

ROTAPLAST INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2015

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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, 2015, 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, 2015, 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 10, 2016

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
ASSETS			
CASH	\$ 213,890	\$145,524	\$ 359,414
PREPAID EXPENSES	14,984	33,283	48,267
INVENTORIES	146,861	-	146,861
INVESTMENTS (Note 3)	565,357	-	565,357
PLEDGES RECEIVABLE (Note 4)	108,219	-	108,219
LOAN COSTS, net (Note 6)	5,431	-	5,431
PROPERTY AND EQUIPMENT, net (Note 5)	<u>1,300,844</u>	<u>-</u>	<u>1,300,844</u>
 Total assets	 <u>\$2,355,586</u>	 <u>\$178,807</u>	 <u>\$2,534,393</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expense	\$ 76,115	\$ -	\$ 76,115
Mortgage payable (Note 6)	<u>1,089,242</u>	<u>-</u>	<u>1,089,242</u>
 Total liabilities	 <u>1,165,357</u>	 <u>-</u>	 <u>1,165,357</u>
NET ASSETS			
Undesignated	636,253	-	636,253
Designated	553,976	-	553,976
Temporarily restricted (Note 7)	<u>-</u>	<u>178,807</u>	<u>178,807</u>
 Total net assets	 <u>1,190,229</u>	 <u>178,807</u>	 <u>1,369,036</u>
 Total liabilities and net assets	 <u>\$2,355,586</u>	 <u>\$178,807</u>	 <u>\$2,534,393</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
SUPPORT, REVENUE AND OTHER GAINS			
Contributed medical services	\$3,378,011	\$ -	\$3,378,011
Contributed medical supplies	188,614	-	188,614
Contributed non-medical supplies	36,960	-	36,960
Contributed medical equipment	2,750	-	2,750
Contributions	152,200	962,522	1,114,722
Gain on investments	698	-	698
Investment income (net of \$5,308 fees)	10,453	-	10,453
Other income	2,353	-	2,353
Net assets released from restrictions.	<u>1,074,104</u>	<u>(1,074,104)</u>	<u>-</u>
 Total support, revenue and other gains	 <u>4,846,143</u>	 <u>(111,582)</u>	 <u>4,734,561</u>
EXPENSES			
Medical mission services	4,564,896	-	4,564,896
Management and general	142,901	-	142,901
Fund-raising	<u>120,509</u>	<u>-</u>	<u>120,509</u>
 Total expenses	 <u>4,828,306</u>	 <u>-</u>	 <u>4,828,306</u>
 Increase in net assets	 17,837	 (111,582)	 (93,745)
 NET ASSETS, beginning of year	 <u>1,172,392</u>	 <u>290,389</u>	 <u>1,462,781</u>
 NET ASSETS, end of year	 <u>\$1,190,229</u>	 <u>\$ 178,807</u>	 <u>\$1,369,036</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended December 31, 2015

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES	\$ 273,576	\$ 67,310	\$ 58,111	\$ 398,997
PAYROLL TAXES	20,850	5,165	4,203	30,218
EMPLOYEE BENEFITS	40,520	3,055	4,096	47,671
MEDICAL PROFESSIONALS	3,378,011	-	-	3,378,011
AIRFARE AND TRAVEL	284,775	22	4	284,801
LODGING AND MEALS	86,226	-	-	86,226
MEDICAL SUPPLIES	258,813	-	-	258,813
NON-MEDICAL SUPPLIES	48,180	-	-	48,180
OCCUPANCY	6,930	530	893	8,353
DEPRECIATION	42,343	1,986	2,366	46,695
PROFESSIONAL FEES	-	5,800	6,636	12,436
PROMOTION AND OUTREACH	15,890	241	25,585	41,716
INSURANCE	6,378	381	642	7,401
OFFICE SUPPLIES	5,039	375	630	6,044
PROPERTY TAXES	16,313	1,224	2,105	19,642
SHIPPING AND BOXES	31,857	-	-	31,857
REPAIR AND MAINTENANCE	13,582	1,012	1,713	16,307
POSTAGE AND DELIVERY	1,990	53	844	2,887
INTEREST	-	52,909	-	52,909
RECRUITMENT	5,851	696	418	6,965
TELEPHONE	8,006	590	996	9,592
BANK CHARGES	1,828	654	3,042	5,524
MISCELLANEOUS	<u>17,938</u>	<u>898</u>	<u>8,225</u>	<u>27,061</u>
 Total expenses	 <u>\$4,564,896</u>	 <u>\$142,901</u>	 <u>\$120,509</u>	 <u>\$4,828,306</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

CASH FLOWS USED BY OPERATING ACTIVITIES:

Decrease in net assets	\$ (93,745)
Adjustments to reconcile decrease in net assets to net cash used by operations:	
Depreciation	46,695
Unrealized gain on investments	(698)
Decrease (increase) in:	
Receivables	(100,000)
Inventories	28,497
Prepaid expenses	28,658
Increase in accounts payable and accrued expenses	<u>12,185</u>
Net cash used by operations	(78,408)

CASH FLOWS USED BY INVESTING ACTIVITIES:

Purchase of investments, net of sales . . .	\$(10,268)
Purchase of fixed assets	<u>(20,846)</u>
Total cash used by investing activities	(31,114)

CASH FLOWS USED BY FINANCING ACTIVITIES:

Payment of mortgage principal	<u>(17,241)</u>
Net decrease in cash	(126,763)
CASH, beginning of year	<u>486,177</u>
CASH, end of year	<u>\$ 359,414</u>

INTEREST PAID	<u>\$ 52,909</u>
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The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, 2015, 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, 2015

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, 2015

NOTE 3 INVESTMENTS

Investments at December 31, 2015 are summarized as follows:

	Cost	Fair Market Value
Money market	\$ 90,308	\$ 90,308
Fixed income	137,086	134,172
Equity securities	183,608	321,515
Other	31,192	19,362
Total	\$442,194	\$565,357

NOTE 4 BUILDING PLEDGES RECEIVABLE

The Agency has a pledge from an individual for the purchase of the building. This pledge's term is 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 this pledge receivable at December 31, 2015 was \$10,000 with an aggregate present value discount of \$1,781 for a net of \$8,219.

The Agency also had a pledge of \$100,000 from a foundation for use on a future mission. Since the pledge was collected in January 2016, it is valued at 100% on December 31, 2015.

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2015, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	266,534
Computer equipment	17,397
Furniture and fixtures	6,655
Total	1,646,449
Accumulated depreciation	(345,605)
Net	\$1,300,844

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

December 31, 2015

NOTE 6 MORTGAGE PAYABLE

The Agency has a mortgage on the building in San Francisco, California, used as its operational headquarters with offices and a warehouse. The mortgage is at 4.75% interest and requires payments of \$5,855 per month with the balance due in full on August 15, 2024. The balance on this loan was \$1,089,242 at December 31, 2015.

Unamortized prepaid loan costs related to the mortgage were \$5,431 at December 31, 2015.

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, 2016 and \$4,578 for future purchases of fixed assets. The medical mission funds are to be used for missions to the following countries:

Guatemala	\$ 43,647
Bangladesh	20,526
Venezuela	47,531
India	12,864
Others	1,000
Undesignated Rotary District missions	<u>48,660</u>
Total	<u>\$174,228</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.