



**H O R N E**

CPAs & Business Advisors

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Baptist Medical and Dental  
Mission International, Inc.  
Hattiesburg, Mississippi

We have audited the accompanying statements of financial position of Baptist Medical and Dental Mission International, Inc. (a Not-for-Profit Corporation) (the "Mission") as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 the Mission as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Horne LLP*

Hattiesburg, Mississippi  
June 7, 2011

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Statements of Financial Position  
December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 656,637	\$ 974,704
Certificates of deposit	372,767	525,234
Pledges receivable, net	230,752	95,997
Inventories	41,193	-
Other assets	30,726	48,492
Team travel deposits	182,000	182,000
Property and equipment, net	5,756,829	4,906,331
	<u>\$ 7,270,904</u>	<u>\$ 6,732,758</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 108,800	\$ 38,124
Accrued payroll and withholdings	193,385	187,309
Net assets		
Unrestricted	4,904,183	4,662,909
Temporarily restricted	2,064,536	1,844,416
	<u>6,968,719</u>	<u>6,507,325</u>
	<u>\$ 7,270,904</u>	<u>\$ 6,732,758</u>

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Statements of Activities

Years Ended December 31, 2010 and 2009

	2010		2009		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenues, gains and other support					
Contributions	\$ 16,368,360	\$ 2,064,536	\$ 18,432,896	\$ 1,844,416	\$ 17,829,507
Interest income	6,862	-	6,862	-	12,615
Net assets released for satisfaction of program restrictions	1,844,416	(1,844,416)	-	(1,434,430)	-
Total revenues, gains and other support	18,219,638	220,120	18,439,758	17,432,136	17,842,122
Expenses					
Honduras operations	11,417,133	-	11,417,133	-	9,802,716
Nicaragua operations	6,815,263	-	6,815,263	-	7,370,248
Fund raising	34,877	-	34,877	-	31,449
Management and general	742,193	-	742,193	-	668,093
Total expenses	19,009,466	-	19,009,466	-	17,872,506
Change in net assets before acquisition	(789,828)	220,120	(569,708)	409,986	(30,384)
Contribution received in acquisition of World Baptist Missions, Inc.	1,031,102	-	1,031,102	-	-
Change in net assets	241,274	220,120	461,394	(440,370)	(30,384)
Net assets at beginning of year	4,662,909	1,844,416	6,507,325	5,103,279	6,537,709
Net assets at end of year	\$ 4,904,183	\$ 2,064,536	\$ 6,968,719	\$ 4,662,909	\$ 6,507,325

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Statements of Functional Expenses  
Years Ended December 31, 2010 and 2009

	2010				2009				
	Program		Management and General	Total	Program		Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations			Honduras Operations	Nicaragua Operations			
Administrative fees	\$ -	\$ -	\$ -	\$ -	\$ 21,187	\$ 4,875	\$ -	\$ -	\$ 26,062
Bad debt expense	-	-	79,406	79,406	1,700	-	-	13,962	15,662
Depreciation	469,677	122,870	16,290	608,837	240,714	102,702	-	21,768	365,184
Evangelistic and ministerial support	406,822	156,293	108	563,223	457,018	193,227	-	-	650,245
General supplies	308,439	80,677	1,892	391,008	264,250	75,280	-	2,446	341,976
Insurance	10,017	35,103	13,075	58,195	8,832	28,916	-	7,642	45,390
Legal and accounting	13,372	369	19,100	32,841	20,880	354	-	19,156	40,390
Local doctors and dentists	29,660	-	-	29,660	28,600	-	-	-	28,600
Medical supplies	3,229,537	2,476,135	-	5,705,672	2,893,917	2,785,751	-	5,679,668	
Meetings and conferences	913	1,034	27,602	29,549	1,073	1,010	-	27,658	29,741
Miscellaneous	170,732	87,936	22,960	281,628	84,472	94,700	55	15,481	194,708
Office supplies	56,448	11,286	10,347	78,081	53,080	20,594	-	12,099	85,773
Personal services	5,303,492	2,925,443	466,345	8,701,188	4,244,197	3,228,271	5,910	463,492	7,941,870
Postage and shipping	16,218	13,593	24,903	55,006	25,926	10,246	212	19,166	55,550
Printing and publications	20,359	3,299	45	52,380	13,245	1,930	25,272	40,447	
Public relations	8,653	4,911	453	14,017	9,384	4,729	-	440	14,553
Rentals	35,291	103,042	-	138,333	29,703	91,243	-	-	120,946
Repairs and maintenance	95,750	26,450	23,526	145,726	115,302	21,133	-	27,126	163,561
Taxes	7,381	-	5,675	13,056	4,429	-	-	5,870	10,299
Travel	887,555	654,008	11,951	1,553,514	1,055,328	611,880	-	11,931	1,679,139
Utilities and telephone	134,011	44,896	18,515	197,422	68,853	38,446	-	19,856	127,155
Vehicle expense	212,806	67,918	-	280,724	160,626	54,961	-	-	215,587
<b>Total</b>	<b>\$ 11,417,133</b>	<b>\$ 6,815,263</b>	<b>\$ 34,877</b>	<b>\$ 19,009,466</b>	<b>\$ 9,802,716</b>	<b>\$ 7,370,248</b>	<b>\$ 31,449</b>	<b>\$ 668,093</b>	<b>\$ 17,872,506</b>

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 461,394	\$ (30,384)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	608,837	365,184
Contribution received in acquisition	(1,031,102)	-
Bad debt expense	79,406	15,662
Changes in assets and liabilities		
Pledges receivable	(214,161)	(27,988)
Other current assets	17,766	56,747
Accounts payable and accrued expenses	14,752	190,981
Net cash (used in) provided by operating activities	<u>(63,108)</u>	<u>570,202</u>
Cash flows from investing activities		
Maturities of certificates of deposit	152,467	-
Purchase of certificates of deposit	-	(11,857)
Purchase of property and equipment	(407,426)	(349,788)
Net cash used in investing activities	<u>(254,959)</u>	<u>(361,645)</u>
Net (decrease) increase in cash	(318,067)	208,557
Cash and cash equivalents, beginning of year	<u>974,704</u>	<u>766,147</u>
Cash and cash equivalents, end of year	<u>\$ 656,637</u>	<u>\$ 974,704</u>
Supplemental schedule of non cash investing and financing activities		
Fair value of assets acquired	\$ 1,093,102	\$ -
Fair value of liabilities assumed	(62,000)	-
Contribution received in acquisition	<u>\$ 1,031,102</u>	<u>\$ -</u>

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Activities and Significant Accounting Policies**

Nature of Activities

Baptist Medical and Dental Mission International, Inc. (the "Mission") is a non-profit corporation organized under the laws of the State of Mississippi. It has elected tax-exempt status under Internal Revenue Code Section 501(c)(3) and is exempt from both federal and state income taxes. The Mission seeks to provide quality medical and dental care to the impoverished people of the remote villages of third world nations and teach preventative measures to be taken to avoid disease and death. Established on Baptist Christian beliefs, the Mission's primary goal is directed toward the preaching of God's Word and the theological preparation of new preachers through established Bible institutes and churches.

Summary of Significant Accounting Policies

*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 amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Mission considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all certificates of deposit and money market funds purchased with an original maturity of three months or less, to be cash equivalents.

*Inventories*

Donated inventories are recorded at fair market value as of the date of the gift. All other inventories purchased by the Mission are recorded at cost. Inventories as of December 31, 2010 are stated at the lower of cost (first-in, first-out method) or market.

*Team Travel Deposits*

Team travel deposits are funds on deposit with the Mission's travel agency to reserve travel for mission teams prior to serving their mission. Deposits are fully refundable upon satisfactory payment and completion of travel.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

*Property and Equipment*

Donated physical property and equipment are recorded at fair market value as of the date of the gift. All other property and equipment purchased by the Mission are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. The useful lives are estimated as follows for these assets:

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Office building	20 – 40 years
Equipment, furniture and fixtures	5 – 7 years
Automobiles	5 years
Mission compound and improvements	10 years
Bible institute compound and improvements	10 years
Churches	20 years

The Mission incurs maintenance costs on its property and equipment. Maintenance costs that extend the life of the asset, materially add to its value or adapt the asset to a new or different use, are capitalized in property and equipment and are depreciated over their estimated useful lives. All other repair and maintenance costs are expensed as incurred.

*Asset Impairments*

In accordance with Accounting Standards Codification ("ASC") Topic 360, *Property, Plant and Equipment*, the Mission periodically evaluates whether current facts or circumstances indicate that the carrying amount of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset or the appropriate grouping of assets is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the assets fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The Mission reports an asset to be disposed of at the lower of its carrying value or its estimated net realizable value.

*Severance and Termination Liability*

The current labor laws for Honduras and Nicaragua require severance amounts to be paid by employers upon termination of employees without cause. Additionally, management's interpretation of the labor laws provide that although these amounts are payable at termination or certain other events, the employee becomes entitled to these amounts upon achieving certain employment criteria such as years of service milestones. Prior to December 31, 2009, as common in practice, the Mission had terminated primarily all employees for cause and accordingly, management did not believe the Mission had a significant obligation for such severance pay

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

requirements. During 2009, management of the Mission reevaluated their expectations regarding the ultimate obligation to pay severance to certain full-time employees and accrued a severance and termination liability of \$185,696 and \$178,000 at December 31, 2010 and 2009, respectively. This liability is included in accrued payroll and withholdings in the accompanying balance sheets and related expenses are recognized in the accompanying statements of activities and functional expenses.

*Net Assets*

The Mission presents its net assets in the categories of unrestricted net assets and temporary restricted net assets, pursuant ASC Topic 958, *Not-for-Profit Entities*. Temporary restricted net assets are assets that are restricted for a particular purpose, as specified by grantors or contributors external to the Mission. Unrestricted net assets are net assets that do not meet the definition of temporary restricted net assets.

*Contributions*

Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the contribution. When a donor's stipulated time restriction expires or the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from satisfaction of program restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted contributions.

*Contributed Services and Supplies*

The Mission receives a significant amount of contributed services and medical supplies from volunteer teams that carry out its mission. The voluntary services that are recognized consist of services performed by individuals with specialized skills such as doctors, dentists, ophthalmologists, nurses, medical technicians, engineers and construction workers. These amounts are recorded at their estimated market value in the Mission's statement of activities as contributions and related expense.

*Income Taxes*

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, codified in ASC Topic 740. The Mission adopted this standard effective January 1, 2009. The Mission had no significant uncertain tax positions at the date of adoption or at December 31, 2010 and 2009. Tax periods for all fiscal years after 2006 remain open to examination by the federal and state taxing jurisdictions to which the Mission is subject.



**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Acquisition**

Effective January 1, 2010, the Mission acquired all assets and assumed all liabilities of another mission organization, World Baptist Missions, Inc. ("WBM"). The Acquisition has been accounted for under ASC Subtopic 958-805, *Not-for-profit Business Combinations*. WBM's operations included both ministry and hospital services in Honduras. This acquisition resulted in an inherent contribution received, since there was no transfer of consideration to WBM, noncontrolling interest or stages in the acquisition. Management evaluated the estimated fair market value of the assets acquired and the liabilities assumed, which were the amounts recognized. Values of these assets and liabilities as of January 1, 2010, were \$1,093,102 and \$62,000, respectively, and consisted of property and equipment of \$1,051,909, inventories of \$41,193 and \$62,000 of liabilities. The Mission incurred costs in 2009 in connection with the acquisition of \$155,000, which have been expensed by their appropriate function in the accompanying 2009 statement of activities and statement of functional expenses.

**Note 3. Pledges Receivable**

All pledges receivable are unconditional promises to give a set amount for 36 months as determined by the contributor.

The amounts of pledges receivable as of December 31, 2010 and 2009 were as follows:

	<b>2010</b>	<b>2009</b>
Pledges receivable	\$ 421,584	\$ 228,143
Less		
Discount for the time value of money	(2,707)	(3,966)
Allowance for uncollectible pledges	(188,125)	(128,180)
Pledges receivable, net	\$ 230,752	\$ 95,997

Future maturities of pledges as of December 31, 2010 and 2009 are as follows:

	<b>2010</b>	<b>2009</b>
Within one year	\$ 380,108	\$ 167,880
In one to three years	41,476	60,263
	\$ 421,584	\$ 228,143

Pledges receivable were discounted at 4.25 percent at December 31, 2010 and 2009.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Property and Equipment**

The following is a summary of property and equipment by major classes and locations at December 31, 2010 and 2009:

	<b>2010</b>			
	<b>USA</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Total</b>
Land	\$ 90,000	\$ 248,999	\$ 221,005	\$ 560,004
Churches	-	1,257,359	845,209	2,102,568
Office equipment, furniture and fixtures	260,784	20,064	11,373	292,221
Automobiles	-	733,082	198,262	931,344
Mission compounds	-	1,093,270	933,569	2,026,839
Bible Institute	-	204,923	-	204,923
Good Shepherd Christian Home	-	964,932	-	964,932
Guaimaca Hospital and ministries	-	1,051,909	-	1,051,909
Buildings	284,964	-	250,000	534,964
Construction in progress	-	193,332	18,239	211,572
Total property and equipment	635,748	5,767,870	2,477,657	8,881,276
Less accumulated depreciation	309,841	2,100,782	713,823	3,124,447
Property and equipment, net	<u>\$ 325,907</u>	<u>\$ 3,667,088</u>	<u>\$ 1,763,834</u>	<u>\$ 5,756,829</u>
	<b>2009</b>			
	<b>USA</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Total</b>
Land	\$ 90,000	\$ 248,999	\$ 214,124	\$ 553,123
Churches	-	1,159,865	813,022	1,972,887
Office equipment, furniture and fixtures	250,520	18,961	11,373	280,854
Automobiles	-	675,534	161,462	836,996
Mission compounds	-	1,093,269	918,982	2,012,251
Bible Institute	-	204,923	-	204,923
Good Shepherd Christian Home	-	921,201	-	921,201
Buildings	284,964	-	250,000	534,964
Construction in progress	-	95,667	9,075	104,742
Total property and equipment	625,484	4,418,419	2,378,038	7,421,941
Less accumulated depreciation	293,551	1,631,215	590,844	2,515,610
Property and equipment, net	<u>\$ 331,933</u>	<u>\$ 2,787,204</u>	<u>\$ 1,787,194</u>	<u>\$ 4,906,331</u>

Depreciation expense was \$608,837 and \$365,184 during the years ended December 31, 2010 and 2009, respectively.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2010 and 2009 were available for the following purposes:

	<b>2010</b>	<b>2009</b>
Administrative	\$ 31,905	\$ 7,530
Missionaries	846,570	781,078
Bible Institute	70,655	9,204
Teams	554,349	554,471
Orphanages	522,351	482,786
Hospital	36,975	-
Food banks	1,731	9,347
	<b>\$ 2,064,536</b>	<b>\$ 1,844,416</b>

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted contributions. Contributions recognized during the years ended December 31, 2010 and 2009 were as follows:

	<b>2010</b>	<b>2009</b>
Voluntary medical services	\$ 4,553,989	\$ 3,794,769
Voluntary dental services	896,920	870,680
Other specialized voluntary services	938,940	957,600
Contributed medical supplies	5,062,104	5,164,056
Contributed eyeglasses	251,760	209,590
Contributed Bibles	94,085	115,722
Contributed labor	25,600	19,200
Restricted cash contributions	4,080,245	4,450,536
Restricted contributions reported as unrestricted	15,903,643	15,582,153
Unrestricted cash contributions and pledges	464,717	402,938
Total unrestricted contributions	16,368,360	15,985,091
Temporarily restricted contributions	2,064,536	1,844,416
Total contributions	<b>\$ 18,432,896</b>	<b>\$ 17,829,507</b>

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**

Years Ended December 31, 2010 and 2009

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Concentration of Credit Risk**

At December 31, 2009, the Mission had various cash accounts on deposit which exceeded federal depository insurance limits by \$266,401. As the Mission has no collateral pledged for this excess, the Mission is subject to the risk of uninsured loss for this amount. There were no cash accounts on deposit which exceeded federal depository limits at December 31, 2010. The Mission also holds cash in foreign banks throughout the year.

**Note 7. Benefit Plan**

The Mission has a defined contribution benefit plan (the "Plan") for employees who meet the eligibility requirements set forth in the Plan. The Plan is a simple IRA set up for each employee and covers full-time employees who have completed one year of service. Employees may defer up to \$10,000 of their compensation. The Mission is not required to make contributions to the Plan and any contributions are at the discretion of the Board. The Board elected to match up to three percent of compensation in 2010 and 2009. However, only missionaries who choose to make contributions themselves are eligible for the employer match. The Mission also has in effect a non-elective contribution of three percent of gross compensation for all eligible employees, whether the employee elects to contribute to the plan or not. The Mission's contributions to the Plan were \$20,407 and \$19,279 in 2010 and 2009, respectively.

**Note 8. Subsequent Events**

In April 2011, the Mission entered into a memorandum of understanding with another mission organization (the "Organization"), whereby for the period of no longer than one year, the Mission will work in cooperation with the Organization while the Organization reestablishes itself as a new entity in accordance with the laws and regulations of Nicaragua. During this time, if the Organization obtains ownership of assets in Nicaragua it will transfer these assets to the Mission, for the period outlined in the memorandum, for the continued use in the Organization's monthly medical brigades throughout Nicaragua. Organization personnel in Nicaragua will be under the authority of the Mission. Minimal cost to the Mission is anticipated in connection with this memorandum of understanding.

The Mission has evaluated events through June 7, 2011, which is the date the financial statements were available to be issued, for events requiring recognition or disclosure in the financial statements for the year ended December 31, 2010.