

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
OCTOBER 31, 2015 AND 2014

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MOOSE,
GREEN AND
KOROM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

TSUKASA KOROM, CPA
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COY E. MOOSE, CPA (1923-2003)

INDEPENDENT AUDITORS' REPORT

February 13, 2016

To the Board of Directors
Partner For Surgery, Inc.
McLean, VA

We have audited the accompanying statements of financial position of Partner For Surgery, Inc., as of October 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Partner For Surgery, Inc., management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partner For Surgery, Inc. as of October 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moose, Green and Korom, P.A.
MOOSE, GREEN AND KOROM, P.A.

PARTNER FOR SURGERY, INC.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2015 AND 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 118,125	\$ 103,925
Prepaid expenses	4,335	9,801
Reimbursements receivable - Note 3	5,514	6,484
Grants receivable - Note 4	1,013	26,304
Investments	55,991	46,193
Security deposit - GT office	405	405
Total current assets	<u>185,383</u>	<u>193,112</u>
<i>Furniture and equipment</i>		
Furniture and equipment	687	1,183
Office equipment	7,371	8,334
Medical equipment	33,023	34,163
	<u>41,081</u>	<u>43,680</u>
Less: accumulated depreciation	(11,614)	(11,110)
Total furniture and equipment, net	<u>29,467</u>	<u>32,570</u>
Total assets	<u>\$ 214,850</u>	<u>\$ 225,682</u>

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ 14,774	\$ 17,530
Total liabilities	<u>14,774</u>	<u>17,530</u>
<i>Net assets</i>		
Unrestricted net assets	182,165	180,129
Temporarily restricted net assets - Note 5	17,911	28,023
Total net assets	<u>200,076</u>	<u>208,152</u>
Total liabilities and net assets	<u>\$ 214,850</u>	<u>\$ 225,682</u>

See independent auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<i>Public support, revenues and reclassifications</i>			
Contributions:			
Individuals	\$ 86,729	\$ 845	\$ 87,574
Corporate	40,566	0	40,566
Churches, clubs and groups	5,645	0	5,645
Indirect contributions	4,014	0	4,014
Publicly supported foundations	20,006	0	20,006
Private foundations	37,906	40,000	77,906
Total contributions	194,866	40,845	235,711
Investment (loss)	(4,787)	0	(4,787)
Net assets released from restriction - Note 5	50,957	(50,957)	0
Total public support, revenues and reclassifications	241,036	(10,112)	230,924
<i>Expenses</i>			
Program expenses:			
Stateside program expenses:			
Program recruitment	4,038	0	4,038
Guatemala program expenses:			
Support for companion organizations	64,817	0	64,817
Outreach and community development	12,706	0	12,706
Infant nutrition programs	51,181	0	51,181
Cervical cancer program	16,284	0	16,284
Medical missions	44,743	0	44,743
Surgical teams	23,487	0	23,487
Total Guatemala program expenses	213,218	0	213,218
Total program expenses	217,256	0	217,256
Administration expenses	12,835	0	12,835
Fundraising expenses	8,909	0	8,909
Total expenses	239,000	0	239,000
Increase (decrease) in net assets	2,036	(10,112)	(8,076)
Net assets - beginning of year	180,129	28,023	208,152
Net assets - end of year	\$ 182,165	\$ 17,911	\$ 200,076

See independent auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
<i>Public support, revenues and reclassifications</i>			
Contributions:			
Individuals	\$ 96,587	\$ 33,010	\$ 129,597
Corporate	2,835	8,005	10,840
Churches, clubs and groups	9,900	0	9,900
Indirect contributions	7,614	0	7,614
Publicly supported foundations	50,160	20,200	70,360
Private foundations	54,500	28,000	82,500
Special events	0	(6,620)	(6,620)
Total contributions	221,596	82,595	304,191
Investment income	4,415	0	4,415
Net assets released from restriction - note 5	57,048	(57,048)	0
Total public support, revenues and reclassifications	283,059	25,547	308,606
<i>Expenses</i>			
Program expenses:			
Stateside program expenses:			
Program recruitment	4,686	0	4,686
Guatemala program expenses:			
Support for companion organizations	164,709	0	164,709
Outreach and community development	16,990	0	16,990
Planning meetings	0	0	0
CSB surgical center	0	0	0
Stockpile surgical supplies	0	0	0
Health promotion	721	0	721
Infant nutrition programs	45,922	0	45,922
Cervical cancer program	7,491	0	7,491
Medical missions	19,451	0	19,451
Surgical teams	11,541	0	11,541
Total Guatemala program expenses	266,825	0	266,825
Total program expenses	271,511	0	271,511
Administration expenses	17,767	0	17,767
Fundraising expenses	31,086	0	31,086
Total expenses	320,364	0	320,364
Increase (decrease) in net assets	(37,305)	25,547	(11,758)
Net assets - beginning of year	217,434	2,476	219,910
Net assets - end of year	\$ 180,129	\$ 28,023	\$ 208,152

See independent auditor's report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
(Decrease) in net assets	\$ (8,076)	\$ (11,758)
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	1,964	2,592
Decrease (increase) in prepaid expenses	5,466	(3,091)
Decrease (increase) in reimbursements receivable	970	(525)
Decrease (increase) in grant receivable	25,291	(2,497)
(Decrease) in funds held in escrow	0	(3,500)
(Decrease) in accounts payable	(2,756)	(3,234)
Net cash provided by (used by) operating activities	<u>22,859</u>	<u>(22,013)</u>
 <i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	0	(495)
Disposition of furniture and equipment	1,139	0
Mutual fund contribution	(5,008)	(4,035)
Earnings and fees on mutual fund	(4,790)	(4,407)
Net cash (used by) investing activities	<u>(8,659)</u>	<u>(8,937)</u>
 Net increase (decrease) in cash and cash equivalents	14,200	(30,950)
Cash and cash equivalents - beginning of year	<u>103,925</u>	<u>134,875</u>
 Cash and cash equivalents - end of year	<u>\$ 118,125</u>	<u>\$ 103,925</u>

See independent auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Business

Partner For Surgery, Inc. (formerly Partner in Health, Inc., and not related to the entity known as Partners In Health) is a not-for-profit organization incorporated on May 7, 2001 under the laws of the Commonwealth of Virginia.

The purpose of Partner For Surgery, Inc. is to increase the ability of the extremely poor Mayan population in Guatemala to utilize the services of the visiting foreign surgical teams. This goal is accomplished by educating the target population through field visits to explain the process, use of rural radio programs in the local language, training and utilization of community members to be Partner For Surgery representatives. Coordination between the surgical teams and Partner For Surgery, Inc. is accomplished through email. Partner For Surgery, Inc. solicits funds from the teams to cover the direct costs associated with getting the patients to the hospital. Funds to cover costs associated with the rural triage, community education, communication, post operative care, and logistics are solicited as direct donations to Partner For Surgery, Inc. The surgical teams donate their service and frequently participate in the payment of patient laboratory and food expenses.

Board members, officers, and volunteers of Partner For Surgery, Inc perform this work. In addition, Partner For Surgery, Inc. hires Asociacion Companero para Cirugia, a Guatemalan nonprofit organization, to provide the services of nine staff members, as well as twenty-three local area managers who are independent contractors, as defined in Guatemala, paid by the task.

Income Taxes

Partner For Surgery, Inc. is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is organized and operated exclusively for charitable and educational purposes. In addition, the Internal Revenue Service has determined that the Organization, during the advance ruling period from May 7, 2001 to December 31, 2005, qualifies for the charitable contribution deduction under Section 170 (b)(1)(A)(vi) and has been classified as a publicly supported organization, and not a private foundation under Section 509(a)(1).

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PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Income Taxes – continued

Partner For Surgery, Inc.'s Form 990, Return of Organization Exempt from Income Tax, for the years ending October 31, 2013, 2014 and 2015 are subject to examination by the IRS generally for three years after they were filed.

Principles of Accounting

Partner For Surgery, Inc. prepares its financial statements on the accrual basis of accounting.

Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Furniture and Equipment

Expenditures for the acquisition of furniture and equipment are capitalized at cost. Depreciation is provided over the estimated useful lives of assets by the straight-line method. For the years ended October 31, 2015 and 2014, depreciation expense totaled \$1,964 and \$2,592 respectively.

Promise to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Promise to Give – continued

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Note 2. Cash and Cash Equivalents

For purposes of the statement of cash flows, Partner For Surgery, Inc. considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Undeposited funds are included in cash.

At October 31, 2015 and 2014 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$ 118,125 and \$103,925 respectively.

Note 3. Reimbursements Receivable

Partner For Surgery, Inc. invoices the surgical teams operating in Guatemala for ancillary costs that may be incurred for the patients and the community representatives who escort and translate for the patients while at the surgical site. These costs include transportation, medical supplies and procedures, meals, lodging, etc.

At October 31, 2015 and 2014, the balance due from the surgical teams was \$5,514 and \$6,484 respectively.

Note 4. Grants Receivable

During the year ended October 31, 2015 the Organization received a total of \$14,739 pledges from individuals, foundations, trusts and churches. The pledge balance receivable at October 31, 2015 is \$1,013. As of the date of the auditors' report \$500 remains outstanding.

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PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 5. Temporarily Restricted Net Assets

At October 31, 2015 and 2014, temporarily restricted net assets in the amount of \$17,911 and \$28,023 are available for the Guatemala program expenses as follows:

	<u>2015</u>	<u>2014</u>
Project Hands Grant	\$ 0	\$ 1,755
Huggins, Tia	1,265	420
Palmer Foundation	16,646	0
May 15 Event	0	22,102
Phase Foundation	0	3,746
	<u>\$ 17,911</u>	<u>\$ 28,023</u>

During the years ended October 31, 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2015</u>	<u>2014</u>
Project Hands Grant	\$ 1,755	\$ 0
SG Foundation	0	721
Palmer Foundation	13,354	0
May 15 Event	22,102	50,073
Phase Foundation	13,746	6,254
	<u>\$ 50,957</u>	<u>\$ 57,048</u>

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PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 6. Functional Expenses

Expenses reported on the statement of activities for the year ended October 31, 2015, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 846	\$ 0	\$ 30	\$ 876
Bank service charges	44	47	0	91
Board expenses	0	945	0	945
Communications	7,026	140	135	7,301
Contract services	924	1,945	1,726	4,595
Currency fluctuation	1,126	0	0	1,126
Depreciation	1,561	329	74	1,964
Event expenses	0	0	4,000	4,000
Fees and licenses	0	377	0	377
Office expense	0	370	0	370
Online transaction fees	0	0	281	281
Postage & delivery	529	223	292	1,044
Printing and reproduction	1,790	351	1,053	3,194
Auto expense	913	0	21	934
Guatemala office expenses	9,841	0	0	9,841
Loss of equipment	1,140	0	0	1,140
Professional services:				
Accounting services	16,863	8,108	1,269	26,240
Subtotal carried forward	\$ 42,603	\$ 12,835	\$ 8,881	\$ 64,319

See independent auditors' report

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 6. Functional Expenses (continued)

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Subtotal carried forward	\$ 42,603	\$ 12,835	\$ 8,881	\$ 64,319
Program related expenses:				
Grants and allocations	58,094	0	0	58,094
Guatemalan staff	64,867	0	0	64,867
Guatemalan staff related expenses	12,898	0	0	12,898
Online data management	90	0	0	90
Patient related expenses	4,326	0	0	4,326
Project Supplies	20,129	0	0	20,129
Training related expenses	5,952	0	0	5,952
Team related expenses	2,978	0	0	2,978
US staff travel related expenses	5,319	0	28	5,347
Total Functional Expenses	\$ <u>217,256</u>	\$ <u>12,835</u>	\$ <u>8,909</u>	\$ <u>239,000</u>

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PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 6. Functional Expenses (continued)

Expenses reported on the statement of activities for the year ended October 31, 2014, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 892	\$ 0	\$ 194	\$ 1,086
Bank service charges	75	38	551	664
Board expenses	0	117	0	117
Communications	846	189	50	1,085
Contract services	1,781	2,960	7,180	11,921
Currency fluctuation	3,906	0	0	3,906
Depreciation	2,189	329	74	2,592
Event expenses	0	0	10,739	10,739
Fees and licenses	0	51	0	51
Office expense	0	687	26	713
Online transaction fees	0	0	1,217	1,217
Postage & delivery	1,207	262	1,557	3,026
Printing and reproduction	1,544	11	4,818	6,373
Auto expense	1,236	19	236	1,491
Guatemala office expenses	10,108	0	0	10,108
Payroll service fees	0	441	0	441
Professional services:				
Accounting services	22,137	12,605	2,984	37,726
Subtotal carried forward	\$ 45,921	\$ 17,709	\$ 29,626	\$ 93,256

See independent auditors' report

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 6. Functional Expenses (continued)

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Subtotal carried forward	\$ 45,921	\$ 17,709	\$ 29,626	\$ 93,256
Program related expenses:				
Grants and allocations	156,157	0	0	156,157
Guatemalan staff	30,415	0	0	30,415
Guatemalan staff related expenses	6,512	0	582	7,094
Online data management	562	0	0	562
Patient related expenses	5,002	0	0	5,002
Project Supplies	9,472	0	0	9,472
Training related expenses	50	0	0	50
Team related expenses	13,678	0	0	13,678
US staff travel related expenses	3,742	58	878	4,678
Total Functional Expenses	\$ <u>271,511</u>	\$ <u>17,767</u>	\$ <u>31,086</u>	\$ <u>320,364</u>

See independent auditors' report