

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
OCTOBER 31, 2012 AND 2011

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MOOSE,
GREEN AND
KOROM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JACK A. GREEN, CPA
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AUDITORS' REPORT

January 10, 2013

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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 AND 2011

	ASSETS	
	2012	2011
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 203,820	\$ 369,330
Prepaid expenses	7,215	0
Reimbursements receivable - Note 3	6,995	3,956
Grants receivable - Note 4	34,661	2,200
Investments	21,621	16,131
Security deposit - GT office	463	463
Total current assets	<u>274,775</u>	<u>392,080</u>
<i>Furniture and equipment</i>		
Furniture and equipment	687	687
Office equipment	8,388	7,401
Medical equipment	1,471	1,471
	<u>10,546</u>	<u>9,559</u>
Less: accumulated depreciation	<u>(6,978)</u>	<u>(5,235)</u>
Total furniture and equipment, net	<u>3,568</u>	<u>4,324</u>
Total assets	\$ <u>278,343</u>	\$ <u>396,404</u>

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ <u>19,907</u>	\$ <u>10,864</u>
<i>Net assets</i>		
Unrestricted net assets	214,548	287,028
Temporarily restricted net assets - Note 5	<u>43,888</u>	<u>98,512</u>
Total net assets	<u>258,436</u>	<u>385,540</u>
Total liabilities and net assets	\$ <u>278,343</u>	\$ <u>396,404</u>

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
<i>Public support, revenues and reclassifications</i>				
Contributions:				
Individuals	\$ 109,295	\$ 5,700	\$ 114,995	\$ 201,907
Corporate	7,170	3,000	10,170	51,996
Churches, clubs and groups	14,291	0	14,291	20,845
Indirect contributions	10,818	0	10,818	5,652
Publicly supported foundations	30,065	3,710	33,775	19,358
Private foundations	25,035	0	25,035	213,600
Total contributions	196,674	12,410	209,084	513,358
Revenue	0	0	0	4,756
Investment income	557	0	557	344
Other income	0	0	0	647
Net assets released from restriction - Note 5	67,034	(67,034)	0	0
Total public support, revenues and reclassifications	264,265	(54,624)	209,641	519,105
<i>Expenses</i>				
Program expenses:				
Stateside program expenses:				
Program recruitment	27,259	0	27,259	26,546
Guatemala program expenses:				
Support for companion organizations	106,427	0	106,427	68,249
Outreach and community development	27,355	0	27,355	39,231
Planning meetings	3,616	0	3,616	3,514
Radio programs	0	0	0	6,745
Infant nutrition programs	49,308	0	49,308	36,762
Cervical cancer program	16,003	0	16,003	9,689
Medical missions	28,910	0	28,910	47,381
Surgical teams	29,652	0	29,652	62,185
Total Guatemala program expenses	261,271	0	261,271	273,756
Total program expenses	288,530	0	288,530	300,302
Administration expenses	13,702	0	13,702	12,806
Fundraising expenses	34,513	0	34,513	38,081
Total expenses	336,745	0	336,745	351,189
Increase(decrease) in net assets	(72,480)	(54,624)	(127,104)	167,916
Net assets - beginning of year	287,028	98,512	385,540	217,624
Net assets - end of year	\$ 214,548	\$ 43,888	\$ 258,436	\$ 385,540

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Increase (decrease) in net assets	\$ (127,104)	\$ 167,916
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	1,743	1,749
Decrease (increase) in prepaid expenses	(7,215)	628
Decrease (increase) in reimbursements receivable	(3,039)	84
(Increase) in grant receivable	(32,461)	(2,200)
Decrease in inventory	0	174
Increase in accounts payable	9,043	3,952
Increase (decrease) in payroll taxes payable	0	(407)
Net cash provided by (used by) operating activities	<u>(159,033)</u>	<u>171,896</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	(987)	(4,572)
Disposal of furniture and equipment	0	396
Mutual fund contribution	(5,062)	(4,810)
Earnings and fees on mutual fund	(428)	47
Net cash (used by) investing activities	<u>(6,477)</u>	<u>(8,939)</u>
Net increase (decrease) in cash and cash equivalents	(165,510)	162,957
Cash and cash equivalents - beginning of year	<u>369,330</u>	<u>206,373</u>
Cash and cash equivalents - end of year	<u>\$ 203,820</u>	<u>\$ 369,330</u>

See 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 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 one full-time staff member working in Guatemala as well as 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, 2010, 2011 and 2012 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, 2012 and 2011, depreciation expense totaled \$1,743 and \$1,749 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, 2012 and 2011 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$ 203,820 and \$369,330 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, 2012 and 2011, the balance due from the surgical teams was \$6,995 and \$3,956 respectively.

Note 4. Grants Receivable

During the year ended October 31, 2012 the Organization received a total of \$46,972 pledges from individuals, foundations, trusts and churches. The pledge balance receivable at October 31, 2012 is \$34,661. As of the date of the auditors' report \$3,500 remain outstanding.

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

Note 5. Temporarily Restricted Net Assets

At October 31, 2012 and 2011, temporarily restricted net assets in the amount of \$43,888 and \$98,512 are available for the Guatemala program expenses as follows:

	<u>2012</u>	<u>2011</u>
George Washington University		
Surgical Team Program	\$ 21,135	\$ 21,135
Timmy Foundation	0	3,723
Palmer Foundation Nutrition Program	0	26,624
Weinhold Nutrition Program	10,343	29,555
Project Hands Grant	3,710	6,175
Companero en Salud Grant	5,700	11,300
SpineGuard, Inc.	3,000	0
	<u>\$ 43,888</u>	<u>\$ 98,512</u>

During the years ended October 31, 2012 and 2011, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2012</u>	<u>2011</u>
Palmer Foundation	\$ 26,624	\$ 28,376
George Washington University		
Surgical Team Program	0	3,336
Timmy Foundation	3,723	2,277
Weinhold Nutrition Program	19,212	445
Project Hands Grant	6,175	1,100
Companero en Salud Grant	11,300	0
	<u>\$ 67,034</u>	<u>\$ 35,534</u>

See auditors' 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, 2012, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 790	\$ 408	\$ 18	\$ 1,216
Bank service charges	26	233	0	259
Board expenses	0	426	0	426
Communications	2,204	222	174	2,600
Conferences	0	0	25	25
Currency fluctuation	680	0	0	680
Depreciation	1,480	0	263	1,743
Equipment maintenance & repair	420	0	0	420
Event expenses	525	0	525	1,050
Fees and licenses	0	570	0	570
Minor equipment	527	0	0	527
Office expense	67	459	736	1,262
Online transaction fees	0	0	553	553
Postage & delivery	698	228	875	1,801
Printing and reproduction	1,080	60	1,492	2,632
Auto expense	2,563	16	2	2,581
Guatemala office expenses	8,347	0	0	8,347
Payroll expenses:				0
Payroll	32,290	0	0	32,290
Payroll taxes	2,470	0	0	2,470
Health care/insurance	1,009	0	0	1,009
Payroll service fees	0	1,143	0	1,143
Professional services:				
Accounting services	21,063	9,297	2,031	32,391
Consulting	34,028	523	27,435	61,986
Subtotal carried forward	\$ 110,267	\$ 13,585	\$ 34,129	\$ 157,981

See 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	\$ 110,267	\$ 13,585	\$ 34,129	\$ 157,981
Program related expenses:				0
Grants and allocations	98,984	0	0	98,984
Guatemalan staff	20,799	0	0	20,799
Online data management	9,600	35	0	9,635
Patient related expenses	2,232	0	0	2,232
Project Supplies	15,184	0	0	15,184
Staff development	135	0	0	135
Team related expenses	19,979	0	0	19,979
Travel and lodging	4,447	0	0	4,447
US staff travel related expenses	6,903	82	384	7,369
Total Functional Expenses	\$ <u>288,530</u>	\$ <u>13,702</u>	\$ <u>34,513</u>	\$ <u>336,745</u>

See auditors' 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, 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 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	\$ 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>

Note 7. Evaluation of Subsequent Events

Partner For Surgery, Inc. has evaluated subsequent events through January 10, 2013, the date in which the financial statements were available to be issued.

See auditors' report