

SMILE-A-MILE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018

**TIDWELL**  
 **group**



Smile-A-Mile

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Smile-A-Mile  
Birmingham, AL

We have audited the accompanying financial statements of Smile-A-Mile (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smile-A-Mile as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Tidwell Group, LLC*

Birmingham, Alabama  
July 11, 2019

Smile-A-Mile

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 943,965
Prepaid expenses	43,400
Contributions receivable	274,267
Other current assets	<u>10,535</u>

Total current assets 1,272,167

LONG-TERM ASSETS

Contributions receivable	201,000
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INVESTMENTS 1,570,664

AGENCY ENDOWMENT FUND 281,576

PROPERTY AND EQUIPMENT, NET 3,663,635

Total assets \$ 6,989,042

(continued)

Smile-A-Mile

STATEMENT OF FINANCIAL POSITION – CONTINUED

December 31, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 34,320
Deferred revenue	115,260
Current maturities of long-term debt	94,495
401(k) deposit payable	<u>3,003</u>
Total current liabilities	<u>247,078</u>

LONG-TERM LIABILITIES

Loan payable, net	<u>1,845,821</u>
Total long-term liabilities	<u>1,845,821</u>
Total liabilities	<u>2,092,899</u>

NET ASSETS

With donor restrictions	-
Without donor restrictions	<u>4,896,143</u>
Total net assets	<u>4,896,143</u>
Total liabilities and net assets	<u>\$ 6,989,042</u>

See notes to financial statements

Smile-A-Mile

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Support			
Donor contributions	\$ 193,713	\$ -	\$ 193,713
Investment income	48,417	-	48,417
Fund-raising revenue, net of fund-raising expenses of \$348,266	1,149,809	-	1,149,809
Grant revenue	423,384	-	423,384
Realized and unrealized loss on investments	(138,753)	-	(138,753)
Reimbursements	23,833	-	23,833
Gain on disposal of fixed assets	1,000	-	1,000
	1,701,403	-	1,701,403
Net assets released from restrictions	580,668	(580,668)	-
Total revenue, gains, and support	2,282,071	(580,668)	1,701,403
Functional Operating Expenses			
Program Services			
Camp activities	242,992	-	242,992
Camper programs	143,351	-	143,351
Salaries and benefits	524,738	-	524,738
Other activities	93,583	-	93,583
Office utilities and maintenance	22,547	-	22,547
Payroll taxes and fees	34,289	-	34,289
Depreciation	148,982	-	148,982
Interest	65,980	-	65,980
Travel and mileage	1,840	-	1,840
Automobile	2,120	-	2,120
Insurance	7,740	-	7,740
Dues and subscriptions	782	-	782
Postage	2,991	-	2,991
Total program services	1,291,935	-	1,291,935

(continued)

Smile-A-Mile

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting Services			
Salaries and benefits	146,356	-	146,356
Other activities	28,540	-	28,540
Office utilities and maintenance	61,618	-	61,618
Payroll taxes and fees	11,429	-	11,429
Travel and mileage	6,920	-	6,920
Automobile	706	-	706
Insurance	13,129	-	13,129
Dues and subscriptions	2,347	-	2,347
Postage	997	-	997
Consulting and professional fees	25,860	-	25,860
Taxes and licenses	12,640	-	12,640
Investment fees	9,210	-	9,210
Bank fees	21,094	-	21,094
Total supporting services	<u>340,846</u>	<u>-</u>	<u>340,846</u>
Total expenses	<u>1,632,781</u>	<u>-</u>	<u>1,632,781</u>
Change in net assets	649,290	(580,668)	68,622
Total Net Assets, Beginning of Year	<u>4,246,853</u>	<u>580,668</u>	<u>4,827,521</u>
Total Net Assets, End of Year	<u>\$ 4,896,143</u>	<u>\$ -</u>	<u>\$ 4,896,143</u>

See notes to financial statements

Smile-A-Mile

STATEMENT OF CASH FLOWS

Year ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 68,622
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	148,982
Amortization	2,459
Unrealized loss on investments	200,213
Realized gains on sale of investments	(61,460)
Gain on disposal of property and equipment	(1,000)
Change in prepaid expenses	(15,134)
Change in accounts payable and other liability	(30,612)
Change in contributions receivable	115,401
Change in deferred revenue	31,478
	<u>458,949</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Purchases of property and equipment, net	(9,949)
Purchases of investments	(834,589)
Proceeds from sale of investments	807,912
	<u>(36,626)</u>
Net cash used in investing activities	
Cash flows from financing activities	
Principal payments on loan	<u>(307,591)</u>
Net cash used in financing activities	<u>(307,591)</u>
Net increase in cash and cash equivalents	114,732
Cash and cash equivalents, beginning of year	<u>829,233</u>
Cash and cash equivalents, end of year	<u>\$ 943,965</u>

See notes to financial statements

## Smile-A-Mile

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018

#### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

Smile-A-Mile (the Organization) is a not-for-profit, 501(c)(3) organization formed to operate exclusively for charitable purposes. In 2016, the Organization rebranded to operate as Smile-A-Mile rather than Camp Smile-A-Mile due to the significant expansion of programming in recent years. The Organization's legal name remains Camp Smile-A-Mile. The Organization provides hope, healing of the spirit, and love for the whole family during the childhood cancer journey. Through year-round meaningful and educational programming, Smile-A-Mile helps those in Alabama who are affected by childhood cancer thrive during treatment and the years beyond. The Organization's major sources of support and revenues are contributions, fund-raising activities and investment income.

##### Adoption of New Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The purpose of the ASU is to improve financial reporting by not-for-profits. The ASU, among other things, simplifies the classification of net assets and changes in net assets, requires not-for-profit entities to provide an analysis of expense by natural and functional classifications, and requires enhanced financial statement disclosures regarding a not-for-profit entity's liquidity and availability of resources, self-imposed or donor-imposed limits on the use of resources and methods used to allocate costs among program and support functions. The ASU is effective for annual periods beginning after December 15, 2017 and is to be applied retrospectively to all periods presented, except for a permitted option to only provide disclosure analysis of expenses by functional classifications and liquidity and availability of resources in the period of adoption. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

##### Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP). Under this basis, contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. In-kind contributions are recorded in the accompanying statement of activities and changes in net assets at their estimated fair value at the date of receipt. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions. All public support and revenue is considered to be available for use as designated by the Organization's board of directors unless specifically restricted by the donor. Restricted contributions that are received and used for their intended purpose within the same period are reported as net assets with donor restrictions and released from restriction in the statement of activities and changes in net assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

Basis of Presentation

Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Contributions Receivable

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. Amounts received that are restricted for future periods, or are restricted by the donor for specific purposes, are reported showing amounts with or without donor restrictions that increase those net asset classes. Donor restricted net assets for the year ended December 31, 2018 was \$0. The Organization has adopted FASB Accounting Standards Codification (ASC) 958-360, Not-for-Profit Entities—Property, Plant, and Equipment, and has adjusted the presentation in these financial statements accordingly. As required by ASC 958-360, the Organization is required to reclassify amounts that were previously reported as temporarily restricted net assets for donor-restricted property and equipment with restrictions that expired as funds were spent. Those amounts are now classified as net assets without donor restrictions as the related assets have been placed in service.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted contributions and released from restriction in the statement of activities and changes in net assets.

Contributions receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

## Smile-A-Mile

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2018

#### Deferred Financing Costs

In accordance with GAAP, the debt issuance costs are presented as an offset of the related debt instruments within liabilities and net assets section of the statement of financial position. Debt costs will be amortized using the straight-line method over the term of the mortgage and will be included in interest expenses on the accompanying Statement of Activities and Changes in Net Assets. GAAP requires that the effective interest method be used to amortize debt costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Accumulated amortization at December 31, 2018 was \$7,377. Amortization expense for the year ended December 31, 2018 was \$2,459. Estimated amortization expense for the four ensuing years is as follows:

2019	\$ 2,459
2020	2,459
2021	2,459
2022	2,456
Total	<u>\$ 9,833</u>

#### Cash and Cash Equivalents

The Organization defines cash and cash equivalents as all cash in checking, savings and certificate of deposit accounts, as well as all highly liquid investments with an original maturity date of ninety days or less.

#### Investments

Investments in mutual funds and other equity securities with readily determinable fair values are reported at fair value. Realized and unrealized gains and losses associated with these investments are included in the statement of activities and changes in net assets.

#### Property and Equipment

Expenses for equipment in excess of \$1,000 are capitalized at cost. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets. Expenses for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings	39 years
Vehicles	5 years
Equipment	3-5 years
Leasehold improvements	39 years

Smile-A-Mile

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2018

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements. The Organization's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, net assets, revenues, and expenses. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments as of December 31, 2018 were as follows:

Mutual funds	
Equity funds	\$ 1,015,631
Fixed income funds	555,033
Total mutual funds	<u>1,570,664</u>
Agency endowment fund	<u>281,576</u>
Total investments	<u><u>\$ 1,852,240</u></u>

The Organization has an Agency Endowment Fund agreement with The Community Foundation of Greater Birmingham (the Community Foundation), an Alabama nonprofit organization.

The Community Foundation exercises full control over the fund, which is held for the financial support of the Organization. Distributions may be made from the fund to the Organization upon written request from members of the Organization's board of directors. The Organization does not have a formal spending policy or investment policy relative to the endowment funds. In the event that the Organization ceases to exist as a nonprofit organization, the funds may be used for similar charitable purposes; however, management of the Community Foundation has authority to modify restrictions or conditions placed on recipient organizations.

Smile-A-Mile

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2018

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation are as follows at December 31, 2018:

Land	\$ 650,000
Smile-A-Mile Place	2,853,747
Camp facilities	139,047
Vehicles	139,412
Equipment	55,406
Furniture and fixtures	248,930
Leasehold improvements	34,195
	<u>4,120,737</u>
Less: Accumulated depreciation	(457,102)
Property and equipment, net	<u>\$ 3,663,635</u>

Depreciation expense for the year ended December 31, 2018 was \$148,982.

NOTE 4 – FAIR VALUE OF ASSETS AND LIABILITIES

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. The guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Valuations based on inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Smile-A-Mile

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

There are three general valuation techniques that may be used to measure fair value, as described below:

1. Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.
2. Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).
3. Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value using the market approach. There have been no changes in the valuation methodologies used at December 31, 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial assets could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s financial assets at fair value as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity funds	\$ 1,015,631	\$ 1,015,631	\$ -	\$ -
Fixed income funds	555,033	555,033	-	-
Agency endowment fund	281,576	-	-	281,576
<b>Total</b>	<b>\$ 1,852,240</b>	<b>\$ 1,570,664</b>	<b>\$ -</b>	<b>\$ 281,576</b>

The Organization recognizes transfers into and out of levels at the end of the reporting period. The fair value of the Organization’s interest in agency endowment funds is based on the assessment made by investment managers of the Community Foundation. This interest is included in Level 3 of the fair value hierarchy because the fair values of these investments are determined by the Community Foundation and are unobservable.

Smile-A-Mile

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended December 31, 2018

NOTE 5 – LOAN PAYABLE

In December 2015, the Organization obtained \$2,300,000 as a construction loan payable to Service First Bank with an interest rate of 2.95 percent. As of December 31, 2018, the outstanding balance was \$1,940,316, which includes unamortized debt issuance costs of \$9,833. The note is payable in interest only payments for the first 18 months and then converts to principal and interest payments based on a 20-year amortization. The note is secured by an abundance of caution mortgage on Smile-A-Mile Place. The loan is expected to mature on December 1, 2022. Maturities of indebtedness during each of the next five years subsequent to December 31, 2018, and in aggregate thereafter, are as follows:

2019	\$ 94,495
2020	97,321
2021	100,231
2022	<u>1,658,102</u>
Total	1,950,149
Less unamortized debt issuance costs	<u>(9,833)</u>
	1,940,316
Less current maturities	<u>(94,495)</u>
Net long-term portion	<u><u>\$ 1,845,821</u></u>

NOTE 6 – METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to either the program or supporting services of the Organization. The expense allocations are based on time and cost studies of where efforts are made. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents with financial institutions located in the United States. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these bank balances at December 31, 2018.

Smile-A-Mile

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

NOTE 8 – IN KIND CONTRIBUTIONS

The Organization has an ongoing relationship with Children’s Harbor, such that Children’s Harbor allows the Organization the use of their camp facilities for all of their camp sessions each year at no charge. Management estimates the value of the use of the camp facilities to be \$110,400.

NOTE 9 – DEFERRED REVENUE

The Organization collects fund-raising revenue prior to some events. Those event revenues, which are unearned at year end, are recorded as deferred revenue. The deferred revenue as of December 31, 2018 was \$115,260.

NOTE 10 – RETIREMENT PLAN

The Organization has a 401(k) plan for their full-time employees. Contributions made by the Organization are at the discretion of the Organization. For the year ended December 31, 2018, the Organization made contributions of \$13,803.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This amount consists of cash as presented on the accompanying statement of financial position.

None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Organization maintains financial assets on hand to meet normal operating expenses.

NOTE 12 – SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of the subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through July 11, 2019 (the date on which the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.