

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

Hattiesburg, Mississippi

**Financial Statements**

Years Ended December 31, 2013 and 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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 19, 2014

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

Statements of Financial Position  
December 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 874,358	\$ 1,250,419
Certificates of deposit	378,167	377,266
Pledges receivable, net	43,868	69,054
Inventories	53,600	32,899
Other assets	36,210	33,238
Team travel deposits	282,000	182,000
Property and equipment, net	6,042,098	5,736,149
Total assets	\$ 7,710,301	\$ 7,681,025
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 82,459	\$ 71,310
Accrued payroll and withholdings	285,138	368,691
Total liabilities	367,597	440,001
Net assets		
Unrestricted	5,793,960	5,794,923
Temporarily restricted	1,548,744	1,446,101
Total net assets	7,342,704	7,241,024
Total liabilities and net assets	\$ 7,710,301	\$ 7,681,025

See accompanying notes.

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

Statements of Activities  
Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 18,497,804	\$ 1,548,744	\$ 20,046,548	\$ 19,648,915	\$ 1,446,101	\$ 21,095,016
Interest and other income	1,138	-	1,138	1,911	-	1,911
Net assets released for satisfaction of program restrictions	1,446,101	(1,446,101)	-	1,265,155	(1,265,155)	-
Total revenues, gains and other support	19,945,043	102,643	20,047,686	20,915,981	180,946	21,096,927
Expenses						
Honduras operations	12,309,632	-	12,309,632	13,359,940	-	13,359,940
Nicaragua operations	6,796,884	-	6,796,884	6,879,077	-	6,879,077
Nepal operations	17,094	-	17,094	-	-	-
Fund raising	69,519	-	69,519	46,521	-	46,521
Management and general	752,877	-	752,877	785,065	-	785,065
Total expenses	19,946,006	-	19,946,006	21,070,603	-	21,070,603
Change in net assets	(963)	102,643	101,680	(154,622)	180,946	26,324
Net assets at beginning of year	5,794,923	1,446,101	7,241,024	5,949,545	1,265,155	7,214,700
Net assets at end of year	\$ 5,793,960	\$ 1,548,744	\$ 7,342,704	\$ 5,794,923	\$ 1,446,101	\$ 7,241,024

See accompanying notes.

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

Statements of Functional Expenses  
Years Ended December 31, 2013 and 2012

	2013						2012					
	Program			Fundraising	Management and General	Total	Program			Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations	Nepal Operations				Honduras Operations	Nicaragua Operations				
Bad debt expense	\$ 3,328	\$ -	\$ -	\$ -	\$ 31,960	\$ 35,288	\$ -	\$ -	\$ -	\$ 29,165	\$ 29,165	
Depreciation	320,178	116,114	-	-	14,626	450,918	301,145	113,129	-	13,531	427,805	
Evangelistic and ministerial support	591,214	198,383	6,097	-	301	795,995	529,219	169,490	-	236	698,945	
General supplies	294,081	114,177	316	-	3,029	411,603	282,703	104,932	-	1,954	389,589	
Insurance	11,424	51,889	-	-	10,636	73,949	11,412	52,537	-	10,617	74,566	
Legal and accounting	78,400	1,274	875	-	24,743	105,292	25,955	1,954	-	22,965	50,874	
Local doctors and dentists	23,960	-	-	-	-	23,960	35,875	-	-	-	35,875	
Medical supplies	2,810,994	1,875,932	-	-	-	4,686,926	3,485,148	2,514,638	-	-	5,999,786	
Meetings and conferences	136	3,825	-	-	33,427	37,388	1,103	1,893	-	27,992	30,988	
Miscellaneous	135,035	142,844	258	-	39,948	318,085	171,578	166,429	-	24,546	362,553	
Office supplies	85,589	36,370	915	-	12,926	135,800	77,917	14,424	-	14,845	107,186	
Personal services	5,951,270	2,486,101	6,300	49,691	462,089	8,955,451	6,544,359	2,654,848	32,917	528,529	9,760,653	
Postage and shipping	35,280	8,688	-	4,708	12,581	61,257	37,571	11,302	3,510	14,735	67,118	
Printing and publications	21,964	-	-	15,120	17,554	54,638	16,834	-	10,094	32,393	59,321	
Public relations	7,686	9,533	-	-	1,603	18,822	15,384	6,515	-	445	22,344	
Rentals	46,161	149,619	-	-	-	195,780	51,399	147,375	-	14	198,788	
Repairs and maintenance	87,121	37,527	-	-	21,346	145,994	105,359	26,398	-	24,733	156,490	
Taxes	208	-	-	-	6,458	6,666	549	-	-	5,677	6,226	
Travel	1,303,726	1,421,974	2,235	-	44,289	2,772,224	1,142,430	736,117	-	16,174	1,894,721	
Utilities and telephone	160,750	54,964	98	-	15,361	231,173	165,074	55,659	-	16,514	237,247	
Vehicle expense	341,127	87,670	-	-	-	428,797	358,926	101,437	-	-	460,363	
<b>Total</b>	<b>\$ 12,309,632</b>	<b>\$ 6,796,884</b>	<b>\$ 17,094</b>	<b>\$ 69,519</b>	<b>\$ 752,877</b>	<b>\$ 19,946,006</b>	<b>\$ 13,359,940</b>	<b>\$ 6,879,077</b>	<b>\$ 46,521</b>	<b>\$ 785,065</b>	<b>\$ 21,070,603</b>	

See accompanying notes.

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

Statements of Cash Flows  
Years Ended December 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities		
Change in net assets	\$ 101,680	\$ 26,324
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	450,918	427,805
Bad debt expense	35,288	29,165
Changes in assets and liabilities		
Pledges receivable	(10,102)	(24,968)
Inventories	(20,701)	(9,932)
Team travel deposits	(100,000)	-
Other assets	(2,972)	(1,658)
Accounts payable and accrued expenses	(72,404)	131,439
Net cash provided by operating activities	381,707	578,175
Cash flows from investing activities		
Purchases of certificates of deposit	(901)	(1,722)
Purchases of property and equipment	(756,867)	(516,993)
Net cash used in investing activities	(757,768)	(518,715)
Net (decrease) increase in cash and cash equivalents	(376,061)	59,460
Cash and cash equivalents, beginning of year	1,250,419	1,190,959
Cash and cash equivalents, end of year	\$ 874,358	\$ 1,250,419

See accompanying notes.



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

Years Ended December 31, 2013 and 2012

**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 money market funds purchased with an original maturity of three months or less, to be cash equivalents.

*Certificates of Deposit*

Certificates of deposits with original maturities in excess of three months are shown separately on the statements of financial position. These assets are valued based on the cost plus any interest accrued as of year-end.

*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, 2013 and 2012

**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 buildings, hospitals and churches	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

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, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

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**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 \$273,286 and \$353,982 at December 31, 2013 and 2012, 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 temporarily restricted net assets, pursuant ASC Topic 958, *Not-for-Profit Entities*. Temporarily 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 temporarily 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. Contributed services and supplies are recorded at their estimated market value in the Mission's statement of activities as contributions and expenses.

*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 December 31, 2013 and 2012. Tax periods for all fiscal years after 2009 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, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

*Reclassifications*

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

**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, 2013 and 2012 were as follows:

	<b>2013</b>		<b>2012</b>
Pledges receivable	\$ 197,435	\$	234,420
Less			
Discount for the time value of money	(2,147)		(2,916)
Allowance for uncollectible pledges	(151,420)		(162,450)
Pledges receivable, net	\$ 43,868	\$	69,054

Future maturities of pledges as of December 31, 2013 and 2012 are as follows:

	<b>2013</b>		<b>2012</b>
Within one year	\$ 175,823	\$	206,500
In one to three years	21,612		27,920
	\$ 197,435	\$	234,420

Pledges receivable were discounted at 4.25 percent at December 31, 2013 and 2012.

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

Years Ended December 31, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Property and Equipment**

The following is a summary of property and equipment by major classes and locations at December 31, 2013 and 2012:

	<b>2013</b>			
	<b>USA</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Total</b>
Land	\$ 90,000	\$ 282,037	\$ 221,005	\$ 593,042
Churches	-	1,416,583	906,943	2,323,526
Office equipment, furniture and fixtures	272,001	26,119	11,373	309,493
Automobiles	-	977,617	330,064	1,307,681
Mission compounds	-	1,117,036	957,979	2,075,015
Bible Institute	-	342,073	-	342,073
Good Shepherd Christian Home	-	979,358	-	979,358
Guaimaca Hospital and ministries	-	1,326,256	-	1,326,256
Buildings	303,488	-	394,517	698,005
Construction in progress	-	436,023	66,410	502,433
Total property and equipment	665,489	6,903,102	2,888,291	10,456,882
Less accumulated depreciation	350,741	3,005,199	1,058,844	4,414,784
Property and equipment, net	\$ 314,748	\$ 3,897,903	\$ 1,829,447	\$ 6,042,098
	<b>2012</b>			
	<b>USA</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Total</b>
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	\$ 323,797	\$ 3,693,666	\$ 1,718,686	\$ 5,736,149

Depreciation expense was \$450,918 and \$427,805 during the years ended December 31, 2013 and 2012, respectively.

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

Years Ended December 31, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2013 and 2012 were available for the following purposes:

	<b>2013</b>	<b>2012</b>
Administrative	\$ 9,076	\$ 8,276
Missionaries	865,609	601,680
Bible Institute	3,170	9,656
Teams	326,338	324,614
Orphanages	310,369	390,309
Hospital	30,881	106,539
Food banks	3,301	5,027
	<u>\$ 1,548,744</u>	<u>\$ 1,446,101</u>

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, 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
Voluntary medical services	\$ 4,745,680	\$ 5,278,509
Voluntary dental services	643,960	766,880
Other specialized voluntary services	1,067,340	1,042,050
Contributed medical supplies	3,939,320	5,029,840
Contributed eyeglasses	197,095	247,330
Contributed Bibles	89,060	106,465
Contributed labor	16,000	12,800
Contributed property	30,335	-
Restricted cash contributions	<u>7,282,314</u>	<u>6,596,915</u>
Restricted contributions reported as unrestricted	18,011,104	19,080,789
Unrestricted cash contributions and pledges	<u>486,700</u>	<u>568,126</u>
Total unrestricted contributions	18,497,804	19,648,915
Temporarily restricted contributions	<u>1,548,744</u>	<u>1,446,101</u>
Total contributions	<u>\$ 20,046,548</u>	<u>\$ 21,095,016</u>

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Line of Credit**

During August 2013, the Mission entered into a line of credit agreement with a Bank, which permits borrowings up to \$500,000 maturing in August 2014. Outstanding borrowings bear interest at a variable rate which is based on prime lending rate (3.25 at December 31, 2013). The line of credit is collateralized by property and equipment. The Mission had no outstanding borrowings on this line as of December 31, 2013.

**Note 6. Concentration of Risk and Contingencies**

The Mission maintains deposits at several financial institutions. Deposits at each domestic institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Mission had \$406,195 of deposits in excess of insured limits held in domestic institutions. The Mission also held cash in foreign banks at December 31, 2013 of \$178,856, which are not subject to depositors insurance. Changes in exchange rates could also adversely impact the financial stability of the Mission's foreign deposits.

In addition, the Mission has assets and operates in foreign countries; these countries encounter political volatility and economic instability from time to time that could affect the Mission's operations.

During 2013, the Mission entered into an agreement whereby a third-party vendor would provide flight services to the Mission for teams transported to and from foreign countries. Management contends that the vendor ultimately failed to perform under the terms of the contract. Management estimates that the Mission incurred approximately \$850,000 in additional costs as a result of the vendor's failure to perform, including costs associated with prepayments for services not provided, additional transportation cost for alternative arrangements and lost revenue for teams that were unable to obtain alternate transportation. It is management's intent to attempt to recover such costs from this vendor; however the ultimate outcome cannot be determined at this time. The additional costs are included in travel in the accompanying 2013 statement of functional expenses.

**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 contribute three percent of compensation in 2013 and 2012. The Mission's contributions to the Plan were \$10,861 and \$9,280 in 2013 and 2012, respectively.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2013 and 2012

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Subsequent Events**

The Mission has evaluated events through June 19, 2014, 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, 2013.