

ROTAPLAST INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2014

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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, 2014, 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, 2014, 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 11, 2015

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2014

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
ASSETS			
CASH	\$ 261,268	\$224,909	\$ 486,177
PREPAID EXPENSES	11,446	65,480	76,926
INVENTORIES	175,359	-	175,359
INVESTMENTS (Note 3)	554,390	-	554,390
BUILDING PLEDGES RECEIVABLE (Note 4) . .	8,219	-	8,219
LOAN COSTS, net (Note 6)	6,061	-	6,061
PROPERTY AND EQUIPMENT, net (Note 5) . .	<u>1,326,063</u>	<u>-</u>	<u>1,326,063</u>
Total assets	<u>\$2,342,806</u>	<u>\$290,389</u>	<u>\$2,633,195</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expense .	\$ 63,931	\$ -	\$ 63,931
Mortgage payable (Note 6)	<u>1,106,483</u>	<u>-</u>	<u>1,106,483</u>
Total liabilities	<u>1,170,414</u>	<u>-</u>	<u>1,170,414</u>
NET ASSETS			
Undesignated	924,887	-	924,887
Designated	247,505	-	247,505
Temporarily restricted (Note 7).	<u>-</u>	<u>290,389</u>	<u>290,389</u>
Total net assets.	<u>1,172,392</u>	<u>290,389</u>	<u>1,462,781</u>
Total liabilities and net assets	<u>\$2,342,806</u>	<u>\$290,389</u>	<u>\$2,633,195</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
SUPPORT, REVENUE AND OTHER GAINS			
Contributed medical services	\$3,468,878	\$ -	\$3,468,878
Contributed medical supplies	173,320	-	173,320
Contributed non-medical supplies	33,240	-	33,240
Contributed medical equipment	5,800	-	5,800
Contributions	318,378	885,370	1,203,748
Unrealized gain on investments	16,563	-	16,563
Investment income (net of \$5,179 fees)	14,453	-	14,453
Other income	7,891	-	7,891
Net assets released from restrictions.	<u>834,621</u>	<u>(834,621)</u>	<u>-</u>
 Total support, revenue and other gains	 <u>4,873,144</u>	 <u>50,749</u>	 <u>4,923,893</u>
EXPENSES			
Medical mission services	4,519,279	-	4,519,279
Management and general	125,368	-	125,368
Fund-raising	<u>118,267</u>	<u>-</u>	<u>118,267</u>
 Total expenses	 <u>4,762,914</u>	 <u>-</u>	 <u>4,762,914</u>
 Increase in net assets	 110,230	 50,749	 160,979
NET ASSETS, beginning of year	<u>1,062,162</u>	<u>239,640</u>	<u>1,301,802</u>
NET ASSETS, end of year	<u>\$1,172,392</u>	<u>\$290,389</u>	<u>\$1,462,781</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended December 31, 2014

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES	\$ 246,926	\$ 57,731	\$ 57,821	\$ 362,478
PAYROLL TAXES	19,553	4,587	4,502	28,642
EMPLOYEE BENEFITS	29,636	2,273	3,561	35,470
MEDICAL PROFESSIONALS	3,468,878	-	-	3,468,878
AIRFARE AND TRAVEL	228,075	2	321	228,398
LODGING AND MEALS	73,265	-	-	73,265
MEDICAL SUPPLIES	217,148	-	-	217,148
NON-MEDICAL SUPPLIES	43,380	-	-	43,380
OCCUPANCY	7,794	799	1,399	9,992
DEPRECIATION	54,381	1,606	2,398	58,385
DISPOSAL OF FIXED ASSETS	9,231	-	-	9,231
PROFESSIONAL FEES	-	6,800	-	6,800
PROMOTION AND OUTREACH	3,448	-	25,317	28,765
INSURANCE	5,746	469	822	7,037
OFFICE SUPPLIES	4,123	462	668	5,253
UNCOLLECTIBLE PLEDGES	22,631	-	-	22,631
PROPERTY TAXES	15,679	1,744	2,789	20,212
SHIPPING AND BOXES	34,124	-	-	34,124
REPAIR AND MAINTENANCE	11,961	1,217	2,130	15,308
POSTAGE AND DELIVERY	2,650	84	533	3,267
INTEREST	-	44,793	-	44,793
TELEPHONE	7,289	711	1,246	9,246
BANK CHARGES	1,140	563	4,091	5,794
MISCELLANEOUS	<u>12,221</u>	<u>1,527</u>	<u>10,669</u>	<u>24,417</u>
 Total expenses	 <u>\$4,519,279</u>	 <u>\$125,368</u>	 <u>\$118,267</u>	 <u>\$4,762,914</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

CASH FLOWS USED BY OPERATING ACTIVITIES:

Increase in net assets	\$ 160,979
Adjustments to reconcile increase in net assets to net cash provided by operations:	
Depreciation	58,385
Unrealized gain on investments	(16,563)
Loan costs	(6,061)
Disposal of fixed assets	9,231
Decrease (increase) in:	
Receivables	38,881
Inventories	7,325
Prepaid expenses	(61,960)
Increase in accounts payable and accrued expenses	49,926
Net cash provided by operations	240,143

CASH FLOWS USED BY INVESTING ACTIVITIES:

Purchase of investments, net of sales . . .	\$(14,304)
Purchase of fixed assets	(10,621)
Total cash used by investing activities	(24,925)

CASH FLOWS USED BY FINANCING ACTIVITIES:

Payment of mortgage principal	(10,180)
Net increase in cash	205,038
CASH, beginning of year	281,139
CASH, end of year	\$ 486,177

INTEREST PAID	\$ 44,793
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The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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, 2014, 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, 2014

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, 2014

NOTE 3 INVESTMENTS

Investments at December 31, 2014 are summarized as follows:

	Cost	Fair Market Value
Money market	\$ 80,831	\$ 80,831
Fixed income	136,587	137,904
Equity securities	177,750	313,327
Other	31,192	22,328
Total	\$426,360	\$554,390

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, 2014 was \$10,000 with an aggregate present value discount of \$1,781 for a net of \$8,219.

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, 2014, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	246,997
Computer equipment	16,941
Furniture and fixtures	6,655
Total	1,626,456
Accumulated depreciation	(300,393)
Net	\$1,326,063

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

December 31, 2014

NOTE 6 MORTGAGE PAYABLE

During 2014, the Agency refinanced the mortgage and second deed of trust on the building in San Francisco, California, used as offices and warehouse for its operations headquarters. The new mortgage of \$1,111,693 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 \$1,106,483 at December 31, 2014.

Prepaid loan costs related to the refinance were \$6,061.

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 and \$3,100 for future purchases of fixed assets. The funds are to be used for missions to the following countries:

Guatemala	\$ 46,615
Bangladesh	78,223
Columbia	48,483
Ethiopia	51,775
Myanmar	2,000
India	12,315
Philippines	21,597
Undesignated Rotary District missions	<u>26,281</u>
 Total	 <u>\$287,289</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.