

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

Audited Financial Statements
Years Ended December 31, 2011 and 2010

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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, 2011 and 2010 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, 2011 and 2010, 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.

As described in Note 2 to the financial statements, the 2010 financial statements have been restated for an error in the application of accounting principles.


Hattiesburg, Mississippi
June 27, 2012

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 963,847	\$ 656,637
Certificates of deposit	375,544	372,767
Pledges receivable, net	300,363	230,752
Inventories	22,967	41,193
Other assets	31,580	30,726
Team travel deposits	182,000	182,000
Property and equipment, net	5,646,961	5,756,829
	\$ 7,523,262	\$ 7,270,904
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 124,508	\$ 108,800
Accrued payroll and withholdings	184,054	193,385
Net assets (2010 Restated)		
Unrestricted	5,949,545	5,895,754
Temporarily restricted	1,265,155	1,072,965
	7,214,700	6,968,719
Total net assets	7,214,700	6,968,719
Total liabilities and net assets	\$ 7,523,262	\$ 7,270,904

See accompanying notes.

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

Statements of Activities

Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 17,638,156	\$ 1,265,155	\$ 18,903,311	\$ 17,359,931	\$ 1,072,965	\$ 18,432,896
Interest income	2,907	-	2,907	6,862	-	6,862
Net assets released for satisfaction of program restrictions	1,072,965	(1,072,965)	-	1,152,634	(1,152,634)	-
Total revenues, gains and other support	18,714,028	192,190	18,906,218	18,519,427	(79,669)	18,439,758
Expenses						
Honduras operations	12,169,880	-	12,169,880	11,420,738	-	11,420,738
Nicaragua operations	5,775,989	-	5,775,989	6,811,658	-	6,811,658
Fund raising	51,521	-	51,521	34,877	-	34,877
Management and general	662,847	-	662,847	742,193	-	742,193
Total expenses	18,660,237	-	18,660,237	19,009,466	-	19,009,466
Change in net assets before acquisition	53,791	192,190	245,981	(490,039)	(79,669)	(569,708)
Contribution received in acquisition of World Baptist Missions, Inc.	-	-	-	1,031,102	-	1,031,102
Change in net assets	53,791	192,190	245,981	541,063	(79,669)	461,394
Net assets at beginning of year (2010 Restated)	5,895,754	1,072,965	6,968,719	5,354,691	1,152,634	6,507,325
Net assets at end of year (2010 Restated)	\$ 5,949,545	\$ 1,265,155	\$ 7,214,700	\$ 5,895,754	\$ 1,072,965	\$ 6,968,719

See accompanying notes.

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

Statements of Functional Expenses
Years Ended December 31, 2011 and 2010

	2011					2010				
	Program		Fundraising	Management and General	Total	Program		Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations				Honduras Operations	Nicaragua Operations			
Bad debt expense	\$ -	\$ -	\$ -	\$ 56,770	\$ 56,770	\$ -	\$ -	\$ -	\$ 79,406	\$ 79,406
Depreciation	295,633	115,778	-	12,743	424,154	469,677	122,870	-	16,290	608,837
Evangelistic and ministerial support	468,456	155,487	-	292	624,235	463,515	165,441	-	108	629,064
General supplies	312,681	108,453	-	2,718	423,852	308,670	87,240	-	1,892	397,802
Insurance	10,114	48,064	-	9,869	68,047	10,017	35,103	-	13,075	58,195
Legal and accounting	27,161	13,105	-	25,390	65,656	22,008	945	-	19,100	42,053
Local doctors and dentists	31,355	-	-	-	31,355	29,660	-	-	-	29,660
Medical supplies	3,147,263	1,809,643	-	-	4,956,906	3,229,537	2,480,543	-	-	5,710,080
Meetings and conferences	276	1,955	-	22,543	24,774	913	1,034	-	27,602	29,549
Miscellaneous	120,010	131,822	-	26,312	278,144	158,187	121,023	-	22,447	301,657
Office supplies	71,288	13,142	-	16,499	100,929	56,448	11,286	-	9,215	76,949
Personal services	5,669,755	2,234,251	33,670	390,883	8,328,559	5,243,153	2,882,109	5,908	466,063	8,597,233
Postage and shipping	38,533	16,686	155	20,370	75,744	16,218	13,593	292	24,903	55,006
Printing and publications	40,610	504	17,696	14,590	73,400	30,562	2,114	28,677	1,948	63,301
Public relations	12,461	10,122	-	1,106	23,689	8,653	4,911	-	453	14,017
Rentals	45,569	144,398	-	-	189,967	35,291	103,042	-	-	138,333
Repairs and maintenance	96,133	23,422	-	26,237	145,792	95,750	26,450	-	23,526	145,726
Taxes	64,178	-	-	5,677	69,855	7,381	-	-	5,675	13,056
Travel	1,236,563	810,672	-	14,363	2,061,598	874,818	638,588	-	11,975	1,525,381
Utilities and telephone	174,516	49,996	-	16,485	240,997	134,011	44,896	-	18,515	197,422
Vehicle expense	307,325	88,489	-	-	395,814	226,269	70,470	-	-	296,739
Total	\$ 12,169,880	\$ 5,775,989	\$ 51,521	\$ 662,847	\$ 18,660,237	\$ 11,420,738	\$ 6,811,658	\$ 34,877	\$ 742,193	\$ 19,009,466

See accompanying notes.

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

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 245,981	\$ 461,394
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	424,154	608,837
Contribution received in acquisition	-	(1,031,102)
Bad debt expense	56,770	79,406
Changes in assets and liabilities		
Pledges receivable	(126,381)	(214,161)
Inventory	18,226	-
Other current assets	(854)	17,766
Accounts payable and accrued expenses	6,377	14,752
Net cash provided by (used in) operating activities	624,273	(63,108)
Cash flows from investing activities		
Maturities of certificates of deposit	-	152,467
Purchase of certificates of deposit	(2,777)	-
Purchase of property and equipment	(314,286)	(407,426)
Net cash used in investing activities	(317,063)	(254,959)
Net increase (decrease) in cash	307,210	(318,067)
Cash and cash equivalents, beginning of year	656,637	974,704
Cash and cash equivalents, end of year	\$ 963,847	\$ 656,637
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	\$ -	\$ 1,031,102

See accompanying notes.

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

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, 2011 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, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

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:

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

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.

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Management of the Mission evaluated the expected ultimate obligation to pay severance to certain full-time employees and recorded a severance and termination liability of \$174,238 and \$185,696 at December 31, 2011 and 2010, respectively. This liability is included in accrued payroll and withholdings in the accompanying statements of financial position 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

The Mission 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 had no significant uncertain tax positions at the date of adoption or at December 31, 2011 and 2010. Tax periods for all fiscal years after 2007 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, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 2. Restatement of Net Assets

During 2011, management of the Mission determined that certain net assets previously reported as temporarily restricted were actually unrestricted as a result of the Mission satisfying the particular purpose specified by the grantors or contributors. Accordingly, the 2010 financial statements, which were issued and dated June 7, 2011, have been restated to properly reflect the classification of these net assets. This restatement had no impact on the previously reported total net assets of the Mission. The following summarizes the impact of the restatement.

	December 31, 2010		January 1, 2010	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
As previously reported	\$ 4,904,183	\$ 2,064,536	\$ 4,662,909	\$ 1,844,416
Reclassification	991,571	(991,571)	691,782	(691,782)
As restated	\$ 5,895,754	\$ 1,072,965	\$ 5,354,691	\$ 1,152,634

Note 3. 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 \$1,651,909, inventories of \$41,193 and \$62,000 of liabilities.

Note 4. Pledges Receivable

All pledges receivable are unconditional promises to give a set amount in the future as determined by the contributor.

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

The amounts of pledges receivable as of December 31, 2011 and 2010 were as follows:

	2011	2010
Pledges receivable	\$ 494,517	\$ 421,584
Less		
Discount for the time value of money	(2,784)	(2,707)
Allowance for uncollectible pledges	(191,370)	(188,125)
Pledges receivable, net	<u>\$ 300,363</u>	<u>\$ 230,752</u>

Future maturities of pledges as of December 31, 2011 and 2010 are as follows:

	2011	2010
Within one year	\$ 466,159	\$ 380,108
In one to three years	28,358	41,476
	<u>\$ 494,517</u>	<u>\$ 421,584</u>

Pledges receivable were discounted at 4.25 percent at December 31, 2011 and 2010.

Note 5. Property and Equipment

The following is a summary of property and equipment by major classes and locations at December 31, 2011 and 2010:

	2011			
	USA	Honduras	Nicaragua	Total
Land	\$ 90,000	\$ 248,639	\$ 221,005	\$ 559,644
Churches	-	1,322,804	852,910	2,175,714
Office equipment, furniture and fixtures	260,783	20,064	11,373	292,220
Automobiles	-	752,847	225,762	978,609
Mission compounds	-	1,105,269	942,595	2,047,864
Bible Institute	-	342,073	-	342,073
Good Shepherd Christian Home	-	964,932	-	964,932
Guaimaca Hospital and ministries	-	1,213,313	-	1,213,313
Buildings	284,964	-	250,000	534,964
Construction in progress	-	51,026	22,663	73,689
Total property and equipment	635,747	6,020,967	2,526,308	9,183,022
Less accumulated depreciation	322,584	2,383,876	829,601	3,536,061
Property and equipment, net	<u>\$ 313,163</u>	<u>\$ 3,637,091</u>	<u>\$ 1,696,707</u>	<u>\$ 5,646,961</u>

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

	2010			
	USA	Honduras	Nicaragua	Total
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	\$ 325,907	\$ 3,667,088	\$ 1,763,834	\$ 5,756,829

Depreciation expense was \$424,154 and \$608,837 during the years ended December 31, 2011 and 2010, respectively.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2011 and 2010 were available for the following purposes:

	2011	(Restated) 2010
Administrative	\$ 33,223	\$ 31,905
Missionaries	575,000	477,727
Bible Institute	6,084	45,578
Teams	293,949	239,560
Orphanages	258,694	260,862
Hospital	92,259	15,602
Food banks	5,946	1,731
	<u>\$ 1,265,155</u>	<u>\$ 1,072,965</u>

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

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, 2011 and 2010 were as follows:

	2011	(Restated) 2010
Voluntary medical services	\$ 4,376,862	\$ 4,553,989
Voluntary dental services	769,360	896,920
Other specialized voluntary services	1,015,710	938,940
Contributed medical supplies	4,179,360	5,062,104
Contributed eyeglasses	219,200	251,760
Contributed Bibles	100,589	94,085
Contributed labor	19,200	25,600
Contributed property	34,000	-
Restricted cash contributions	6,443,151	5,071,816
Restricted contributions reported as unrestricted	17,157,432	16,895,214
Unrestricted cash contributions and pledges	480,724	464,717
Total unrestricted contributions	17,638,156	17,359,931
Temporarily restricted contributions	1,265,155	1,072,965
Total contributions	\$ 18,903,311	\$ 18,432,896

Note 7. Concentration of Credit Risk

The Mission holds cash in foreign banks throughout the year, which are not covered by depositors insurance.

Note 8. 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 contribute three percent of compensation in 2011 and 2010. The Mission's contributions to the Plan were \$11,644 and \$20,407 in 2011 and 2010, respectively.

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

Years Ended December 31, 2011 and 2010

NOTES TO FINANCIAL STATEMENTS

Note 9. Subsequent Events

The Mission has evaluated events through June 27, 2012, 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, 2011.