate these incredible achievements, Smile Train held the Power of a Smile gala on April 2, 2014. Smile Train received the following revenue from this special event during the year ended June 30, 2014:

	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Proceeds</u>
Power of a Smile Gala	\$ 1,715,497	\$ 1,111,413	\$ 604,084

There were no special events for the year ended June 30, 2013.

**9. COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

On May 5, 2008, Smile Train entered into a non-cancelable operating lease for its existing office space, the terms of which included the sublet and relocation of its prior New York office space through the expiration of such prior lease. The office lease agreement commenced May 2008 and extends to June 2018.

As of June 30, 2014, the minimum future annual rental payments are as follows:

2015	\$ 955,508
2016	955,508
2017	955,508
2018	<u>955,508</u>
Total	<u>\$ 3,822,032</u>

Rent expense for Smile Train Inc. and its affiliates was \$1,072,226 and \$1,071,348 for the years ended June 30, 2014 and 2013, respectively.

**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 combined financial position, changes in net assets or cash flows.

**10. RETIREMENT PLAN**

Smile Train 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, 2014 and 2013, were \$178,281 and \$152,458, respectively.

**SMILE TRAIN, INC. AND AFFILIATES**  
**Notes to Combined Financial Statements**  
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**11. RELATED-PARTY TRANSACTIONS**

Smile Train has a contractual agreement with a company to manage the cleft patients database (Smile Train Express) and to maintain Smile Train's medical website, medpro.smiletrain.org. For the years ended June 30, 2014 and 2013, the amount paid to the company was \$96,000 and \$96,000, respectively. The principal shareholder of the company is related to the chairman of the board of directors of Smile Train who is also the chairman of the board of directors of the company.



**SUPPLEMENTARY INFORMATION**

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combining Schedule of Financial Position**  
**As of June 30, 2014**

	<b>Smile Train, Inc.</b>	<b>Smile Train UK</b>	<b>Smile Train Canada</b>	<b>Smile Train India</b>	<b>Smile Train Germany</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 6,881,014	\$ 2,662,488	\$ 75,975	\$ 757	\$ 250,258	\$ -	\$ 9,870,492
Investments	250,165,489	-	-	-	-	-	250,165,489
Contributions receivable	932,750	573,490	433	-	-	-	1,506,673
Prepaid expenses and other assets	2,118,094	22,915	6,806	-	404	-	2,148,219
Due from affiliates	28,995	-	-	-	-	(28,995)	-
Furniture and equipment, net	906,301	1,187	-	-	-	-	907,488
Total assets	<u>\$ 261,032,643</u>	<u>\$ 3,260,080</u>	<u>\$ 83,214</u>	<u>\$ 757</u>	<u>\$ 250,662</u>	<u>\$ (28,995)</u>	<u>\$ 264,598,361</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Grants and contracts payable	\$ 8,645,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,645,203
Accounts payable and accrued expenses	1,563,412	594,935	17,359	898	-	-	2,176,604
Due to affiliates	-	27,855	-	-	1,140	(28,995)	-
Deferred rent liability	114,528	-	-	-	-	-	114,528
Total liabilities	<u>10,323,143</u>	<u>622,790</u>	<u>17,359</u>	<u>898</u>	<u>1,140</u>	<u>(28,995)</u>	<u>10,936,335</u>
<b>NET ASSETS</b>							
Unrestricted	249,577,877	2,633,948	27,916	(141)	249,522	-	252,489,122
Temporarily restricted	1,131,623	3,342	37,939	-	-	-	1,172,904
Total net assets (deficit)	<u>250,709,500</u>	<u>2,637,290</u>	<u>65,855</u>	<u>(141)</u>	<u>249,522</u>	<u>-</u>	<u>253,662,026</u>
Total liabilities and net assets	<u>\$ 261,032,643</u>	<u>\$ 3,260,080</u>	<u>\$ 83,214</u>	<u>\$ 757</u>	<u>\$ 250,662</u>	<u>\$ (28,995)</u>	<u>\$ 264,598,361</u>

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

**SMILE TRAIN, INC. AND AFFILIATES**  
**Combining Schedule of Activities and Changes in Net Assets**  
**For the year ended June 30, 2014**

	Smile Train, Inc.			Smile Train UK			Smile Train Canada			Smile Train India	Smile Train Germany	Eliminations	Combined Total		
	Temporarily		Total	Temporarily		Total	Temporarily		Total	Unrestricted	Unrestricted	Eliminations	Temporarily		Total
	Unrestricted	Restricted		Unrestricted	Restricted		Unrestricted	Restricted					Unrestricted	Restricted	
Support and revenue:															
Contributions	\$ 87,579,916	\$ 1,008,478	\$ 88,588,394	\$ 11,576,345	\$ 161,533	\$ 11,737,878	\$ 307,765	\$ 252,450	\$ 560,215	\$ 89,473	\$ 254,312	\$ (7,441,463)	\$ 92,366,348	\$ 1,422,461	\$ 93,788,809
Special event, net	604,084	-	604,084	-	-	-	-	-	-	-	-	-	604,084	-	604,084
Contributions in-kind	57,462,744	-	57,462,744	428,362	-	428,362	-	-	-	-	-	(428,362)	57,462,744	-	57,462,744
Investment income	30,767,107	-	30,767,107	-	-	-	-	-	-	-	-	-	30,767,107	-	30,767,107
Other income	1,313,587	-	1,313,587	1,811,100	-	1,811,100	48	-	48	-	15	-	3,124,750	-	3,124,750
(Losses) gains in currency translations	(234,401)	-	(234,401)	242,379	-	242,379	(384)	-	(384)	6,986	2,024	86,034	102,638	-	102,638
Net assets released from restriction	653,804	(653,804)	-	213,400	(213,400)	-	214,511	(214,511)	-	-	-	-	1,081,715	(1,081,715)	-
<b>Total support and revenue</b>	<b>178,146,841</b>	<b>354,674</b>	<b>178,501,515</b>	<b>14,271,586</b>	<b>(51,867)</b>	<b>14,219,719</b>	<b>521,940</b>	<b>37,939</b>	<b>559,879</b>	<b>96,459</b>	<b>256,351</b>	<b>(7,783,791)</b>	<b>185,509,386</b>	<b>340,746</b>	<b>185,850,132</b>
Expenses:															
Program services:															
Treatment	110,336,653	-	110,336,653	7,105,182	-	7,105,182	434,775	-	434,775	90,954	-	(7,355,429)	110,612,135	-	110,612,135
Training	1,461,859	-	1,461,859	-	-	-	-	-	-	-	-	-	1,461,859	-	1,461,859
Public education	11,984,236	-	11,984,236	1,288,636	-	1,288,636	-	-	-	-	-	-	13,272,872	-	13,272,872
<b>Total program services</b>	<b>123,782,748</b>	<b>-</b>	<b>123,782,748</b>	<b>8,393,818</b>	<b>-</b>	<b>8,393,818</b>	<b>434,775</b>	<b>-</b>	<b>434,775</b>	<b>90,954</b>	<b>-</b>	<b>(7,355,429)</b>	<b>125,346,866</b>	<b>-</b>	<b>125,346,866</b>
Support services:															
Management and general	1,670,593	-	1,670,593	814,433	-	814,433	61,242	-	61,242	3,405	21,007	(118,929)	2,451,751	-	2,451,751
Fundraising	25,769,890	-	25,769,890	4,163,534	-	4,163,534	33,834	-	33,834	3,390	-	(309,433)	29,661,215	-	29,661,215
<b>Total support services</b>	<b>27,440,483</b>	<b>-</b>	<b>27,440,483</b>	<b>4,977,967</b>	<b>-</b>	<b>4,977,967</b>	<b>95,076</b>	<b>-</b>	<b>95,076</b>	<b>6,795</b>	<b>21,007</b>	<b>(428,362)</b>	<b>32,112,966</b>	<b>-</b>	<b>32,112,966</b>
<b>Total expenses</b>	<b>151,223,231</b>	<b>-</b>	<b>151,223,231</b>	<b>13,371,785</b>	<b>-</b>	<b>13,371,785</b>	<b>529,851</b>	<b>-</b>	<b>529,851</b>	<b>97,749</b>	<b>21,007</b>	<b>(7,783,791)</b>	<b>157,459,832</b>	<b>-</b>	<b>157,459,832</b>
Change in net assets	26,923,610	354,674	27,278,284	899,801	(51,867)	847,934	(7,911)	37,939	30,028	(1,290)	235,344	-	28,049,554	340,746	28,390,300
Net assets, beginning of year	222,654,267	776,949	223,431,216	1,734,147	55,209	1,789,356	35,827	-	35,827	1,149	14,178	-	224,439,568	832,158	225,271,726
Net assets (deficit), end of year	\$ 249,577,877	\$ 1,131,623	\$ 250,709,500	\$ 2,633,948	\$ 3,342	\$ 2,637,290	\$ 27,916	\$ 37,939	\$ 65,855	\$ (141)	\$ 249,522	\$ -	\$ 252,489,122	\$ 1,172,904	\$ 253,662,026

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