

# ROTAPLAST INTERNATIONAL, INC.

## FINANCIAL STATEMENTS

December 31, 2017

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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, 2017, 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, 2017, 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*

May 16, 2018

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>ASSETS</b>			
CASH . . . . .	\$ 262,781	\$ -	\$ 262,781
PREPAID EXPENSES . . . . .	16,510	32,201	48,711
INVENTORIES . . . . .	184,963	-	184,963
INVESTMENTS (Note 3) . . . . .	421,318	252,096	673,414
LOAN COSTS, net (Note 5) . . . . .	4,171	-	4,171
PROPERTY AND EQUIPMENT, net (Note 4) . . . . .	<u>1,247,462</u>	<u>-</u>	<u>1,247,462</u>
 Total assets	 <u>\$2,137,205</u>	 <u>\$284,297</u>	 <u>\$2,421,502</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expense . . . . .	\$ 155,113	\$ -	\$ 155,113
Mortgage payable (Note 5) . . . . .	<u>1,052,332</u>	<u>-</u>	<u>1,052,332</u>
 Total liabilities	 <u>1,207,445</u>	 <u>-</u>	 <u>1,207,445</u>
<b>NET ASSETS</b>			
Undesignated . . . . .	637,446	-	637,546
Designated . . . . .	292,314	-	292,314
Temporarily restricted (Note 6) . . . . .	<u>-</u>	<u>284,297</u>	<u>284,197</u>
 Total net assets . . . . .	 <u>929,760</u>	 <u>284,297</u>	 <u>1,214,057</u>
 Total liabilities and net assets	 <u>\$2,137,205</u>	 <u>\$284,297</u>	 <u>\$2,421,502</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>SUPPORT, REVENUE AND OTHER GAINS</b>			
Contributed medical services . . . . .	\$3,223,396	\$ -	\$3,223,396
Contributed medical supplies . . . . .	249,122	-	249,122
Contributed non-medical supplies . . . . .	38,040	-	38,040
Contributions . . . . .	93,022	974,865	1,067,887
Gala event (net) . . . . .	24,501	30,910	55,411
Gain on investments . . . . .	63,139	-	63,139
Investment income (net of \$5,930 fees)	8,994	-	8,994
Net assets released from restrictions.	<u>1,139,104</u>	<u>(1,139,104)</u>	<u>-</u>
Total support, revenue and other gains	<u>4,839,318</u>	<u>(133,329)</u>	<u>4,705,989</u>
<b>EXPENSES</b>			
Medical mission services . . . . .	4,515,133	-	4,515,133
Management and general . . . . .	138,000	-	138,000
Fund-raising . . . . .	<u>118,239</u>	<u>-</u>	<u>118,239</u>
Total expenses	<u>4,771,372</u>	<u>-</u>	<u>4,771,372</u>
Increase in net assets	67,946	(133,329)	(65,383)
NET ASSETS, beginning of year . . . . .	<u>861,814</u>	<u>417,626</u>	<u>1,279,440</u>
NET ASSETS, end of year	<u>\$ 929,760</u>	<u>\$ 284,297</u>	<u>\$1,214,057</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended December 31, 2017

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES . . . . .	\$ 321,268	\$ 61,012	\$ 60,760	\$ 443,040
PAYROLL TAXES . . . . .	24,919	5,136	4,352	34,407
EMPLOYEE BENEFITS . . . . .	49,225	3,559	5,352	58,136
MEDICAL PROFESSIONALS . . . . .	3,223,396	-	-	3,223,396
AIRFARE AND TRAVEL . . . . .	206,602	-	-	206,602
LODGING AND MEALS . . . . .	104,198	-	-	104,198
MEDICAL SUPPLIES . . . . .	341,250	-	-	341,250
NON-MEDICAL SUPPLIES . . . . .	43,380	-	-	43,380
OCCUPANCY . . . . .	7,216	621	1,178	9,015
DEPRECIATION . . . . .	22,314	1,427	1,800	25,541
PROFESSIONAL FEES . . . . .	13,697	7,220	4,200	25,117
PROMOTION AND OUTREACH . . . . .	12,393	348	17,956	30,697
INSURANCE . . . . .	5,450	367	612	6,429
OFFICE SUPPLIES . . . . .	11,528	1,073	2,883	15,484
PROPERTY TAXES . . . . .	16,774	1,348	1,997	20,119
SHIPPING AND BOXES . . . . .	43,170	-	-	43,170
REPAIR AND MAINTENANCE . . . . .	12,960	1,268	1,448	15,676
POSTAGE AND DELIVERY . . . . .	2,153	373	186	2,712
INTEREST . . . . .	-	51,180	-	51,180
TELEPHONE . . . . .	8,028	573	956	9,557
RECRUITMENT . . . . .	400	600	-	1,000
BANK CHARGES . . . . .	11,098	1,133	6,896	19,127
MISCELLANEOUS . . . . .	<u>33,714</u>	<u>762</u>	<u>7,663</u>	<u>42,139</u>
 Total expenses	 <u>\$4,515,133</u>	 <u>\$138,000</u>	 <u>\$118,239</u>	 <u>\$4,771,372</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

CASH FLOWS USED BY OPERATING ACTIVITIES:

Decrease in net assets . . . . .	\$ (65,382)
Adjustments to reconcile decrease in net assets to net cash provided by operations:	
Depreciation . . . . .	26,171
Unrealized gain on investments . . . . .	(62,953)
Decrease (increase) in:	
Receivables . . . . .	50,000
Inventories . . . . .	25,870
Prepaid expenses . . . . .	(3,133)
Increase in accounts payable and accrued expenses . . . . .	<u>44,827</u>
Net cash provided by operations	15,400

CASH FLOWS USED BY INVESTING ACTIVITIES:

Purchase of investments, net of sales . . .	\$ (11,105)
Purchase of fixed assets . . . . .	<u>(2,100)</u>
Total cash used by investing activities	(13,205)

CASH FLOWS USED BY FINANCING ACTIVITIES:

Payment of mortgage principal . . . . .	<u>(18,969)</u>
Net decrease in cash	(16,774)
CASH, beginning of year . . . . .	<u>279,555</u>
CASH, end of year	<u>\$ 262,781</u>

INTEREST PAID . . . . .	<u>\$ 51,180</u>
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The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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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, 2017, 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.

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.



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

December 31, 2017

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NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3      INVESTMENTS

Investments at December 31, 2017 are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Money market	\$118,528	\$118,528
Fixed income	108,791	106,278
Equity securities	177,397	421,263
Other	<u>33,604</u>	<u>27,345</u>
Total	<u>\$438,320</u>	<u>\$673,414</u>

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

December 31, 2017

NOTE 4      PROPERTY AND EQUIPMENT

At December 31, 2017, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	267,466
Computer equipment	23,829
Furniture and fixtures	<u>6,655</u>
Total	1,653,813
Accumulated depreciation	<u>(406,351)</u>
Net	<u>\$1,247,462</u>

Fair market values at December 31, 2017 were estimated to be: land - \$1,634,000 and building - \$817,000, for a total of \$2,451,000.

NOTE 5      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 \$1,052,332 at December 31, 2017.

Unamortized prepaid loan costs related to the mortgage were \$4,171 at December 31, 2017.

NOTE 6      TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of grants and donations which are for medical missions which will be conducted after December 31, 2017 and \$51,188 for future purchases of fixed assets. The medical mission funds are to be used for missions to the following countries:

Guatemala	\$ 62,287
Bangladesh	73,100
Philippines	6,700
Others	1,700
Undesignated Rotary District missions	<u>89,322</u>
Total	<u>\$233,109</u>

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

December 31, 2017

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NOTE 7      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.