

Combined Financial Statements Together with
Report of Independent Certified Public Accountants

SMILE TRAIN, INC. AND AFFILIATES

June 30, 2015 and 2014

SMILE TRAIN, INC. AND AFFILIATES

TABLE OF CONTENTS

	Page(s)
Report of Independent Certified Public Accountants	1 - 2
Combined Financial Statements:	
Combined Statements of Financial Position as of June 30, 2015 and 2014	3
Combined Statement of Activities and Changes in Net Assets for the year ended June 30, 2015	4
Combined Statement of Activities and Changes in Net Assets for the year ended June 30, 2014	5
Combined Statement of Functional Expenses for the year ended June 30, 2015	6
Combined Statement of Functional Expenses for the year ended June 30, 2014	7
Combined Statements of Cash Flows for the years ended June 30, 2015 and 2014	8
Notes to Combined Financial Statements	9 - 21
Supplementary Information:	
Combining Schedule of Financial Position as of June 30, 2015	23
Combining Schedule of Activities and Changes in Net Assets for the year ended June 30, 2015	24

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, 2015 and 2014, 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 Smile Train’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 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 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 financial position of Smile Train, Inc. and Affiliates as of June 30, 2015 and 2014, 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental Combining Schedule of Financial Position and Combining Schedule of Activities and Changes in Net Assets as of and for the year ended June 30, 2015 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.

Grant Thornton LLP

New York, New York
May 13, 2016

SMILE TRAIN, INC. AND AFFILIATES
Combined Statements of Financial Position
As of June 30, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 11,265,241	\$ 9,870,492
Investments	252,119,420	250,165,489
Contributions receivable, net	706,255	1,506,673
Prepaid expenses and other assets	2,319,185	2,148,219
Furniture and equipment, net	<u>1,113,583</u>	<u>907,488</u>
Total assets	<u>\$ 267,523,684</u>	<u>\$ 264,598,361</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants and contracts payable	\$ 5,709,075	\$ 8,645,203
Accounts payable and accrued expenses	1,767,940	2,176,604
Deferred rent payable	<u>85,862</u>	<u>114,528</u>
Total liabilities	<u>7,562,877</u>	<u>10,936,335</u>
 NET ASSETS		
Unrestricted	259,364,885	252,489,122
Temporarily restricted	<u>595,922</u>	<u>1,172,904</u>
Total net assets	<u>259,960,807</u>	<u>253,662,026</u>
Total liabilities and net assets	<u>\$ 267,523,684</u>	<u>\$ 264,598,361</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 90,412,438	\$ 997,280	\$ 91,409,718
Contributions in-kind	58,492,660	-	58,492,660
Investment income, net	5,138,925	-	5,138,925
Other income	1,534,109	-	1,534,109
Loss in currency transactions	(190,075)	-	(190,075)
Net assets released from restriction:			
Satisfaction of purpose restrictions	<u>1,574,262</u>	<u>(1,574,262)</u>	<u>-</u>
Total support and revenue	<u>156,962,319</u>	<u>(576,982)</u>	<u>156,385,337</u>
EXPENSES			
Program services:			
Treatment	110,731,282	-	110,731,282
Training	1,644,730	-	1,644,730
Public education	<u>8,790,379</u>	<u>-</u>	<u>8,790,379</u>
Total program services	<u>121,166,391</u>	<u>-</u>	<u>121,166,391</u>
Support services:			
Management and general	1,905,360	-	1,905,360
Fundraising	<u>27,014,805</u>	<u>-</u>	<u>27,014,805</u>
Total supporting services	<u>28,920,165</u>	<u>-</u>	<u>28,920,165</u>
Total expenses	<u>150,086,556</u>	<u>-</u>	<u>150,086,556</u>
Changes in net assets	6,875,763	(576,982)	6,298,781
Net assets, beginning of year	<u>252,489,122</u>	<u>1,172,904</u>	<u>253,662,026</u>
Net assets, end of year	<u>\$ 259,364,885</u>	<u>\$ 595,922</u>	<u>\$ 259,960,807</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 92,970,432	\$ 1,422,461	\$ 94,392,893
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 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>
EXPENSES			
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	28,049,554	340,746	28,390,300
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 Functional Expenses
For the year ended June 30, 2015

	Program Services				Supporting Services			
	Treatment	Training	Public Education	Total	Management and General	Fundraising	Total	Total
Grants	\$ 1,511,182	\$ 736,788	\$ 425,536	\$ 2,673,506	\$ -	\$ -	\$ -	\$ 2,673,506
Contracts with treatment partners	102,487,339	-	-	102,487,339	-	-	-	102,487,339
Medical advisory services	328,206	328,206	-	656,412	-	-	-	656,412
Salaries and employee benefits	1,939,964	332,201	405,179	2,677,344	1,070,625	3,124,285	4,194,910	6,872,254
Professional fees	2,476,968	84,116	114,246	2,675,330	374,796	452,460	827,256	3,502,586
Rents	466,405	69,420	94,285	630,110	150,312	362,625	512,937	1,143,047
Office expenses	480,914	59,052	80,204	620,170	244,229	310,238	554,467	1,174,637
Repairs and maintenance	225,942	8,482	11,520	245,944	13,207	44,305	57,512	303,456
Travel, food, and other	681,673	3,630	4,930	690,233	16,107	36,641	52,748	742,981
Printed program material and services	-	-	7,623,465	7,623,465	-	16,129,629	16,129,629	23,753,094
Advertising	-	-	-	-	-	6,435,339	6,435,339	6,435,339
Depreciation and amortization	132,689	22,835	31,014	186,538	36,084	119,283	155,367	341,905
Total	<u>\$ 110,731,282</u>	<u>\$ 1,644,730</u>	<u>\$ 8,790,379</u>	<u>\$ 121,166,391</u>	<u>\$ 1,905,360</u>	<u>\$ 27,014,805</u>	<u>\$ 28,920,165</u>	<u>\$ 150,086,556</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 Statements of Cash Flows
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 6,298,781	\$ 28,390,300
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	341,905	154,780
Net depreciation (appreciation) on investments	729,877	(26,124,368)
Donated securities	(536,448)	(503,261)
Donated software	(97,600)	(426,200)
Decrease (increase) in contributions receivable	800,418	(893,894)
Increase in prepaid expenses and other assets	(170,966)	(402,905)
(Decrease) increase in grants and contracts payable	(2,936,128)	3,404,256
Decrease in accounts payable and accrued expenses	(408,664)	(301,147)
Decrease in deferred rent payable	(28,666)	(1,656)
	<u>3,992,509</u>	<u>3,295,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities	(210,608,285)	(297,107,855)
Proceeds from sale of securities	208,460,925	287,813,124
Purchases of furniture and equipment	(450,400)	(337,957)
	<u>(2,597,760)</u>	<u>(9,632,688)</u>
Net cash used in investing activities	<u>(2,597,760)</u>	<u>(9,632,688)</u>
Net increase (decrease) in cash and cash equivalents	1,394,749	(6,336,783)
Cash and cash equivalents, beginning of year	<u>9,870,492</u>	<u>16,207,275</u>
Cash and cash equivalents, end of year	<u>\$ 11,265,241</u>	<u>\$ 9,870,492</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, 2015 and 2014

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. Millions of children in developing countries with untreated clefts live in isolation, but more importantly, have difficulty eating, breathing 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 85+ developing countries to provide 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 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.

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.

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

Smile Train Inc. established a branch office in the International Humanitarian City, Dubai, UAE on December 1, 2014.

UK, Canada, India, Germany and Indonesia’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, Germany and Indonesia. 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, 2015 and 2014.

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.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, a tax charge of \$6,291 and \$126,819, 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 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.

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 Foundation and all its amendment.

The Smile Train, Inc. Beijing Representative Office 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.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, Smile Train did not have any permanently restricted net assets.

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

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 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 combined 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 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.

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 2015 and 2014, these estimated fair values represented approximately 3% and 2%, respectively, of total investments.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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.
- 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 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.

In 2015, the Financial Accounting Standards Board ("FASB") issued guidance amending the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. The amendments within this update must be applied retrospectively to all periods presented. As such, Smile Train has adopted this guidance for the years ended June 30, 2015 and 2014. This new guidance only amended disclosure requirements and did not have any impact on Smile Train's combined statements of financial position or combined statements of activities and changes in net assets for the years presented.

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

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2015 and 2014, 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.

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.

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, 2015 and 2014. Conditional grants are expensed and considered an obligation in the period the conditions are substantially satisfied.

Contributions

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 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 combined statement of activities and changes in net assets because they do not meet the necessary criteria for recognition under US GAAP.

Advertising

Smile Train expenses the cost of advertising as incurred. Advertising expense was \$6,435,339 and \$9,293,637 for the years ended June 30, 2015 and 2014, respectively.

Donated Securities

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

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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 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.

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.

Foreign Currency Translation

The functional currencies for the UK, Canada, India, Germany, and Indonesia are the pound sterling, Canadian dollars, Indian rupees, Euros and Indonesian rupiah, respectively. All elements of the combined financial statements are translated using the appropriate exchange rate. For assets and liabilities, the exchange rate at the date of the combined 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 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 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, 2012, 2013, 2014 and 2015 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 2014 amounts have been reclassified in order to conform to the fiscal 2015 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2014 combined financial statements.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

Subsequent Events

Subsequent events have been evaluated through May 13, 2016, which is the date the combined financial statements were available to be issued. Beginning in July of 2015, Smile Train Canada started a formal dissolution process and no longer has charitable status in Canada. Smile Train is not aware of any other subsequent events that would require recognition or disclosure in the combined financial statements.

3. INVESTMENTS

Investments held by Smile Train are reported at fair value and consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 11,423,850	\$ 5,702,253
Equities - stocks and mutual funds	164,855,339	166,722,278
Fixed income - mutual funds	18,797,197	26,552,083
Real estate - mutual funds	5,132,368	2,309,627
Commodities - mutual funds	870,270	3,927,857
Arbitrage - mutual funds	4,996,047	7,104,015
Fixed income - government bonds	9,767,310	9,608,866
Fixed income - corporate bonds	29,094,408	22,481,413
Alternative assets - hedge funds	<u>7,182,631</u>	<u>5,757,097</u>
Total investments	<u>\$ 252,119,420</u>	<u>\$ 250,165,489</u>

Investment income, net, for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 7,065,542	\$ 5,811,569
Net unrealized and realized (loss) gain on investments	(729,877)	26,124,368
Investment fees	<u>(1,196,740)</u>	<u>(1,168,830)</u>
	<u>\$ 5,138,925</u>	<u>\$ 30,767,107</u>

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

The following tables provide the fair value hierarchy of Smile Train's investments as of June 30, 2015 and 2014:

	2015			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents				\$ 11,423,850
Equities - stocks:				
Basic materials	\$ 1,709,275	\$ -	\$ -	1,709,275
Biotechnology	168,595	-	-	168,595
Consumer - discretionary	9,528,425	-	-	9,528,425
Consumer - staples	7,393,000	-	-	7,393,000
Energy	4,250,493	-	-	4,250,493
Financials	13,214,377	-	-	13,214,377
Healthcare	10,760,877	-	-	10,760,877
Industrials	9,292,811	-	-	9,292,811
Information technology	11,020,510	-	-	11,020,510
Materials	2,399,112	-	-	2,399,112
Services	1,820,334	-	-	1,820,334
Technology	1,920,582	-	-	1,920,582
Telecom services	797,585	-	-	797,585
Utilities	2,021,517	-	-	2,021,517
Equities - mutual funds:				
Domestic	50,331,730	-	-	50,331,730
International	38,226,116	-	-	38,226,116
Fixed income - mutual funds	18,797,197	-	-	18,797,197
Real estate - mutual funds	5,132,368	-	-	5,132,368
Commodities - mutual funds	870,270	-	-	870,270
Arbitrage - mutual funds	4,996,047	-	-	4,996,047
Fixed income - government bonds	-	9,767,310	-	9,767,310
Fixed income - corporate bonds	-	29,094,408	-	29,094,408
Total	<u>\$ 199,804,855</u>	<u>\$ 33,708,084</u>	<u>\$ -</u>	244,936,789
Alternative investments measured at NAV				<u>7,182,631</u>
Total Investments				<u>\$ 252,119,420</u>

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

	2014			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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	-	22,481,413	-	22,481,413
Total	<u>\$ 206,615,860</u>	<u>\$ 32,090,279</u>	<u>\$ -</u>	<u>244,408,392</u>
Alternative investments measured at NAV				5,757,097
Total Investments				<u>\$ 250,165,489</u>

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's equity securities trade on a major exchange. Accordingly, such equity securities are disclosed in Level 1 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 estimates 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, these investments are excluded from the fair value hierarchy.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

Information with respect to redemption terms, strategies, risks and funding commitments for this investment as of June 30, 2015 and 2014 is as follows (in thousands):

2015							
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	\$ 7,182,631	\$ -	None	Quarterly	90 calendar days	N/A
2014							
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	\$ 5,757,097	\$ -	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.

4. FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Land	\$ 360,000	\$ -
Furniture and equipment	1,125,731	1,420,741
Leasehold improvements	458,365	585,545
Assets not placed in service	-	426,200
Total	1,944,096	2,432,486
Less: accumulated depreciation	(830,513)	(1,524,998)
Furniture and equipment, net	<u>\$ 1,113,583</u>	<u>\$ 907,488</u>

Assets not placed in service for the year ended June 30, 2014 consisted of donated software of \$426,200. Depreciation expense was \$341,905 and \$154,780 for the years ended June 30, 2015 and 2014. Smile Train wrote off \$1,036,390 in fully depreciated assets during the year ended June 30, 2015. Smile Train did not write off any fixed assets for the year ended June 30, 2014.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

5. CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants and contracts with treatment partners	\$ 57,506,530	\$ 55,789,392
Medical advisory services	561,300	589,152
Consulting services	189,525	550,000
Software	97,600	426,200
Advertising	64,000	108,000
Medical supplies	<u>73,705</u>	<u>-</u>
Total contributions in-kind	<u>\$ 58,492,660</u>	<u>\$ 57,462,744</u>

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.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Treatment program services	\$ 512,065	\$ 1,022,904
Other	<u>83,857</u>	<u>150,000</u>
	<u>\$ 595,922</u>	<u>\$ 1,172,904</u>

During the years ended June 30, 2015 and 2014, net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	<u>2015</u>	<u>2014</u>
Treatment program services	\$ 1,326,149	\$ 1,037,708
Other	<u>248,113</u>	<u>44,007</u>
	<u>\$ 1,574,262</u>	<u>\$ 1,081,715</u>

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
Program (education)	\$ 7,426,330	\$ 12,083,228
Fundraising	<u>9,797,117</u>	<u>12,103,703</u>
Total joint costs	17,223,447	24,186,931
Direct program	197,135	119,998
Direct fundraising	<u>12,767,851</u>	<u>14,198,443</u>
Total	<u>\$ 30,188,433</u>	<u>\$ 38,505,372</u>

8. SPECIAL EVENTS

On October 3, 2014 and February 5, 2015, Smile Train held two events to raise money and awareness for children with clefts. The proceeds of which are included within contributions in the combined statements of activities and changes in net assets. Smile Train received the following proceeds from these special events during the year ended June 30, 2015:

	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net</u>
Denim & Diamonds	\$ 14,655	\$ (39,427)	\$ (24,772)
World Smile Day	<u>6,194</u>	<u>(10,408)</u>	<u>(4,214)</u>
	<u>\$ 20,849</u>	<u>\$ (49,835)</u>	<u>\$ (28,986)</u>

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 proceeds from this special event during the year ended June 30, 2014:

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

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.

SMILE TRAIN, INC. AND AFFILIATES
Notes to Combined Financial Statements
June 30, 2015 and 2014

As of June 30, 2015, the minimum future annual rental payments are as follows:

2016	\$ 955,508
2017	955,508
2018	<u>955,508</u>
Total	<u>\$ 2,866,524</u>

Rent expense for Smile Train Inc. and its affiliates was \$1,143,047 and \$1,072,226 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, were \$ 209,723 and \$178,281, respectively.

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 each of the years ended June 30, 2015 and 2014, Smile Train paid the company \$96,000. 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, 2015

	Smile Train, Inc.	Smile Train UK	Smile Train Canada	Smile Train India	Smile Train Germany	Smile Train Indonesia	Eliminations	Total
ASSETS								
Cash and cash equivalents	\$ 7,964,727	\$ 2,869,556	\$ 62,380	\$ 174,389	\$ 171,228	\$ 22,961	\$ -	\$ 11,265,241
Investments	252,119,420	-	-	-	-	-	-	252,119,420
Contributions receivable	507,601	197,773	881	-	-	-	-	706,255
Prepaid expenses and other assets	1,991,180	327,673	-	-	332	-	-	2,319,185
Due from affiliates	3,609	-	-	-	-	-	(3,609)	-
Furniture and equipment, net	1,113,013	570	-	-	-	-	-	1,113,583
Total assets	<u>\$ 263,699,550</u>	<u>\$ 3,395,572</u>	<u>\$ 63,261</u>	<u>\$ 174,389</u>	<u>\$ 171,560</u>	<u>\$ 22,961</u>	<u>\$ (3,609)</u>	<u>\$ 267,523,684</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Grants and contracts payable	\$ 5,534,868	\$ -	\$ -	\$ 174,207	\$ -	\$ -	\$ -	\$ 5,709,075
Accounts payable and accrued expenses	1,056,270	565,200	3,152	-	141,743	1,575	-	1,767,940
Due to affiliates	-	3,609	-	-	-	-	(3,609)	-
Deferred rent liability	85,862	-	-	-	-	-	-	85,862
Total liabilities	<u>6,677,000</u>	<u>568,809</u>	<u>3,152</u>	<u>174,207</u>	<u>141,743</u>	<u>1,575</u>	<u>(3,609)</u>	<u>7,562,877</u>
NET ASSETS								
Unrestricted	256,429,970	2,823,421	60,109	182	29,817	21,386	-	259,364,885
Temporarily restricted	592,580	3,342	-	-	-	-	-	595,922
Total net assets	<u>257,022,550</u>	<u>2,826,763</u>	<u>60,109</u>	<u>182</u>	<u>29,817</u>	<u>21,386</u>	<u>-</u>	<u>259,960,807</u>
Total liabilities and net assets	<u>\$ 263,699,550</u>	<u>\$ 3,395,572</u>	<u>\$ 63,261</u>	<u>\$ 174,389</u>	<u>\$ 171,560</u>	<u>\$ 22,961</u>	<u>\$ (3,609)</u>	<u>\$ 267,523,684</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, 2015

	Smile Train, Inc.			Smile Train UK			Smile Train Canada			Smile Train India	Smile Train Germany	Smile Train Indonesia	Eliminations	Combined Total		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total	Unrestricted	Unrestricted	Unrestricted	Eliminations	Unrestricted	Temporarily	Total
		Restricted			Restricted			Restricted							Restricted	
Support and revenue:																
Contributions	\$ 85,241,543	\$ 748,751	\$ 85,990,294	\$ 10,739,030	\$ 550	\$ 10,739,580	\$ 272,949	\$ 247,979	\$ 520,928	\$ 1,447,104	\$ 1,725,050	\$ 22,990	\$ (9,036,228)	\$ 90,412,438	\$ 997,280	\$ 91,409,718
Contributions in-kind	58,492,660	-	58,492,660	342,967	-	342,967	-	-	-	-	-	-	(342,967)	58,492,660	-	58,492,660
Investment income	5,138,925	-	5,138,925	-	-	-	-	-	-	-	-	-	-	5,138,925	-	5,138,925
Other income	1,033,752	-	1,033,752	485,044	-	485,044	44	-	44	15,257	5	7	-	1,534,109	-	1,534,109
(Losses) gains in currency translations	(60,565)	-	(60,565)	(217,131)	-	(217,131)	(9,803)	-	(9,803)	(49)	(31,891)	-	129,364	(190,075)	-	(190,075)
Net assets released from restriction	1,287,794	(1,287,794)	-	550	(550)	-	285,918	(285,918)	-	-	-	-	-	1,574,262	(1,574,262)	-
Total support and revenue	151,134,109	(539,043)	150,595,066	11,350,460	-	11,350,460	549,108	(37,939)	511,169	1,462,312	1,693,164	22,997	(9,249,831)	156,962,319	(576,982)	156,385,337
Expenses:																
Program services:																
Treatment	110,285,010	-	110,285,010	6,452,071	-	6,452,071	466,030	-	466,030	1,461,091	973,944	-	(8,906,864)	110,731,282	-	110,731,282
Training	1,644,730	-	1,644,730	-	-	-	-	-	-	-	-	-	-	1,644,730	-	1,644,730
Public education	7,892,315	-	7,892,315	671,395	-	671,395	-	-	-	-	226,669	-	-	8,790,379	-	8,790,379
Total program services	119,822,055	-	119,822,055	7,123,466	-	7,123,466	466,030	-	466,030	1,461,091	1,200,613	-	(8,906,864)	121,166,391	-	121,166,391
Support services:																
Management and general	1,353,767	-	1,353,767	582,306	-	582,306	21,035	-	21,035	898	73,725	1,611	(127,982)	1,905,360	-	1,905,360
Fundraising	23,106,194	-	23,106,194	3,455,215	-	3,455,215	29,850	-	29,850	-	638,531	-	(214,985)	27,014,805	-	27,014,805
Total support services	24,459,961	-	24,459,961	4,037,521	-	4,037,521	50,885	-	50,885	898	712,256	1,611	(342,967)	28,920,165	-	28,920,165
Total expenses	144,282,016	-	144,282,016	11,160,987	-	11,160,987	516,915	-	516,915	1,461,989	1,912,869	1,611	(9,249,831)	150,086,556	-	150,086,556
Change in net assets	6,852,093	(539,043)	6,313,050	189,473	-	189,473	32,193	(37,939)	(5,746)	323	(219,705)	21,386	-	6,875,763	(576,982)	6,298,781
Net assets (deficit), beginning 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
Net assets, end of year	\$ 256,429,970	\$ 592,580	\$ 257,022,550	\$ 2,823,421	\$ 3,342	\$ 2,826,763	\$ 60,109	\$ -	\$ 60,109	\$ 182	\$ 29,817	\$ 21,386	\$ -	\$ 259,364,885	\$ 595,922	\$ 259,960,807

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