

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

Hattiesburg, Mississippi

Financial Statements

Years Ended December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 29, 2015

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 603,001	\$ 874,358
Certificates of deposit	378,884	378,167
Pledges receivable, net	20,391	43,868
Inventories	106,632	53,600
Other assets	35,205	36,210
Team travel deposits	233,188	282,000
Property and equipment, net	6,065,370	6,042,098
	\$ 7,442,671	\$ 7,710,301
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 135,019	\$ 82,459
Accrued payroll and withholdings	302,373	285,138
	437,392	367,597
Net assets		
Unrestricted	5,655,688	5,793,960
Temporarily restricted	1,349,591	1,548,744
	7,005,279	7,342,704
	\$ 7,442,671	\$ 7,710,301

See accompanying notes.

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

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 19,538,549	\$ 1,349,591	\$ 20,888,140	\$ 18,497,804	\$ 1,548,744	\$ 20,046,548
Interest and other income	(7,909)	-	(7,909)	1,138	-	1,138
Net assets released for satisfaction of program restrictions	1,548,744	(1,548,744)	-	1,446,101	(1,446,101)	-
Total revenues, gains and other support	21,079,384	(199,153)	20,880,231	19,945,043	102,643	20,047,686
Expenses						
Honduras operations	13,500,269	-	13,500,269	12,309,632	-	12,309,632
Nicaragua operations	6,613,321	-	6,613,321	6,796,884	-	6,796,884
Nepal operations	63,239	-	63,239	17,094	-	17,094
Fund raising	120,656	-	120,656	69,519	-	69,519
Management and general	920,171	-	920,171	752,877	-	752,877
Total expenses	21,217,656	-	21,217,656	19,946,006	-	19,946,006
Change in net assets	(138,272)	(199,153)	(337,425)	(963)	102,643	101,680
Net assets at beginning of year	5,793,960	1,548,744	7,342,704	5,794,923	1,446,101	7,241,024
Net assets at end of year	\$ 5,655,688	\$ 1,349,591	\$ 7,005,279	\$ 5,793,960	\$ 1,548,744	\$ 7,342,704

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statements of Functional Expenses
Years Ended December 31, 2014 and 2013

	2014						2013					
	Program						Program					
	Honduras Operations	Nicaragua Operations	Nepal Operations				Honduras Operations	Nicaragua Operations	Nepal Operations			
	Fundraising	Management and General	Total	Fundraising	Management and General	Total	Fundraising	Management and General	Total			
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ 3,849	\$ 3,849	\$ 3,328	\$ -	\$ -	\$ -	\$ 31,960	\$ 35,288
Depreciation	378,524	137,091	-	-	16,340	531,955	320,178	116,114	-	-	14,626	450,918
Evangelistic and ministerial support	766,506	286,324	13,939	-	850	1,067,619	591,214	198,383	6,097	-	301	795,995
General supplies	359,206	136,146	1,671	-	5,195	502,218	294,081	114,177	316	-	3,029	411,603
Insurance	22,681	64,813	-	-	11,248	98,742	11,424	51,889	-	-	10,636	73,949
Interest expense	-	-	-	-	3,379	3,379	-	-	-	-	-	-
Legal and accounting	77,665	1,676	9,201	-	39,672	128,214	78,400	1,274	875	-	24,743	105,292
Local doctors and dentists	31,900	-	-	-	-	31,900	23,960	-	-	-	-	23,960
Medical supplies	2,831,260	2,057,476	-	-	-	4,888,736	2,810,994	1,875,932	-	-	-	4,686,926
Meetings and conferences	2,799	3,868	-	-	31,378	38,045	136	3,825	-	-	33,427	37,388
Miscellaneous	57,890	106,172	418	-	31,076	195,556	135,035	142,844	258	-	39,948	318,085
Office supplies	85,517	24,829	115	-	20,748	131,209	85,589	36,370	915	-	12,926	135,800
Personal services	7,064,706	2,856,614	12,867	82,194	520,782	10,537,163	5,951,270	2,486,101	6,300	49,691	462,089	8,955,451
Postage and shipping	65,162	14,633	72	923	25,941	106,731	35,280	8,688	-	4,708	12,581	61,257
Printing and publications	25,985	-	6	37,539	5,859	69,389	21,964	-	-	15,120	17,554	54,638
Public relations	1,863	7,133	40	-	627	9,663	7,686	9,533	-	-	1,603	18,822
Rentals	57,167	115,271	-	-	1,638	174,076	46,161	149,619	-	-	-	195,780
Repairs and maintenance	132,452	29,176	-	-	45,204	206,832	87,121	37,527	-	-	21,346	145,994
Taxes	-	(585)	-	-	6,566	5,981	208	-	-	-	6,458	6,666
Travel	1,198,357	625,669	24,418	-	131,252	1,979,696	1,303,726	1,421,974	2,235	-	44,289	2,772,224
Utilities and telephone	170,082	55,762	492	-	18,567	244,903	160,750	54,964	98	-	15,361	231,173
Vehicle expense	170,547	91,253	-	-	-	261,800	341,127	87,670	-	-	-	428,797
Total	\$ 13,500,269	\$ 6,613,321	\$ 63,239	\$ 120,656	\$ 920,171	\$ 21,217,656	\$ 12,309,632	\$ 6,796,884	\$ 17,094	\$ 69,519	\$ 752,877	\$ 19,946,006

See accompanying notes.

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

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (337,425)	\$ 101,680
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	531,955	450,918
Bad debt expense	3,849	35,288
Loss on sale of property and equipment	9,500	-
Pledges receivable	19,628	(10,102)
Inventories	(53,032)	(20,701)
Team travel deposits	48,812	(100,000)
Other assets	1,005	(2,972)
Accounts payable and accrued expenses	69,795	(72,404)
Net cash provided by operating activities	294,087	381,707
Cash flows from investing activities		
Reinvestment of interest on certificates of deposit	(717)	(901)
Purchases of property and equipment	(564,727)	(756,867)
Net cash used in investing activities	(565,444)	(757,768)
Net decrease in cash and cash equivalents	(271,357)	(376,061)
Cash and cash equivalents, beginning of year	874,358	1,250,419
Cash and cash equivalents, end of year	\$ 603,001	\$ 874,358

See accompanying notes.

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

Years Ended December 31, 2014 and 2013

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.

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 accrued interest 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, 2014 and 2013

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 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, 2014 and 2013

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 \$281,767 and \$273,286 at December 31, 2014 and 2013, 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 to 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.

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

Years Ended December 31, 2014 and 2013

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, 2014 and 2013 were as follows:

	2014	2013
Pledges receivable	\$ 147,895	\$ 197,435
Less		
Discount for the time value of money	(5,579)	(2,147)
Allowance for uncollectible pledges	(121,925)	(151,420)
Pledges receivable, net	\$ 20,391	\$ 43,868

Future maturities of pledges as of December 31, 2014 and 2013 are as follows:

	2014	2013
Within one year	\$ 140,491	\$ 175,823
In one to three years	7,404	21,612
	\$ 147,895	\$ 197,435

Pledges receivable were discounted at 4.25 percent at December 31, 2014 and 2013.

Note 3. Property and Equipment

The following is a summary of property and equipment by major classes and locations at December 31, 2014 and 2013:

	2014			
	USA	Honduras	Nicaragua	Total
Land	\$ 90,000	\$ 286,870	\$ 227,928	\$ 604,798
Churches	-	1,541,664	953,237	2,494,901
Office equipment, furniture and fixtures	280,996	48,258	11,373	340,627
Automobiles	-	1,060,318	353,864	1,414,182
Mission compounds	-	1,117,036	957,979	2,075,015
Bible Institute	-	342,071	-	342,071
Good Shepherd Christian Home	-	1,108,986	-	1,108,986
Guaimaca Hospital and ministries	-	1,704,154	-	1,704,154
Buildings	303,488	-	425,772	729,260
Construction in progress	-	99,213	89,402	188,615
Total property and equipment	674,484	7,308,570	3,019,555	11,002,609
Less accumulated depreciation	367,081	3,383,723	1,186,435	4,937,239
Property and equipment, net	\$ 307,403	\$ 3,924,847	\$ 1,833,120	\$ 6,065,370

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

Years Ended December 31, 2014 and 2013

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

	2013			
	USA	Honduras	Nicaragua	Total
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

Depreciation expense was \$531,955 and \$450,918 during the years ended December 31, 2014 and 2013, respectively.

Note 4. Net Assets

Temporarily restricted net assets as of December 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Administrative	\$ 9,076	\$ 9,076
Missionaries	697,873	865,609
Bible Institute	-	3,170
Teams	367,407	326,338
Orphanages	225,875	310,369
Hospital	44,485	30,881
Food banks	4,875	3,301
	<u>\$ 1,349,591</u>	<u>\$ 1,548,744</u>

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

Years Ended December 31, 2014 and 2013

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, 2014 and 2013 were as follows:

	2014	2013
Voluntary medical services	\$ 5,987,819	\$ 4,745,680
Voluntary dental services	749,120	643,960
Other specialized voluntary services	987,330	1,067,340
Contributed medical supplies	4,013,000	3,939,320
Contributed eyeglasses	226,082	197,095
Contributed Bibles	96,015	89,060
Contributed labor	22,400	16,000
Contributed property	48,702	30,335
Restricted cash contributions	<u>7,032,325</u>	<u>7,282,314</u>
Restricted contributions reported as unrestricted	19,162,793	18,011,104
Unrestricted cash contributions and pledges	<u>375,756</u>	<u>486,700</u>
Total unrestricted contributions	19,538,549	18,497,804
Temporarily restricted contributions	<u>1,349,591</u>	<u>1,548,744</u>
Total contributions	<u>\$ 20,888,140</u>	<u>\$ 20,046,548</u>

From time to time, the Mission has incurred negative changes in unrestricted net assets and, over a period, these negative operations have resulted in total unrestricted net assets being less than the Mission's investment in property and equipment. Therefore, the Mission has a deficit in unrestricted working capital as of December 31, 2014 and 2013 and has at times relied on the use of temporarily restricted funds to meet cash flow needs. To address this adverse financial condition, management has instituted a cost reduction plan that includes in-country pharmacies and tighter budgetary controls, as well as increasing fundraising activities for projects that are operating in deficits. Management believes these efforts will contribute to the continued sustainability of the Mission.

Note 5. Line of Credit

During August 2014 the Mission entered into a line of credit agreement with a bank, which permits borrowings up to \$ 500,000 maturing on August 4, 2015. Outstanding borrowings bear interest at a variable rate based on prime lending rate (3.25 at December 31, 2014). The line of credit is collateralized by property and equipment. The Mission had no outstanding borrowings on this line as of December 31, 2014.

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

Years Ended December 31, 2014 and 2013

NOTES TO FINANCIAL STATEMENTS

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, 2014, the Mission had \$56,082 of deposits in excess of insured limits held in domestic institutions. The Mission also held cash in foreign banks at December 31, 2014 of \$274,829, 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.

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 2014 and 2013. The Mission's contributions to the Plan were \$10,622 and \$10,861 in 2014 and 2013, respectively.

Note 8. Recent Reporting and Disclosure Developments

Accounting Pronouncements Issued Not Yet Adopted

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15"), which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendment is effective the Mission's 2016 fiscal year.

Note 9. Subsequent Events

The Mission has evaluated events through June 29, 2015, 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, 2014.