

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

Year Ended June 30, 2006 with Comparative Totals
for the Year Ended 2005

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

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EMERITUS

Alexander W. Berger (1916-2005)
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Interplast, Inc.
(A California Nonprofit Public Benefit Corporation)
Mountain View, California

We have audited the accompanying statement of financial position of Interplast, Inc. (a California nonprofit public benefit corporation) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended June 30, 2005 and, in our report dated August 26, 2005, we expressed an unqualified opinion on those financial statements.

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 Interplast, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Berger/Lewis Accountancy Corporation

BERGER/LEWIS ACCOUNTANCY CORPORATION
San Jose, California
September 19, 2006

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2006 with Comparative Totals as of June 30, 2005

ASSETS		
	2006	2005
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 604,046	\$ 581,860
Investments	998,956	329,551
Current Portion of Pledges Receivable	103,500	90,000
Inventory	574,438	576,897
Prepaid Expenses and Current Deposits	611	14,125
Total Current Assets	2,281,551	1,592,433
PROPERTY AND EQUIPMENT, NET	135,656	150,757
OTHER ASSETS:		
Pledges Receivable, Net of Current Portion	36,826	-
Deposits - Long Term	10,500	10,500
Interest in Charitable Remainder Trust	28,966	23,959
Investments Held for Endowment	728,987	727,077
Total Other Assets	805,279	761,536
TOTAL ASSETS	\$ 3,222,486	\$ 2,504,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,999	\$ 135,516
Accrued Vacation	101,688	68,341
Deferred Revenue	64,178	-
Capital Lease Payable - Short Term	611	7,332
Total Current Liabilities	172,476	211,189
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Capital Lease Payable - Long Term	-	611
Total Liabilities	172,476	211,800
NET ASSETS:		
Unrestricted Net Assets:		
Undesignated	323,705	66,280
Designated by the Board for Endowment	748,400	-
Designated by the Board for Operating Reserves	543,065	365,034
Invested in Property and Equipment, Net	135,045	142,814
Total Unrestricted Net Assets	1,750,215	574,128
Temporarily Restricted Net Assets	570,808	991,721
Permanently Restricted Net Assets	728,987	727,077
Total Net Assets	3,050,010	2,292,926
TOTAL LIABILITIES AND NET ASSETS	\$ 3,222,486	\$ 2,504,726

The Accompanying Notes are an Integral Part of these Financial Statements.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006 with Comparative Totals for the Year Ended June 30, 2005

	2006			2005	
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:					
Support:					
Contributions, Gifts, Grants	\$ 2,686,808	\$ 1,231,033	\$ 1,910	\$ 3,919,751	\$ 2,897,995
In-Kind Contributions	6,492,313	-	-	6,492,313	6,511,583
Special Events (Net of Direct Costs of \$36,682 in 2006 and \$5,558 in 2005)	173,925	-	-	173,925	145,942
Total Support	9,353,046	1,231,033	1,910	10,585,989	9,555,520
Revenue:					
Investment Income	83,270	-	-	83,270	83,797
Gain (Loss) on Disposal of Property and Equipment	2,824	-	-	2,824	(23,054)
Other Revenue	452	-	-	452	437
Total Revenue	86,546	-	-	86,546	61,180
Total Support and Revenue	9,439,592	1,231,033	1,910	10,672,535	9,616,700
Net Assets Released from Restrictions	1,651,946	(1,651,946)	-	-	-
Total Support, Revenue and Net Assets Released from Restrictions	11,091,538	(420,913)	1,910	10,672,535	9,616,700
EXPENSES:					
Program Services	8,855,494	-	-	8,855,494	8,765,657
Supporting Services:					
Management and General	516,859	-	-	516,859	351,567
Fundraising	543,098	-	-	543,098	498,043
Total Supporting Services	1,059,957	-	-	1,059,957	849,610
Total Expenses	9,915,451	-	-	9,915,451	9,615,267
CHANGE IN NET ASSETS	1,176,087	(420,913)	1,910	757,084	1,433
NET ASSETS, Beginning of Year	574,128	991,721	727,077	2,292,926	2,291,493
NET ASSETS, End of Year	\$ 1,750,215	\$ 570,808	\$ 728,987	\$ 3,050,010	\$ 2,292,926

The Accompanying Notes are an Integral Part of these Financial Statements.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2006 with Comparative Totals for the Year Ended June 30, 2005

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
		Management and General	Fundraising	Total	2006	2005
EXPENSES:						
Salaries and Wages	\$ 869,716	\$ 188,361	\$ 356,116	\$ 544,477	\$ 1,414,193	\$ 1,235,410
Employee Benefits	143,452	44,451	40,043	84,494	227,946	194,390
Payroll Taxes and Related Expenses	56,624	19,469	22,947	42,416	99,040	99,835
Total Salaries and Related Expenses	1,069,792	252,281	419,106	671,387	1,741,179	1,529,635
Donated Services	6,052,976	-	-	-	6,052,976	5,927,798
Medical						
Education/Empowerment, Including In-Kind	550,029	-	-	-	550,029	462,982
Overseas Surgical Trips, Including In-Kind	544,479	-	-	-	544,479	472,204
Medical Supplies	306,110	-	-	-	306,110	350,387
Professional Fees	27,221	180,574	5,129	185,703	212,924	32,628
Occupancy	39,600	11,700	20,700	32,400	72,000	101,563
Insurance	26,032	11,975	-	11,975	38,007	36,988
Postage and Shipping	2,850	1,639	31,576	33,215	36,065	29,065
Public Education	24,651	3,458	3,458	6,916	31,567	38,411
Newsletter	21,314	-	9,910	9,910	31,224	15,742
Volunteer Recruitment and Training, Including In-Kind	24,204	3,974	891	4,865	29,069	33,399
Travel	13,788	5,130	2,504	7,634	21,422	30,455
Moving Expenses	-	19,886	-	19,886	19,886	20,535
Utilities	9,205	2,511	5,021	7,532	16,737	16,421
Telephone	8,699	3,197	3,618	6,815	15,514	18,965
Staff Recruitment	14,495	-	-	-	14,495	4,650
Dues and Subscriptions	10,750	437	2,121	2,558	13,308	5,742
Supplies	5,244	4,520	3,537	8,057	13,301	23,766
Donor's Stewardship	-	-	12,861	12,861	12,861	25,528
Miscellaneous	7,645	3,721	66	3,787	11,432	14,149
Equipment Rental	4,824	2,168	2,631	4,799	9,623	8,933
Supplies Donated to Other Organizations	8,728	-	-	-	8,728	288,031
Janitorial	3,980	1,085	2,170	3,255	7,235	6,490
Payroll Fees	4,047	935	1,871	2,806	6,853	5,787
Repairs and Maintenance	5,068	797	701	1,498	6,566	5,359
Bank Charges	-	64	6,194	6,258	6,258	6,039
Conferences, Conventions and Meeting, Including In-Kind	6,017	-	-	-	6,017	-
Taxes and Licenses	-	661	4,927	5,588	5,588	9,531
Letterhead and Envelopes	2,663	189	1,806	1,995	4,658	6,516
Warehouse Expense	4,351	-	-	-	4,351	4,887
Volunteer Recognition	3,640	-	-	-	3,640	3,017
Interest	-	1,854	-	1,854	1,854	1,848
Staff Education	792	-	20	20	812	815
Total Expenses Before Depreciation	8,803,194	512,756	540,818	1,053,574	9,856,768	9,538,266
Depreciation	52,300	4,103	2,280	6,383	58,683	77,001
Total Functional Expenses	\$ 8,855,494	\$ 516,859	\$ 543,098	\$ 1,059,957	\$ 9,915,451	\$ 9,615,267
Percentage of Total	89.3 %	5.2 %	5.5 %	10.7 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

INTERPLAST, INC.
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STATEMENT OF CASH FLOWS

Year Ended June 30, 2006 with Comparative Totals for the Year Ended June 30, 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 757,084	\$ 1,433
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	58,683	77,001
Donated Property and Equipment	(28,322)	(5,600)
Donated Stock	(49,240)	-
(Gain) Loss on Disposal of Property and Equipment	(2,824)	23,054
Net Realized and Unrealized Gain on Investments	(43,533)	(56,610)
(Increase) Decrease in Assets:		
Pledges Receivable	(50,326)	(90,000)
Inventory	2,459	79,802
Prepaid Expenses and Deposits	13,514	(13,014)
Interest in Charitable Remainder Trust	(5,007)	(23,959)
Increase (Decrease) in Liabilities:		
Accounts Payable	(129,517)	15,060
Accrued Vacation	33,345	(838)
Deferred Revenue	64,178	-
Net Cash Provided by Operating Activities	620,494	6,329
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(22,131)	(123,670)
Proceeds from Sale of Property and Equipment	9,695	-
Purchase of Investments	(780,087)	(21,552)
Proceeds from Sale of Investments	201,547	-
Net Cash Used by Investing Activities	(590,976)	(145,222)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payment of Capital Lease Payable	(7,332)	(7,332)
Net Cash Used by Financing Activities	(7,332)	(7,332)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,186	(146,225)
CASH AND CASH EQUIVALENTS, Beginning of Year	581,860	728,085
CASH AND CASH EQUIVALENTS, End of Year	\$ 604,046	\$ 581,860
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	\$ 1,854	\$ 1,848

The Accompanying Notes are an Integral Part of these Financial Statements.

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION:

Interplast, Inc. (the “Organization”) is the first humanitarian organization to provide free reconstructive surgery for children with clefts, disabling burns and hand injuries. A nonprofit, public-benefit corporation, Interplast, Inc. annually provides more than 3,500 life-changing surgeries for those who have no other access to care. Working in underserved regions of 16 countries throughout Africa, Asia and Latin America, Interplast, Inc. teaches, empowers and partners with volunteers and overseas medical professionals so every child living in poverty has free access to the safest and highest-quality care—now and in the future.

Interplast, Inc. envisions a world in which no human being suffers physically or emotionally from a repairable congenital deformity or injury. To reach that vision, Interplast, Inc. partners with volunteers and overseas medical colleagues to educate and empower local communities so that medical access is available year-round. Interplast, Inc.’s mission is to provide free reconstructive surgery for people in developing countries, and to help improve health care worldwide.

Founded in 1969, Interplast, Inc. was the first organization of its kind. Since then, Interplast, Inc.’s volunteers, donors and international medical partners have provided more than 64,000 free surgeries for people in need. The Organization’s work is humanitarian in nature; no political or religious affiliations are maintained, and no financial support is accepted from government agencies. Sensitivity to, and respect for, other cultures as equals pervades the Interplast philosophy and deeply influences the manner in which the Organization conducts itself as ambassadors.

NOTE 2 - PROGRAM SERVICES:

Interplast, Inc. now manages medical programs in more than 30 different sites around the world. Performing surgery and/or providing advanced medical training for local physicians and nurses, Interplast, Inc. worked in Bangladesh, Bolivia, Brazil, China, Ecuador, Myanmar (Burma), Nicaragua, Peru and Vietnam during the fiscal year that ended June 30, 2006. Interplast, Inc. also provided support in 2006 to seven year-round Surgical Outreach Centers in Bangladesh, Ecuador, Nepal, Nicaragua, Peru (2) and Zambia; this support included funding, quality review, technological support and advanced medical training.

Interplast, Inc.’s programs provide reconstructive plastic surgery and related care for people with congenital deformities such as cleft lips or palates, severe burns and other disabling injuries. The Organization also provides treatment for hand injuries and birth defects.

The Organization’s scope of services includes:

- Providing direct patient care-reconstructive surgery and ancillary services (such as speech or physical therapy) to those with no other resources. Interplast, Inc. sends approximately 17 volunteer medical teams to perform 1,800 life-transforming surgeries each year.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - PROGRAM SERVICES (Continued):

- Providing educational training and medical interchange. Interplast teaches more than 500 medical professionals overseas each year to perform surgeries safely, effectively and efficiently on their own. In addition, Interplast, Inc.'s innovative web-based technology, Interplast Grand Rounds, allows for surgery training to continue after visiting medical instructors return home, and for doctors in all of our partner sites to confer and share relevant information, experiences and advice. It also allows outreach cases to be discussed for quality and safety assurances. Interplast, Inc. adheres to rigorous quality assurance policies and training so patients receive the safest, highest-quality medical care, even in the compromised conditions that often prevail in developing countries.
- Assisting host-country medical colleagues toward medical independence. Interplast, Inc. now supports eight permanent Surgical Outreach Centers in seven countries, where approximately 2,100 surgeries are performed per year; this model of empowerment, sustainability and self-sufficiency creates long-term surgical care where it never existed before.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Interplast, Inc. have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

Use of 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The estimated value of these services is disclosed in Note 11.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Pledges Receivable - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Inventory - Inventory consists of medical supplies and instruments and is valued on a first-in, first-out basis at replacement cost.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Medical equipment with an estimated useful life of 5 years or more is capitalized. Non-medical assets over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2006 and 2005. The accrued vacation balance as of June 30, 2006 and 2005 was \$101,688 and \$68,341, respectively.

Allocation of Indirect Functional Expenses - Indirect functional expenses are allocated to program and supporting services based on an analysis of personnel time.

Income Taxes - Interplast, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - INVESTMENTS:

The fair value of investments as of June 30, was as follows:

	2006	2005
Investments at Fair Value:		
Equity	\$ 1,183,810	\$ 728,941
Fixed Income	494,407	327,359
Money Market	49,726	328
Total Investments at Fair Value	\$ 1,727,943	\$ 1,056,628
Net Investment Income:		
Interest Income	\$ 39,737	\$ 27,187
Net Realized and Unrealized Gain	43,533	56,610
Total Net Investment Income	\$ 83,270	\$ 83,797

NOTE 5 - PLEDGES RECEIVABLE:

Pledges receivable as of June 30, consisted of the following:

	2006	2005
Receivable in Less Than One Year	\$ 103,500	\$ 90,000
Receivable in One to Five Years	42,500	-
Total Pledges Receivable	146,000	90,000
Less Discounts to Net Present Value	(5,674)	-
Total Net Present Value of Pledges Receivable	140,326	90,000
Current Portion of Pledges Receivable	(103,500)	(90,000)
Long-Term Portion of Pledges Receivable	\$ 36,826	\$ -

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 6 - INVENTORY:

Inventory as of June 30, consisted of the following:

	<u>2006</u>	<u>2005</u>
Surgical Instruments and Supplies	\$ 313,457	\$ 351,222
Anesthesia Instruments and Supplies	194,361	173,340
Post Ambulatory Care Unit Supplies	<u>66,620</u>	<u>52,335</u>
Total Inventory	<u>\$ 574,438</u>	<u>\$ 576,897</u>

NOTE 7 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	<u>2006</u>	<u>2005</u>
Surgical Equipment	\$ 185,800	\$ 167,066
Anesthesia Equipment	193,010	204,136
Post Ambulatory Care Unit Equipment	24,900	24,900
Computers	41,541	39,983
Furniture and Fixtures	<u>24,521</u>	<u>12,597</u>
	469,772	448,682
Less: Accumulated Depreciation	<u>(334,116)</u>	<u>(297,925)</u>
Property and Equipment, Net	<u>\$ 135,656</u>	<u>\$ 150,757</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$58,683 and \$77,001, respectively.

NOTE 8 - INTEREST IN CHARITABLE REMAINDER TRUST:

A donor established a trust giving the Organization a one-sixth remainder interest in a condominium in the Canterwood development in Gig Harbor, Washington. Based on donor life expectancy and the use of a 3.8% discount rate, the present value of future benefits expected to be received by the Organization as of June 30, 2006 and 2005, was estimated to be \$28,966 and \$23,959, respectively.

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	2006	2005
Purpose Restrictions:		
Syde Hurdus Nepal Fund	\$ 246,326	\$ 374,300
Ghana Visiting Educator Program and Surgical Outreach	85,000	-
Smile Train Cleft Outreach	-	33,778
Laub Advisory Fund	62,612	62,612
Webster Fellow (Dibner and VIPS)	37,500	38,500
International Partners Conference	27,000	-
Telemedicine Program	26,295	27,463
Ecuador Surgical Trip (J&J)	25,000	-
India Fundraising Event	10,000	-
Ghana Visitor Educator Program	10,000	-
Anesthesia Frames	5,000	-
Empowerment/Surgical Outreach	5,000	-
Vietnam Surgical Trip	2,000	-
Ronald McDonald Charities Trips	109	181,109
Anonymous Vietnam Fund	-	250,000
Time Restrictions:		
Interest in Charitable Remainder Trust - Support in Future Periods	28,966	23,959
Total Temporarily Restricted Net Assets	\$ 570,808	\$ 991,721

During the year ended June 30, 2006, net assets were released by incurring expenses satisfying the purpose restriction as follows:

	2006
Purpose Restrictions:	
Ronald McDonald Charities Trips	\$ 701,000
Syde Hurdus Nepal Fund	262,974
Anonymous Vietnam Fund	250,000
Webster Fellow (Dibner and VIPS)	76,000
Ecuador Surgical Trip (Lamon)	50,000
Nicaragua Surgical Trip	50,000
Bangladesh Surgical Trip	40,000
Smile Train Cleft Outreach	33,778
Warehouse	31,750
Bolivia Surgical Trip	30,000
Vietnam Surgical Trip	25,000
Vietnam and Peru Visitor Educator Program	20,000
MDRT Vietnam Trip	12,500

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued):

	2006
Purpose Restrictions (Continued):	
Srilanka Visitor Educator Program	10,000
Ecuador Surgical Trip (Gover)	\$ 10,000
Zambia Burn Outreach	10,000
Medical Supplies and Equipment for Burn Patients	10,000
Nepal Cleft Outreach	10,000
Vietnam Surgical Trip (Gover)	5,000
Medical Education	5,000
Pediatric Mentorship Program and Nurse Education	4,000
Various Team Trips	3,176
Telemedicine	1,168
Volunteer Program	600
Total Net Assets Released from Restrictions	\$ 1,651,946

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS:

The Organization's permanently restricted net assets as of June 30, consisted of the following:

	2006	2005
The Albert Wilson Fund	\$ 600,000	\$ 600,000
Baker Foundation	100,000	100,000
Zlotnick Endowment	28,987	27,077
Total Permanently Restricted Net Assets	\$ 728,987	\$ 727,077

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - CONTRIBUTIONS IN-KIND:

The estimated fair value of expert services, supplies, furniture, equipment and travel and lodging received are recorded as contributions. During the years ended June 30, the following in-kind contributions were received by the Organization:

	<u>2006</u>	<u>2005</u>
Professional Services	\$ 6,213,237	\$ 5,927,784
Medical Supplies	239,901	573,156
Medical Equipment	17,622	-
Furniture	10,700	5,600
Minor Equipment	240	2,392
Travel and Lodging	2,196	2,651
Warehouse Expense	350	-
Supplies	<u>8,067</u>	<u>-</u>
Total Contributions In-Kind	<u>\$ 6,492,313</u>	<u>\$ 6,511,583</u>

The value of donated professional services is based on salary rates for the positions in the teams of approximately two surgeons, three anesthesiologists, one pediatrician, four nurses, one secretary and two translators for eighteen two-weeks trips.

NOTE 12 - RETIREMENT PLAN:

The Organization maintains a tax deferred 401(k) retirement plan to provide retirement benefits for all eligible employees. The plan provides for Organization matching contributions for up to 5% of eligible employee compensation. Organization contributions for the years ended June 30, 2006 and 2005 was \$52,020 and \$40,399, respectively.

NOTE 13 - CONTINGENCIES:

Grants and contracts awarded to Interplast, Inc. are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

INTERPLAST, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 14 - LEASE COMMITMENTS:

The Organization leases BlackBaud accounting software under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term. The balance of the capital lease payable as of June 30, 2006 and 2005 was \$611 and \$7,943, respectively.

The Organization is currently leasing 9,930 square feet of office and warehouse space starting at the rate of \$6,000 per month. The lease term is 5 years, and ending on June 30, 2010. According to the lease agreement, the Organization is responsible for its share of common area maintenance costs.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 95,328
2008	101,286
2009	107,244
2010	<u>119,160</u>
Total Future Minimum Lease Payments	<u>\$ 423,018</u>