SMILE-A-MILE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Smile-A-Mile adopted Financial Accounting Standards Board Accounting Standards Updates (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made; and ASU 2014-09 Revenue from Contracts with Customers (Topic 606) and the related amendments in ASUs 2015-14, 2016-08, 2016-10, 2016-12 effective January 1, 2019. Our opinion is not modified with respect to this matter.

Tidwell Group, LLC

Birmingham, Alabama
September 28, 2020

Smile-A-Mile

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,023,073
Prepaid expenses	51,081
Contributions receivable	145,251
Other current assets	29,093
Total current assets	1,248,498
LONG-TERM ASSETS	
Contributions receivable	75,000
INVESTMENTS	1,935,369
AGENCY ENDOWMENT FUND	325,711
PROPERTY AND EQUIPMENT, NET	3,556,181
Total assets	$ 7,140,759

(continued)

Smile-A-Mile

STATEMENT OF FINANCIAL POSITION – CONTINUED

December 31, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 134,175
Deferred revenue	108,483
Current maturities of long-term debt	107,864
401(k) deposit payable	885
Total current liabilities	351,407
LONG-TERM LIABILITIES	
Loan payable, net	1,395,329
Total long-term liabilities	1,395,329
Total liabilities	1,746,736
NET ASSETS	
Without donor restrictions	5,394,023
Total net assets	5,394,023
Total liabilities and net assets	$ 7,140,759

See notes to financial statements

Smile-A-Mile

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2019

Revenue, Gains, and Support	
Donor contributions	$ 382,644
Investment income	47,938
Fundraising revenue - third party, net of fundraising expenses of $16,241	195,971
Grant revenue	361,145
Realized and unrealized gain on investments	377,372
	1,365,070
Special events revenue	1,055,858
Less: Cost of direct benefits to donors	229,003
Net special events revenue	826,855
Total revenue, gains, and support	2,191,925
Functional Operating Expenses	
Program Services	
Camp activities	257,579
Camper programs	192,650
Salaries and benefits	475,403
Other activities	102,320
Office utilities and maintenance	59,104
Payroll taxes and fees	30,417
Depreciation	152,792
Interest	56,719
Travel and mileage	9,112
Automobile	2,733
Insurance	24,348
Taxes and licenses	12,370
Dues and subscriptions	2,485
Postage	3,309
Total program services	1,381,341

(continued)

Smile-A-Mile

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2019

Supporting Services	
Salaries and benefits	50,765
Other activities	17,167
Office utilities and maintenance	22,481
Payroll taxes and fees	4,359
Travel and mileage	2,278
Automobile	911
Insurance	6,086
Dues and subscriptions	7,456
Postage	1,103
Consulting and professional fees	28,463
Taxes and licenses	3,092
Investment fees	11,766
Bank fees	4,005
Total supporting services	159,932
Fundraising Expenses	
Salaries and benefits	67,294
Advertising	15,762
Office utilities and maintenance	5,916
Payroll taxes and fees	5,779
Contract Services	42,000
Bank fees	16,021
Total fundraising expenses	152,772
Total expenses	1,694,045
Change in net assets	497,880
Total Net Assets, Beginning of Year	4,896,143
Total Net Assets, End of Year	$ 5,394,023

See notes to financial statements

Smile-A-Mile

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

Cash flows from operating activities	
Change in net assets	$ 497,880
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	152,792
Amortization	2,459
Unrealized gain on investments	(325,299)
Realized gain on sale of investments	(52,073)
Change in prepaid expenses	(26,239)
Change in accounts payable and other liabilities	97,737
Change in contributions receivable	255,016
Change in deferred revenue	(6,777)
Net cash provided by operating activities	595,496
Cash flows from investing activities	
Purchases of property and equipment, net	(45,338)
Purchases of investments	(166,498)
Proceeds from sale of investments	132,570
Net cash used in investing activities	(79,266)
Cash flows from financing activities	
Principal payments on loan	(437,122)
Net cash used in financing activities	(437,122)
Net increase in cash and cash equivalents	79,108
Cash and cash equivalents, beginning of year	943,965
Cash and cash equivalents, end of year	$ 1,023,073

See notes to financial statements

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 in the depth and breadth of programming. 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 June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The purpose of the ASU is to provide guidance to not-for-profit entities receiving or making contributions in evaluating whether transactions should be accounted for as contributions or exchanges. The ASU includes specific criteria to be considered in determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. The ASU also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The ASU is effective for annual periods beginning after December 15, 2018 and is to be applied on a modified prospective basis to all periods presented. The Organization adopted the ASU effective January 1, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

During 2014, the FASB issued ASU 2014-09 (ASU) and other related subsequent amendments, Revenue from Contracts with Customers, as an update to ASC 606, Revenue. This ASU became effective for not-for-profit entities for years beginning after December 15, 2018. The purpose of this ASU is to improve comparability of revenue practices among industries. The Organization adopted the ASU effective January 1, 2019. The implementation of the change in revenue recognition for the ASC 606 did not impact the financial statements.

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. Conditional contributions are recognized as revenue upon all conditions being met. 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.

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, and the changes in net assets of the Organization 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.

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, 2019 was $0.

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 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.

Fundraising and Deferred Revenue

Revenues for services provided to donors represent exchange transactions and are recognized in the period in which the services are performed and/or earned. Fundraising third party and special events revenue are recognized when the event takes place. The Organization records special events revenue net of the cost of direct benefits to donors.

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, 2019 was $108,483.

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2019:

Deferred revenue, beginning of year	$ 115,260
Revenue recognized that was included in deferred revenue at the beginning of the year	(115,260)
Deposits collected on behalf of future events	108,483
Deferred revenue, end of year	$ 108,483

Conditional Promises to Give

Conditional promises to give are recognized as support when the donor imposed conditions have been met. Conditional promises to give depend on the occurrence of a specified and uncertain event. For the year ended December 31, 2019, the Organization had $25,000 in conditional promises to give outstanding.

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, 2019 was $9,836. Amortization expense for the year ended December 31, 2019 was $2,459.

Estimated amortization expense for the three ensuing years is as follows:

2020	$ 2,459
2021	2,459
2022	2,456
Total	$ 7,374

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.

Agency Endowment Fund

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. All investments held under the Agency Endowment Fund 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	3-7 years
Leasehold improvements	39 years

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, 2019 were as follows:

Mutual funds	
Equity funds	$ 1,320,972
Fixed income funds	614,397
Total mutual funds	1,935,369
Agency endowment fund	325,711
Total investments	$ 2,261,080

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation are as follows at December 31, 2019:

Land	$ 650,000
Smile-A-Mile Place	2,877,247
Camp facilities	139,047
Vehicles	139,412
Equipment	71,086
Furniture and fixtures	255,088
Leasehold improvements	34,195
	4,166,075
Less: Accumulated depreciation	(609,894)
Property and equipment, net	$ 3,556,181

Depreciation expense for the year ended December 31, 2019 was $152,792.

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. 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, 2019.

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, 2019:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equity funds	$ 1,320,972	$ 1,320,972	$ -	$ -
Fixed income funds	614,397	614,397	-	-
Agency endowment fund	325,711	-	-	325,711
Total	$ 2,261,080	$ 1,935,369	$ -	$ 325,711

The following is a summary of activity for the level 3 investment held, as of December 31, 2019:

Agency endowment fund, beginning of year	$ 281,576
Investment fees	(2,547)
Interest	4,574
Realized gain	39,926
Unrealized gain	2,182
Agency endowment fund, end of year	$ 325,711

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.

NOTE 5 – LOAN PAYABLE

In December 2015, the Organization obtained $2,300,000 as a construction loan payable to ServisFirst Bank with an interest rate of 2.95 percent. As of December 31, 2019, the outstanding balance was $1,503,193, which includes unamortized debt issuance costs of $7,374. 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 three years subsequent to December 31, 2019, and in aggregate thereafter, are as follows:

2020	$ 107,864
2021	111,090
2022	1,291,613
Total	1,510,567
Less unamortized debt issuance costs	(7,374)
	1,503,193
Less current maturities	(107,864)
Net long-term portion	$ 1,395,329

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

The financial statements report certain categories of expenses that are attributable to either the program, fundraising 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 program, fundraising 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, 2019.

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 in 2019 to be $114,996.

NOTE 9 – 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, 2019, the Organization made contributions of $14,012.

NOTE 10 – 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, net of deferred revenue, 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 11 – 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 September 28, 2020 (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, except for the uncertainty related to the COVID-19 pandemic as disclosed below.

Uncertainty related to COVID-19

In December of 2019, an outbreak of a novel strain of coronavirus (COVID-19) which originated in Wuhan, China began spreading rapidly to other countries, including the United States (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. It is anticipated that the impacts related to COVID-19 will continue across the U.S. for some time. The immediate impact to the Organization in 2020 has included a shift to virtual program delivery as well as virtual fundraising (with cancellation of some third-party fundraisers). Future potential impacts may include a reduction in revenue for which the organization continues to adapt, but the overall impact remains unknown amid the continuing pandemic.