

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
OCTOBER 31, 2013 AND 2012

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MOOSE,
GREEN AND
KOROM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

TSUKASA KOROM, CPA
JACK A. GREEN, CPA (RETIRED)

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

AUDITORS' REPORT

February 19, 2014

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 AND 2012

	ASSETS	
	2013	2012
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 134,875	\$ 203,820
Prepaid expenses	6,710	7,215
Reimbursements receivable - Note 3	5,959	6,995
Grants receivable - Note 4	23,807	34,661
Investments	37,751	21,621
Security deposit - GT office	405	463
Total current assets	<u>209,507</u>	<u>274,775</u>
<i>Furniture and equipment</i>		
Furniture and equipment	687	687
Office equipment	8,334	8,388
Medical equipment	34,163	1,471
	<u>43,184</u>	<u>10,546</u>
Less: accumulated depreciation	<u>(8,517)</u>	<u>(6,978)</u>
Total furniture and equipment, net	<u>34,667</u>	<u>3,568</u>
Total assets	<u>\$ 244,174</u>	<u>\$ 278,343</u>

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ 20,764	\$ 19,907
Funds held in escrow	3,500	0
Total liabilities	<u>24,264</u>	<u>19,907</u>
<i>Net assets</i>		
Unrestricted net assets	217,434	214,548
Temporarily restricted net assets - Note 5	2,476	43,888
Total net assets	<u>219,910</u>	<u>258,436</u>
Total liabilities and net assets	<u>\$ 244,174</u>	<u>\$ 278,343</u>

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
<i>Public support, revenues and reclassifications</i>				
Contributions:				
Individuals	\$ 117,511	\$ 0	\$ 117,511	\$ 114,995
Corporate	21,085	0	21,085	10,170
Churches, clubs and groups	11,855	0	11,855	14,291
Indirect contributions	521	0	521	10,818
Publicly supported foundations	72,869	1,755	74,624	33,775
Private foundations	70,294	721	71,015	25,035
Total contributions	294,135	2,476	296,611	209,084
Investment income	11,309	0	11,309	557
Net assets released from restriction - Note 5	43,888	(43,888)	0	0
Total public support, revenues and reclassifications	349,332	(41,412)	307,920	209,641
<i>Expenses</i>				
Program expenses:				
Stateside program expenses:				
Program recruitment	12,823	0	12,823	27,259
Guatemala program expenses:				
Support for companion organizations	144,264	0	144,264	106,427
Outreach and community development	19,885	0	19,885	27,355
Planning meetings	4,591	0	4,591	3,616
CSB surgical center	895	0	895	
Stockpile surgical supplies	191	0	191	
Health promotion	19,035	0	19,035	
Infant nutrition programs	45,043	0	45,043	49,308
Cervical cancer program	10,826	0	10,826	16,003
Medical missions	34,459	0	34,459	28,910
Surgical teams	16,471	0	16,471	29,652
Total Guatemala program expenses	295,660	0	295,660	261,271
Total program expenses	308,483	0	308,483	288,530
Administration expenses	17,237	0	17,237	13,702
Fundraising expenses	20,726	0	20,726	34,513
Total expenses	346,446	0	346,446	336,745
(Decrease) in net assets	2,886	(41,412)	(38,526)	(127,104)
Net assets - beginning of year	214,548	43,888	258,436	385,540
Net assets - end of year	\$ 217,434	\$ 2,476	\$ 219,910	\$ 258,436

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
(Decrease) in net assets	\$ (38,526)	\$ (127,104)
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	2,039	1,743
Decrease (increase) in prepaid expenses	505	(7,215)
Decrease (increase) in reimbursements receivable	1,036	(3,039)
Decrease (increase) in grant receivable	10,854	(32,461)
Decrease in security deposit - GT office	58	0
Increase in accounts payable	857	9,043
Net cash (used by) operating activities	<u>(23,177)</u>	<u>(159,033)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	(31,338)	(987)
Mutual fund contribution	0	(5,062)
Earnings and fees on mutual fund	<u>(14,430)</u>	<u>(428)</u>
Net cash (used by) investing activities	<u>(45,768)</u>	<u>(6,477)</u>
Net (decrease) in cash and cash equivalents	(68,945)	(165,510)
Cash and cash equivalents - beginning of year	<u>203,820</u>	<u>369,330</u>
Cash and cash equivalents - end of year	<u>\$ 134,875</u>	<u>\$ 203,820</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, 2011, 2012 and 2013 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, 2013 and 2012, depreciation expense totaled \$2,039 and \$1,743 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, 2013 and 2012 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$ 134,875 and \$203,820 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, 2013 and 2012, the balance due from the surgical teams was \$5,959 and \$6,995 respectively.

Note 4. Grants Receivable

During the year ended October 31, 2013 the Organization received a total of \$46,972 pledges from individuals, foundations, trusts and churches. The pledge balance receivable at October 31, 2013 is \$23,600. As of the date of the auditors' report \$2,000 remains outstanding.

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

Note 5. Temporarily Restricted Net Assets

At October 31, 2013 and 2012, temporarily restricted net assets in the amount of \$2,476 and \$43,888 are available for the Guatemala program expenses as follows:

	<u>2013</u>	<u>2012</u>
George Washington University		
Surgical Team Program	\$ 0	\$ 21,135
Timmy Foundation	0	0
Palmer Foundation Nutrition Program	0	0
Weinhold Nutrition Program	0	10,343
Project Hands Grant	1,755	3,710
Companero en Salud Grant	0	5,700
SG Foundation	721	0
Spine Guard, Inc.	0	3,000
	<u>\$ 2,476</u>	<u>\$ 43,888</u>

During the years ended October 31, 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2013</u>	<u>2012</u>
Palmer Foundation	\$ 0	\$ 26,624
George Washington University		
Surgical Team Program	21,135	0
Timmy Foundation	0	3,723
Weinhold Nutrition Program	10,343	19,212
Project Hands Grant	3,710	6,175
Companero en Salud Grant	5,700	11,300
Spine Guard, Inc.	3,000	0
	<u>\$ 43,888</u>	<u>\$ 67,034</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, 2013, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 2,487	\$ 0	\$ 87	\$ 2,574
Bank service charges	0	235	0	235
Board expenses	0	973	0	973
Communications	2,857	454	92	3,403
Contract services	6,433	3,720	6,971	17,124
Currency fluctuation	1,572	0	0	1,572
Depreciation	1,397	329	313	2,039
Equipment maintenance & repair	45	0	0	45
Event related expenses	210	0	0	210
Fees and licenses	0	176	0	176
Minor equipment	97	0	0	97
Office expense	3	1,002	53	1,058
Postage & delivery	925	162	953	2,040
Printing and reproduction	2,564	97	1,676	4,337
Auto expense	1,728	0	431	2,159
Guatemala office expenses	10,217	0	0	10,217
Online transaction fees	0	0	4,715	4,715
Subtotal carried forward	\$ 30,535	\$ 7,148	\$ 15,291	\$ 52,974

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	\$ 30,535	\$ 7,148	\$ 15,291	\$ 52,974
Payroll expenses:				
Payroll	27,223	0	0	27,223
Payroll taxes	2,083	0	0	2,083
Health care/insurance	430	0	0	430
Payroll service fees	0	1,158	0	1,158
Professional services:				0
Accounting services	26,630	8,899	2,295	37,824
Consulting	1,821	0	2,345	4,166
Legal	71	0	0	71
Program related expenses:				0
Grants and allocations	124,986	0	0	124,986
Guatemalan staff	27,645	0	0	27,645
Guatemalan staff related expenses	9,615	0	0	9,615
Online data management	2,182	0	199	2,381
Patient related expenses	2,369	0	0	2,369
Project Supplies	18,490	0	0	18,490
Team related expenses	28,644	0	0	28,644
US staff travel related expenses	5,759	32	596	6,387
Total Functional Expenses	\$ <u>308,483</u>	\$ <u>17,237</u>	\$ <u>20,726</u>	\$ <u>346,446</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, 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>

Note 7. Evaluation of Subsequent Events

Partner For Surgery, Inc. has evaluated subsequent events through February 19, 2014 the date in which the financial statements were available to be issued.

See auditors' report