

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
OCTOBER 31, 2014 AND 2013

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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 17, 2015

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 AND 2013

	ASSETS	
	2014	2013
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 103,925	\$ 134,875
Prepaid expenses	9,801	6,710
Reimbursements receivable - Note 3	6,484	5,959
Grants receivable - Note 4	26,304	23,807
Investments	46,193	37,751
Security deposit - GT office	405	405
Total current assets	<u>193,112</u>	<u>209,507</u>
<i>Furniture and equipment</i>		
Furniture and equipment	1,183	687
Office equipment	8,334	8,334
Medical equipment	<u>34,163</u>	<u>34,163</u>
	43,680	43,184
Less: accumulated depreciation	<u>(11,110)</u>	<u>(8,517)</u>
Total furniture and equipment, net	<u>32,570</u>	<u>34,667</u>
Total assets	<u>\$ 225,682</u>	<u>\$ 244,174</u>

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ 17,530	\$ 20,764
Funds held in escrow	<u>0</u>	<u>3,500</u>
Total liabilities	<u>17,530</u>	<u>24,264</u>
<i>Net assets</i>		
Unrestricted net assets	180,129	217,434
Temporarily restricted net assets - Note 5	<u>28,023</u>	<u>2,476</u>
Total net assets	<u>208,152</u>	<u>219,910</u>
Total liabilities and net assets	<u>\$ 225,682</u>	<u>\$ 244,174</u>

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

	2014			
	Unrestricted	Temporarily Restricted	Total	2013
<i>Public support, revenues and reclassifications</i>				
Contributions:				
Individuals	\$ 96,587	\$ 33,010	\$ 129,597	\$ 117,511
Corporate	2,835	8,005	10,840	21,085
Churches, clubs and groups	9,900	0	9,900	11,855
Indirect contributions	7,614	0	7,614	521
Publicly supported foundations	50,160	20,200	70,360	74,624
Private foundations	54,500	28,000	82,500	71,015
Special events	0	(6,620)	(6,620)	0
Total contributions	221,596	82,595	304,191	296,611
Investment income	4,415	0	4,415	11,309
Net assets released from restriction - Note 5	57,048	(57,048)	0	0
Total public support, revenues and reclassifications	283,059	25,547	308,606	307,920
<i>Expenses</i>				
Program expenses:				
Stateside program expenses:				
Program recruitment	4,686	0	4,686	12,823
Guatemala program expenses:				
Support for companion organizations	164,709	0	164,709	144,264
Outreach and community development	16,990	0	16,990	19,885
Planning meetings	0	0	0	4,951
CSB surgical center	0	0	0	895
Stockpile surgical supplies	0	0	0	191
Health promotion	721	0	721	19,035
Infant nutrition programs	45,922	0	45,922	45,043
Cervical cancer program	7,491	0	7,491	10,826
Medical missions	19,451	0	19,451	34,459
Surgical teams	11,541	0	11,541	16,471
Total Guatemala program expenses	266,825	0	266,825	295,660
Total program expenses	271,511	0	271,511	308,483
Administration expenses	17,767	0	17,767	17,237
Fundraising expenses	31,086	0	31,086	20,726
Total expenses	320,364	0	320,364	346,446
Increase (decrease) in net assets	(37,305)	25,547	(11,758)	(38,526)
Net assets - beginning of year	217,434	2,476	219,910	258,436
Net assets - end of year	\$ 180,129	\$ 28,023	\$ 208,152	\$ 219,910

See auditors' report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
(Decrease) in net assets	\$ (11,758)	\$ (38,526)
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	2,592	2,039
Decrease (increase) in prepaid expenses	(3,091)	505
Decrease (increase) in reimbursements receivable	(525)	1,036
Decrease (increase) in grant receivable	(2,497)	10,854
Decrease in security deposit - GT office	0	58
(Decrease) in funds held in escrow	(3,500)	0
Increase (decrease) in accounts payable	<u>(3,234)</u>	<u>857</u>
Net cash (used by) operating activities	<u>(22,013)</u>	<u>(23,177)</u>
 <i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	(495)	(31,338)
Mutual fund contribution	(4,035)	0
Earnings and fees on mutual fund	<u>(4,407)</u>	<u>(14,430)</u>
Net cash (used by) investing activities	<u>(8,937)</u>	<u>(45,768)</u>
 Net (decrease) in cash and cash equivalents	(30,950)	(68,945)
Cash and cash equivalents - beginning of year	<u>134,875</u>	<u>203,820</u>
 Cash and cash equivalents - end of year	<u>\$ 103,925</u>	<u>\$ 134,875</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 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).

See auditors' report

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, 2012, 2013 and 2014 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, 2014 and 2013, depreciation expense totaled \$2,592 and \$2,039 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, 2014 and 2013 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$103,925 and \$134,875 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, 2014 and 2013, the balance due from the surgical teams was \$6,484 and \$5,959 respectively.

Note 4. Grants Receivable

During the year ended October 31, 2013 the Organization received a total of \$73,059 pledges from individuals, foundations, trusts and churches. The pledge balance receivable at October 31, 2014 is \$26,304. As of the date of the auditors' report \$0 remains outstanding.

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

Note 5. Temporarily Restricted Net Assets

At October 31, 2014 and 2013, temporarily restricted net assets in the amount of \$28,023 and \$2,476 are available for the Guatemala program expenses as follows:

	<u>2014</u>	<u>2013</u>
Project Hands Grant	\$ 1,755	\$ 1,755
Huggins, Tia	420	0
SG Foundation	0	721
May 15 Event	22,102	0
Phase Foundation	3,746	0
	<u>\$ 28,023</u>	<u>\$ 2,476</u>

During the years ended October 31, 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2014</u>	<u>2013</u>
George Washington University		
Surgical Team Program	\$ 0	\$ 21,135
Weinhold Nutrition Project	0	10,343
Project Hands Grant	0	3,710
Companero en Salud Grant	0	5,700
Spine Guard, Inc.	0	3,000
May 15 Event	50,073	0
SG Foundation	721	0
Phase Foundation	6,254	0
	<u>\$ 57,048</u>	<u>\$ 43,888</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, 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 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
Staff development	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 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, 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:				
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:				
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>

Note 7. Evaluation of Subsequent Events

Partner For Surgery, Inc. has evaluated subsequent events through February 18, 2015 the date in which the financial statements were available to be issued.

See auditors' report