

ROTAPLAST INTERNATIONAL, INC.

FINANCIAL STATEMENTS

June 30, 2011

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 - 9

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 June 30, 2011, 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 June 30, 2011, 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

October 19, 2011

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
ASSETS			
CASH	\$ 170,225	\$148,804	\$ 319,029
ACCOUNTS RECEIVABLE	19,359	-	19,359
INVENTORIES	226,477	40,184	266,661
INVESTMENTS (Note 3)	599,666	-	599,666
GRANTS AND PLEDGES RECEIVABLE	-	53,958	53,958
PREPAID EXPENSES	25,387	112,660	138,047
PROPERTY AND EQUIPMENT, net (Note 4)	<u>1,494,650</u>	<u>-</u>	<u>1,494,650</u>
Total assets	<u>\$2,535,764</u>	<u>\$355,606</u>	<u>\$2,891,370</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expense	\$ 56,830	\$ -	\$ 56,830
Mortgage payable (Note 5)	<u>1,135,277</u>	<u>-</u>	<u>1,135,277</u>
Total liabilities	1,192,107	-	1,192,107
NET ASSETS (Note 6)	<u>1,343,657</u>	<u>355,606</u>	<u>1,699,263</u>
Total liabilities and net assets	<u>\$2,535,764</u>	<u>\$355,606</u>	<u>\$2,891,370</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
SUPPORT, REVENUE AND OTHER GAINS			
Contributed medical services	\$4,489,557	\$ -	\$4,489,557
Contributed medical supplies	360,639	-	360,639
Contributed medical equipment	119,841	-	119,841
Contributions	1,022,850	229,946	1,252,796
Loss on investment sales	(4,140)	-	(4,140)
Unrealized gain on investments	31,523	-	31,523
Investment income (net of \$7,525 fees)	14,815	-	14,815
Other income	172	-	172
Net assets released from restrictions.	<u>210,281</u>	<u>(210,281)</u>	<u>-</u>
Total support, revenue and other gains	<u>6,245,538</u>	<u>19,665</u>	<u>6,265,203</u>
EXPENSES			
Medical mission services	5,714,094	-	5,714,094
Management and general	432,255	-	432,255
Fund-raising	<u>74,449</u>	<u>-</u>	<u>74,449</u>
Total expenses	<u>6,220,798</u>	<u>-</u>	<u>6,220,798</u>
Increase in net assets	24,740	19,665	44,405
NET ASSETS, beginning of year	<u>1,318,917</u>	<u>335,941</u>	<u>1,654,858</u>
NET ASSETS, end of year	<u>\$1,343,657</u>	<u>\$355,606</u>	<u>\$1,699,263</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSE

Year Ended June 30, 2011

	Medical Mission Services	Management And General	Fund- raising	Total
SALARIES	\$ 178,599	\$ 51,346	\$46,165	\$ 276,110
PAYROLL TAXES	16,125	4,259	4,287	24,671
EMPLOYEE BENEFITS	16,539	4,760	3,727	25,026
MEDICAL PROFESSIONALS	4,489,557	-	-	4,489,557
AIRFARE AND TRAVEL	363,610	5,228	1,132	369,970
LODGING & MEALS	73,932	5,694	3,655	83,281
MEDICAL SUPPLIES	402,028	-	-	402,028
UTILITIES	-	7,480	-	7,480
DEPRECIATION	48,187	4,992	1,456	54,635
PROFESSIONAL FEES	-	7,925	-	7,925
OUTSIDE SERVICES	37,937	36,354	1,246	75,537
PROMOTION AND OUTREACH	2,610	126,399	4,755	133,764
INSURANCE	3,276	1,375	319	4,970
OFFICE SUPPLIES	20,166	20,103	2,514	42,783
PROPERTY TAXES	7,579	2,286	866	10,731
SHIPPING AND BOXES	16,701	-	25	16,726
REPAIR & MAINTENANCE	19,853	4,207	516	24,576
POSTAGE AND DELIVERY	4,100	761	231	5,092
INTEREST	-	38,259	-	38,259
BAD DEBT EXPENSE	-	97,484	-	97,484
TELEPHONE	6,637	1,932	604	9,173
BANK CHARGES	165	4,059	1,973	6,197
MISCELLANEOUS	6,493	7,352	978	14,823
Total expenses	<u>\$5,714,094</u>	<u>\$432,255</u>	<u>\$74,449</u>	<u>\$6,220,798</u>

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

CASH FLOWS USED BY OPERATING ACTIVITIES:

Increase in net assets	\$ 44,405
Adjustments to reconcile increase in net assets to net cash used by operations:	
Depreciation	54,635
Unrealized gain on investments	(31,523)
Realized loss on investment sales	4,140
Decrease (increase) in:	
Receivables	76,839
Inventories	(47,396)
Prepaid expenses	(137,175)
Decrease in accounts payable and accrued expenses	<u>(16,338)</u>
Net cash used by operations	(52,413)

CASH FLOWS USED BY INVESTING ACTIVITIES:

Sales of investments, net of purchases	\$ 25,953
Purchase of property and equipment, net	<u>(131,193)</u>
Net cash used by investing activities	(105,240)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Payment of mortgage principal	<u>(6,067)</u>
Net decrease in cash	(163,720)
CASH, beginning of year	<u>482,749</u>
CASH, end of year	<u><u>\$ 319,029</u></u>

INTEREST PAID	<u><u>\$ 38,259</u></u>
-------------------------	-------------------------

The accompanying notes are an integral part of these statements.

ROTAPLAST INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 June 30, 2011, 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 weighted average cost 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)

June 30, 2011

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. 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 valued at less than \$500 per item is not recorded in these financial statements. However, it is estimated that equipment donated during the year had fair value of \$81,381.

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)

June 30, 2011

NOTE 3 INVESTMENTS

Investments at June 30, 2011 are summarized as follows:

	Cost	Fair Market Value
Money market	\$ 3,081	\$ 3,081
Fixed income	289,665	302,330
Equity securities	211,522	260,058
Other	31,192	34,197
Total	\$535,460	\$599,666

NOTE 4 PROPERTY AND EQUIPMENT

At June 30, 2011, property and equipment consisted of the following:

Land	\$ 903,909
Building	451,954
Medical equipment	238,081
Computer equipment	12,356
Furniture and fixtures	6,655
Total	1,612,955
Accumulated depreciation	(118,305)
Net	\$1,494,650

NOTE 5 MORTGAGE PAYABLE

During the year ended June 30, 2010, the Agency purchase 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.

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

June 30, 2011

NOTE 5 MORTGAGE PAYABLE (Continued)

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

Year ended <u>June 30</u>	<u>Amount</u>
2012	\$ 6,874
2013	7,624
2014	8,170
2015	<u>1,112,609</u>
Total	<u>\$1,135,277</u>

NOTE 6 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 June 30, 2011. The funds are to be used for missions to the following countries:

India	\$ 50,100
Columbia	80,569
Togo	76,839
Mali	45,000
Guatemala	21,259
Other missions	26,496
Unspecified	46,122
Building fund	<u>9,221</u>
Total	<u>\$355,606</u>

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.