

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

**Financial Statements**  
Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 black ink that reads "Home LLP". The signature is written in a cursive, flowing style.

Hattiesburg, Mississippi  
June 29, 2016

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

Statements of Financial Position  
December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,215,237	\$ 603,001
Certificates of deposit	379,610	378,884
Pledges receivable, net	12,112	20,391
Inventories	112,035	106,632
Other assets	34,843	35,205
Team travel deposits	-	233,188
Property and equipment, net	5,888,401	6,065,370
Total assets	\$ 7,642,238	\$ 7,442,671
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 95,483	\$ 135,019
Accrued payroll and withholdings	145,807	302,373
Total liabilities	241,290	437,392
Net assets		
Unrestricted	5,124,842	5,655,688
Temporarily restricted	2,276,106	1,349,591
Total net assets	7,400,948	7,005,279
Total liabilities and net assets	\$ 7,642,238	\$ 7,442,671

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Statements of Activities  
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 17,351,670	\$ 2,276,106	\$ 19,627,776	\$ 19,538,549	\$ 1,349,591	\$ 20,888,140
Interest and other income	3,349	-	3,349	(7,909)	-	(7,909)
Net assets released for satisfaction of program restrictions	1,349,591	(1,349,591)	-	1,548,744	(1,548,744)	-
Total revenues, gains and other support	18,704,610	926,515	19,631,125	21,079,384	(199,153)	20,880,231
Expenses						
Honduras operations	11,452,400	-	11,452,400	13,500,269	-	13,500,269
Nicaragua operations	6,091,069	-	6,091,069	6,613,321	-	6,613,321
Nepal operations	411,370	-	411,370	63,239	-	63,239
Guatemala operations	60,190	-	60,190	-	-	-
Fund raising	151,380	-	151,380	120,656	-	120,656
Management and general	1,069,047	-	1,069,047	920,171	-	920,171
Total expenses	19,235,456	-	19,235,456	21,217,656	-	21,217,656
Change in net assets	(530,846)	926,515	395,669	(138,272)	(199,153)	(337,425)
Net assets at beginning of year	5,655,688	1,349,591	7,005,279	5,793,960	1,548,744	7,342,704
Net assets at end of year	\$ 5,124,842	\$ 2,276,106	\$ 7,400,948	\$ 5,655,688	\$ 1,349,591	\$ 7,005,279

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Statements of Functional Expenses  
Years Ended December 31, 2015 and 2014

	2015							2014						
	Program				Fundraising	Management and General	Total	Program				Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations	Nepal Operations	Guatemala Operations				Honduras Operations	Nicaragua Operations	Nepal Operations				
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,906	\$ 146,906	\$ -	\$ -	\$ -	\$ -	\$ 3,849	\$ 3,849	
Depreciation	393,045	137,733	-	-	-	14,543	545,321	378,524	137,091	-	-	16,340	531,955	
Evangelistic and ministerial support	585,317	225,759	135,855	3,058	-	783	950,772	766,506	286,324	13,939	-	850	1,067,619	
General supplies	323,427	121,088	6,606	3,308	-	2,406	456,835	359,206	136,146	1,671	-	5,195	502,218	
Insurance	9,500	52,465	1,724	-	-	14,383	78,072	22,681	64,813	-	-	11,248	98,742	
Interest expense	-	-	-	-	-	2,687	2,687	-	-	-	-	3,379	3,379	
Legal and accounting	79,325	2,885	7,486	5	-	38,732	128,433	77,665	1,676	9,201	-	39,672	128,214	
Local doctors and dentists	30,735	-	-	-	-	-	30,735	31,900	-	-	-	-	31,900	
Medical supplies	2,937,113	1,961,626	-	-	-	-	4,898,739	2,831,260	2,057,476	-	-	-	4,888,736	
Meetings and conferences	5,237	4,574	-	-	-	26,787	36,598	2,799	3,868	-	-	31,378	38,045	
Miscellaneous	70,331	97,230	3,903	-	-	40,897	212,361	57,890	106,172	418	-	31,076	195,556	
Office supplies	51,152	35,801	5,300	143	-	21,929	114,325	85,517	24,829	115	-	20,748	131,209	
Personal services	5,226,093	2,520,558	61,296	39,015	103,573	615,569	8,566,104	7,064,706	2,856,614	12,867	82,194	520,782	10,537,163	
Postage and shipping	27,735	13,011	8,762	-	7,150	19,717	76,375	65,162	14,633	72	923	25,941	106,731	
Printing and publications	17,239	1,496	1,672	270	40,657	10,927	72,261	25,985	-	6	37,539	5,859	69,389	
Public relations	273	5,635	47	-	-	744	6,699	1,863	7,133	40	-	627	9,663	
Rentals	53,857	99,721	2,924	-	-	1,320	157,822	57,167	115,271	-	-	1,638	174,076	
Repairs and maintenance	135,989	20,324	1,920	-	-	47,497	205,730	132,452	29,176	-	-	45,204	206,832	
Taxes	650	-	-	-	-	6,632	7,282	-	(585)	-	-	6,566	5,981	
Travel	1,195,458	665,954	170,237	14,391	-	41,706	2,087,746	1,198,357	625,669	24,418	-	131,252	1,979,696	
Utilities and telephone	167,216	52,513	3,408	-	-	13,551	236,688	170,082	55,762	492	-	18,567	244,903	
Vehicle expense	142,708	72,696	230	-	-	1,331	216,965	170,547	91,253	-	-	-	261,800	
<b>Total</b>	<b>\$ 11,452,400</b>	<b>\$ 6,091,069</b>	<b>\$ 411,370</b>	<b>\$ 60,190</b>	<b>\$ 151,380</b>	<b>\$ 1,069,047</b>	<b>\$ 19,235,456</b>	<b>\$ 13,500,269</b>	<b>\$ 6,613,321</b>	<b>\$ 63,239</b>	<b>\$ 120,656</b>	<b>\$ 920,171</b>	<b>\$ 21,217,656</b>	

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Statements of Cash Flows  
Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<hr/>		
Cash flows from operating activities		
Change in net assets	\$ 395,669	\$ (337,425)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	545,321	531,955
Bad debt expense	146,906	3,849
Loss on sale of property and equipment	13,543	9,500
Pledges receivable	8,279	19,628
Inventories	(5,403)	(53,032)
Team travel deposits	86,282	48,812
Other assets	362	1,005
Accounts payable and accrued expenses	(196,102)	69,795
Net cash provided by operating activities	994,857	294,087
Cash flows from investing activities		
Reinvestment of interest on certificates of deposit	(726)	(717)
Purchases of property and equipment	(381,895)	(564,727)
Net cash used in investing activities	(382,621)	(565,444)
Net increase (decrease) in cash and cash equivalents	612,236	(271,357)
Cash and cash equivalents, beginning of year	603,001	874,358
Cash and cash equivalents, end of year	\$ 1,215,237	\$ 603,001

See accompanying notes.



**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**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 accrued interest as of year-end.

*Inventories*

Donated inventories, consisting of medical supplies, pharmaceuticals and similar items, 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, 2015 and 2014

**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. The Mission annually evaluates the payments of severances in an effort to manage the liability.

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 \$140,403 and \$281,767 at December 31, 2015 and 2014, 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.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

*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 statements 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 statements of activities as contributions and expenses.

**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, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Pledges receivable	\$ 64,147	\$ 147,895
Less		
Discount for the time value of money	(210)	(5,579)
Allowance for uncollectible pledges	(51,825)	(121,925)
Pledges receivable, net	<u>\$ 12,112</u>	<u>\$ 20,391</u>

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Continued**

Future maturities of pledges as of December 31, 2015 and 2014 are as follows:

	2015	2014
Within one year	\$ 63,097	\$ 140,491
In one to three years	1,050	7,404
	<u>\$ 64,147</u>	<u>\$ 147,895</u>

Pledges receivable were discounted at 4.25 percent at December 31, 2015 and 2014.

**Note 3. Property and Equipment**

The following is a summary of property and equipment by major classes and locations at December 31, 2015 and 2014:

	2015			
	USA	Honduras	Nicaragua	Total
Land	\$ 90,000	\$ 286,870	\$ 227,928	\$ 604,798
Churches	-	1,599,701	1,017,467	2,617,168
Office equipment, furniture and fixtures	280,996	48,259	21,208	350,463
Automobiles	3,046	1,152,475	377,364	1,532,885
Mission compounds	-	1,169,208	957,979	2,127,187
Bible Institute	-	340,516	-	340,516
Good Shepherd Christian Home	-	1,246,606	-	1,246,606
Guaimaca Hospital and Ministries	-	1,704,154	-	1,704,154
Buildings	303,488	-	529,814	833,302
Construction in progress	-	3,196	3,686	6,882
Total property and equipment	677,530	7,550,985	3,135,446	11,363,961
Less accumulated depreciation	381,015	3,770,377	1,324,168	5,475,560
Property and equipment, net	<u>\$ 296,515</u>	<u>\$ 3,780,608</u>	<u>\$ 1,811,278</u>	<u>\$ 5,888,401</u>

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Continued**

	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

Depreciation expense was \$545,321 and \$531,955 during the years ended December 31, 2015 and 2014, respectively.

**Note 4. Net Assets**

Temporarily restricted net assets as of December 31, 2015 and 2014 were available for the following purposes:

	2015	2014
Administrative	\$ 9,076	\$ 9,076
Missionaries	1,098,164	697,873
Teams	368,933	367,407
Orphanages	685,726	225,875
Hospital	113,712	44,485
Food banks	495	4,875
	<u>\$ 2,276,106</u>	<u>\$ 1,349,591</u>

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Voluntary medical services	\$ 3,933,066	\$ 5,987,819
Voluntary dental services	696,840	749,120
Other specialized voluntary services	1,124,100	987,330
Contributed medical supplies	3,807,296	4,013,000
Contributed eyeglasses	203,690	226,082
Contributed Bibles	154,906	96,015
Contributed labor	16,000	22,400
Contributed property	-	48,702
Restricted cash contributions	<u>7,015,353</u>	<u>7,032,325</u>
Restricted contributions reported as unrestricted	16,951,251	19,162,793
Unrestricted cash contributions and pledges	<u>400,419</u>	<u>375,756</u>
Total unrestricted contributions	17,351,670	19,538,549
Temporarily restricted contributions	<u>2,276,106</u>	<u>1,349,591</u>
Total contributions	<u>\$ 19,627,776</u>	<u>\$ 20,888,140</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, 2015 and 2014, and has at times relied on the use of temporarily restricted funds to meet cash flow needs. As of December 31, 2015 and 2014, the deficit in restricted funds totaled approximately \$1,000,000 and \$900,000, respectively. To address this adverse financial condition, management has instituted a cost reduction plan that includes a reduction in general fund capital expenditures, tighter budgetary controls, ministry-specific funding development, in-country pharmacies and other infrastructure investments, as well as continuing to increase fundraising activities for projects operating in deficits. Fundraising campaigns for the undesignated fund, long-term legacy gift foundation and shorter term grant and foundation resources are being developed. Plans to enhance program revenues include increased fee-based services such as an increase in team fees, expansion of services at the medical clinic and adjusting fees in various other programs. The Mission has also reduced its airline deposit requirements through negotiations with its main service provider. Management believes these efforts will contribute to the continued sustainability of the Mission.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Line of Credit**

The Mission maintains a line of credit agreement with a bank, which permits borrowings up to \$500,000 maturing on August 4, 2016. Outstanding borrowings bear interest at a variable rate based on prime lending rate (3.50 and 3.25 at December 31, 2015 and 2014, respectively). The line of credit is collateralized by property and equipment. The Mission had no outstanding borrowings on this line as of December 31, 2015 and 2014.

**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, 2015 and 2014, the Mission had \$596,911 and \$56,082, respectively, of deposits in excess of insured limits held in domestic institutions. At December 31, 2015 and 2014, the Mission also held cash in foreign banks of \$144,281 and \$274,829, respectively, which are not subject to depositors insurance. Changes in exchange rates could also adversely impact the financial stability of the Mission's foreign deposits.

As of December 31, 2015 and 2014, the Mission maintained team travel deposits with a travel agency. The travel agency has filed for bankruptcy protection and the deposits are unsecured. The Mission has created an allowance for uncollectible travel deposits in the amount of \$147,000 at December 31, 2015.

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 3 percent of compensation in 2015 and 2014. The Mission's contributions to the Plan were \$15,172 and \$10,622 in 2015 and 2014, 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 in the Mission's 2016 fiscal year.

**BAPTIST MEDICAL AND DENTAL MISSION  
INTERNATIONAL, INC.**  
Years Ended December 31, 2015 and 2014

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Continued**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Mission will be required to adopt ASU 2014-09 as of January 1, 2019, fiscal year 2019. The Mission is currently evaluating the impact of ASU 2014-09 on the Mission's financial condition, results of operations and cash flows.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The amendments in this ASU require an entity to measure inventory at the lower of cost or net realizable value, whereas guidance previously required an assessment of market value of inventory, with different possibilities as to determining market value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Mission is currently evaluating the impact this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. The standard requires lessors to classify leases as either sales-type, finance or operating. A sales-type lease occurs if the lessor transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor does not convey risks and rewards or control, an operating lease results. The standard will become effective for the Mission beginning January 1, 2020. The Mission is currently assessing the impact adoption of this standard will have on its consolidated results of operations, financial condition, cash flows and financial statement disclosures.

**Note 9. Subsequent Events**

The Mission has evaluated events through June 29, 2016, 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, 2015.