

**SIMPLY SMILES, INC.
AND SUBSIDIARY**

**CONSOLIDATED
FINANCIAL STATEMENTS**

DECEMBER 31, 2022



SIMPLY SMILES, INC. AND SUBSIDIARY

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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS**



**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE BOARD OF DIRECTORS OF
SIMPLY SMILES, INC. AND SUBSIDIARY**

Opinion

We have audited the accompanying consolidated financial statements of Simply Smiles, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simply Smiles, Inc. and subsidiary, as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Simply Smiles, Inc. and subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Simply Smiles, Inc. and subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Simply Smiles, Inc. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise a substantial doubt about Simply Smiles, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



HOPE & HERNANDEZ, P.C.
Bridgeport, Connecticut
May 10, 2023

**CONSOLIDATED
FINANCIAL STATEMENTS**

SIMPLY SMILES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	<u>2022</u>
Current Assets:	
Cash	\$ 510,969
Contributions Receivable-Net	130,033
Program Receivables-Net	9,182
Investments	95,791
Total Current Assets	<u>745,975</u>
Property, Plant and Equipment:	
Land, Building and Equipment-Net	<u>2,114,535</u>
Other Assets:	
Operating Lease Right-Of-Use Assets	1,173,042
Security Deposit	300
Total Other Assets	<u>1,173,342</u>
TOTAL ASSETS	\$ <u><u>4,033,852</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts Payable	\$ 83,675
Other Accrued Expenses	33,575
Operating Lease Liability - Short Term	14,300
Notes Payable - Short Term	88,109
Total Current Liabilities	<u>219,659</u>
Long Term Debt:	
Operating Lease Liability	1,181,538
Notes Payable	795,246
Total Long Term Debt	<u>1,976,784</u>
TOTAL LIABILITIES	<u>2,196,443</u>
NET ASSETS	
Without Donor Restrictions	1,824,172
With Donor Restrictions	13,237
Total Net Assets	<u>1,837,409</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>4,033,852</u></u>

See Accompanying Notes and Accountant's Report.

**SIMPLY SMILES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
SUPPORT AND REVENUE:			
Contributions	\$ 1,220,408	\$ 27,500	\$ 1,247,908
Foster Care & Medicaid Revenue	13,239	-	13,239
In-Kind Supplies, Materials & Services	48,242	-	48,242
Gain on Sale of Van	6,000	-	6,000
Interest & Dividend Income	1,167	-	1,167
Miscellaneous Income	612	-	612
Net Assets Released from Restrictions	<u>14,263</u>	<u>(14,263)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,303,931</u>	<u>13,237</u>	<u>1,317,168</u>
EXPENSES:			
Program Services	<u>828,601</u>	<u>-</u>	<u>828,601</u>
Support Services:			
Management and General	60,836	-	60,836
Fundraising	<u>164,700</u>	<u>-</u>	<u>164,700</u>
Total Support Services	<u>225,536</u>	<u>-</u>	<u>225,536</u>
Total Expenses	<u>1,054,137</u>	<u>-</u>	<u>1,054,137</u>
Change in Net Assets from Operations	249,794	13,237	263,031
Non-Operating Activities:			
Investment Return, Net	<u>(5,126)</u>	<u>-</u>	<u>(5,126)</u>
Total Non-Operating Activities	<u>(5,126)</u>	<u>-</u>	<u>(5,126)</u>
CHANGE IN NET ASSETS	244,668	13,237	257,905
NET ASSETS - BEGINNING OF YEAR	<u>1,579,504</u>	<u>-</u>	<u>1,579,504</u>
NET ASSETS - END OF YEAR	<u>\$ 1,824,172</u>	<u>\$ 13,237</u>	<u>\$ 1,837,409</u>

See Accompanying Notes and Accountant's Report.

**SIMPLY SMILES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

EXPENSES	Management & General			Totals
	Programs	& General	Fundraising	2022
Director's Salary	\$ 98,750	\$ 5,209	\$ 9,890	\$ 113,849
Other Salaries	154,602	26,235	92,683	273,520
Payroll Taxes	19,083	2,125	6,801	28,009
Employee Benefits	2,198	1,644	4,218	8,060
Total Salaries & Related Expenses	274,633	35,213	113,592	423,438
Staff Travel	11,426	521	521	12,468
Volunteers Expense	5,156	-	-	5,156
Community Events & Improvement	19,265	-	-	19,265
Simply Smiles Home For Children, Mexico	145,665	-	-	145,665
Simply Smiles Children's Village, CRST	40,332	-	-	40,332
Education	947	-	-	947
Vehicle Expense	16,169	-	-	16,169
Utilities	28,969	2,060	2,587	33,616
Interest, Bank & Credit Card Fees	14,664	2,436	10,216	27,316
Software Expense	11,308	1,758	17,984	31,050
Insurance	34,302	3,044	1,855	39,201
Licenses & Fees	159	100	-	259
Office Supplies	2,650	231	344	3,225
Storage Costs	4,925	-	242	5,167
Building, Office & Land Lease	46,883	3,644	3,644	54,171
Small Tools & Appliances	11,289	-	-	11,289
Fundraising Events	-	-	9,797	9,797
Professional Services	910	10,456	-	11,366
Other Expenses	4,621	642	633	5,896
Advertising	19,360	-	120	19,480
Payroll Service	1,714	731	749	3,194
In-Kind Supplies, Materials & Services	45,826	-	2,416	48,242
Total Expenses Before Depreciation	741,173	60,836	164,700	966,709
Depreciation of Buildings and Equipment	87,428	-	-	87,428
TOTAL EXPENSES	\$ 828,601	\$ 60,836	\$ 164,700	\$ 1,054,137

See Accompanying Notes and Accountant's Report.

**SIMPLY SMILES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>
Change in Net Assets	\$ 257,905
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	87,428
Loss on Investments	5,126
Change in:	
Contributions Receivable	(74,874)
Receivable From South Dakota Department of Social Services	(7,182)
Deposits	10,000
Accounts Payable	14,573
Other Accrued Expenses	<u>13,600</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>306,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Fixed Assets	(380,531)
Acquisition of Investments	<u>1,167</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(379,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds From Notes Payable	132,735
Principal Payments on Vehicle Loans & Notes Payable	<u>(75,908)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>56,827</u>
NET INCREASE (DECREASE) IN CASH	(15,961)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>526,930</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 510,969</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for:

Interest	\$ <u>17,909</u>
Income Taxes	<u><u>\$ -</u></u>

See Accompanying Notes and Accountant's Report.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - STATEMENT OF PURPOSE

Simply Smiles, Inc. is a 501(c)(3) tax exempt non-stock corporation organized in Connecticut. Its mission is to provide bright futures for impoverished children, their families and their communities. Simply Smiles, Inc. is currently working in Oaxaca, Mexico and on The Cheyenne River Sioux Tribe Reservation in South Dakota.

Simply Smiles, A.C. is a nonprofit entity organized in Mexico. Its mission is to improve the lives of children, adults and communities in Mexico and operates a children's village in Oaxaca, Mexico.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements include the accounts of Simply Smiles, Inc. and Simply Smiles, A.C. (collectively, the "Agency"). Simply Smiles, Inc. has both a controlling financial interest and economic interest in Simply Smiles, A.C. As such, consolidated financial statements are required pursuant to FASB Codification 958-810. All material intercompany transactions have been eliminated in consolidation.

Change In Accounting Principle – No Restatement – Adoption of FASB ASC 842

Effective January 1, 2022, the Agency adopted FASB ASC 842, *Leases*. The Agency determines if an arrangement contains a lease at inception based on whether the Agency has the right to control the asset during the contract period and other facts and circumstances. The Agency elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets, net of prepaid lease payments and lease incentives, of \$1,190,214 and operating lease liabilities of \$1,195,838 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the historical accounting treatment. The adoption of FASB ASC 842 had a material impact on the Agency's total assets and liabilities, and a material impact on the Agency's statement of activities, decreasing change in net assets by 8% compared to what it would have been without the adoption of the pronouncement. See Note 14.

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The presentation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These assumptions include but are not limited to the depreciable lives of long-lived assets and allocation of functional expenses. Actual results could differ from those estimates.

Support and Revenue Recognition

Revenues and expenses are recognized on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred.

Basis of Presentation

The Agency's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions can be perpetual in nature, where by the donor has stipulated that the funds be maintained in perpetuity. The Agency does not have any perpetual type net assets at December 31, 2022.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Agency reports donor restricted contributions, whose restrictions

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

are met in the same reporting period, as contributions without donor restrictions in the statement of activities.

Measure of Operations

The consolidated statement of activities reports all changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Agency's ongoing programs and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

In-kind Contributions

In-kind contributions represent the value of donated supplies, materials and equipment and are recorded when these contributions are both specifically identifiable and can be objectively valued in monetary terms (fair market value, as determined by management).

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

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 statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fixed Assets and Accumulated Depreciation

Fixed assets are recorded at cost and include expenditures that naturally increase values or extend useful lives. Contributed assets are recorded at their fair market value at the date of receipt as determined by the Agency. The Agency's policy is to capitalize fixed assets

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

costing more than \$1,000 and having an estimated life in excess of one year. Depreciation is computed over the estimated useful lives of the assets, which range from 3 to 39 years, using the straight-line method for financial and tax reporting purposes. Expenditures in the nature of normal repairs and maintenance are charged to operations as incurred.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities and presented in detail in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
President’s Salary	Time and Effort
Bookkeeper’s Salary	Time and Effort
Program Managers’ Salary	Time and Effort
Bridgeport Office Occupancy Costs	Allocated Equally to Program, Administrative & Fundraising
Employee Benefits	Time and Effort

NOTE 3 - CONTRIBUTIONS RECEIVABLE – NET, PROGRAM RECEIVABLES -NET

Contributions Receivable and Program Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance balances are \$0 at December 31, 2022.

NOTE 4 - INVESTMENTS - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 - INVESTMENTS - FAIR VALUE MEASUREMENTS - Continued

principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Agency groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The Agency's investments are reported at fair value in the accompanying statement of financial position at December 31, 2022 as follows:

	Fair Value	Level 1	Level 2
Cash & Equivalents	\$ 1,047	\$ 1,047	\$ -0-
ETP's, Mutual, Closed End & Interval Funds	<u>94,744</u>	<u>94,744</u>	<u>-0-</u>
Total	<u>\$ 95,791</u>	<u>\$ 95,791</u>	<u>\$ -0-</u>

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - LAND, BUILDING AND EQUIPMENT, NET

Below is a summary of the Agency's fixed assets at December 31, 2022:

	<u>2022</u>
Land, Buildings & Equipment - Mexico	\$ 313,614
Buildings & Equipment – South Dakota	1,909,150
Office Equipment	7,446
Land Improvements – South Dakota	<u>327,250</u>
Sub-Total	2,557,460
Less: Accumulated Depreciation	<u>(442,925)</u>
TOTAL	<u>\$ 2,114,535</u>

NOTE 6 - LINE OF CREDIT

The Agency has a line of credit in the amount of \$205,000 with M&T Bank. The unsecured line is payable on demand and is subject to an annual review by the bank. There is no outstanding balance on the credit line at December 31, 2022.

NOTE 7 – NOTES PAYABLE

4.69% note payable to First Interstate Bank in monthly installments of \$647, including principal and interest, to September, 2024. A Chevy Tahoe with a cost of \$44,525 is pledged as collateral.	\$ 12,417
5.99% note payable to Ally Bank in monthly installments of \$501, including principal and interest, to June, 2028. A Chevy Traverse with a cost of \$30,188 is pledged as collateral.	28,133
6.04% note payable to American National Bank in monthly installments of \$412, including principal and interest, to June, 2024. A pickup truck with a cost of \$27,277 is pledged as collateral.	6,699
6.69% note payable to American National Bank in monthly installments of \$727, including principal and interest, to June, 2028. A pickup truck with a cost of \$52,526 is pledged as collateral.	39,664

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – NOTES PAYABLE - Continued

0% note payable to Kubota Credit Corporation in monthly installments of \$939, to November, 2025. A Kubota skid steer with a cost of \$56,331 is pledged as collateral.	31,921
0% note payable to Kubota Credit Corporation in monthly installments of \$270, to May, 2025. A Kubota mower with a cost of \$9,720 is pledged as collateral.	7,830
2% notes payable in the amounts of \$50,000, \$15,000, \$70,000, \$50,000 \$25,000 and \$10,000 payable to four board members and two friends of the Agency who loaned the Agency funds in the fall of 2020 to help finance the construction of the Children’s Village in South Dakota. The notes are repayable in 20 equal quarterly payments of \$11,760, including principal and interest, beginning in the second quarter of 2021. The notes are collateralized by all of the assets of the Agency.	147,665
2.75% note payable to the U.S. Small Business Administration in 360 equal monthly installments of \$1,092, including principal and interest, beginning December, 2022. The note is collateralized by all of the assets of the Agency.	249,821
Non-amortizing, 0% interest note dated January 15, 2021 from the South Dakota Housing Development Authority used for the construction of the Children’s Village. If the Agency uses the Children’s Village for its current purpose for a period of twenty years, the note will be forgiven and converted to grant revenue. The note is collateralized by the fixtures constructed at the Children’s Village.	<u>359,205</u>
	883,355
Less: Current Portion	<u>(88,109)</u>
Notes Payable – Long Term	\$ <u>795,246</u>

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – NOTES PAYABLE - Continued

Maturities of notes payable for the next five years are as follows:

Year Ending December 31:	Amount
2023	\$ 88,109
2024	84,650
2025	74,358
2026	31,044
2027	20,348
Thereafter	<u>584,846</u>
Total	\$ 883,355

NOTE 8 - INCOME TAXES

Simply Smiles, Inc. (a Connecticut Corporation) is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state statutes and generally is not subject to income taxes. The entity is not aware of any activities that would jeopardize its tax-exempt status. As of December 31, 2022, Simply Smiles, Inc. had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2019 through 2022 tax years remain subject to examination by the Internal Revenue Service.

NOTE 9 – NET ASSETS

	<u>2022</u>
Net Assets With Donor Restrictions	
Specific Purpose –TASH Inc. Grant	<u>\$ 13,237</u>
Net Assets Without Donor Restrictions:	
Undesignated	\$ 1,732,488
Board Designated – Reservation Christmas Parties	32,738
Board Designated – Reservation Emergencies	<u>58,946</u>
	<u>\$ 1,824,172</u>

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 – AVAILABILTY AND LIQUIDITY

The following represents the Agency’s financial assets at December 31, 2022.

Financial assets at year end:	<u>2022</u>
Cash and cash equivalents	\$ 510,969
Contributions Receivable	130,033
Program Receivables	9,182
Investments	<u>95,791</u>
Total Financial Assets	\$ 745,975
Less amounts not available to be used within one year	<u>-0-</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>745,975</u>

The Agency has a line of credit in the amount of \$205,000 available to meet cash flow needs.

NOTE 11 - EMPLOYEE BENEFITS

The Agency maintains a SEP IRA plan open to all employees. Pension expense amounted to \$8,060 for the year ended December 31, 2022.

NOTE 12 – RELATED PARTY TRANSACTIONS

In the fall of 2020, four board members loaned the agency a total of \$185,000 to help fund the construction of the Children’s Village in South Dakota. The loans are in the form of 2% notes payable with quarterly repayments beginning in the second quarter of 2021.

NOTE 13 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentration of credit risk consists principally of cash. The Agency at December 31, 2022, maintained \$224,674 in cash balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Agency has not incurred any losses in the past and it believes it is not exposed to any significant credit risk.

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 14 - OPERATING LEASES

The Agency entered into a 99 year land lease with the Dakota Association of the South Dakota Conference of the United Church of Christ, Inc. The lease expires May, 2117 and calls for monthly payments of \$1,000 until May, 2023 then escalating every 5 years to \$6,116 per month in June, 2114. The Agency entered into a 48 month lease for a single family house in LaPlant, South Dakota. The lease commenced May 1, 2019 with monthly payments of \$400 through April 30, 2023. The Agency also entered into a month to month lease for a two bedroom apartment in Gettysburg, South Dakota on September 23, 2020 for \$610 per month.

The following summarizes the line items in the statement of financial position which includes amounts for operating leases as of December 31, 2022:

Operating lease right-of-use assets	\$1,173,042
Current portion of long term debt operating lease liabilities	\$ 14,300
Long term debt operating lease liabilities	<u>1,181,538</u>
Total operating lease liabilities	\$1,195,838

The components of operating lease expenses that are included in "Building, Office & Land Lease" in the statement of functional expenses for the year ended December 31, 2022 were as follows:

Operating lease cost	\$ <u>39,596</u>
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The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 16,800
Lease assets obtained in exchange for lease liabilities:	
Operating leases	\$1,190,214

Weighted average lease term and discount rate as of December 31, 2022, are as follows:

Weighted average remaining lease term	94 years
Weighted average discount rate (risk free rate method)	1.88%

SIMPLY SMILES, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 14 - OPERATING LEASES - Continued

The maturities of operating lease liabilities as of December 31, 2022, are as follows:

	Cash	Interest Expense	Liability (Accretion) Reduction
2023	\$14,300	\$22,545	\$(8,245)
2024	13,200	22,719	(9,519)
2025	13,200	22,899	(9,699)
2026	13,200	23,083	(9,883)
2027	13,200	23,270	(10,070)
Beyond 2027	3,178,418	2,021,754	1,156,664

NOTE 15 - SUBSEQUENT EVENTS

Date of Management Evaluation - Management has evaluated subsequent events through May 10, 2023, the date on which the financial statements were available to be issued.

Management has not identified any significant subsequent events requiring disclosure.