

Children's Surgery International

New Brighton, Minnesota

Financial Statements
Auditor's Report
For the Year Ended
December 31, 2024



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's Surgery International
New Brighton, Minnesota

Opinion

We have audited the accompanying financial statements of Children's Surgery International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Surgery International of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Surgery International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Surgery International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Surgery International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Surgery International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capeth Ent and Associates, LTD.

Certified Public Accountants

Minneapolis, Minnesota
August 19, 2025

CHILDREN'S SURGERY INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restictions	Total
Support and Revenue:			
Contributions of Financial Assets	\$ 396,067	\$ -	\$ 396,067
Contributions of Nonfinancial Assets	1,395,782	-	1,395,782
Program Service Fees	42,384	-	42,384
Special Events:			
Income	452,638	-	452,638
Costs of Direct Benefits to Donors	(177,040)	-	(177,040)
Net Special Events	275,598	-	275,598
Investment Income	110,010	-	110,010
Miscellaneous Income	555	-	555
Total Support and Revenue	2,220,396	-	2,220,396
Expense:			
Program Services	2,176,146	-	2,176,146
Support Services:			
Management and General	51,243	-	51,243
Fundraising	58,100	-	58,100
Total Support Services	109,343	-	109,343
Total Expense	2,285,489	-	2,285,489
Change in Net Assets	(65,093)	-	(65,093)
Net Assets - Beginning of Year	1,098,866	-	1,098,866
Net Assets - End of Year	\$ 1,033,773	\$ -	\$ 1,033,773

The accompanying Notes to Financial Statements
are an integral part of this statement.

CHILDREN'S SURGERY INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2024

EXHIBIT B

	Support Services				Total All Services
	Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 123,833	\$ 24,767	\$ 28,305	\$ 53,072	\$ 176,905
Payroll Taxes	9,405	1,880	2,150	4,030	13,435
Employee Benefits	-	407	-	407	407
Total Personnel Costs	133,238	27,054	30,455	57,509	190,747
Medical Services	1,394,282	-	-	-	1,394,282
Travel and Supplies - Mission	527,679	-	-	-	527,679
Special Events	-	-	177,040	177,040	177,040
Occupancy	54,224	10,844	12,394	23,238	77,462
Office Expense	18,645	3,729	4,262	7,991	26,636
Computer Software and Licenses	11,589	2,317	2,649	4,966	16,555
Professional Fees	11,330	2,266	2,590	4,856	16,186
Insurance	11,078	2,216	2,532	4,748	15,826
Advertising and Promotion	6,514	1,303	1,489	2,792	9,306
Miscellaneous Expense	3,435	687	785	1,472	4,907
Depreciation	4,132	827	944	1,771	5,903
Less Expenses Included with Revenues on the Statement of Activities	-	-	(177,040)	(177,040)	(177,040)
Special Events	-	-	-	-	-
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 2,176,146	\$ 51,243	\$ 58,100	\$ 109,343	\$ 2,285,489

The accompanying Notes to Financial Statements are an integral part of this statement.

CHILDREN'S SURGERY INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

EXHIBIT C

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 118,442
Investments	861,334
Prepaid Expenses	35,905
Total Current Assets	<u>1,015,681</u>
 Property -Net	 36,597
Security Deposit	5,533
Right-of-Use Assets	<u>92,992</u>
 TOTAL ASSETS	 <u>\$ 1,150,803</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 9,882
Accrued Personnel Costs	6,687
Operating Lease Liabilities	42,387
Total Current Liabilities	<u>58,956</u>
 Operating Lease Liabilities	 <u>58,074</u>
Total Liabilities	<u>117,030</u>
 Net Assets:	
Without Donor Restrictions	1,033,773
With Donor Restrictions	-
Total Net Assets	<u>1,033,773</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,150,803</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

CHILDREN'S SURGERY INTERNATIONAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

EXHIBIT D

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Change in Net Assets	\$ (65,093)
Depreciation	5,903
Donated Investments	(421)
Unrealized and Realized (Gains) on Investments	(72,253)
Change in Operating Leases	10,469
Decrease (Increase) in Operating Assets:	
Contributions Receivable	25,413
Prepaid Expenses	(5,435)
Security Deposit	(5,533)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	2,328
Accrued Personnel Costs	3,743
Net Cash (Used) by Operating Activities	<u>(100,879)</u>

Cash Flows from Investing Activities:

Purchase of Property	(42,500)
Purchase of Investments	(115,360)
Proceeds from Sale of Investments	78,033
Net Cash (Used) by Investing Activities	<u>(79,827)</u>

Cash Flows from Financing Activities:

None	<u>-</u>
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Net (Decrease) in Cash (180,706)

Cash and Cash Equivalents - Beginning of Year 299,148

Cash and Cash Equivalents - End of Year \$ 118,442

The accompanying Notes to Financial Statements
are an integral part of this statement.

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. Summary of Significant Accounting Policies

Organizational Purpose

Children's Surgery International (the Organization) is a Minnesota-based, nonprofit volunteer organization that provides free medical surgical services to children in need around the world. Their care is safe, compassionate, culturally sensitive, and benefits children who may have severely limited access to pediatric medical and surgical services. Procedures include reconstructive surgery for cleft lips and palates, head and neck deformities, urological malformations, and general pediatric surgery.

The Organization also provides instruction and training to local surgeons and other medical providers such as doctors, anesthesiologists, nurses, and technicians. Our educational mission is to provide local medical professionals with hands-on training in the operating room and at the patient bedside.

The Organization is a humanitarian organization dependent upon volunteerism and donations from individuals, foundations, and corporations.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. Property is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. All grants receivable are considered collectible.

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. Allowance for credit losses on accounts receivable is determined based on historical experience, an assessment on economic conditions, and review of subsequent collections. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables to the allowance when they are considered uncollectible. No allowance for credit losses has been provided as accounts receivables are considered collectable.

Investments

The Organization carries its investments at market value.

Property

All major expenditures for property over \$2,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. The operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue and Revenue Recognition

The Organization recognizes contributions are recognized when cash, securities or other assets, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the condition they depend have been substantially met.

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

Special event income is equal to the fair value of the direct benefit to the donors and the contributions received related to the events.

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. Summary of Significant Accounting Policies (continued)

Advertising and Promotion

Advertising and promotion costs are expensed as incurred and totaled \$9,305 for the year ended December 31, 2024.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Salaries and related expenses are allocated based on time spent or estimated time spent. Expenses that can be identified with a particular function are expensed to that function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on management's best estimates of employees' time and efforts.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through August 19, 2025, which is the date financial statements were available to be issued.

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. Property

The Organization owned the following assets as of December 31, 2024:

	<u>2024</u>	<u>Estimated Useful Lives</u>
Furniture and Equipment	\$ 183,763	3 years
Less Accumulated Depreciation	<u>(147,166)</u>	
Total	<u>\$ 36,597</u>	

Depreciation expense of \$5,903 was recorded for the year ended December 31, 2024.

3. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets consisted of amounts for the following in the year ended December 31, 2024:

Medical Services and Donated Items	<u>\$ 1,395,782</u>
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Contributed nonfinancial assets were utilized for programs in the year ending December 31, 2024 and had no donor restrictions. Values were based on the current market rates the Organization would have paid for the items if they were not donated.

4. Investments

The Organization held the following investments as of December 31, 2024:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 523,479	\$ 523,479
Mutual Funds - Equity	<u>278,803</u>	<u>337,855</u>
	<u>\$ 802,282</u>	<u>\$ 861,334</u>

Investment income was as follows as of December 31:

	<u>2024</u>
Interest and Dividend Income	\$ 37,757
Unrealized and Realized Gain	<u>72,253</u>
Total	<u>\$ 110,010</u>

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

5. Fair Value of Financial Instruments

Fair value is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. The Organization established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 523,479	\$ -	\$ -	\$ 523,479
Mutual Funds - Equity	337,855	-	-	337,855
	<u>\$ 861,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,334</u>

6. Liquidity and Availability

The following represents the Organization's financial assets as of December 31, 2024:

Financial Assets:	
Cash and Cash Equivalents	\$ 118,442
Investments	<u>861,334</u>
Total Financial Assets	979,776
Financial Assets Available for General Expenditures	
Within One Year	<u>\$ 979,776</u>

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

CHILDREN'S SURGERY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

7. Operating Lease

The Organization has operating leases for office space and equipment. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31, 2024:

Operating Leases:	
Operating Lease Right of Use Assets	<u>\$ 92,991</u>
Operating Lease Liabilities - Current	\$ 42,387
Operating Lease Liabilities - Noncurrent	<u>58,074</u>
Total Operating Lease Liabilities	<u>\$ 100,461</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2024:

Weighted Average Remaining Lease Term:	
Operating Leases	2.25 years
Weighted Average Discount Rate:	
Operating Leases	2.54%

Maturities of operating lease liabilities as of December 31, 2024 were as follows:

Year Ending December 31:	
2025	\$ 44,360
2026	47,021
2027	<u>11,924</u>
Total Lease Payments	103,305
Less Present Value Discount	<u>(2,844)</u>
Present Value of Lease Liabilities	<u>\$ 100,461</u>

The following summarizes cash flow and lease cost information related to leases for the year ended December 31, 2024:

Operating Lease Expense Included in Occupancy and Office Expense	<u>\$ 42,594</u>
Operating Cash Flows from the Operating Lease	<u>\$ 41,849</u>