

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

Financial Statements
Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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
May 22, 2017

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

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 936,194	\$ 1,215,237
Certificates of deposit	379,854	379,610
Pledges receivable, net	1,993	12,112
Inventories	324,816	112,035
Other assets	55,320	34,843
Property and equipment, net	5,692,911	5,888,401
	<u>5,692,911</u>	<u>5,888,401</u>
Total assets	\$ 7,391,088	\$ 7,642,238
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 183,946	\$ 95,483
Accrued payroll and withholdings	128,232	145,807
	<u>128,232</u>	<u>145,807</u>
Total liabilities	312,178	241,290
 Net assets		
Unrestricted	5,046,192	5,124,842
Temporarily restricted	2,032,718	2,276,106
	<u>2,032,718</u>	<u>2,276,106</u>
Total net assets	7,078,910	7,400,948
Total liabilities and net assets	\$ 7,391,088	\$ 7,642,238

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statements of Activities
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Contributions	\$ 18,832,239	\$ 2,032,718	\$ 20,864,957	\$ 17,351,670	\$ 2,276,106	\$ 19,627,776
Interest and other income	12,723	-	12,723	3,349	-	3,349
Net assets released for satisfaction of program restrictions	2,276,106	(2,276,106)	-	1,349,591	(1,349,591)	-
Total revenues, gains and other support	21,121,068	(243,388)	20,877,680	18,704,610	926,515	19,631,125
Expenses						
Honduras operations	12,252,312	-	12,252,312	11,452,400	-	11,452,400
Nicaragua operations	7,176,473	-	7,176,473	6,091,069	-	6,091,069
Nepal operations	474,626	-	474,626	411,370	-	411,370
Guatemala operations	243,499	-	243,499	60,190	-	60,190
Fund raising	100,822	-	100,822	151,380	-	151,380
Management and general	951,986	-	951,986	1,069,047	-	1,069,047
Total expenses	21,199,718	-	21,199,718	19,235,456	-	19,235,456
Change in net assets	(78,650)	(243,388)	(322,038)	(530,846)	926,515	395,669
Net assets at beginning of year	5,124,842	2,276,106	7,400,948	5,655,688	1,349,591	7,005,279
Net assets at end of year	\$ 5,046,192	\$ 2,032,718	\$ 7,078,910	\$ 5,124,842	\$ 2,276,106	\$ 7,400,948

See accompanying notes.

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

Statements of Functional Expenses
Year Ended December 31, 2016

	Program					Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations	Nepal Operations	Guatemala Operations				
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,742	\$ 3,742
Depreciation	415,537	134,010	-	-	-	-	14,438	563,985
Evangelistic and ministerial support	492,196	298,447	165,385	21,309	-	-	911	978,248
General supplies	340,575	129,214	13,692	14,541	-	-	1,341	499,363
Insurance	13,191	52,328	1,651	-	-	-	14,798	81,968
Interest expense	-	-	-	-	-	-	131	131
Legal and accounting	83,697	5,241	8,901	128	-	-	53,162	151,129
Local doctors and dentists	27,900	-	-	-	-	-	-	27,900
Medical supplies	2,413,406	2,575,595	349	-	-	-	-	4,989,350
Meetings and conferences	4,072	1,976	2,600	21,610	-	-	27,460	57,718
Miscellaneous	27,488	102,235	17,909	62	-	-	70,601	218,295
Office supplies	67,281	27,748	11,457	11,382	-	-	26,125	143,993
Personal services	6,625,486	2,934,721	85,288	53,040	72,486	-	549,779	10,320,800
Postage and shipping	27,719	8,489	120	145	3,481	-	22,396	62,350
Printing and publications	13,095	9,331	3,450	734	24,855	-	8,808	60,273
Public relations	1,070	4,429	63	-	-	-	994	6,556
Rentals	52,936	115,017	6,573	13,032	-	-	1,836	189,394
Repairs and maintenance	151,913	43,383	6,565	6,359	-	-	59,914	268,134
Taxes	-	-	24	-	-	-	6,701	6,725
Travel	1,192,485	597,617	145,555	94,678	-	-	65,156	2,095,491
Utilities and telephone	160,716	54,923	4,390	2,226	-	-	22,490	244,745
Vehicle expense	141,549	81,769	654	4,253	-	-	1,203	229,428
Total	\$ 12,252,312	\$ 7,176,473	\$ 474,626	\$ 243,499	\$ 100,822	\$ -	\$ 951,986	\$ 21,199,718

See accompanying notes.

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

Statements of Functional Expenses

Year Ended December 31, 2015

	Program						Total
	Honduras Operations	Nicaragua Operations	Nepal Operations	Guatemala Operations	Fundraising	Management and General	
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,906	\$ 146,906
Depreciation	393,045	137,733	-	-	-	14,543	545,321
Evangelistic and ministerial support	585,317	225,759	135,855	3,058	-	783	950,772
General supplies	323,427	121,088	6,606	3,308	-	2,406	456,835
Insurance	9,500	52,465	1,724	-	-	14,383	78,072
Interest expense	-	-	-	-	-	2,687	2,687
Legal and accounting	79,325	2,885	7,486	5	-	38,732	128,433
Local doctors and dentists	30,735	-	-	-	-	-	30,735
Medical supplies	2,937,113	1,961,626	-	-	-	-	4,898,739
Meetings and conferences	5,237	4,574	-	-	-	26,787	36,598
Miscellaneous	70,331	97,230	3,903	-	-	40,897	212,361
Office supplies	51,152	35,801	5,300	143	-	21,929	114,325
Personal services	5,226,093	2,520,558	61,296	39,015	103,573	615,569	8,566,104
Postage and shipping	27,735	13,011	8,762	-	7,150	19,717	76,375
Printing and publications	17,239	1,496	1,672	270	40,657	10,927	72,261
Public relations	273	5,635	47	-	-	744	6,699
Rentals	53,857	99,721	2,924	-	-	1,320	157,822
Repairs and maintenance	135,989	20,324	1,920	-	-	47,497	205,730
Taxes	650	-	-	-	-	6,632	7,282
Travel	1,195,458	665,954	170,237	14,391	-	41,706	2,087,746
Utilities and telephone	167,216	52,513	3,408	-	-	13,551	236,688
Vehicle expense	142,708	72,696	230	-	-	1,331	216,965
Total	\$ 11,452,400	\$ 6,091,069	\$ 411,370	\$ 60,190	\$ 151,380	\$ 1,069,047	\$ 19,235,456

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (322,038)	\$ 395,669
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	563,985	545,321
Bad debt expense	3,742	146,906
(Gain) loss on sale of property and equipment	(44,019)	13,543
Pledges receivable	6,377	8,279
Inventories	(212,781)	(5,403)
Team travel deposits	-	86,282
Other assets	(20,477)	362
Accounts payable and accrued expenses	70,888	(196,102)
Net cash provided by operating activities	45,677	994,857
Cash flows from investing activities		
Proceeds from sale of property and equipment	76,397	-
Reinvestment of interest on certificates of deposit	(244)	(726)
Purchases of property and equipment	(400,873)	(381,895)
Net cash used in investing activities	(324,720)	(382,621)
Net increase (decrease) in cash and cash equivalents	(279,043)	612,236
Cash and cash equivalents, beginning of year	1,215,237	603,001
Cash and cash equivalents, end of year	\$ 936,194	\$ 1,215,237

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

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, 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.

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

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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 certain third-world nations in which the Mission operates 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 \$122,930 and \$140,403 at December 31, 2016 and 2015, 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

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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.

Adopted Accounting Pronouncements

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 for fiscal years ending after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the financial statements of the Mission.

Accounting Pronouncements Not Yet Adopted

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. The Mission is currently evaluating the impact of ASU 2014-09 on the Mission's financial statements.

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 its 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 financial statements.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

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, 2016 and 2015 were as follows:

	2016	2015
Pledges receivable	\$ 29,695	\$ 64,147
Less		
Discount for the time value of money	(27)	(210)
Allowance for uncollectible pledges	(27,675)	(51,825)
Pledges receivable, net	<u>\$ 1,993</u>	<u>\$ 12,112</u>

Future maturities of pledges as of December 31, 2016 and 2015 are as follows:

	2016	2015
Within one year	\$ 29,695	\$ 63,097
In one to three years	-	1,050
	<u>\$ 29,695</u>	<u>\$ 64,147</u>

Pledges receivable were discounted at 4.25 percent at December 31, 2016 and 2015.

Note 3. Property and Equipment

The following is a summary of property and equipment by major classes and locations at December 31, 2016 and 2015:

	2016			
	USA	Honduras	Nicaragua	Total
Land	\$ 90,000	\$ 288,300	\$ 227,928	\$ 606,228
Churches	-	1,637,651	1,057,408	2,695,059
Office equipment, furniture and fixtures	269,391	52,289	21,208	342,888
Automobiles	3,046	1,289,551	458,647	1,751,244
Mission compounds	-	1,177,200	970,727	2,147,927
Bible Institute	-	340,513	-	340,513
Good Shepherd Christian Home	-	1,246,606	-	1,246,606
Guaimaca Hospital and Ministries	-	1,711,154	-	1,711,154
Buildings	303,488	-	529,814	833,302
Construction in progress	-	16,004	5,223	21,230
Total property and equipment	665,925	7,759,268	3,270,955	11,696,151
Less accumulated depreciation	384,456	4,160,606	1,458,178	6,003,240
Property and equipment, net	<u>\$ 281,469</u>	<u>\$ 3,598,662</u>	<u>\$ 1,812,777</u>	<u>\$ 5,692,911</u>

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

	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>

Depreciation expense was \$563,985 and \$545,321 during the years ended December 31, 2016 and 2015, respectively.

Note 4. Net Assets

Temporarily restricted net assets as of December 31, 2016 and 2015 were available for the following purposes:

	2016	2015
Administrative	\$ 19,547	\$ 9,076
Missionaries	1,465,705	1,098,164
Teams	255,654	368,933
Orphanages	200,032	685,726
Hospital	51,536	113,712
Bible Institute	40,198	-
Food banks	46	495
	<u>\$ 2,032,718</u>	<u>\$ 2,276,106</u>

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

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, 2016 and 2015 were as follows:

	2016	2015
Voluntary medical services	\$ 5,385,453	\$ 3,933,066
Voluntary dental services	593,120	696,840
Other specialized voluntary services	1,073,370	1,124,100
Contributed medical supplies	3,885,736	3,807,296
Contributed eyeglasses	192,118	203,690
Contributed Bibles	135,004	154,906
Contributed labor	16,000	16,000
Contributed property	18,535	-
Restricted cash contributions	7,133,454	7,015,353
Restricted contributions reported as unrestricted	18,432,790	16,951,251
Unrestricted cash contributions and pledges	399,449	400,419
Total unrestricted contributions	18,832,239	17,351,670
Temporarily restricted contributions	2,032,718	2,276,106
Total contributions	\$ 20,864,957	\$ 19,627,776

From time to time the operations of the Mission have resulted in negative changes in unrestricted net assets and, over a period, these negative operations have resulted in the Mission relying on the use of temporarily restricted funds to meet cash flow needs. As of December 31, 2016 and 2015, the deficit in unrestricted funds totaled approximately \$820,000 and \$1,000,000, 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, and other infrastructure investments, as well as continuing to increase fundraising activities for projects operating in deficits. While tighter budgetary controls will be across the board, greater oversight and expense review will be applied to projects that have historically operated in deficits. Fundraising campaigns for the undesignated fund, long-term legacy gift foundation and shorter term grants are being developed. Plans to enhance unrestricted revenues include expanding the ten percent administration fee charged to certain projects to all projects of the Mission. Management believes these efforts will contribute to the continued sustainability of the Mission.

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 12, 2017. Outstanding borrowings bear interest at a variable rate based on prime lending rate (3.50 at December 31, 2016). The line of credit is collateralized by property and equipment. The Mission had no outstanding borrowings on this line as of December 31, 2016 and 2015.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Years Ended December 31, 2016 and 2015

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, 2016 and 2015, the Mission had \$356,218 and \$596,911, respectively, of deposits in excess of insured limits held in domestic institutions. At December 31, 2016 and 2015, the Mission also held cash in foreign banks of \$103,739 and \$144,281, 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.

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 2016 and 2015. The Mission's contributions to the Plan were \$15,172 in 2016 and 2015.

Note 8. Subsequent Events

The Mission has evaluated events through May 22, 2017, 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, 2016.