

PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
OCTOBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

January 14, 2018

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

I have audited the accompanying financial statements of Partner for Surgery, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. Michael Koon, CPA

C. Michael Koon, CPA

PARTNER FOR SURGERY, INC.
STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2017

ASSETS

Current assets

Cash and cash equivalents - Note 2	\$ 108,892
Grants receivable - Note 3	3,063
Investments	88,327
Security deposit - GT office	405
Total current assets	<u>200,687</u>

Furniture and equipment

Office and medical equipment	38,733
Less: accumulated depreciation	<u>(10,259)</u>
Total furniture and equipment, net	<u>28,474</u>

Total assets	<u>\$ 229,161</u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ <u>4,613</u>
Total liabilities	<u>4,613</u>

Net assets

Unrestricted net assets	223,068
Temporarily restricted net assets - Note 4	<u>1,480</u>
Total net assets	<u>224,548</u>

Total liabilities and net assets	<u>\$ 229,161</u>
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See independent auditor's report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
<i>Public support, revenues and reclassifications</i>			
Contributions:			
Individuals	\$ 61,133	\$ 1,480	\$ 62,613
Corporate	3,450	0	3,450
Churches, clubs and groups	8,405	0	8,405
Indirect contributions	2,658	0	2,658
Publicly supported foundations	53,827	0	53,827
Private foundations	36,500	0	36,500
Total contributions	165,973	1,480	167,453
Investment income	4,770	0	4,770
Loss on disposal of inventory	(145)	0	(145)
Net assets released from restriction - Note 4	1,469	(1,469)	0
Total public support, revenues and reclassifications	172,067	11	172,078
<i>Expenses</i>			
Program expenses:			
Stateside program expenses:			
Program recruitment	2,700	0	2,700
Guatemala program expenses:			
Support for companion organizations	75,698	0	75,698
Outreach and community development	10,704	0	10,704
Infant nutrition programs	33,171	0	33,171
Cervical cancer program	10,679	0	10,679
Medical missions	18,678	0	18,678
Surgical teams	371	0	371
Total Guatemala program expenses	149,301	0	149,301
Total program expenses	152,001	0	152,001
Administration expenses	4,635	0	4,635
Fundraising expenses	2,761	0	2,761
Total expenses	159,397	0	159,397
Increase in net assets	12,670	11	12,681
Net assets - beginning of year	210,398	1,469	211,867
Net assets - end of year	\$ 223,068	\$ 1,480	\$ 224,548

See independent auditor's report and notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 12,681
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:	
Depreciation	402
Increase in grants receivable	(2,737)
(Decrease) in accounts payable	(2,457)
Net cash provided by operating activities	<u>7,889</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Disposition of furniture and equipment, net of accumulated depreciation	2
Loss on disposal of inventory	145
Earnings and fees on mutual fund	(4,771)
Net cash (used by) investing activities	<u>(4,624)</u>

Net increase in cash and cash equivalents 3,265

Cash and cash equivalents - beginning of year 105,627

Cash and cash equivalents - end of year \$ 108,892

See independent auditor's 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. 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 independent auditor's 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 fiscal years ending October 31, 2014, 2015 and 2016 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 year ended October 31, 2017, depreciation expense totaled \$402.

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.

See independent auditor's report

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, 2017 Partner for Surgery, Inc. had a cash and cash equivalent balance in the amount of \$ 108,892.

Note 3. Grants Receivable

During the year ended October 31, 2017 the Organization received a total of \$24,061 pledges from individuals, foundations, trusts and churches. The pledge balance receivable at October 31, 2017 is \$3,063. As of the date of the auditor's report \$ 0 remains outstanding.

See independent auditor's report

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

Note 4. Temporarily Restricted Net Assets

At October 31, 2017 temporarily restricted net assets in the amount of \$1,480 are available for the Guatemala program expenses as follows:

	2017
Medical Missions	\$ 480
Cervical Cancer Program	1,000
	<u>\$ 1,480</u>

During the year ended October 31, 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	2017
Medical Missions	\$ 1,450
Surgical Teams	19
	<u>\$ 1,469</u>

See independent auditor's report

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

Note 5. Functional Expenses

Expenses reported on the statement of activities for the year ended October 31, 2017, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & promotion	\$ 890	\$ 0	\$ 30	\$ 920
Bank service charges	200	58	0	258
Board expenses	0	93	0	93
Communications	518	285	0	803
Depreciation	402	0	0	402
Fees and licenses	0	145	770	915
Office expense	0	382	0	382
Online transaction fees	0	0	217	217
Postage & delivery	581	118	207	906
Printing and reproduction	1,601	0	715	2,316
Auto expense	6	46	0	52
Guatemala office expenses	6,873	0	0	6,873
Professional fees:				
Accounting services	5,135	3,390	679	9,204
Media Outreach	429	0	143	572
Subtotal carried forward	\$ 16,635	\$ 4,517	\$ 2,761	\$ 23,913

See independent auditor's report

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

Note 5. Functional Expenses (continued)

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Subtotal carried forward	\$ 16,635	\$ 4,517	\$ 2,761	\$ 23,913
Program related expenses:				
Grants and allocations	103,449	0	0	103,449
Guatemalan staff	9,340	0	0	9,340
Guatemalan staff related expenses	8,510	0	0	8,510
Online data management	89	0	0	89
Patient related expenses	557	0	0	557
Project Supplies	1,099	0	0	1,099
Team related expenses	7,530	0	0	7,530
US staff travel related expenses	4,792	118	0	4,910
Total Functional Expenses	\$ <u>152,001</u>	\$ <u>4,635</u>	\$ <u>2,761</u>	\$ <u>159,397</u>

See independent auditor's report