

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

Financial Statements
Year Ended September 30, 2018

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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 statement of financial position as of September 30, 2018 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 September 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HORNE LLP

Hattiesburg, Mississippi

May 31, 2019

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

Statement of Financial Position
September 30, 2018

ASSETS

Cash and cash equivalents	\$	584,696
Certificates of deposit		218,805
Inventories		357,908
Other assets		33,185
Property and equipment, net		<u>5,042,883</u>
Total assets	\$	<u><u>6,237,477</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	135,178
Accrued payroll and withholdings		117,941
Borrowings on line of credit		<u>200,000</u>
Total liabilities		453,119

Net assets

Unrestricted		4,527,132
Temporarily restricted		<u>1,257,226</u>
Total net assets		<u>5,784,358</u>
Total liabilities and net assets	\$	<u><u>6,237,477</u></u>

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statement of Activities
Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Contributions	\$ 12,818,077	\$ 1,257,226	\$ 14,075,303
Interest and other income	1,913	-	1,913
Net assets released for satisfaction of program restrictions	1,360,523	(1,360,523)	-
Total revenues, gains and other support	14,180,513	(103,297)	14,077,216
Expenses			
Honduras operations	11,486,752	-	11,486,752
Nicaragua operations	1,940,776	-	1,940,776
Nepal operations	480,247	-	480,247
Guatemala operations	125,238	-	125,238
Fund raising	119,908	-	119,908
Management and general	899,995	-	899,995
Total expenses	15,052,916	-	15,052,916
Change in net assets	(872,403)	(103,297)	(975,700)
Net assets at beginning of period	5,399,535	1,360,523	6,760,058
Net assets at end of period	\$ 4,527,132	\$ 1,257,226	\$ 5,784,358

See accompanying notes.

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

Statement of Functional Expenses

Year Ended September 30, 2018

	Program				Fundraising	Management and General	Total
	Honduras Operations	Nicaragua Operations	Nepal Operations	Guatemala Operations			
Bad debt expense	\$ 1,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,113
Depreciation	407,632	150,953	2,801	-	-	13,450	574,836
Evangelistic and ministerial support	423,303	147,791	197,175	32,158	-	-	800,427
General supplies	320,069	53,981	22,403	2,005	-	2,306	400,764
Insurance	14,898	10,652	1,278	1,242	-	17,397	45,467
Interest expense	-	-	-	-	-	6,254	6,254
Legal and accounting	66,406	1,639	647	-	-	37,649	106,341
Local doctors and dentists	25,500	-	-	-	-	-	25,500
Medical supplies	2,558,833	247,033	1,074	-	-	-	2,806,940
Meetings and conferences	16,266	1,954	-	465	-	42,180	60,865
Miscellaneous	23,772	23,954	3,576	353	-	44,953	96,608
Office supplies	56,561	21,596	7,156	259	-	22,347	107,919
Personal services	5,907,469	818,045	160,239	49,636	76,081	576,053	7,587,523
Postage and shipping	76,665	15,611	201	-	1,924	13,859	108,260
Printing and publications	181	5,067	733	-	15,299	2,611	23,891
Public relations	1,006	2,285	14	-	-	1,799	5,104
Rentals	72,178	27,669	12,967	-	-	2,508	115,322
Repairs and maintenance	145,153	9,560	2,156	-	26,604	43,637	227,110
Taxes	-	-	-	-	-	6,741	6,741
Travel	1,050,974	290,620	64,337	37,565	-	48,091	1,491,587
Utilities and telephone	176,130	50,852	1,657	403	-	17,920	246,962
Vehicle expense	142,643	61,514	1,833	1,152	-	240	207,382
Total	\$ 11,486,752	\$ 1,940,776	\$ 480,247	\$ 125,238	\$ 119,908	\$ 899,995	\$ 15,052,916

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Statement of Cash Flows
Year Ended September 30, 2018

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Cash flows from operating activities	
Change in net assets	\$ (975,700)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	574,836
Bad debt expense	1,113
Loss on sale of property and equipment	7,038
Change in operating assets and liabilities	
Inventories	(25,706)
Other assets	11,067
Accounts payable and accrued expenses	(37,779)
Net cash used in operating activities	<u>(445,131)</u>
 Cash flows from investing activities	
Proceeds from sale of property and equipment	8,275
Proceeds from maturity of certificates of deposit	154,164
Purchases of property and equipment	(150,062)
Net cash provided by investing activities	<u>12,377</u>
 Cash flows from financing activities	
Borrowings on line of credit	<u>200,000</u>
 Net decrease in cash and cash equivalents	(232,754)
 Cash and cash equivalents, beginning of year	<u>817,450</u>
Cash and cash equivalents, end of year	<u><u>\$ 584,696</u></u>

See accompanying notes.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Year Ended September 30, 2018

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 deposit with original maturities in excess of three months are shown separately on the statement 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.**

Year Ended September 30, 2018

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 asset's 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 \$95,886 at September 30, 2018. This liability is included in accrued payroll and withholdings in the accompanying statement 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.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Year Ended September 30, 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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.

Accounting Pronouncements Not Yet Adopted

In May 2014, Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2014-09 will supersede the existing revenue recognition guidance under US GAAP, requiring an entity to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the Mission expects to be entitled to in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Mission is currently assessing the impact of the adoption of these ASUs and their effect on the Mission's financial position or results of operations.

In March 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 October 1, 2020. The Mission is currently assessing the impact adoption of this standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes how not-for-profit entities, including healthcare entities, report net asset classes, expenses and liquidity in their financial statements. ASU 2016-14 simplifies the face of the financial statements while enhancing disclosures in the notes to provide more relevant information regarding the entity's resources and

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Year Ended September 30, 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

changes in those resources. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Mission is currently assessing the impact of the adoption of ASU 2016-14 and its effect on the Mission's financial position or results of operations.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 provides guidance on the presentation of restricted cash and restricted cash equivalents in the statement of cash flows, thereby reducing the current diversity in the classification and presentation under GAAP. ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Mission is currently assessing the impact of the adoption of ASU 2016-18 and its effect on the Mission's financial position or results of operations.

Note 2. Property and Equipment

The following is a summary of property and equipment by major classes and locations at September 30, 2018:

	2018				
	USA	Honduras	Nicaragua	Nepal	Total
Land	\$ 90,000	\$ 288,300	\$ 227,928	\$ -	\$ 606,228
Churches	-	1,724,674	1,097,450	-	2,822,124
Office equipment, furniture and fixtures	269,391	52,289	21,208	-	342,888
Automobiles	3,046	1,261,839	507,647	14,006	1,786,538
Mission compounds	-	1,177,200	1,015,536	-	2,192,736
Bible Institute	-	340,513	-	-	340,513
Good Shepherd Christian Home	-	1,258,546	-	-	1,258,546
Guaimaca Hospital and Ministries	-	1,765,697	-	-	1,765,697
Buildings	303,488	-	529,814	-	833,302
Construction in progress	-	-	21,435	-	21,435
Total property and equipment	665,925	7,869,058	3,421,018	14,006	11,970,007
Less accumulated depreciation	408,312	4,806,748	1,707,162	4,902	6,927,124
Property and equipment, net	<u>\$ 257,613</u>	<u>\$ 3,062,310</u>	<u>\$ 1,713,856</u>	<u>\$ 9,104</u>	<u>\$ 5,042,883</u>

Depreciation expense was \$574,836 for the year ended September 30, 2018.

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

Year Ended September 30, 2018

NOTES TO FINANCIAL STATEMENTS

Note 3. Net Assets

Temporarily restricted net assets as of September 30, 2018 were available for the following purposes:

	2018
Administrative	\$ 51,546
Missionaries	671,092
Teams	222,217
Orphanages	268,244
Hospital	2,894
Bible Institute	30,071
Food banks	11,162
	\$ 1,257,226

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted contributions. Contributions recognized during the year ended September 30, 2018 were as follows:

	2018
Voluntary medical services	\$ 3,644,469
Voluntary dental services	277,480
Other specialized voluntary services	593,190
Contributed medical supplies	1,972,248
Contributed eyeglasses	97,062
Contributed Bibles	38,772
Contributed labor	16,000
Contributed property	7,600
Restricted cash contributions	5,769,160
Restricted contributions reported as unrestricted	12,415,981
Unrestricted cash contributions and pledges	402,096
Total unrestricted contributions	12,818,077
Temporarily restricted contributions	1,257,226
Total contributions	\$ 14,075,303

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 September 30, 2018, amounts needed to replenish temporarily restricted funds totaled approximately \$568,000. To address this adverse financial condition, management has implemented various new contribution campaigns to continue to increase funding activities for projects operating in deficits. Additionally, the Mission continues to diligently reduce costs and provide constant oversight and accountability in each field of the ministry.

**BAPTIST MEDICAL AND DENTAL MISSION
INTERNATIONAL, INC.**
Year Ended September 30, 2018

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

Fundraising campaigns for the undesignated fund, long-term legacy gift foundation and shorter term grants are being developed. The Mission has implemented focused program development surrounding new sources of church based funding and a missionary development pipeline. Management believes these efforts will contribute to the continued sustainability of the Mission.

Note 4. Line of Credit

The Mission maintains a line of credit agreement with a bank, which permits borrowings up to \$500,000 maturing on May 31, 2020. Outstanding borrowings bear interest at a variable rate based on prime lending rate (4.75 at September 30, 2018). The line of credit is collateralized by property and equipment. The Mission had outstanding borrowings of \$200,000 on this line as of September 30, 2018.

Note 5. 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 September 30, 2018, the Mission had \$265,488 of deposits in excess of insured limits held in domestic institutions. At September 30, 2018, the Mission also held cash in foreign banks of \$88,938, 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.

In 2018, Nicaragua experienced significant civil unrest, which led to the cancellation of several Nicaraguan missions. Management anticipates Nicaragua will return to normal operations in 2019.

Note 6. Benefit Plan

The Mission has a defined contribution benefit plan (the "Plan") for employees who meet the eligibility requirements set forth in the Plan. The Plan is a simple IRA set up for each employee and covers full-time employees who have completed one year of service. Employees may defer up to \$10,000 of their compensation. The Mission is not required to make contributions to the Plan and any contributions are at the discretion of the Board. The Board elected to contribute 3 percent of compensation for the year ended September 30, 2018. The Mission's contributions to the Plan were \$12,107 for the year ended September 30, 2018.

Note 7. Subsequent Events

The Mission has evaluated events through May 31, 2019, 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 September 30, 2018.