

# ROTAPLAST INTERNATIONAL, INC.

## FINANCIAL STATEMENTS

December 31, 2012

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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, 2012, 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, 2012, 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*

March 29, 2013

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FINANCIAL POSITION

December 31, 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>ASSETS</b>			
CASH . . . . .	\$ 48,880	\$205,555	\$ 254,435
ACCOUNTS RECEIVABLE . . . . .	150	-	150
INVENTORIES . . . . .	211,240	-	211,240
INVESTMENTS (Note 3) . . . . .	467,757	-	467,757
BUILDING PLEDGES RECEIVABLE (Note 4) . .	-	39,587	39,587
EQUIPMENT PLEDGES RECEIVABLE . . . . .	-	2,350	2,350
PREPAID EXPENSES . . . . .	13,137	25,573	38,710
PROPERTY AND EQUIPMENT, net (Note 5) . .	<u>1,458,505</u>	<u>-</u>	<u>1,458,505</u>
<b>Total assets</b>	<b><u>\$2,199,669</u></b>	<b><u>\$273,065</u></b>	<b><u>\$2,472,734</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expense .	\$ 19,066	\$ -	\$ 19,066
Mortgage payable (Note 6) . . . . .	<u>1,124,566</u>	<u>-</u>	<u>1,124,566</u>
<b>Total liabilities</b>	<b>1,143,632</b>	<b>-</b>	<b>1,143,632</b>
<b>NET ASSETS (Note 7) . . . . .</b>	<b><u>1,056,037</u></b>	<b><u>273,065</u></b>	<b><u>1,329,102</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$2,199,669</u></b>	<b><u>\$273,065</u></b>	<b><u>\$2,472,734</u></b>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>SUPPORT, REVENUE AND OTHER GAINS</b>			
Contributed medical services . . . . .	\$3,733,257	\$ -	\$3,733,257
Contributed medical supplies . . . . .	304,191	-	304,191
Contributions . . . . .	690,648	274,265	964,913
Unrealized gain on investments . . . . .	1,702	-	1,702
Investment income (net of \$5,099 fees)	12,020	-	12,020
Other income . . . . .	1,279	-	1,279
Net assets released from restrictions.	<u>513,775</u>	<u>(513,775)</u>	<u>-</u>
 Total support, revenue and other gains	 <u>5,256,872</u>	 <u>(239,510)</u>	 <u>5,017,362</u>
<b>EXPENSES</b>			
Medical mission services . . . . .	5,147,630	-	5,147,630
Management and general . . . . .	126,690	-	126,690
Fund-raising . . . . .	<u>147,250</u>	<u>-</u>	<u>147,250</u>
 Total expenses	 <u>5,421,570</u>	 <u>-</u>	 <u>5,421,570</u>
 Decrease in net assets	 (164,698)	 (239,510)	 (404,208)
 NET ASSETS, beginning of year . . . . .	 <u>1,220,735</u>	 <u>512,575</u>	 <u>1,733,310</u>
 NET ASSETS, end of year	 <u>\$1,056,037</u>	 <u>\$273,065</u>	 <u>\$1,329,102</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended December 31, 2012

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES . . . . .	\$ 274,657	\$ 28,170	\$ 49,297	\$ 352,124
PAYROLL TAXES . . . . .	23,385	3,341	3,644	30,370
EMPLOYEE BENEFITS . . . . .	31,269	4,526	5,349	41,144
MEDICAL PROFESSIONALS . . . . .	3,733,257	-	-	3,733,257
AIRFARE AND TRAVEL . . . . .	364,010	1,946	2,670	368,626
LODGING AND MEALS . . . . .	78,347	803	835	79,985
MEDICAL SUPPLIES . . . . .	420,064	-	-	420,064
OCCUPANCY . . . . .	6,140	630	1,102	7,872
DEPRECIATION . . . . .	72,443	1,506	2,635	76,584
PROFESSIONAL FEES . . . . .	-	2,750	-	2,750
OUTSIDE SERVICES . . . . .	38,671	22,297	39,855	100,823
PROMOTION AND OUTREACH . . . . .	83	-	5,541	5,624
INSURANCE . . . . .	4,534	465	814	5,813
OFFICE SUPPLIES . . . . .	10,003	1,468	9,627	21,098
PROPERTY TAXES . . . . .	29,641	3,040	5,320	38,001
SHIPPING AND BOXES . . . . .	31,966	-	-	31,966
REPAIR AND MAINTENANCE . . . . .	10,745	1,102	1,929	13,776
POSTAGE AND DELIVERY . . . . .	4,921	244	11,765	16,930
INTEREST . . . . .	-	41,092	-	41,092
TELEPHONE . . . . .	8,152	836	1,463	10,451
BANK CHARGES . . . . .	856	1,795	4,046	6,697
MISCELLANEOUS . . . . .	<u>4,486</u>	<u>10,679</u>	<u>1,358</u>	<u>16,523</u>
 Total expenses	 <u>\$5,147,630</u>	 <u>\$126,690</u>	 <u>\$147,250</u>	 <u>\$5,421,570</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

CASH FLOWS USED BY OPERATING ACTIVITIES:

Decrease in net assets . . . . .	\$ (404,208)
Adjustments to reconcile decrease in net assets to net cash provided by operations:	
Depreciation . . . . .	76,584
Unrealized gain on investments . . . . .	(1,702)
Decrease (increase) in:	
Receivables . . . . .	244,138
Inventories . . . . .	57,176
Prepaid expenses . . . . .	107,281
Decrease in accounts payable and accrued expenses . . . . .	(51,710)
Net cash provided by operations	27,559

CASH FLOWS USED BY INVESTING ACTIVITIES:

Sales of investments, net of purchases . . . . .	\$ 135,998
Purchase of property and equipment, net . . . . .	(69,865)
Net cash provided by investing activities	66,133

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Payment of mortgage principal . . . . .	(7,264)
Net increase in cash	86,428
CASH, beginning of year . . . . .	168,007
CASH, end of year	\$ 254,435

INTEREST PAID . . . . . \$ 41,092

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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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, 2012, 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, 2012

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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, 2012

NOTE 3 INVESTMENTS

Investments at December 31, 2012 are summarized as follows:

	Cost	Fair Market Value
Money market	\$ 49,424	\$ 49,424
Fixed income	147,081	156,305
Equity securities	168,939	227,265
Other	31,192	34,763
Total	\$396,636	\$467,757

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, 2012 was \$49,808 with an aggregate present value discount of \$10,221 for a net of \$39,587."

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2012, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	310,731
Computer equipment	12,356
Furniture and fixtures	6,655
Total	1,685,605
Accumulated depreciation	(227,100)
Net	\$1,458,505

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

December 31, 2012

NOTE 6 MORTGAGE PAYABLE

During 2010, 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 \$539,000, 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 \$586,066 at December 31, 2012.

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

Year ended	
<u>December 31</u>	<u>Amount</u>
2013	\$ 7,893
2014	<u>1,116,673</u>
Total	<u>\$1,124,566</u>

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, 2013. The funds are to be used for missions to the following countries:

Columbia	\$118,184
Bangladesh	63,300
Undesignated Rotary District missions	86,831
Other missions	<u>4,750</u>
Total	<u>\$273,065</u>

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

December 31, 2012

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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.