

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
OCTOBER 31, 2011 AND 2010

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-12



MOOSE,
GREEN AND
KOROM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JACK A. GREEN, CPA
TSUKASA KOROM, CPA

C. MICHAEL KOON, CPA
COY E. MOOSE, CPA (1923-2003)

January 6, 2012

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 AND 2010

	ASSETS	
	2011	2010
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 369,330	\$ 206,373
Prepaid expenses	0	628
Reimbursements receivable - Note 3	3,956	4,040
Grant receivable - Note 4	2,200	0
Inventory	0	174
Investments	16,131	11,368
Security deposit - GT office	463	463
Total current assets	<u>392,080</u>	<u>223,046</u>
<i>Furniture and equipment</i>		
Furniture and equipment	687	0
Office equipment	7,401	4,085
Medical equipment	1,471	1,471
Vehicles	0	20,889
	<u>9,559</u>	<u>26,445</u>
Less: accumulated depreciation	<u>(5,235)</u>	<u>(24,548)</u>
Total furniture and equipment, net	<u>4,324</u>	<u>1,897</u>
Total assets	<u>\$ 396,404</u>	<u>\$ 224,943</u>

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ 10,864	\$ 6,912
Payroll taxes payable	0	407
Total current liabilities	<u>10,864</u>	<u>7,319</u>
<i>Net assets</i>		
Unrestricted net assets	287,028	193,153
Temporarily restricted net assets - Note 5	<u>98,512</u>	<u>24,471</u>
Total net assets	<u>385,540</u>	<u>217,624</u>
Total liabilities and net assets	<u>\$ 396,404</u>	<u>\$ 224,943</u>

See independent auditors' report and accompanying notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
<i>Public support, revenues and reclassifications</i>				
Contributions:				
Individuals	\$ 153,332	\$ 48,575	\$ 201,907	\$ 129,370
Corporate	51,996	0	51,996	46,724
Churches, clubs and groups	20,845	0	20,845	19,243
Indirect contributions	5,652	0	5,652	6,209
Publicly supported foundations	13,358	6,000	19,358	36,175
Private foundations	158,600	55,000	213,600	28,450
Total contributions	403,783	109,575	513,358	266,171
Revenue	4,756	0	4,756	500
Investment income	344	0	344	1,997
Other income	647	0	647	134
Net assets released from restriction - Note 5	35,534	(35,534)	0	0
Total public support, revenues and reclassifications	445,064	74,041	519,105	268,802
<i>Expenses</i>				
Program expenses:				
Stateside program expenses:				
Program recruitment	26,546	0	26,546	475
Guatemala program expenses:				
Support for companion organizations	68,249	0	68,249	88,960
Outreach and community development	39,231	0	39,231	46,275
Planning meetings	3,514	0	3,514	3,442
Radio programs	6,745	0	6,745	8,177
Infant nutrition programs	36,762	0	36,762	0
Cervical cancer program	9,689	0	9,689	0
Medical missions	47,381	0	47,381	36,714
Surgical teams	62,185	0	62,185	44,482
Research support	0	0	0	281
Total Guatemala program expenses	273,756	0	273,756	228,331
Total program expenses	300,302	0	300,302	228,806
Administration expenses	12,806	0	12,806	9,832
Fundraising expenses	38,081	0	38,081	9,229
Total expenses	351,189	0	351,189	247,867
Change in net assets	93,875	74,041	167,916	20,935
Net assets - beginning of year	193,153	24,471	217,624	196,689
Net assets - end of year	\$ 287,028	\$ 98,512	\$ 385,540	\$ 217,624

See independent auditors' report and accompanying notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Increase in net assets	\$ 167,916	\$ 20,935
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	1,749	1,724
Decrease in prepaid expenses	628	48
Decrease (increase) in reimbursements receivable	84	(481)
(Increase) in grant receivable	(2,200)	0
Decrease in inventory	174	21
Increase (decrease) in accounts payable	3,952	(6,058)
Increase (decrease) in payroll taxes payable	(407)	208
Net cash (provided by) operating activities	<u>171,896</u>	<u>16,397</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	(4,572)	(571)
Disposal of furniture and equipment	396	0
Mutual fund contribution	(4,810)	0
Earnings and fees on mutual fund	47	44
Net cash (used by) investing activities	<u>(8,939)</u>	<u>(527)</u>
Net (increase) in cash and cash equivalents	162,957	15,870
Cash and cash equivalents - beginning of year	<u>206,373</u>	<u>190,503</u>
Cash and cash equivalents - end of year	<u><u>\$ 369,330</u></u>	<u><u>\$ 206,373</u></u>

See independent auditors' report and accompanying 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 extreme 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. has two full-time and one part time staff members working in Guatemala as well as hires Asociacion Companero para Cirugia, a Guatemalan nonprofit organization, to provide the services of six staff members and thirty local area managers who are paid by task and they are in the formal economy.

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).

Principles of Accounting

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

See independent auditor's report

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

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.

Financial Statement Presentations

Partner For Surgery, Inc. has adopted Statements of Financial Accounting Standards (SFAS) No. 117 Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Partner for Surgery, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Partner for Surgery, Inc. is required to present a statement of cash flows.

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, 2011 and 2010, depreciation expense totaled \$1,749 and \$1,724 respectively.

Contributions

Partner for Surgery, Inc. has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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.

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, 2011 and 2010 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$ 369,330 and \$206,373 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, 2011 and 2010, the balance due from the surgical teams was \$3,956 and \$4,040 respectively.

Note 4. Grant Receivable

During the year ended October 31, 2011 the Organization received a \$6,000 pledge from the Timmy Foundation for the purpose to outline strategies for collaboration, based on the key needs of each organization and the potential to work together to address the healthcare needs of low income patients in rural Guatemala. The pledge balance receivable at October 31, 2011 is \$2,200.

See independent auditor's report

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

Note 5. Temporarily Restricted Net Assets

At October 31, 2011 and 2010, temporarily restricted net assets in the amount of \$98,512 and \$24,471 are available for the Guatemala program expenses as follows:

	<u>2011</u>	<u>2010</u>
George Washington University		
Surgical Team Program	\$ 21,135	\$ 24,471
Timmy Foundation	3,723	0
Palmer Foundation Nutrition Program	26,624	0
Weinhold Nutrition Program	29,555	0
Project Hands Grant #6	6,175	0
Companera en Salud Grant #5	11,300	0
	<u>\$ 98,512</u>	<u>\$ 24,471</u>

During the year ended October 31, 2011 and 2010, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2011</u>	<u>2010</u>
Daniele Agostino Derossi Foundation	\$ 0	\$ 1,415
Palmer Foundation	28,376	24,366
George Washington University		
Surgical Team Program	3,336	0
Timmy Foundation	2,277	0
Weinhold Nutrition Program	445	0
Project Hands Grant #6	1,100	0
	<u>\$ 35,534</u>	<u>\$ 25,781</u>

See independent auditor's report

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, 2011, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 1,916	\$ 173	\$ 248	\$ 2,337
Bank service charges	87	249	0	336
Board expenses	0	194	0	194
Communications	2,738	445	844	4,027
Conferences	75	0	0	75
Contract services	1,905	0	250	2,155
Credit card processing	0	0	321	321
Currency fluctuation	686	0	0	686
Depreciation	1,617	22	110	1,749
Dues	0	175	0	175
Equipment maintenance & repair	302	134	0	436
Event related expenses	0	0	4,472	4,472
Fees and licenses	23	120	75	218
Meeting site rental	200	0	0	200
Minor equipment	890	212	49	1,151
Office expense	620	764	472	1,856
Postage & delivery	185	213	1,412	1,810
Printing and reproduction	867	20	4,720	5,607
Publications	0	31	16	47
Auto expense	4,951	8	0	4,959
Guatemala office expenses	6,381	0	0	6,381
Motorcycle expense	73	0	0	73
Online transaction fees	0	0	932	932
Subtotal carried forward	\$ 23,516	\$ 2,760	\$ 13,921	\$ 40,197

See independent auditor's 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	\$ 23,516	\$ 2,760	\$ 13,921	\$ 40,197
Payroll Expenses:				
Payroll	85,183	0	12,382	97,565
Payroll taxes	5,989	0	772	6,761
Health care/insurance	1,438	0	0	1,438
Payroll service fees	0	1,077	0	1,077
Professional Services:				
Accounting services	19,965	8,123	2,055	30,143
Development	0	0	8,003	8,003
Program related expenses:				0
Grants and allocations	62,894	0	0	62,894
Guatemalan staff	19,676	0	0	19,676
Guatemalan staff related expenses	4,760	491	0	5,251
Online data management	1,081	0	0	1,081
Patient related expenses	8,175	0	0	8,175
Project Supplies	22,324	0	0	22,324
Team related expenses	32,382	0	0	32,382
Youth related expenses	3,617	0	0	3,617
Theft	524	0	0	524
US staff travel related expenses	8,778	355	948	10,081
Total Functional Expenses	\$ <u>300,302</u>	\$ <u>12,806</u>	\$ <u>38,081</u>	\$ <u>351,189</u>

See independent auditor's report

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, 2010, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 2,300	\$ 610	\$ 41	\$ 2,951
Bank service charges	102	210	0	312
Board expenses	0	20	0	20
Communications	2,831	246	95	3,172
Currency fluctuation	1,518	0	0	1,518
Depreciation	1,724	0	0	1,724
Equipment maintenance & repair	278	0	0	278
Equipment rental	12	0	0	12
Event expenses	0	0	3,006	3,006
Fees and licenses	70	109	0	179
Meeting site rental	38	0	0	38
Minor equipment	453	0	0	453
Office expense	4	464	13	481
Online transaction fee	0	0	359	359
Postage & delivery	202	338	781	1,321
Printing and reproduction	229	0	2,563	2,792
Auto expense	6,635	42	0	6,677
Guatemala office expenses	5,399	0	0	5,399
Motorcycle expense	63	0	0	63
Payroll expenses:				
Payroll	29,404	0	0	29,404
Payroll taxes	2,249	0	0	2,249
Health care/insurance	821	0	0	821
Professional services:				
Accounting services	12,778	6,490	480	19,748
Graphic design	0	0	275	275
Consulting	0	244	1,524	1,768
Subtotal carried forward	\$ 67,110	\$ 8,773	\$ 9,137	\$ 85,020

See independent auditor's report

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

Note 6. Functional Expenses (continued)

	<u>Program Expenses</u>	<u>Administration Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Subtotal carried forward	\$ 67,110	\$ 8,773	\$ 9,137	\$ 85,020
Program related expenses:				
Project manager	4,200	0	0	4,200
Health insurance	214	0	0	214
Grants and allocations	85,842	0	0	85,842
Guatemalan staff	5,071	0	0	5,071
Medical supplies & procedures	917	0	0	917
Hospital expenses	9	0	0	9
Online data management	772	0	0	772
Project supplies	8,061	0	0	8,061
Staff development	125	0	0	125
Travel and lodging	<u>56,485</u>	<u>1,059</u>	<u>92</u>	<u>57,636</u>
Total functional expenses	\$ <u>228,806</u>	\$ <u>9,832</u>	\$ <u>9,229</u>	\$ <u>247,867</u>

See independent auditor's report