

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

FINANCIAL STATEMENTS

**Year Ended June 30, 2008 with Comparative Totals
for the Year Ended June 30, 2007**

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, 2008, 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 Interplast, Inc.'s financial statements for the year ended June 30, 2007 and, in our report dated October 19, 2007, 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, 2008, 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
February 3, 2009

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

STATEMENT OF FINANCIAL POSITION

June 30, 2008 with Comparative Totals as of June 30, 2007

	ASSETS	
	2008	2007
CURRENT ASSETS:		
Cash and Cash Equivalents (See Note 2)	\$ 876,871	\$ 1,576,995
Investments	135,443	195,864
Accounts Receivable	-	50,000
Grants Receivable	54,000	-
Pledges Receivable	25,000	18,500
Inventory	618,114	613,692
Total Current Assets	1,709,428	2,455,051
PROPERTY AND EQUIPMENT, NET	116,025	152,117
OTHER ASSETS:		
Deposits - Long Term	10,500	10,500
Interest in Charitable Remainder Trust	32,305	30,636
Investments Held for Endowment	733,652	731,602
Total Other Assets	776,457	772,738
TOTAL ASSETS	\$ 2,601,910	\$ 3,379,906

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 85,307	\$ 30,370
Accrued Liability	-	50,000
Accrued Vacation	87,378	77,655
Deferred Revenue	217,196	217,996
Total Current Liabilities	389,881	376,021
NET ASSETS:		
Unrestricted Net Assets:		
Undesignated	256,408	309,747
Designated by the Board for Special Purposes	94,390	100,712
Designated by the Board for Operating Reserves	618,137	796,398
Invested in Property and Equipment, Net	116,025	152,117
Total Unrestricted Net Assets	1,084,960	1,358,974
Temporarily Restricted Net Assets	393,417	913,309
Permanently Restricted Net Assets	733,652	731,602
Total Net Assets	2,212,029	3,003,885
TOTAL LIABILITIES AND NET ASSETS	\$ 2,601,910	\$ 3,379,906

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, 2008 with Comparative Totals for the Year Ended June 30, 2007

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:					
Support:					
Contributions, Gifts, Grants	\$ 2,638,875	\$ 662,383	\$ 2,050	\$ 3,303,308	\$ 2,984,611
In-Kind Contributions	5,926,122	-	-	5,926,122	6,866,095
	172,993	-	-	172,993	245,380
Less: Special Event Costs (Includes In-Kind Expenses of \$6,980 in 2008 and \$0 in 2007)	(31,622)	-	-	(31,622)	(70,058)
Total Support	<u>8,706,368</u>	<u>662,383</u>	<u>2,050</u>	<u>9,370,801</u>	<u>10,026,028</u>
Revenue:					
Net Investment Income (Loss)	(33,884)	-	-	(33,884)	226,825
Net Loss on Sale/Disposal of Property and Equipment	(560)	-	-	(560)	(9,432)
Other Revenue	122	-	-	122	206
Total Revenue	<u>(34,322)</u>	<u>-</u>	<u>-</u>	<u>(34,322)</u>	<u>217,599</u>
Total Support and Revenue	8,672,046	662,383	2,050	9,336,479	10,243,627
Net Assets Released from Restrictions	<u>1,182,275</u>	<u>(1,182,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>9,854,321</u>	<u>(519,892)</u>	<u>2,050</u>	<u>9,336,479</u>	<u>10,243,627</u>
EXPENSES:					
Program Services	<u>8,904,204</u>	<u>-</u>	<u>-</u>	<u>8,904,204</u>	<u>9,314,938</u>
Supporting Services:					
Management and General (See Note 3)	623,972	-	-	623,972	487,141
Fundraising (See Note 3)	600,159	-	-	600,159	487,673
Total Supporting Services	<u>1,224,131</u>	<u>-</u>	<u>-</u>	<u>1,224,131</u>	<u>974,814</u>
Total Expenses	<u>10,128,335</u>	<u>-</u>	<u>-</u>	<u>10,128,335</u>	<u>10,289,752</u>
CHANGE IN NET ASSETS (See Note 2)	(274,014)	(519,892)	2,050	(791,856)	(46,125)
NET ASSETS, Beginning 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>
NET ASSETS, End of Year	<u>\$ 1,084,960</u>	<u>\$ 393,417</u>	<u>\$ 733,652</u>	<u>\$ 2,212,029</u>	<u>\$ 3,003,885</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, 2008 with Comparative Totals for the Year Ended June 30, 2007

	PROGRAM SERVICES		SUPPORTING SERVICES			TOTALS	
			Management and		Total	2008	2007
			General	Fundraising			
EXPENSES:							
Salaries and Wages	\$ 938,798	\$ 171,092	\$ 368,920	\$ 540,012	\$ 1,478,810	\$ 1,349,036	
Employee Benefits	175,858	26,452	57,569	84,021	259,879	248,677	
Payroll Taxes	72,710	10,811	29,463	40,274	112,984	105,485	
Total Salaries and Related Expenses	1,187,366	208,355	455,952	664,307	1,851,673	1,703,198	
Donated Services	5,500,287	-	-	-	5,500,287	6,557,871	
Medical							
Education/Empowerment, Including In-Kind	1,150,896	-	-	-	1,150,896	630,486	
Overseas Surgical Trips, Including In-Kind	500,960	-	-	-	500,960	549,624	
Professional Fees, Including In-Kind of \$285,663 in 2008 and \$88,813 in 2007	4,039	336,980	10,304	347,284	351,323	132,828	
Medical Supplies	179,923	-	-	-	179,923	148,226	
Occupancy	55,707	15,193	30,386	45,579	101,286	95,328	
Public Education	52,285	1,852	1,852	3,704	55,989	29,328	
Miscellaneous	39,425	7,475	387	7,862	47,287	26,680	
Postage and Shipping	7,907	1,064	37,946	39,010	46,917	39,703	
Insurance	23,167	16,011	-	16,011	39,178	42,908	
Volunteer Recruitment and Training, Including In-Kind	28,970	4,387	2,148	6,535	35,505	20,454	
Repairs and Maintenance	15,966	5,373	4,932	10,305	26,271	15,235	
Utilities	13,033	3,554	7,109	10,663	23,696	22,393	
Travel	18,523	869	3,946	4,815	23,338	16,117	
Newsletter	15,473	-	7,621	7,621	23,094	24,551	
Office Supplies	5,496	1,789	9,663	11,452	16,948	19,502	
Telephone	8,971	2,845	3,817	6,662	15,633	18,372	
Taxes and Licenses	-	9,467	3,253	12,720	12,720	24,500	
Dues and Subscriptions	10,386	608	1,190	1,798	12,184	3,893	
Equipment Rental	4,784	1,923	2,610	4,533	9,317	10,155	
Bank Charges	-	167	8,851	9,018	9,018	10,509	
Special Project	8,633	-	-	-	8,633	-	
Payroll Fees	4,347	1,005	2,010	3,015	7,362	6,897	
Janitorial	3,820	1,041	2,081	3,122	6,942	8,539	
Volunteer Recognition	2,370	-	-	-	2,370	2,259	
Letterhead and Envelopes	1,478	96	578	674	2,152	3,000	
Warehouse Expense	1,592	-	-	-	1,592	2,050	
Staff Education	548	476	458	934	1,482	1,406	
Staff Recruitment	-	1,309	-	1,309	1,309	63,812	
Donor's Stewardship	-	-	162	162	162	565	
Total Expenses Before Depreciation	8,846,352	621,839	597,256	1,219,095	10,065,447	10,230,389	
Depreciation	57,852	2,133	2,903	5,036	62,888	59,363	
Total Functional Expenses	\$ 8,904,204	\$ 623,972	\$ 600,159	\$ 1,224,131	\$ 10,128,335	\$ 10,289,752	
Percentage of Total	87.9 %	6.2 %	5.9 %	12.1 %	100.0 %		

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INTERPLAST, INC.
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STATEMENT OF CASH FLOWS

Year Ended June 30, 2008 with Comparative Totals for the Year Ended June 30, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (791,856)	\$ (46,125)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	62,888	59,363
Donated Property and Equipment	-	(51,675)
Donated Stock	(95,972)	-
Net Loss on Sale/Disposal of Equipment	560	9,432
Net Realized and Unrealized (Gain) Loss on Investments	86,248	(171,811)
(Increase) Decrease in Assets:		
Accounts Receivable	50,000	(50,000)
Grants Receivable	(54,000)	-
Pledges Receivable	(6,500)	121,826
Inventory	(4,422)	(39,254)
Prepaid Expenses and Deposits	-	611
Interest in Charitable Remainder Trust	(1,669)	(1,669)
Increase (Decrease) in Liabilities:		
Accounts Payable	54,938	24,371
Accrued Liability	(50,000)	50,000
Accrued Vacation	9,723	(24,032)
Deferred Revenue	(800)	153,818
	<u>(740,862)</u>	<u>34,855</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(27,356)	(33,581)
Purchase of Investments	(24,363)	(135,521)
Proceeds from Sale of Investments	92,457	1,107,807
	<u>40,738</u>	<u>938,705</u>
Net Cash Provided by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Capital Lease Payable	-	(611)
	<u>-</u>	<u>(611)</u>
Net Cash Provided (Used) by Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(700,124)	972,949
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,576,995</u>	<u>604,046</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 876,871</u>	<u>\$ 1,576,995</u>

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. During the year ended June 30, 2008, Interplast, Inc., a nonprofit, public-benefit corporation, provided approximately 6,000 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 nearly 75,000 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 - CHANGE IN NET ASSETS:

The Organization incurred a decrease in net assets of \$791,856 during the year ended June 30, 2008. The decrease was due in part to a long-time, generous foundation donor (at approximately \$500,000 per year) changing its grant cycle so that no contribution from this donor was received during the year ended June 30, 2008. A \$585,000 contribution from this donor was received shortly after the close of the year ended June 30, 2008. In addition, the Organization incurred a decrease in investment income of \$260,709 (net investment loss of \$33,884 in 2008 and net investment income of \$226,825 in 2007) during the year ended June 30, 2008.

NOTE 3 - INCREASE IN SUPPORTING SERVICES EXPENSES:

Management and General - Total management and general expenses for the year ended June 30, 2008 increased from the prior year by \$136,831. The increase was due in part to the increase in pro-bono contributions of legal services of \$196,850 (pro-bono legal services were valued at \$285,663 in 2008 and \$88,813 in 2007).

Fundraising - Total fundraising expenses for the year ended June 30, 2008 increased from the prior year by \$112,486. The increase was due to the Organization's development department becoming fully staffed with 4 full-time employees compared to 3 full-time employees for a portion of the prior year. In addition, the Director of Development position was vacant from July 2006 to April 2007.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - 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, China, Ecuador, Ethiopia, Ghana, India, Mali, Nicaragua, Peru, Sri Lanka, Vietnam and Zambia during the fiscal year that ended June 30, 2008. Interplast, Inc. also provided support in 2008 to 12 year round Surgical Outreach Centers (SOC) in Bangladesh, Ecuador, Ghana (2), India (2), Nepal, Nicaragua, Peru (2), Sri Lanka and Zambia; this support included funding for free surgeries for the poor, quality review, technological support and advanced medical training. Three-fourths of all of Interplast Inc.'s surgeries are performed by developing world surgical partners through the SOC program.

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 other 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 14 volunteer medical teams to perform 1,425 life-transforming surgeries each year.
- Providing educational training and medical interchange. Interplast teaches more than 450 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 12 permanent Surgical Outreach Centers in nine countries, where more than 4,000 surgeries were performed this past year; this model of empowerment, sustainability and self-sufficiency creates long-term surgical care where it never existed before.

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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, 2007, 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 support 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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 13.

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.

Grants and Pledges Receivable - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support 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, 2008 and 2007. The accrued vacation balance as of June 30, 2008 and 2007 was \$87,378 and \$77,655, respectively.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Allocation of Indirect Functional Expenses - Directly identifiable expenses are charged to programs and supporting services. Indirect functional expenses are allocated to program and supporting services based on an analysis of personnel time and estimated supplies and services usage.

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.

NOTE 6 - INVESTMENTS:

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

	<u>2008</u>	<u>2007</u>
Investments at Fair Value:		
Equity	\$ 580,808	\$ 661,840
Fixed Income	<u>288,287</u>	<u>265,626</u>
Total Investments at Fair Value	<u>\$ 869,095</u>	<u>\$ 927,466</u>
Net Investment Income (Loss):		
Dividends/Interest Income	\$ 52,364	\$ 55,014
Net Realized and Unrealized Gain (Loss)	<u>(86,248)</u>	<u>171,811</u>
Total Net Investment Income (Loss)	<u>\$ (33,884)</u>	<u>\$ 226,825</u>

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - INVENTORY:

Inventory as of June 30, consisted of the following:

	<u>2008</u>	<u>2007</u>
Surgical Instruments and Supplies	\$ 372,391	\$ 357,808
Anesthesia Instruments and Supplies	172,611	180,086
Post Ambulatory Care Unit Supplies	<u>73,112</u>	<u>75,798</u>
Total Inventory	<u>\$ 618,114</u>	<u>\$ 613,692</u>

NOTE 8 - PROPERTY AND EQUIPMENT:

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

	<u>2008</u>	<u>2007</u>
Surgical Equipment	\$ 230,293	\$ 228,870
Anesthesia Equipment	201,365	204,165
Post Ambulatory Care Unit Equipment	45,936	25,792
Computers	46,939	41,541
Furniture and Fixtures	<u>24,521</u>	<u>24,521</u>
	549,054	524,889
Less: Accumulated Depreciation	<u>(433,029)</u>	<u>(372,772)</u>
Property and Equipment, Net	<u>\$ 116,025</u>	<u>\$ 152,117</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$62,888 and \$59,363, respectively.

NOTE 9 - 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, 2008 and 2007, was estimated to be \$32,305 and \$30,636, respectively.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 10 - 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 11 - TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2008</u>	<u>2007</u>
Purpose Restrictions:		
Laub Fund for Special Purposes	\$ 62,612	\$ 62,612
Surgical Outreach Program in Nepal for Cleft	53,200	46,400
Webster Fellow Program	37,500	75,000
India Program Fund	35,000	5,000
Ancillary Services	35,000	35,000
Empowerment/Surgical Outreach Program	29,000	19
Surgical Outreach Center in Zambia for Burns	25,000	6,800
Bangladesh Surgical Trip	25,000	-
Africa Visiting Educator Program	24,500	-
Anesthesia Equipment Fund	20,000	-
Medical Scholar Program	11,800	38,405
Vietnam Surgical Trip	2,000	-
Ghana Visiting Educator Program and Surgical Outreach Program	500	42,500
Ethiopia Visiting Educator Program	-	29,000
Ronald McDonald Charities Surgical Trips	-	541,937
Time Restrictions:		
Interest in Charitable Remainder Trust - Support in Future Periods	<u>32,305</u>	<u>30,636</u>
Total Temporarily Restricted Net Assets	<u>\$ 393,417</u>	<u>\$ 913,309</u>

INTERPLAST, INC.
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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS (Continued):

During the year ended June 30, 2008, net assets were released by incurring expenses satisfying the purpose restriction as follows:

	<u>2008</u>
Purpose Restrictions:	
Visiting Educator Program	\$ 234,652
Burn Outreach Program	207,427
Vietnam Surgical Trip	100,000
Cleft Outreach Program	143,308
China Surgical Trip	78,525
Bamako Surgical Trip	78,525
Ecuador Surgical Trip	65,000
Peru Surgical Trip	60,000
Bolivia Surgical Trip	50,000
Webster Fellow Program	37,500
Ancillary Services	35,000
Medical Education (Philanthropic Collaborative) Program	58,405
Various Surgical Trips	33,016
Special Projects	<u>917</u>
Total Net Assets Released from Restrictions	<u>\$ 1,182,275</u>

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS:

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

	<u>2008</u>	<u>2007</u>
The Albert Wilson Fund	\$ 600,000	\$ 600,000
Baker Foundation	100,000	100,000
Zlotnick Endowment	<u>33,652</u>	<u>31,602</u>
Total Permanently Restricted Net Assets	<u>\$ 733,652</u>	<u>\$ 731,602</u>

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NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 13 - CONTRIBUTIONS IN-KIND:

The estimated fair value of expert services, supplies, 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>2008</u>	<u>2007</u>
Professional Services	\$ 5,785,950	\$ 6,646,841
Medical Supplies	136,471	162,805
Supplies	3,555	3,026
Travel and Lodging	146	818
Medical Equipment	-	51,675
Food and Entertainment	-	480
Minor Equipment	-	<u>450</u>
Total In-Kind Contributions for Operations	5,926,122	6,866,095
Special Event Supplies	<u>6,980</u>	-
Total Contribution In-Kind	<u>\$ 5,933,102</u>	<u>\$ 6,866,095</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 fourteen and sixteen two-weeks trips for the years ended June 30, 2008 and 2007, respectively.

NOTE 14 - 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, 2008 and 2007 was \$58,781 and \$49,459, respectively.

NOTE 15 - LEASE COMMITMENTS:

The Organization is currently leasing 9,930 square feet of office and warehouse space at the rate of \$8,441 per month. The lease term is 5 years and ends 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
(Continued)

NOTE 15 - LEASE COMMITMENTS (Continued):

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 107,244
2010	<u>119,160</u>
Total Future Minimum Lease Payments	<u>\$ 226,404</u>

NOTE 16 - COMMITMENT TO PURCHASE CAPITAL ASSETS:

During the year ended June 30, 2008, the Organization committed to purchase twelve anesthesia monitors at a cost of \$131,437. The anesthesia monitors were paid for in July 2008 and were received in September 2008.

NOTE 17 - SUBSEQUENT EVENTS:

Ronald McDónald House Charities Grant - In September 2008, the Organization received a grant from Ronald McDonald House Charities (RMHC) for \$585,000 for surgical trips and other support. RMHC has moved their grant cycle outside the fiscal year ended June 30, 2008; therefore no contribution was received from RMHC by the Organization during the year ended June 30, 2008.

Investment Loss - The Organization incurred a significant investment loss subsequent to year end. During the period from July 1, 2008 to January 31, 2009, the Organization's investments decreased in value by approximately \$193,000 due to the overall decrease in the financial market.