

# ROTAPLAST INTERNATIONAL, INC.

## FINANCIAL STATEMENTS

December 31, 2013

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT . . . . .	1
FINANCIAL STATEMENTS	
Statement of Financial Position . . . . .	2
Statement of Activities . . . . .	3
Statement of Cash Flows . . . . .	4
Statement of Functional Expense . . . . .	5
Notes to Financial Statements . . . . .	6 - 10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rotaplast International, Inc.  
San Francisco, California

I have audited the accompanying statement of financial position of Rotaplast International, Inc., as of December 31, 2013, and the related statements of activities, functional expense and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 a 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rotaplast International, Inc., as of December 31, 2013, and the changes in its net assets, its functional expense and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Erich E. Zorr, CPA*

February 5, 2014

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FINANCIAL POSITION

December 31, 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>ASSETS</b>			
CASH . . . . .	\$ 55,053	\$226,086	\$ 281,139
CONTRIBUTIONS RECEIVABLE . . . . .	-	10,000	10,000
PREPAID EXPENSES . . . . .	11,412	3,554	14,966
INVENTORIES . . . . .	182,684	-	182,684
INVESTMENTS (Note 3) . . . . .	523,523	-	523,523
BUILDING PLEDGES RECEIVABLE (Note 4) . .	35,100	-	35,100
EQUIPMENT PLEDGES RECEIVABLE . . . . .	2,000	-	2,000
PROPERTY AND EQUIPMENT, net (Note 5) . .	<u>1,383,058</u>	<u>-</u>	<u>1,383,058</u>
<b>Total assets</b>	<u>\$2,192,830</u>	<u>\$239,640</u>	<u>\$2,432,470</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expense .	\$ 14,005	\$ -	\$ 14,005
Mortgage payable (Note 6) . . . . .	<u>1,116,663</u>	<u>-</u>	<u>1,116,663</u>
<b>Total liabilities</b>	<b>1,130,668</b>	<b>-</b>	<b>1,130,668</b>
<b>NET ASSETS (Note 7) . . . . .</b>	<u><b>1,062,162</b></u>	<u><b>239,640</b></u>	<u><b>1,301,802</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$2,192,830</b></u>	<u><b>\$239,640</b></u>	<u><b>\$2,432,470</b></u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>SUPPORT, REVENUE AND OTHER GAINS</b>			
Contributed medical services . . . . .	\$2,987,648	\$ -	\$2,987,648
Contributed medical supplies . . . . .	115,584	-	115,584
Contributed non-medical supplies . . . . .	61,320	-	61,320
Contributed medical facilities . . . . .	19,000	-	19,000
Contributions . . . . .	264,919	739,352	1,004,271
Unrealized gain on investments . . . . .	45,730	-	45,730
Investment income (net of \$4,773 fees)	10,068	-	10,068
Other income . . . . .	1,703	-	1,703
Net assets released from restrictions.	<u>772,777</u>	<u>(772,777)</u>	<u>-</u>
 Total support, revenue and other gains	 <u>4,278,749</u>	 <u>(33,425)</u>	 <u>4,245,324</u>
<b>EXPENSES</b>			
Medical mission services . . . . .	4,031,501	-	4,031,501
Management and general . . . . .	109,187	-	109,187
Fund-raising . . . . .	<u>131,936</u>	<u>-</u>	<u>131,936</u>
 Total expenses	 <u>4,272,624</u>	 <u>-</u>	 <u>4,272,624</u>
 Decrease in net assets	 6,125	 (33,425)	 (27,300)
NET ASSETS, beginning of year . . . . .	<u>1,056,037</u>	<u>273,065</u>	<u>1,329,102</u>
NET ASSETS, end of year	<u>\$1,062,162</u>	<u>\$239,640</u>	<u>\$1,301,802</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended December 31, 2013

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES . . . . .	\$ 244,516	\$ 46,038	\$ 48,361	\$ 338,915
PAYROLL TAXES . . . . .	21,568	3,939	4,092	29,599
EMPLOYEE BENEFITS . . . . .	24,669	3,594	3,720	31,983
MEDICAL PROFESSIONALS . . . . .	2,987,648	-	-	2,987,648
AIRFARE AND TRAVEL . . . . .	230,993	-	265	231,258
LODGING AND MEALS . . . . .	69,444	-	-	69,444
MEDICAL SUPPLIES . . . . .	200,039	-	-	200,039
NON-MEDICAL SUPPLIES . . . . .	41,760	-	-	41,760
MEDICAL FACILITIES . . . . .	19,000	-	-	19,000
OCCUPANCY . . . . .	7,251	725	1,272	9,248
DEPRECIATION . . . . .	71,642	1,380	2,425	75,447
PROFESSIONAL FEES . . . . .	-	5,050	-	5,050
OUTSIDE SERVICES . . . . .	17,179	264	36,066	53,509
PROMOTION AND OUTREACH . . . . .	4,350	84	18,709	23,143
INSURANCE . . . . .	4,456	468	789	5,713
OFFICE SUPPLIES . . . . .	11,222	1,008	1,509	13,739
PROPERTY TAXES . . . . .	19,037	2,147	3,417	24,601
SHIPPING AND BOXES . . . . .	30,723	-	-	30,723
REPAIR AND MAINTENANCE . . . . .	10,116	915	1,581	12,612
POSTAGE AND DELIVERY . . . . .	4,274	135	2,102	6,511
INTEREST . . . . .	-	40,453	-	40,453
TELEPHONE . . . . .	7,169	680	1,741	9,590
BANK CHARGES . . . . .	1,166	712	4,049	5,927
MISCELLANEOUS . . . . .	<u>3,279</u>	<u>1,595</u>	<u>1,838</u>	<u>6,712</u>
 Total expenses	 <u>\$4,031,501</u>	 <u>\$109,187</u>	 <u>\$131,936</u>	 <u>\$4,272,624</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

CASH FLOWS USED BY OPERATING ACTIVITIES:

Decrease in net assets . . . . .	\$ (27,300)
Adjustments to reconcile decrease in net assets to net cash provided by operations:	
Depreciation . . . . .	75,447
Unrealized gain on investments . . . . .	(45,730)
Decrease (increase) in:	
Receivables . . . . .	(5,013)
Inventories . . . . .	28,556
Prepaid expenses . . . . .	23,744
Decrease in accounts payable and accrued expenses . . . . .	(5,061)
Net cash provided by operations	44,643

CASH FLOWS USED BY INVESTING ACTIVITIES:

Purchase of investments, net of sales . . . . .	(10,036)
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CASH FLOWS USED BY FINANCING ACTIVITIES:

Payment of mortgage principal . . . . .	(7,903)
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Net increase in cash	26,704
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CASH, beginning of year . . . . .	254,435
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CASH, end of year	\$ 281,139
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INTEREST PAID . . . . .	\$ 40,453
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The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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NOTE 1 ORGANIZATION

Rotaplast International, Inc. was incorporated in April 1998 to facilitate surgical programs to treat children with cleft lip and palate anomalies who would otherwise not receive surgical intervention. The Agency works by partnering with Rotary clubs, other organizations, and individuals across the United States and at international mission sites.

Major funding is received through foundation grants, Rotary club donations and private donations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of Rotaplast International, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. At December 31, 2013, Rotaplast International, Inc. had no permanently restricted net assets.

Inventories - Inventories consist of purchased and donated medical supplies and are stated at cost (or fair market value, if donated) determined by the first in, first out method.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Money market funds held as part of the restricted investment account are reported as investments. Fair value is determined by quoted market prices. Unrealized gains and losses are included in revenue.

Grants and Pledges Receivable - Grants and pledges are recorded when the Agency is notified of the award or pledge. Grants and pledges to be received over more than one year are recorded at their present value, using risk-free interest rates applicable in the year in which the Agency is notified of the grant or pledge, to discount the amounts.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are stated at cost unless donated, in which case it is stated at fair market value at date of receipt. Depreciation is computed using the straight-line method over an estimated useful life of from three to thirty years. Items with a value of less than \$500 are expensed when received, rather than capitalized.

Donated Services - Donated services are recorded as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Agency. Non-medical volunteer support services on medical missions are not recognized as contributions in the financial statements since the criteria stated above were not met.

Donated Medical Equipment - Donated medical equipment valued at less than \$500 per item is not recorded in these financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates used in these financial statements include valuation of investments, donated equipment, medical supplies and services and depreciation of fixed assets.

Income Taxes - Rotaplast International, Inc. is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and from state income and franchise taxes under Section 23701d of the California Revenue and Taxation Code.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE 3 INVESTMENTS

Investments at December 31, 2013 are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Money market	\$105,137	\$105,137
Fixed income	99,789	104,834
Equity securities	179,458	289,919
Other	<u>31,192</u>	<u>23,633</u>
Total	<u>\$415,576</u>	<u>\$523,523</u>

NOTE 4 BUILDING PLEDGES RECEIVABLE

The Agency has received pledges from individuals for the purchase of the building. These pledges varied in term from one year to five years. Pledges of more than one year term are recorded in the books at net present value, calculated at the time of the pledge based on the estimated time value of money to the Agency. The balance of pledges receivable at December 31, 2013 was \$42,650 with an aggregate present value discount of \$7,550 for a net of \$35,100."

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2013, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	310,731
Computer equipment	12,356
Furniture and fixtures	<u>6,655</u>
Total	1,685,605
Accumulated depreciation	<u>(302,547)</u>
Net	<u>\$1,383,058</u>

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

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NOTE 6      MORTGAGE PAYABLE

During 2009, the Agency purchased a building in San Francisco, California, to be used as offices and warehouse for its operations headquarters. The purchase was made with cash, a bank mortgage and a second deed of trust from the seller. The second deed of trust for \$538,500, is non-interest bearing and requires no period payments. It is due in full on August 15, 2014.

The bank mortgage of \$609,000 is at 6.85% interest and requires payments of \$4,030 per month with the balance due in full on August 15, 2014. The balance on this loan was \$578,163 at December 31, 2013.

Minimum principal payments on these two notes in 2014 are \$1,116,663.

See Note 9 for subsequent event information regarding these notes.

NOTE 7      TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grants and donations which are for medical missions which will be conducted during the year ending December 31, 2014. The funds are to be used for missions to the following countries:

Guatemala	\$ 64,726
Bangladesh	58,008
Columbia	35,076
Ethiopia	26,962
Philippines	1,000
Undesignated Rotary District missions	<u>43,868</u>
Total	<u>\$229,640</u>

NOTE 8      CONCENTRATIONS

The Agency receives a significant portion of its grants and donations from Rotary clubs and districts. A significant reduction in the level of this support, if this were to occur, may have an effect on the Agency's programs.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

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NOTE 9      SUBSEQUENT EVENTS

During February 2014, the Agency is in the process of refinancing its two mortgage notes payable, but the process is not completed. The following terms have verbally been agreed to as of February 5, 2014.

The second deed of trust of \$539,000 will be extended for an additional five years at 7% interest. The new terms take effect on August 16, 2014. Payments of \$3,583 per month are required with the balance in full due on August 15, 2019.

The bank mortgage will be at 4.5% interest starting March 1, 2014 and will require payments of \$2,924 per month with the balance due in full on March 1, 2019. The balance on this loan was \$578,163 at December 31, 2013.

Future minimum principal payments on these two notes will be required as follows:

<u>Year ended</u> <u>December 31</u>	<u>Amount</u>
2014	\$ 10,595
2015	15,268
2016	16,117
2017	17,016
2018	17,967
2019	<u>1,039,700</u>
Total	<u>\$1,116,663</u>