

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

Audited Financial Statements
Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Baptist Medical and Dental Mission International, Inc. (a Not-for-Profit Corporation) (the "Mission") which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Home LLP".

Hattiesburg, Mississippi
June 25, 2013

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

Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,020,258	\$ 963,847
Certificates of deposit	377,266	375,544
Pledges receivable, net	299,215	300,363
Inventories	32,899	22,967
Other assets	33,238	31,580
Team travel deposits	182,000	182,000
Property and equipment, net	5,736,149	5,646,961
	\$ 7,681,025	\$ 7,523,262
	\$ 7,681,025	\$ 7,523,262
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 71,310	\$ 124,508
Accrued payroll and withholdings	368,691	184,054
	440,001	308,562
	440,001	308,562
Net assets		
Unrestricted	5,794,923	5,949,545
Temporarily restricted	1,446,101	1,265,155
	7,241,024	7,214,700
	7,241,024	7,214,700
Total liabilities and net assets	\$ 7,681,025	\$ 7,523,262
	\$ 7,681,025	\$ 7,523,262

See accompanying notes.

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

Statements of Activities
Years Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 19,648,915	\$ 1,446,101	\$ 21,095,016	\$ 17,638,156	\$ 1,265,155	\$ 18,903,311
Interest and other income	1,911	-	1,911	2,907	-	2,907
Net assets released for satisfaction of program restrictions	1,265,155	(1,265,155)	-	1,072,965	(1,072,965)	-
Total revenues, gains and other support	20,915,981	180,946	21,096,927	18,714,028	192,190	18,906,218
Expenses						
Honduras operations	13,359,940	-	13,359,940	12,169,880	-	12,169,880
Nicaragua operations	6,879,077	-	6,879,077	5,775,989	-	5,775,989
Fund raising	46,521	-	46,521	51,521	-	51,521
Management and general	785,065	-	785,065	662,847	-	662,847
Total expenses	21,070,603	-	21,070,603	18,660,237	-	18,660,237
Change in net assets	(154,622)	180,946	26,324	53,791	192,190	245,981
Net assets at beginning of year	5,949,545	1,265,155	7,214,700	5,895,754	1,072,965	6,968,719
Net assets at end of year	\$ 5,794,923	\$ 1,446,101	\$ 7,241,024	\$ 5,949,545	\$ 1,265,155	\$ 7,214,700

See accompanying notes.

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

Statements of Functional Expenses
Years Ended December 31, 2012 and 2011

	2012					2011				
	Program		Fundraising	Management and General	Total	Program		Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations				Honduras Operations	Nicaragua Operations			
Bad debt expense	\$ -	\$ -	\$ -	\$ 29,165	\$ 29,165	\$ -	\$ -	\$ -	\$ 56,770	\$ 56,770
Depreciation	301,145	113,129	-	13,531	427,805	295,633	115,778	-	12,743	424,154
Evangelistic and ministerial support	529,219	169,490	-	236	698,945	468,456	155,487	-	292	624,235
General supplies	282,703	104,932	-	1,954	389,589	312,681	108,453	-	2,718	423,852
Insurance	11,412	52,537	-	10,617	74,566	10,114	48,064	-	9,869	68,047
Legal and accounting	25,955	1,954	-	22,965	50,874	27,161	13,105	-	25,390	65,656
Local doctors and dentists	35,875	-	-	-	35,875	31,355	-	-	-	31,355
Medical supplies	3,485,148	2,514,638	-	-	5,999,786	3,147,263	1,809,643	-	-	4,956,906
Meetings and conferences	1,103	1,893	-	27,992	30,988	276	1,955	-	22,543	24,774
Miscellaneous	171,578	166,429	-	24,546	362,553	120,010	131,822	-	26,312	278,144
Office supplies	77,917	14,424	-	14,845	107,186	71,288	13,142	-	16,499	100,929
Personal services	6,544,359	2,654,848	32,917	528,529	9,760,653	5,669,755	2,234,251	33,670	390,883	8,328,559
Postage and shipping	37,571	11,302	3,510	14,735	67,118	38,533	16,686	155	20,370	75,744
Printing and publications	16,834	-	10,094	32,393	59,321	40,610	504	17,696	14,590	73,400
Public relations	15,384	6,515	-	445	22,344	12,461	10,122	-	1,106	23,689
Rentals	51,399	147,375	-	14	198,788	45,569	144,398	-	-	189,967
Repairs and maintenance	105,359	26,398	-	24,733	156,490	96,133	23,422	-	26,237	145,792
Taxes	131,769	-	-	5,677	137,446	64,178	-	-	5,677	69,855
Travel	1,011,210	736,117	-	16,174	1,763,501	1,236,563	810,672	-	14,363	2,061,598
Utilities and telephone	165,074	55,659	-	16,514	237,247	174,516	49,996	-	16,485	240,997
Vehicle expense	358,926	101,437	-	-	460,363	307,325	88,489	-	-	395,814
Total	\$ 13,359,940	\$ 6,879,077	\$ 46,521	\$ 785,065	\$ 21,070,603	\$ 12,169,880	\$ 5,775,989	\$ 51,521	\$ 662,847	\$ 18,660,237

See accompanying notes.

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

Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 26,324	\$ 245,981
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	427,805	424,154
Bad debt expense	29,165	56,770
Changes in assets and liabilities		
Pledges receivable	(28,017)	(126,381)
Inventories	(9,932)	18,226
Other assets	(1,658)	(854)
Accounts payable and accrued expenses	131,439	6,377
Net cash provided by operating activities	575,126	624,273
Cash flows from investing activities		
Purchase of certificates of deposit	(1,722)	(2,777)
Purchase of property and equipment	(516,993)	(314,286)
Net cash used in investing activities	(518,715)	(317,063)
Net increase in cash	56,411	307,210
Cash and cash equivalents, beginning of year	963,847	656,637
Cash and cash equivalents, end of year	\$ 1,020,258	\$ 963,847

See accompanying notes.

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

Years Ended December 31, 2012 and 2011

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 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 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, 2012 and 2011

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, 2012 and 2011

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 \$353,982 and \$174,238 at December 31, 2012 and 2011, 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, 2012 and 2011. Tax periods for all fiscal years after 2008 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, 2012 and 2011

NOTES TO FINANCIAL STATEMENTS

Note 2. Pledges Receivable

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

The amounts of pledges receivable as of December 31, 2012 and 2011 were as follows:

	2012	2011
Pledges receivable	\$ 464,581	\$ 494,517
Less		
Discount for the time value of money	(2,916)	(2,784)
Allowance for uncollectible pledges	(162,450)	(191,370)
Pledges receivable, net	<u>\$ 299,215</u>	<u>\$ 300,363</u>

Future maturities of pledges as of December 31, 2012 and 2011 are as follows:

	2012	2011
Within one year	\$ 436,661	\$ 466,159
In one to three years	27,920	28,358
	<u>\$ 464,581</u>	<u>\$ 494,517</u>

Pledges receivable were discounted at 4.25 percent at December 31, 2012 and 2011.

Note 3. Property and Equipment

The following is a summary of property and equipment by major classes and locations at December 31, 2012 and 2011:

	2012			
	USA	Honduras	Nicaragua	Total
Land	\$ 90,000	\$ 248,639	\$ 221,005	\$ 559,644
Churches	-	1,367,341	876,852	2,244,193
Office equipment, furniture and fixtures	266,424	20,064	11,373	297,861
Automobiles	-	778,847	261,674	1,040,521
Mission compounds	-	1,117,036	948,595	2,065,631
Bible Institute	-	342,073	-	342,073
Good Shepherd Christian Home	-	964,932	-	964,932
Guaimaca Hospital and ministries	-	1,255,307	-	1,255,307
Buildings	303,488	-	250,000	553,488
Construction in progress	-	284,448	91,917	376,365
Total property and equipment	659,912	6,378,687	2,661,416	9,700,015
Less accumulated depreciation	336,115	2,685,021	942,730	3,963,866
Property and equipment, net	<u>\$ 323,797</u>	<u>\$ 3,693,666</u>	<u>\$ 1,718,686</u>	<u>\$ 5,736,149</u>

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

Years Ended December 31, 2012 and 2011

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

	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>

Depreciation expense was \$427,805 and \$424,154 during the years ended December 31, 2012 and 2011, respectively.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2012 and 2011 were available for the following purposes:

	2012	2011
Administrative	\$ 8,276	\$ 33,223
Missionaries	601,680	575,000
Bible Institute	9,656	6,084
Teams	324,614	293,949
Orphanages	390,309	258,694
Hospital	106,539	92,259
Food banks	5,027	5,946
	<u>\$ 1,446,101</u>	<u>\$ 1,265,155</u>

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

Years Ended December 31, 2012 and 2011

NOTES TO FINANCIAL STATEMENTS

Note 4. 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, 2012 and 2011 were as follows:

	2012	2011
Voluntary medical services	\$ 5,278,509	\$ 4,376,862
Voluntary dental services	766,880	769,360
Other specialized voluntary services	1,042,050	1,015,710
Contributed medical supplies	5,029,840	4,179,360
Contributed eyeglasses	247,330	219,200
Contributed Bibles	106,465	100,589
Contributed labor	12,800	19,200
Contributed property	-	34,000
Restricted cash contributions	<u>6,596,915</u>	<u>6,443,151</u>
Restricted contributions reported as unrestricted	19,080,789	17,157,432
Unrestricted cash contributions and pledges	<u>568,126</u>	<u>480,724</u>
Total unrestricted contributions	19,648,915	17,638,156
Temporarily restricted contributions	<u>1,446,101</u>	<u>1,265,155</u>
Total contributions	<u>\$ 21,095,016</u>	<u>\$ 18,903,311</u>

Note 5. Concentration of Credit Risk

The Mission maintains cash balances at several financial institutions. Interest-bearing cash accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Concentrations of cash in non-interest bearing transaction accounts have unlimited deposit insurance coverage as of December 31, 2012. Effective January 1, 2013, non-interest bearing transaction accounts become subject to the same \$250,000 limit per covered institution. The Mission also holds cash in foreign banks throughout the year, which are not covered by depositors insurance.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2012 and 2011

NOTES TO FINANCIAL STATEMENTS

Note 6. 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 2012 and 2011. The Mission's contributions to the Plan were \$9,280 and \$11,644 in 2012 and 2011, respectively.

Note 7. Subsequent Events

The Mission has evaluated events through June 25, 2013, 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, 2012.