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PARTNER FOR SURGERY, INC.
AUDITED FINANCIAL STATEMENTS
OCTOBER 31, 2008 AND 2007

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MOOSE,
GREEN AND
KOROM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JACK A. GREEN, CPA
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COY E. MOOSE, CPA (1923-2003)

December 29, 2008

To the Board of Directors
Partner For Surgery, Inc.
McLean, VA

We have audited the accompanying statements of financial position of Partner For Surgery, Inc., as of October 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Partner For Surgery, Inc., management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partner For Surgery, Inc. as of October 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moose, Green and Korom, P.A.
MOOSE, GREEN AND KOROM, P.A.

PARTNER FOR SURGERY, INC.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2008 AND 2007

ASSETS		
	2008	2007
<i>Current assets</i>		
Cash and cash equivalents - Note 2	\$ 178,045	\$ 154,691
Prepaid expenses	831	299
Reimbursements receivable - Note 3	2,630	6,630
Inventory	1,037	1,037
Investments	8,235	3,106
Total current assets	190,778	165,763
 <i>Furniture and equipment</i>		
Furniture and equipment	1,401	1,401
Office equipment	5,358	6,174
Medical equipment	1,471	0
Vehicles	22,467	22,467
	30,697	30,042
Less: accumulated depreciation	(21,383)	(16,113)
Total furniture and equipment, net	9,314	13,929
 Total assets	 \$ 200,092	 \$ 179,692

LIABILITIES AND NET ASSETS

<i>Current liabilities</i>		
Accounts payable	\$ 5,271	\$ 9,739
Payroll taxes payable	138	145
Total current liabilities	5,409	9,884
 <i>Net assets</i>		
Unrestricted net assets	175,027	159,808
Temporarily restricted net assets - Note 4	19,656	10,000
Total net assets	194,683	169,808
Total liabilities and net assets	\$ 200,092	\$ 179,692

See accompanying notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007

	2008			2007
	Unrestricted	Temporarily Restricted	Total	
<i>Public support, revenues and reclassifications</i>				
Contributions:				
Individuals	\$ 67,675	\$ 0	\$ 67,675	\$ 55,355
Corporate	11,398	0	11,398	4,113
Churches, clubs and groups	37,213	0	37,213	30,550
Indirect contributions	9,605	0	9,605	1,556
Publicly supported foundations	34,900	0	34,900	34,579
Private foundations	15,000	27,000	42,000	30,500
Total contributions	<u>175,791</u>	<u>27,000</u>	<u>202,791</u>	<u>156,653</u>
Investment income	605	0	605	480
Net inventory sales	0	0	0	528
Other program income	0	0	0	6,550
Gain (loss) on sale of assets	(298)	0	(298)	918
Net assets released from restriction - Note 4	17,344	(17,344)	0	0
Total public support, revenues and reclassifications	<u>193,442</u>	<u>9,656</u>	<u>203,098</u>	<u>165,129</u>
<i>Expenses</i>				
Program expenses:				
Stateside program expenses:				
Online store	0	0	0	380
Program recruitment	467	0	467	0
Total Stateside program expenses	<u>467</u>	<u>0</u>	<u>467</u>	<u>380</u>
Guatemala program expenses:				
Support for companion organizations	24,718	0	24,718	0
Outreach and community development	55,344	0	55,344	55,448
Planning meetings	6,518	0	6,518	3,164
Radio programs	7,726	0	7,726	2,169
Medical missions	34,547	0	34,547	21,053
Surgical teams	36,569	0	36,569	29,866
Total Guatemala program expenses	<u>165,422</u>	<u>0</u>	<u>165,422</u>	<u>111,700</u>
Total program expenses	<u>165,889</u>	<u>0</u>	<u>165,889</u>	<u>112,080</u>
Administration expenses	10,377	0	10,377	8,670
Fundraising expenses	1,957	0	1,957	2,185
Total expenses	<u>178,223</u>	<u>0</u>	<u>178,223</u>	<u>122,935</u>
Change in net assets	15,219	9,656	24,875	42,194
Net assets - beginning of year	159,808	10,000	169,808	127,614
Net assets - end of year	<u>\$ 175,027</u>	<u>\$ 19,656</u>	<u>\$ 194,683</u>	<u>\$ 169,808</u>

See accompanying notes to financial statements

PARTNER FOR SURGERY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2008 AND 2007

	2008	2007
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Increase in net assets	\$ 24,875	\$ 42,194
Adjustments to reconcile increase in net assets to net cash (provided by) operating activities:		
Depreciation	8,710	8,367
Decrease in grant receivable	0	15,000
Increase in prepaid expenses	(532)	(299)
Decrease (increase) in reimbursements receivable	4,000	(6,406)
Decrease in inventory	0	73
Decrease in security deposits	0	127
Increase (decrease) in accounts payable	(4,468)	3,787
(Decrease) in payroll taxes payable	(7)	0
Net cash (provided by) operating activities	32,578	62,843
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of furniture and equipment	(4,095)	(1,580)
Mutual fund contribution	(5,063)	(1,019)
Earnings on mutual fund	(66)	(164)
Net cash (used by) investing activities	(9,224)	(2,763)
Net (increase) in cash and cash equivalents	23,354	60,180
Cash and cash equivalents - beginning of year	154,691	94,511
Cash and cash equivalents - end of year	\$ 178,045	\$ 154,691

See accompanying notes to financial statements

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Business

Partner For Surgery, Inc. (formerly Partner in Health, Inc., and not related to the entity known as Partners In Health) is a not-for-profit organization incorporated on May 7, 2001 under the laws of the Commonwealth of Virginia.

The purpose of Partner For Surgery, Inc. is to increase the ability of the extreme poor Mayan population in Guatemala to utilize the services of the visiting foreign surgical teams. This goal is accomplished by educating the target population through field visits to explain the process, use of rural radio programs in the local language, training and utilization of community members to be Partner For Surgery representatives. Coordination between the surgical teams and Partner For Surgery, Inc. is accomplished through email. Partner For Surgery, Inc. solicits funds from the teams to cover the direct costs associated with getting the patients to the hospital. Funds to cover costs associated with the rural triage, community education, communication, post operative care, and logistics are solicited as direct donations to Partner For Surgery, Inc. The surgical teams donate their service and frequently participate in the payment of patient laboratory and food expenses.

Board members, officers, and volunteers of Partner For Surgery, Inc perform this work. In addition, Partner For Surgery, Inc. has two full-time staff members working in Guatemala as well as hires Asociacion Companero para Cirugia, a Guatemalan nonprofit organization, to provide the services of two staff members and fourteen local area managers (“gerents and ayudantes”) who are paid finders’ fees, per diem, and expenses.

Partner For Surgery, Inc. is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is organized and operated exclusively for charitable and educational purposes. In addition, the Internal Revenue Service has determined that the Organization, during the advance ruling period from May 7, 2001 to December 31, 2005, qualifies for the charitable contribution deduction under Section 170 (b)(1)(A)(vi) and has been classified as a publicly supported organization, and not a private foundation under Section 509(a)(1).

Principles of Accounting

Partner For Surgery, Inc. prepares its financial statements on the accrual basis of accounting.

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Statement Presentations

Partner For Surgery, Inc. has adopted Statements of Financial Accounting Standards (SFAS) No. 117 Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Partner for Surgery, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Partner for Surgery, Inc. is required to present a statement of cash flows.

Furniture and Equipment

Expenditures for the acquisition of furniture and equipment are capitalized at cost. Depreciation is provided over the estimated useful lives of assets by the straight-line method. For the years ended October 31, 2008 and 2007, depreciation expense totaled \$8,710 and \$8,367 respectively.

Contributions

Partner for Surgery, Inc. has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promise to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Promise to Give – continued

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Note 2. Cash and Cash Equivalents

For purposes of the statement of cash flows, Partner For Surgery, Inc. considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Undeposited funds are included in cash.

At October 31, 2008 and 2007 Partner For Surgery, Inc. had a cash and cash equivalent balance in the amount of \$178,045 and \$154,691 respectively.

Note 3. Reimbursements Receivable

Partner For Surgery, Inc. invoices the surgical teams operating in Guatemala for ancillary costs that may be incurred for the patients or local area managers (“gerentes”). These costs include transportation, medical supplies and procedures, meals, lodging, etc.

At October 31, 2008 and 2007, the balance due from the surgical teams was \$2,630 and \$6,630 respectively.

Note 4. Temporarily Restricted Net Assets

At October 31, 2008 and 2007, temporarily restricted net assets in the amount of \$19,656 and \$10,000 are available for the Guatemala program expenses.

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 4. Temporarily Restricted Net Assets - continued

During the year ended October 31, 2008 and 2007, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2008</u>	<u>2007</u>
Daniele Agostino Derossi Foundation	\$ 10,000	\$ 0
Palmer Foundation	5,459	14,895
Conservation Food and Health Foundation	<u>1,885</u>	<u>0</u>
	<u>\$ 17,344</u>	<u>\$ 14,895</u>

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 5. Functional Expenses

Expenses reported on the statement of activities for the year ended October 31, 2008, are classified as follows:

	Program Expenses	Administration Expenses	Fundraising Expenses	Total
Advertising & Promotion	\$ 3,292	\$ 0	\$ 495	\$ 3,787
Bank Service Charges	233	380	0	613
Board expenses	0	51	0	51
Communications	6,340	415	0	6,755
Contract Svcs - Other	857	0	0	857
Currency Fluctuation	1,099	0	0	1,099
Depreciation	8,422	288	0	8,710
Dues	0	75	0	75
Fees and Licenses	141	75	0	216
Minor Equipment	2,184	147	0	2,331
Office Expense	33	391	89	513
Postage & Delivery	270	530	328	1,128
Printing and reproduction	68	0	272	340
Publications	0	0	64	64
Auto Expense	9,399	60	0	9,459
Guatemala Office Expenses	4,738	0	0	4,738
Motorcycle Expense	639	0	0	639
Payroll Expenses:				
Payroll	15,852	0	0	15,852
Payroll Taxes	1,213	0	0	1,213
Health Care/Insurance	652	0	0	652
Professional Services:				
Accounting Services	15,004	6,710	685	22,399
Legal	2,595	1,174	0	3,769
Subtotal carried forward	\$ <u>73,031</u>	\$ <u>10,296</u>	\$ <u>1,933</u>	\$ <u>85,260</u>

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 5. Functional Expenses (Continued)

	<u>Program Expenses</u>	<u>Administration Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Subtotal carried forward	\$ 73,031	\$ 10,296	\$ 1,933	\$ 85,260
Program Related Expenses:				
Project Manager	12,578	0	0	12,578
Health Insurance	554	0	0	554
Grants and Allocations	23,173	0	0	23,173
Guatemalan Staff	15,852	0	0	15,852
Medical Supplies & Procedures	5,640	0	0	5,640
Hospital Expenses	398	0	0	398
Online Data Management	959	0	0	959
Project Supplies	4,764	0	0	4,764
Funeral Expenses	273	0	0	273
Travel and Lodging	<u>28,667</u>	<u>81</u>	<u>24</u>	<u>28,772</u>
Total Functional Expenses	<u>\$ 165,889</u>	<u>\$ 10,377</u>	<u>\$ 1,957</u>	<u>\$ 178,223</u>

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 5. Functional Expenses

Expenses reported on the statement of activities for the year ended October 31, 2007, are classified as follows:

	<u>Program</u> <u>Expenses</u>	<u>Administration</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>
Advertising & Promotion	\$ 772	\$ 25	\$ 1,095	\$ 1,892
Bank Service Charges	223	263	0	486
Communications	7,438	187	13	7,638
Contract Svcs-Video Production	278	0	0	278
Currency Fluctuation	942	0	0	942
Depreciation	8,021	346	0	8,367
Equipment maintenance & repair	157	0	0	157
Fees and Licenses	20	25	0	45
Meeting site rental	13	0	0	13
Minor Equipment	1,211	205	0	1,416
Office Expense	0	1,117	17	1,134
Postage & Delivery	399	571	41	1,011
Publications	46	0	30	76
Auto Expense	10,015	0	73	10,088
Guatemala Office Expenses	4,245	0	0	4,245
Motorcycle Expense	886	0	0	886
Payroll Expenses:				
Payroll	12,900	0	0	12,900
Payroll Taxes	987	0	0	987
Health Care/Insurance	413	0	0	413
Professional Services:				
Accounting Services	6,400	5,835	500	12,735
Legal	700	0	0	700
Subtotal carried forward	\$ <u>56,066</u>	\$ <u>8,574</u>	\$ <u>1,769</u>	\$ <u>66,409</u>

PARTNER FOR SURGERY, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

Note 5. Functional Expenses (Continued)

	<u>Program</u> <u>Expenses</u>	<u>Administration</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>
Subtotal carried forward	\$ 56,066	\$ 8,574	\$ 1,769	\$ 66,409
Program Related Expenses:				
Project Manager	1,944	0	0	1,944
Health Insurance	82	0	0	82
Youth Education Credits	3,166	0	0	3,166
Grants and Allocations	173	0	0	173
Guatemalan Staff	12,752	0	0	12,752
Medical Supplies & Procedures	17,926	0	0	17,926
Hospital Expenses	78	0	0	78
Online Data Management	1,449	0	0	1,449
Project Supplies	1,341	0	0	1,341
Funeral Expenses	383	0	0	383
Travel and Lodging	<u>16,720</u>	<u>96</u>	<u>416</u>	<u>17,232</u>
Total Functional Expenses	<u>\$ 112,080</u>	<u>\$ 8,670</u>	<u>\$ 2,185</u>	<u>\$ 122,935</u>