

MEDICAL TEAMS INTERNATIONAL

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Years Ended June 30, 2013 and 2012



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Medical Teams International
Tigard, Oregon

We have audited the accompanying financial statements of Medical Teams International (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Teams International as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of Medical Teams International's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medical Teams International's internal control over financial reporting and compliance.



Jones & Roth, P.C.
Hillsboro, Oregon
October 16, 2013

FINANCIAL STATEMENTS

MEDICAL TEAMS INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 1,376,262	\$ 206,668
Cash and cash equivalents held in foreign countries	317,740	555,595
Total cash and cash equivalents	1,694,002	762,263
Investments	2,403,675	3,080,751
Receivables and advances	1,016,977	2,070,621
Prepaid expenses	105,438	182,941
Inventories	10,467,711	11,008,889
Property and equipment, net	8,536,719	9,089,175
Total assets	\$ 24,224,522	\$ 26,194,640
Liabilities and Net Assets		
Accounts payable	\$ 503,684	\$ 433,949
Annuities payable	45,286	87,836
Accrued payroll, vacation, and related liabilities	625,705	597,498
Deferred revenue	8,910	8,533
Total liabilities	1,183,585	1,127,816
Net assets		
Unrestricted - undesignated	20,380,142	22,208,352
Unrestricted - Board-designated operating reserve	311,900	-
Total unrestricted net assets	20,692,042	22,208,352
Temporarily restricted	974,879	1,675,783
Permanently restricted	1,374,016	1,182,689
Total net assets	23,040,937	25,066,824
Total liabilities and net assets	\$ 24,224,522	\$ 26,194,640

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 7,730,974	\$ 8,326,867	\$ -	\$ 16,057,841
Gifts in-kind	86,615,479	-	-	86,615,479
Service fees	591,924	673,544	-	1,265,468
Investment income	96,776	216	179,432	276,424
Other	6,811	69,869	11,895	88,575
Net assets released from restrictions	<u>9,771,400</u>	<u>(9,771,400)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>104,813,364</u>	 <u>(700,904)</u>	 <u>191,327</u>	 <u>104,303,787</u>
Expenses				
Program activities	102,163,203	-	-	102,163,203
Supporting activities:				
Administration	1,693,082	-	-	1,693,082
Resource development	<u>2,473,389</u>	<u>-</u>	<u>-</u>	<u>2,473,389</u>
 Total expenses	 <u>106,329,674</u>	 <u>-</u>	 <u>-</u>	 <u>106,329,674</u>
Change in net assets	(1,516,310)	(700,904)	191,327	(2,025,887)
Net assets, beginning of year	<u>22,208,352</u>	<u>1,675,783</u>	<u>1,182,689</u>	<u>25,066,824</u>
Net assets, end of year	<u>\$ 20,692,042</u>	<u>\$ 974,879</u>	<u>\$ 1,374,016</u>	<u>\$ 23,040,937</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 8,197,402	\$ 8,192,173	\$ 7,463	\$ 16,397,038
Gifts in-kind	136,066,821	-	-	136,066,821
Service fees	750,989	445,747	-	1,196,736
Investment income (loss)	48,148	(1,054)	(17,910)	29,184
Other	115,732	229,601	(29,535)	315,798
Net assets released from restrictions	<u>10,293,127</u>	<u>(10,293,127)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>155,472,219</u>	 <u>(1,426,660)</u>	 <u>(39,982)</u>	 <u>154,005,577</u>
 Expenses				
Program activities	152,342,166	-	-	152,342,166
Supporting activities:				
Administration	1,441,611	-	-	1,441,611
Resource development	<u>2,745,822</u>	<u>-</u>	<u>-</u>	<u>2,745,822</u>
 Total expenses	 <u>156,529,599</u>	 <u>-</u>	 <u>-</u>	 <u>156,529,599</u>
 Change in net assets	 (1,057,380)	 (1,426,660)	 (39,982)	 (2,524,022)
 Net assets, beginning of year	 <u>23,265,732</u>	 <u>3,102,443</u>	 <u>1,222,671</u>	 <u>27,590,846</u>
 Net assets, end of year	 <u>\$ 22,208,352</u>	 <u>\$ 1,675,783</u>	 <u>\$ 1,182,689</u>	 <u>\$ 25,066,824</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (2,025,887)	\$ (2,524,022)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	677,154	833,511
Gain on sale of property and equipment	(8,239)	(37,515)
Donated property and equipment	-	(61,697)
(Gain) loss on sale of investments	(76,049)	730
Unrealized (gain) loss on investments	(129,723)	56,574
Donated investments	(72,544)	(25,187)
Change in inventories	541,178	622,506
(Increase) decrease in:		
Receivables	1,053,644	(118,089)
Prepaid expenses	77,503	(28,447)
Increase (decrease) in:		
Accounts payable	69,735	94,918
Annuities payable	(42,550)	(17,018)
Accrued payroll, vacation, and related liabilities	28,207	(161,685)
Deferred revenue	377	(11,786)
	<u>92,806</u>	<u>(1,377,207)</u>
 Cash flows from investing activities		
Purchase of investments	(89,115)	(627,911)
Proceeds from sale of investments	1,044,507	623,608
Proceeds from sale of property and equipment	87,033	455,114
Acquisition of property and equipment	(203,492)	(379,973)
	<u>838,933</u>	<u>70,838</u>
 Net cash provided (used) by investing activities		
	<u>931,739</u>	<u>(1,306,369)</u>
 Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>762,263</u>	<u>2,068,632</u>
Cash and cash equivalents, end of year	<u>\$ 1,694,002</u>	<u>\$ 762,263</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	Program Activities	Supporting Activities			Total
		Administration	Resource Development	Subtotal	
Salaries and related expenses					
Salaries and related expenses	\$ 5,552,774	\$ 1,000,050	\$ 1,069,200	\$ 2,069,250	\$ 7,622,024
Employee benefits	1,014,244	161,956	162,154	324,110	1,338,354
Payroll taxes	295,229	63,356	88,436	151,792	447,021
Total salaries and related expenses	<u>6,862,247</u>	<u>1,225,362</u>	<u>1,319,790</u>	<u>2,545,152</u>	<u>9,407,399</u>
Other expenses					
Professional fees	717,332	66,655	36,454	103,109	820,441
Consultants	67,651	11,649	203,813	215,462	283,113
Media and marketing	10,122	1,491	247,132	248,623	258,745
Direct mail	-	-	13,505	13,505	13,505
Program grants and activities	1,927,722	-	-	-	1,927,722
Travel	697,861	28,635	35,818	64,453	762,314
Supplies	1,100,413	11,418	164,406	175,824	1,276,237
Facilities	784,609	31,545	67,228	98,773	883,382
Utilities	443,804	50,245	27,110	77,355	521,159
Insurance	162,300	46,343	-	46,343	208,643
Equipment	315,537	10,482	58,658	69,140	384,677
Vehicles	1,026,342	1,094	5,887	6,981	1,033,323
Other expenses	315,437	71,491	293,177	364,668	680,105
Depreciation	540,071	136,672	411	137,083	677,154
Gifts in-kind	87,191,755	-	-	-	87,191,755
Total other expenses	<u>95,300,956</u>	<u>467,720</u>	<u>1,153,599</u>	<u>1,621,319</u>	<u>96,922,275</u>
Total expenses	<u>\$ 102,163,203</u>	<u>\$ 1,693,082</u>	<u>\$ 2,473,389</u>	<u>\$ 4,166,471</u>	<u>\$ 106,329,674</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	Program Activities	Supporting Activities		Subtotal	Total
		Administration	Resource Development		
Salaries and related expenses					
Salaries and related expenses	\$ 5,432,823	\$ 808,886	\$ 1,317,712	\$ 2,126,598	\$ 7,559,421
Employee benefits	953,402	125,181	207,434	332,615	1,286,017
Payroll taxes	308,153	59,986	112,186	172,172	480,325
Total salaries and related expenses	<u>6,694,378</u>	<u>994,053</u>	<u>1,637,332</u>	<u>2,631,385</u>	<u>9,325,763</u>
Other expenses					
Professional fees	900,525	70,483	13,585	84,068	984,593
Consultants	40,649	4,457	146,395	150,852	191,501
Media and marketing	5,849	607	225,701	226,308	232,157
Direct mail	-	-	152,467	152,467	152,467
Program grants and activities	2,819,502	-	340	340	2,819,842
Travel	903,021	31,523	72,298	103,821	1,006,842
Supplies	1,032,160	10,063	101,121	111,184	1,143,344
Facilities	328,042	20,098	103,187	123,285	451,327
Utilities	455,118	53,866	11,773	65,639	520,757
Insurance	178,215	36,823	-	36,823	215,038
Equipment	313,254	8,983	96,102	105,085	418,339
Vehicles	1,033,901	1,486	8,025	9,511	1,043,412
Other expenses	344,508	44,404	169,158	213,562	558,070
Depreciation	668,253	164,765	493	165,258	833,511
Gifts in-kind	136,624,791	-	7,845	7,845	136,632,636
Total other expenses	<u>145,647,788</u>	<u>447,558</u>	<u>1,108,490</u>	<u>1,556,048</u>	<u>147,203,836</u>
Total expenses	<u>\$ 152,342,166</u>	<u>\$ 1,441,611</u>	<u>\$ 2,745,822</u>	<u>\$ 4,187,433</u>	<u>\$ 156,529,599</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL NOTES TO FINANCIAL STATEMENTS

1. Organization

Founded in 1979, Medical Teams International's (MTI) mission is to demonstrate the love of Christ to people affected by disaster, conflict, and poverty. MTI is headquartered in Tigard, Oregon with satellite offices in Redmond, Washington; Zeeland, Michigan; and Minneapolis, Minnesota and seven international offices in Cambodia, Guatemala, Haiti, Liberia, Moldova, Uganda, and Uzbekistan.

MTI delivers dental and medical care, humanitarian aid, and holistic development programs to all people in need, regardless of religion, nationality, sex, or race. In collaboration with established field partners, MTI staff and volunteers mobilize training and educational initiatives to ensure that programs have a long-term positive impact.

MTI implements and supports programs that address the causes and effects of inadequate health care. Initiatives include training and education to build the skill and capacity of partners, volunteers, staff, and those they serve in order to produce sustainable change. Programs include medical services and training; community health and development; HIV and AIDS; emergency medical services; disaster response; and humanitarian aid.

MTI operates 11 mobile dental units that have the capability of providing dental care to over 17,000 low-income, uninsured people in 39 Pacific Northwest counties. MTI operates one mobile dental unit in the Twin Cities, Minnesota area that has the capacity to serve 1,500 children and adults who lack access to critically needed dental care. In partnership with Ronald McDonald House Charities-Upper Midwest, MTI operates one mobile dental van that provides dental care to approximately 1,500 pediatric patients in the 14-county Minneapolis-St. Paul metropolitan area.

2. Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements include the accounts of all MTI field offices and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MTI and changes therein are classified and reported as follows:

Unrestricted net assets reflect the cumulative effect of net activity absent donor-imposed restrictions.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of MTI pursuant to these stipulations. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose 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 restriction.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by MTI's actions.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of financial statement classification, MTI considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Uncollectable Promises to Give

Management periodically reviews the collectability of promises to give and, based on this analysis, determines an appropriate allowance for uncollectable promises. Accounts are charged-off when all collection efforts have been exhausted.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair market value at the date of donation. It is MTI's policy to capitalize expenditures for items that are in excess of \$5,000 and have a useful life of more than one year. The recorded value of equipment and other capital assets used in overseas programs is expensed as incurred where MTI does not retain the title. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

Vehicles, including mobile dental units	5 - 10 years
Office equipment and furniture	3 - 5 years
Buildings and land improvements	7 - 30 years
Assets held overseas	5 years

Restricted and Unrestricted Revenue and Support

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. When projects are completed and restricted contribution funds remain, every effort is made to use the excess funds in like or similar projects, upon approval of the Board of Directors.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies, continued

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, MTI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MTI reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

MTI receives the benefit of donated services that are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Endowment Fund Policy

The Board of Directors has established guidelines for the Endowment Fund in seeking preservation of the assets, growth of the assets, and consistency of investment returns through both capital appreciation and current income. MTI's policy is to maintain the principal of the fund in perpetuity. The policy allows a percentage of the fair market value of the Endowment Fund, including income earned, to be expended in a given fiscal year as recommended by the Finance Committee and approved by the Board. The percentage shall be determined on a year-to-year basis by the Finance Committee and subsequently approved by the Board.

MTI's endowment investment strategy is to emphasize long-term growth as measured by total return, while avoiding excessive risk. The primary investment objective is to earn a total rate of return from investment assets which shall exceed demands placed on the portfolio to support MTI's spending policy plus the rate of inflation, as measured by the national Consumer Price Index. The total rate of return shall be based on a method that utilizes market value for all marketable investments, such as equity and fixed income securities. The total rate of return shall be calculated to include dividends and interest accrued or received during the period. Calculations should also show realized and unrealized gains and losses. The rate of return should be net of all fees and expenses.

Endowment Fund investments are limited to separately managed accounts, commingled funds, or mutual funds. These include equity investments and fixed income investments.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies, continued

Compensated Absences

Employees are compensated during periods of absence due to sickness or vacation. MTI records this cost as it is incurred. Compensation is payable to employees at the time the absence occurs or upon termination of employment. As of June 30, 2013 and 2012, accrued compensated absences were \$294,227 and \$295,822, respectively.

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 reported amounts of assets (including gifts in-kind) and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates include the valuation of donated assets, property and equipment, and services. It is reasonably possible that estimates used in the valuation process could change in the near term.

Advertising Costs

Advertising costs are expensed during the year in which they are incurred. During fiscal years 2013 and 2012, advertising costs totaled \$19,056 and \$33,076, respectively.

Annuities Payable

Annuities payable have been computed using an average discount factor of 5.5 percent and an estimated life expectancy of annuitants based on applicable mortality rates.

Income Taxes

MTI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, MTI qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(2). In any year in which MTI has unrelated business gross income of \$1,000 or more, it must file Form 990-T with the Internal Revenue Service (IRS) and may have to pay tax on such income. MTI's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS for three years after it was filed.

Shipping and Freight

The cost of shipping and freight as they relate to donated assets is included in program grants and activities and is expensed as costs are incurred.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

3. Cash and Cash Equivalents

Cash and cash equivalents held in the United States may at times exceed the limits of Federal Deposit Insurance Corporation (FDIC) insurance coverage. MTI makes such deposits with financially strong entities and has not incurred any credit-related losses. Cash and cash equivalents held in foreign countries are not insured and are restricted to use for programs in those countries. The Uzbekistan soum is not readily marketable outside of that country.

As of June 30, in United States dollars, MTI's cash and cash equivalents consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents held in the U.S.:		
Checking accounts	\$ 1,352,260	\$ 188,808
Money markets	12,610	3,320
Petty cash	10,946	14,000
Cash in foreign currency	<u>446</u>	<u>540</u>
Total cash and cash equivalents held in the U.S.	<u>1,376,262</u>	<u>206,668</u>
Cash and cash equivalents held in foreign countries:		
Uganda	139,879	253,875
Liberia	82,979	172,702
Haiti	30,706	17,144
Cambodia	22,181	3,021
Uzbekistan	14,460	57,746
Mexico	12,125	8,805
Guatemala	11,099	322
Indonesia	4,258	41,965
Moldova	<u>53</u>	<u>15</u>
Total cash and cash equivalents held in foreign countries	<u>317,740</u>	<u>555,595</u>
Total cash and cash equivalents	<u>\$ 1,694,002</u>	<u>\$ 762,263</u>

MTI had a gain of \$762 and a loss of \$23,326 from foreign currency transactions for the years ended June 30, 2013 and 2012, respectively. These amounts are included in other expenses.

4. Investments

Investments are stated at fair value as determined by quoted market prices and consist of mutual funds that are invested primarily in fixed-income securities of varying maturities at any point in time. Investments in mutual funds include Board-designated investments, reserves, and endowment investments. Investments also include a certificate of deposit with an original maturity in excess of three months.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

As of June 30, investments consisted of:

	<u>2013</u>	<u>2012</u>
Certificate of deposit	\$ 115,000	\$ 140,000
Mutual funds	<u>2,288,675</u>	<u>2,940,751</u>
Total investments	<u>\$ 2,403,675</u>	<u>\$ 3,080,751</u>

Investment balances reported above are not guaranteed or covered by insurance.

Investment income is comprised of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 70,652	\$ 86,488
Realized gain (loss) on investments	76,049	(730)
Unrealized gain (loss) on investments	<u>129,723</u>	<u>(56,574)</u>
Total investment income	<u>\$ 276,424</u>	<u>\$ 29,184</u>

5. Receivables

As of June 30, receivables included unconditional promises to give and consisted of the following:

	<u>2013</u>	<u>2012</u>
Pledge receivable in less than one year	\$ 550,472	\$ 650,618
Receivable in one to five years	<u>128,334</u>	<u>189,834</u>
Total unconditional promises to give	678,806	840,452
Allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give	663,806	825,452
Grant receivables	350,266	651,230
Other receivables	<u>2,905</u>	<u>593,939</u>
Total receivables	<u>\$ 1,016,977</u>	<u>\$ 2,070,621</u>

At June 30, 2013, there were unconditional promises to give from two major donors that exceeded 10 percent of total net unconditional promises to give. At June 30, 2012, there were unconditional promises to give from one major donor that exceeded 10 percent of total net unconditional promises to give. Receivables from these donors were \$297,436 and \$228,334 at June 30, 2013 and 2012, respectively.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

6. Inventories

As of June 30, inventories consisted of the following:

	<u>2013</u>	<u>2012</u>
Donated items	\$ 10,308,789	\$ 10,849,444
Mobile dental care supplies	<u>158,922</u>	<u>159,445</u>
Total inventories	<u>\$ 10,467,711</u>	<u>\$ 11,008,889</u>

Donated inventories which consist of medical equipment and relief and medical supplies are valued at their estimated fair market value at the date of donation.

7. Property and Equipment

As of June 30, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Vehicles, including mobile dental units	\$ 3,120,419	\$ 3,120,419
Office equipment and furniture	1,746,054	1,762,281
Building and land	8,563,253	8,556,482
Assets held overseas	1,443,955	1,612,904
Assets held for resale	<u>45,360</u>	<u>45,360</u>
	14,919,041	15,097,446
Accumulated depreciation	<u>(6,382,322)</u>	<u>(6,008,271)</u>
Property and equipment, net	<u>\$ 8,536,719</u>	<u>\$ 9,089,175</u>

8. Line of Credit

MTI has a \$1 million revolving line of credit through U.S. Bank with a maturity date of October 31, 2013. The unpaid principal balance bears interest at an annual rate equal to the prime rate and is payable each month, with a final interest payment due with the final payment of principal. The credit line is secured by the general assets of MTI and requires that MTI maintain a tangible net worth at all times in the amount of \$20 million. There were no advances made on the line of credit as of June 30, 2013 and 2012.

9. Net Assets Released from Restrictions

Net assets relating to restricted contributions and grants are released from the temporarily restricted fund to the unrestricted fund when MTI incurs expenses satisfying the restricted purposes or when other events specified by donors occur.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

9. Net Assets Released from Restrictions, continued

For the years ended June 30, such releases are summarized as follows:

	<u>2013</u>	<u>2012</u>
Satisfaction of international and domestic relief and development projects – temporarily restricted net assets	<u>\$ 9,771,400</u>	<u>\$ 10,293,127</u>

10. Net Assets

As of June 30, net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Unrestricted net assets	\$ 1,687,612	\$ 2,110,288
Invested in inventories	10,467,711	11,008,889
Invested in property and equipment, net	<u>8,536,719</u>	<u>9,089,175</u>
Total unrestricted net assets	<u>\$ 20,692,042</u>	<u>\$ 22,208,352</u>

The nature of MTI's activities is such that it is common to have temporarily restricted net asset carryovers when projects funded by long-term grants are carried out over multiple-year periods or when restricted revenue for projects exceeds expenses for those projects during the same fiscal year. MTI is committed to these long-term projects and plans to expend these funds.

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Africa projects	\$ 737,699	\$ 631,344
Asia projects	86,024	195,621
Latin America projects	19,348	685,548
Other	<u>131,808</u>	<u>163,270</u>
Total temporarily restricted net assets	<u>\$ 974,879</u>	<u>\$ 1,675,783</u>
Permanently restricted net assets	<u>\$ 1,374,016</u>	<u>\$ 1,182,689</u>

Permanently restricted net assets consisted of Endowment Fund assets to be held indefinitely totaling \$1,374,016 and \$1,182,689 at June 30, 2013 and 2012, respectively. The income from these assets is used to support MTI's general activities. Income earned, gains, and losses on endowment investments are accumulated in permanently restricted revenue and are released upon the approval by the Board of Directors to expend a percentage in a given fiscal year.

11. Gifts In-kind

MTI receives donations of medical supplies and other commodities for use in relief and development programs. These in-kind donations have been recorded in accordance with ACCORD GIK Interagency Standards, which are consistent with presentation per accounting principles generally accepted in the United States of America. All in-kind donations are recorded at their estimated fair value in the period shipped or designated for program use.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

11. Gifts In-kind, continued

For the year ended June 30, 2013, gifts in-kind distributed directly by MTI amounted to \$6,482,846. The remaining \$77,821,217 was distributed to, and in partnership with, other agencies and was delivered to MTI before being distributed.

For the year ended June 30, 2012, gifts in-kind distributed directly by MTI amounted to \$2,836,460. The remaining \$130,843,541 was distributed to, and in partnership with, other agencies and was delivered to MTI before being distributed.

MTI only records the value of gifts in-kind for which they were the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used the gifts in their programs.

MTI also receives a significant amount of donated services. The total value of these gifts in-kind included in the accompanying financial statements is \$2,852,071 and \$2,944,790 for the years ended June 30, 2013 and 2012, respectively. During the years ended June 30, 2013 and 2012, MTI also received a significant amount of donated services from other volunteers that are not recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America was not satisfied.

MTI's emergency response and other projects' survival depend upon these contributions. If it were not for gifts in-kind, the purchase of these vital components and the services of these volunteers for its projects would be restricted to the availability of cash funds.

12. Operating Leases

MTI leases office equipment under noncancellable operating leases. MTI also leases buildings, equipment, and vehicles under cancellable operating leases or under leases with lease terms expiring within one year. Rent expense under all leases included in the accompanying financial statements totaled \$370,030 and \$488,272 for the years ended June 30, 2013 and 2012, respectively.

The future minimum rental payments required under the above noncancellable operating leases is as follows:

<u>For the Years Ending June 30</u>	
2014	\$ 12,457
2015	12,457
2016	11,692
2017	-
2018	-
Total	<u>\$ 36,606</u>

MEDICAL TEAMS INTERNATIONAL NOTES TO FINANCIAL STATEMENTS

13. Retirement Plan

MTI has established a Safe Harbor 401(k) retirement plan for the benefit of its employees. Employees are eligible to make voluntary salary deferrals to the plan on their date of hire. Employees are eligible for discretionary employer contributions and matching contributions after they have completed 12 months and 1,000 hours of service. The plan is funded on a bi-weekly basis and funding is at the discretion of the Board of Directors.

Total retirement plan expense for the years ended June 30, 2013 and 2012, was \$316,462 and \$289,257, respectively.

14. Concentration of Geographic Risk

The majority of MTI's donors are located in the Pacific Northwest region of the United States. MTI's revenue is potentially subject to risks associated with fluctuations in the economy of this area of the United States.

15. Fair Value Measurements

MTI uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FASB ASC 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with FASB ASC 820, MTI groups its financial assets and financial liabilities generally measured at fair value based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

15. Fair Value Measurements, continued

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at June 30, 2013 and 2012, was as follows:

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments – mutual funds	<u>\$ 2,403,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,403,675</u>
	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments – mutual funds	<u>\$ 3,080,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,080,751</u>

16. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

SUPPLEMENTAL INFORMATION

MEDICAL TEAMS INTERNATIONAL
SCHEDULE OF PROGRAM ACTIVITIES
For the Year Ended June 30, 2013
(With Comparative Totals for 2012)

	Africa	Asia	Latin America	United States	Other Disaster and Development	Distribution Center and Commodities Support	Total Program Activities 2013	Total Program Activities 2012
Salaries and related expenses								
Salaries and related expenses	\$ 1,705,314	\$ 577,563	\$ 684,566	\$ 1,110,690	\$ 1,162,970	\$ 311,671	\$ 5,552,774	\$ 5,432,823
Employee benefits	338,480	73,100	113,662	222,828	215,811	50,363	1,014,244	953,402
Payroll taxes	<u>27,053</u>	<u>19,464</u>	<u>28,571</u>	<u>106,523</u>	<u>84,148</u>	<u>29,470</u>	<u>295,229</u>	<u>308,153</u>
 Total salaries and related expenses	 <u>2,070,847</u>	 <u>670,127</u>	 <u>826,799</u>	 <u>1,440,041</u>	 <u>1,462,929</u>	 <u>391,504</u>	 <u>6,862,247</u>	 <u>6,694,378</u>
 Other expenses								
Professional fees	578,871	31,820	42,849	28,804	34,988	-	717,332	900,525
Consultants	20,000	23,439	2,000	5,323	9,914	6,975	67,651	40,649
Media and marketing	762	-	720	3,365	5,275	-	10,122	5,849
Program grants and activities	867,494	329,397	729,294	1,537	-	-	1,927,722	2,819,502
Travel	513,775	97,919	54,201	24,241	2,848	4,877	697,861	903,021
Supplies	820,994	31,002	52,520	114,710	50,041	31,146	1,100,413	1,032,160
Facilities	580,840	31,978	86,828	35,256	19,198	30,509	784,609	328,042
Utilities	203,922	30,700	60,057	54,926	40,905	53,294	443,804	455,118
Insurance	36,193	4,902	8,719	48,360	22,024	42,102	162,300	178,215
Equipment	183,542	38,349	29,804	35,065	22,838	5,939	315,537	313,254
Vehicles	767,021	40,743	34,046	151,011	28,158	5,363	1,026,342	1,033,901
Other expenses	76,274	34,937	27,722	16,527	615	159,362	315,437	344,508
Depreciation	100,778	24,174	94,372	158,578	33,704	128,465	540,071	668,253
Gifts in-kind	<u>7,668,913</u>	<u>33,451,708</u>	<u>30,904,208</u>	<u>1,242,603</u>	<u>35,621</u>	<u>13,888,702</u>	<u>87,191,755</u>	<u>136,624,791</u>
 Total other expenses	 <u>12,419,379</u>	 <u>34,171,068</u>	 <u>32,127,340</u>	 <u>1,920,306</u>	 <u>306,129</u>	 <u>14,356,734</u>	 <u>95,300,956</u>	 <u>145,647,788</u>
 Distribution Center allocation	 <u>2,444,722</u>	 <u>5,878,240</u>	 <u>5,559,866</u>	 <u>566,942</u>	 <u>298,468</u>	 <u>(14,748,238)</u>	 <u>-</u>	 <u>-</u>
 Total expenses	 <u>\$ 16,934,948</u>	 <u>\$ 40,719,435</u>	 <u>\$ 38,514,005</u>	 <u>\$ 3,927,289</u>	 <u>\$ 2,067,526</u>	 <u>\$ -</u>	 <u>\$ 102,163,203</u>	 <u>\$ 152,342,166</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Medical Teams International
Tigard, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Medical Teams International (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Medical Teams International's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Medical Teams International's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medical Teams International's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.
Hillsboro, Oregon
October 16, 2013