

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

FINANCIAL STATEMENTS

Year Ended June 30, 2007 with Comparative Totals
for the Year Ended June 30, 2006

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

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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, 2007, 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, 2006 and, in our report dated September 19, 2006, 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, 2007, 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.

A handwritten signature in cursive script that reads "Berger/Lewis Accountancy Corporation".

BERGER/LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 19, 2007

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

STATEMENT OF FINANCIAL POSITION

June 30, 2007 with Comparative Totals as of June 30, 2006

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,576,995	\$ 604,046
Accounts Receivable	50,000	-
Investments	195,864	998,956
Current Portion of Pledges Receivable	18,500	103,500
Inventory	613,692	574,438
Prepaid Expenses and Current Deposits	-	611
Total Current Assets	2,455,051	2,281,551
PROPERTY AND EQUIPMENT, NET	152,117	135,656
OTHER ASSETS:		
Pledges Receivable, Net of Current Portion	-	36,826
Deposits - Long Term	10,500	10,500
Interest in Charitable Remainder Trust	30,636	28,966
Investments Held for Endowment	731,602	728,987
Total Other Assets	772,738	805,279
TOTAL ASSETS	\$ 3,379,906	\$ 3,222,486
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 30,370	\$ 5,999
Accrued Liability	50,000	-
Accrued Vacation	77,655	101,688
Deferred Revenue	217,996	64,178
Capital Lease Payable - Short Term	-	611
Total Current Liabilities	376,021	172,476
NET ASSETS:		
Unrestricted Net Assets:		
Undesignated	309,747	323,705
Designated by the Board for Special Purposes	100,712	748,400
Designated by the Board for Operating Reserves	796,398	543,065
Invested in Property and Equipment, Net	152,117	135,045
Total Unrestricted Net Assets	1,358,974	1,750,215
Temporarily Restricted Net Assets	913,309	570,808
Permanently Restricted Net Assets	731,602	728,987
Total Net Assets	3,003,885	3,050,010
TOTAL LIABILITIES AND NET ASSETS	\$ 3,379,906	\$ 3,222,486

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, 2007 with Comparative Totals for the Year Ended June 30, 2006

	2007			2006	
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:					
Support:					
Contributions, Gifts, Grants	\$ 1,832,033	\$ 1,149,963	\$ 2,615	\$ 2,984,611	\$ 3,919,751
In-Kind Contributions	6,866,095	-	-	6,866,095	6,492,313
Special Events	245,380	-	-	245,380	210,607
Less: Special Event Costs	(70,058)	-	-	(70,058)	(36,682)
Total Support	<u>8,873,450</u>	<u>1,149,963</u>	<u>2,615</u>	<u>10,026,028</u>	<u>10,585,989</u>
Revenue:					
Net, Investment Income	226,825	-	-	226,825	83,270
Net Gain (Loss) on Sale/Disposal of Property and Equipment	(9,432)	-	-	(9,432)	2,824
Other Revenue	206	-	-	206	452
Total Revenue	<u>217,599</u>	<u>-</u>	<u>-</u>	<u>217,599</u>	<u>86,546</u>
Total Support and Revenue	9,091,049	1,149,963	2,615	10,243,627	10,672,535
Net Assets Released from Restrictions	<u>807,462</u>	<u>(807,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>9,898,511</u>	<u>342,501</u>	<u>2,615</u>	<u>10,243,627</u>	<u>10,672,535</u>
EXPENSES:					
Program Services	<u>9,314,938</u>	<u>-</u>	<u>-</u>	<u>9,314,938</u>	<u>8,855,494</u>
Supporting Services:					
Management and General	487,141	-	-	487,141	516,859
Fundraising	487,673	-	-	487,673	543,098
Total Supporting Services	<u>974,814</u>	<u>-</u>	<u>-</u>	<u>974,814</u>	<u>1,059,957</u>
Total Expenses	<u>10,289,752</u>	<u>-</u>	<u>-</u>	<u>10,289,752</u>	<u>9,915,451</u>
CHANGE IN NET ASSETS	(391,241)	342,501	2,615	(46,125)	757,084
NET ASSETS, Beginning of Year	<u>1,750,215</u>	<u>570,808</u>	<u>728,987</u>	<u>3,050,010</u>	<u>2,292,926</u>
NET ASSETS, End of Year	<u>\$ 1,358,974</u>	<u>\$ 913,309</u>	<u>\$ 731,602</u>	<u>\$ 3,003,885</u>	<u>\$ 3,050,010</u>

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, 2007 with Comparative Totals for the Year Ended June 30, 2006

	PROGRAM SERVICES		SUPPORTING SERVICES			TOTALS	
			Management and		Total	2007	2006
			General	Fundraising			
EXPENSES:							
Salaries and Wages	\$ 897,013	\$ 170,061	\$ 281,962	\$ 452,023	\$ 1,349,036	\$ 1,414,193	
Employee Benefits	174,619	31,366	42,692	74,058	248,677	227,946	
Payroll Taxes and Related Expenses	70,140	13,298	22,047	35,345	105,485	99,040	
Total Salaries and Related Expenses	1,141,772	214,725	346,701	561,426	1,703,198	1,741,179	
Donated Services	6,557,871	-	-	-	6,557,871	6,052,976	
Medical							
Education/Empowerment, Including In-Kind	630,486	-	-	-	630,486	550,029	
Overseas Surgical Trips, Including In-Kind	549,624	-	-	-	549,624	550,496	
Medical Supplies	148,226	-	-	-	148,226	306,110	
Professional Fees, Including In-Kind	2,521	127,727	2,580	130,307	132,828	212,924	
Occupancy	52,431	14,299	28,598	42,897	95,328	72,000	
Staff Recruitment	-	63,812	-	63,812	63,812	14,495	
Insurance	26,397	16,511	-	16,511	42,908	38,007	
Postage and Shipping	5,584	1,652	32,467	34,119	39,703	36,065	
Public Education	23,108	3,110	3,110	6,220	29,328	31,567	
Miscellaneous	23,865	1,992	823	2,815	26,680	11,432	
Newsletter	16,428	-	8,123	8,123	24,551	31,224	
Taxes and Licenses	4,540	14,060	5,900	19,960	24,500	5,588	
Utilities	12,316	3,359	6,718	10,077	22,393	16,737	
Volunteer Recruitment and Training, Including In-Kind	17,553	2,454	447	2,901	20,454	29,069	
Office Supplies	6,109	3,800	9,593	13,393	19,502	13,301	
Telephone	10,608	3,355	4,409	7,764	18,372	15,514	
Travel	13,374	1,474	1,269	2,743	16,117	21,422	
Repairs and Maintenance	10,002	2,114	3,119	5,233	15,235	6,566	
Bank Charges	-	225	10,284	10,509	10,509	6,258	
Equipment Rental	5,457	1,722	2,976	4,698	10,155	9,623	
Janitorial	4,729	1,267	2,543	3,810	8,539	7,235	
Payroll Fees	4,073	941	1,883	2,824	6,897	6,853	
Dues and Subscriptions	2,206	156	1,531	1,687	3,893	13,308	
Letterhead and Envelopes	1,950	150	900	1,050	3,000	4,658	
Volunteer Recognition	2,259	-	-	-	2,259	3,640	
Warehouse Expense	2,050	-	-	-	2,050	4,351	
Staff Education	425	-	981	981	1,406	812	
Donor's Stewardship	-	-	565	565	565	12,861	
Moving Expenses	-	-	-	-	-	19,886	
Interest	-	-	-	-	-	1,854	
Supplies Donated to Other Organizations	-	-	-	-	-	8,728	
Total Expenses Before Depreciation	9,275,964	478,905	475,520	954,425	10,230,389	9,856,768	
Depreciation	38,974	8,236	12,153	20,389	59,363	58,683	
Total Functional Expenses	\$ 9,314,938	\$ 487,141	\$ 487,673	\$ 974,814	\$ 10,289,752	\$ 9,915,451	
Percentage of Total	90.5 %	4.7 %	4.8 %	9.5 %	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, 2007 with Comparative Totals for the Year Ended June 30, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (46,125)	\$ 757,084
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	59,363	58,683
Donated Property and Equipment	(51,675)	(28,322)
Donated Stock	-	(49,240)
Net (Gain) Loss on Sale/Disposal of Property and Equipment	9,432	(2,824)
Net Realized and Unrealized Gain on Investments	(171,811)	(43,533)
(Increase) Decrease in Assets:		
Accounts Receivable	(50,000)	-
Pledges Receivable	121,826	(50,326)
Inventory	(39,254)	2,459
Prepaid Expenses and Deposits	611	13,514
Interest in Charitable Remainder Trust	(1,669)	(5,007)
Increase (Decrease) in Liabilities:		
Accounts Payable	24,371	(129,517)
Accrued Liability	50,000	-
Accrued Vacation	(24,032)	33,345
Deferred Revenue	153,818	64,178
Net Cash Provided by Operating Activities	34,855	620,494
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(33,581)	(22,131)
Proceeds from Sale of Property and Equipment	-	9,695
Purchase of Investments	(135,521)	(780,087)
Proceeds from Sale of Investments	1,107,807	201,547
Net Cash Provided (Used) by Investing Activities	938,705	(590,976)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Capital Lease Payable	(611)	(7,332)
Net Cash Used by Financing Activities	(611)	(7,332)
NET INCREASE IN CASH AND CASH EQUIVALENTS	972,949	22,186
CASH AND CASH EQUIVALENTS, Beginning of Year	604,046	581,860
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,576,995	\$ 604,046
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	\$ -	\$ 1,854

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 3,800 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 68,000 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 31 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, Ethiopia, Ghana, India, Mali, Myanmar (Burma), Nicaragua, Peru and Vietnam during the fiscal year that ended June 30, 2007. Interplast, Inc. also provided support in 2007 to nine year round Surgical Outreach Centers in Bangladesh, Ecuador, Ghana (2), 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 16 volunteer medical teams to perform 1,500 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 600 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 the Organization's 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 nine permanent Surgical Outreach Centers in seven countries, where approximately 2,400 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, 2006, 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 12.

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, 2007 and 2006. The accrued vacation balance as of June 30, 2007 and 2006 was \$77,655 and \$101,688, 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:

	2007	2006
Investments at Fair Value:		
Equity	\$ 661,840	\$ 1,183,810
Fixed Income	265,626	494,407
Money Market	-	49,726
Total Investments at Fair Value	\$ 927,466	\$ 1,727,943
Net Investment Income:		
Dividends/Interest Income	\$ 55,014	\$ 39,737
Net Realized and Unrealized Gain	171,811	43,533
Total Net Investment Income	\$ 226,825	\$ 83,270

NOTE 5 - PLEDGES RECEIVABLE:

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

	2007	2006
Receivable in Less Than One Year	\$ 18,500	\$ 103,500
Receivable in One to Five Years	-	42,500
Total Pledges Receivable	18,500	146,000
Less Discounts to Net Present Value	-	(5,674)
Total Net Present Value of Pledges Receivable	18,500	140,326
Current Portion of Pledges Receivable	(18,500)	(103,500)
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>2007</u>	<u>2006</u>
Surgical Instruments and Supplies	\$ 357,808	\$ 313,457
Anesthesia Instruments and Supplies	180,086	194,361
Post Ambulatory Care Unit Supplies	<u>75,798</u>	<u>66,620</u>
Total Inventory	<u>\$ 613,692</u>	<u>\$ 574,438</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>2007</u>	<u>2006</u>
Surgical Equipment	\$ 228,870	\$ 185,800
Anesthesia Equipment	204,165	193,010
Post Ambulatory Care Unit Equipment	25,792	24,900
Computers	41,541	41,541
Furniture and Fixtures	<u>24,521</u>	<u>24,521</u>
	524,889	469,772
Less: Accumulated Depreciation	<u>(372,772)</u>	<u>(334,116)</u>
Property and Equipment, Net	<u>\$ 152,117</u>	<u>\$ 135,656</u>

Depreciation expense for the years ended June 30, 2007 and 2006 was \$59,363 and \$58,683, 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, 2007 and 2006, was estimated to be \$30,636 and \$28,966, respectively.

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9 - 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.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2007</u>	<u>2006</u>
Purpose Restrictions:		
Ronald McDonald Charities Trips	\$ 541,937	\$ 109
Syde Hurdus Charitable Foundation	126,605	246,326
Webster Fellow	75,000	37,500
Laub Advisory Fund	62,612	62,612
Ghana Visiting Educator Program and Surgical Outreach	42,500	85,000
Addis, Ababa and Ethiopia Visitor Education Program	29,000	-
India Fundraising Event	5,000	10,000
Empowerment/Surgical Outreach	19	5,000
Telemedicine Program	-	26,295
Ghana Visitor Educator Program	-	10,000
Anesthesia Frames	-	5,000
Ecuador Surgical Trip	-	25,000
Vietnam Surgical Trip	-	2,000
International Partners Conference	-	27,000
Time Restrictions:		
Interest in Charitable Remainder Trust - Support in Future Periods	<u>30,636</u>	<u>28,966</u>
Total Temporarily Restricted Net Assets	<u>\$ 913,309</u>	<u>\$ 570,808</u>

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS (Continued):

During the year ended June 30, 2007, net assets were released by incurring expenses satisfying the purpose restriction as follows:

Purpose Restrictions:	
Visitor Educator	\$ 161,420
Cleft Outreach	94,049
Webster Fellow	75,723
Vietnam Surgical Trip	70,000
Ecuador Surgical Trip	60,000
China Surgical Trip	60,000
Peru Surgical Trip	50,000
India Surgical Trip	40,000
Telemedicine	37,745
Ethiopia Surgical Trip	30,000
International Partners Conference	27,950
Zambia Burn Outreach	25,000
Anesthesia Conference	23,000
Ghana Burn Outreach	16,264
Nepal Speech Camps	14,449
Orthodontic Equipment for Nepal and Ecuador	5,000
Anesthesia Frames	5,000
Burn Outreach	3,312
Various Team Trips	2,600
Peru Awareness Brochures	2,500
Vietnam Surgical Trip	2,000
Medical Education	<u>1,450</u>
Total Net Assets Released from Restrictions	<u>\$ 807,462</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS:

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

	<u>2007</u>	<u>2006</u>
The Albert Wilson Fund	\$ 600,000	\$ 600,000
Baker Foundation	100,000	100,000
Zlotnick Endowment	<u>31,602</u>	<u>28,987</u>
Total Permanently Restricted Net Assets	<u>\$ 731,602</u>	<u>\$ 728,987</u>

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NOTE 12 - 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>2007</u>	<u>2006</u>
Professional Services	\$ 6,646,841	\$ 6,213,237
Medical Supplies	162,805	239,901
Medical Equipment	51,675	17,622
Supplies	3,026	8,067
Travel and Lodging	818	2,196
Food and Entertainment	480	-
Minor Equipment	450	240
Warehouse Expense	-	350
Furniture	-	10,700
Total Contributions In-Kind	<u>\$ 6,866,095</u>	<u>\$ 6,492,313</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 13 - 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, 2007 and 2006 was \$49,459 and \$52,020, respectively.

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, 2007 and 2006 was \$0 and \$611, respectively.

The Organization is currently leasing 9,930 square feet of office and warehouse space at the rate of \$7,944 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.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - LEASE COMMITMENTS (Continued):

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 101,286
2009	107,244
2010	<u>119,160</u>
Total Future Minimum Lease Payments	<u>\$ 327,690</u>