

**MEDICAL TEAMS INTERNATIONAL
AND SUBSIDIARY**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
(with supplemental information)**

JUNE 30, 2007 AND 2006

CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Statements of financial position	2
Statement of activities for the year ended June 30, 2007	3
Statement of activities for the year ended June 30, 2006	4
Statement of functional expenses for the year ended June 30, 2007	5
Statement of functional expenses for the year ended June 30, 2006	6
Statements of cash flows	7
Notes to financial statements	8 – 17
SUPPLEMENTAL INFORMATION	
Independent auditor’s report on supplemental information	18
Schedule of program activities	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Medical Teams International and Subsidiary

We have audited the accompanying consolidated statements of financial position of Medical Teams International and Subsidiary (collectively referred to as MTI) as of June 30, 2007 and 2006, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of MTI's management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MTI, as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Portland, Oregon
September 14, 2007

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30,	
	2007	2006
Cash and cash equivalents	\$ 1,936,705	\$ 3,595,360
Cash held in foreign countries	1,159,303	538,888
Total cash and cash equivalents	3,096,008	4,134,248
Investments	9,405,374	12,206,240
Loan fund investments	434,776	-
Receivables	1,317,409	1,163,937
Prepaid expenses	242,862	415,747
Inventories	7,501,871	2,719,514
Property and equipment, net	7,315,622	7,296,918
Other assets	20,345	12,345
TOTAL ASSETS	\$ 29,334,267	\$ 27,948,949

LIABILITIES AND NET ASSETS

Accounts payable	\$ 472,103	\$ 664,383
Loan fund payable	655,486	-
Accrued payroll, vacation, and related liabilities	572,335	446,529
Deferred revenue	159,488	159,488
Annuities payable	46,199	5,136
Total liabilities	1,905,611	1,275,536
Net assets:		
Unrestricted	17,751,124	13,474,125
Temporarily restricted	8,383,376	11,938,888
Permanently restricted	1,294,156	1,260,400
Total net assets	27,428,656	26,673,413
TOTAL LIABILITIES AND NET ASSETS	\$ 29,334,267	\$ 27,948,949

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 6,853,001	\$ 4,790,557	\$ 33,756	\$ 11,677,314
Gifts in-kind	79,173,133	-	-	79,173,133
Service fees	231,919	366,259	-	598,178
Investment income	964,134	22,280	-	986,414
Other	119,707	95,276	-	214,983
Net assets released from restrictions	8,829,884	(8,829,884)	-	-
Total revenues and support	<u>96,171,778</u>	<u>(3,555,512)</u>	<u>33,756</u>	<u>92,650,022</u>
EXPENSES				
Program activities	<u>87,808,356</u>	<u>-</u>	<u>-</u>	<u>87,808,356</u>
Supporting activities:				
Administration	1,462,664	-	-	1,462,664
Resource development	<u>2,623,759</u>	<u>-</u>	<u>-</u>	<u>2,623,759</u>
Total supporting activities	<u>4,086,423</u>	<u>-</u>	<u>-</u>	<u>4,086,423</u>
Total expenses	<u>91,894,779</u>	<u>-</u>	<u>-</u>	<u>91,894,779</u>
INCREASE (DECREASE) IN NET ASSETS	4,276,999	(3,555,512)	33,756	755,243
NET ASSETS, beginning of year	<u>13,474,125</u>	<u>11,938,888</u>	<u>1,260,400</u>	<u>26,673,413</u>
NET ASSETS, end of year	<u>\$ 17,751,124</u>	<u>\$ 8,383,376</u>	<u>\$ 1,294,156</u>	<u>\$ 27,428,656</u>

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 12,814,074	\$ 3,860,462	\$ 5,000	\$ 16,679,536
Gifts in-kind	102,774,960	-	-	102,774,960
Service fees	224,046	347,334	-	571,380
Investment income	695,119	15,896	-	711,015
Other	39,706	75,563	-	115,269
Net assets released from restrictions	<u>3,649,473</u>	<u>(3,649,473)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>120,197,378</u>	<u>649,782</u>	<u>5,000</u>	<u>120,852,160</u>
EXPENSES				
Program activities	<u>117,922,716</u>	<u>-</u>	<u>-</u>	<u>117,922,716</u>
Supporting activities:				
Administration	1,014,259	-	-	1,014,259
Resource development	<u>2,552,800</u>	<u>-</u>	<u>-</u>	<u>2,552,800</u>
Total supporting activities	<u>3,567,059</u>	<u>-</u>	<u>-</u>	<u>3,567,059</u>
Total expenses	<u>121,489,775</u>	<u>-</u>	<u>-</u>	<u>121,489,775</u>
INCREASE (DECREASE) IN NET ASSETS	(1,292,397)	649,782	5,000	(637,615)
NET ASSETS, beginning of year	<u>14,766,522</u>	<u>11,289,106</u>	<u>1,255,400</u>	<u>27,311,028</u>
NET ASSETS, end of year	<u>\$ 13,474,125</u>	<u>\$ 11,938,888</u>	<u>\$ 1,260,400</u>	<u>\$ 26,673,413</u>

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007**

	Program Activities	Supporting Activities			Total
		Administration	Resource Development	Subtotal	
SALARIES AND RELATED EXPENSES					
Salaries	\$ 3,872,113	\$ 706,594	\$ 931,456	\$ 1,638,050	\$ 5,510,163
Employee benefits	701,582	82,043	116,991	199,034	900,616
Payroll taxes	291,752	64,608	83,575	148,183	439,935
Total salaries and related expenses	4,865,447	853,245	1,132,022	1,985,267	6,850,714
OTHER EXPENSES					
Professional fees	279,300	70,571	12,152	82,723	362,023
Consultants	340,831	35,759	262,333	298,092	638,923
Marketing	12,928	78,237	180,163	258,400	271,328
Advertising and special events	870	150	7,513	7,663	8,533
Direct mail	-	16,778	649,407	666,185	666,185
Program grants/activities	3,109,444	492	1,994	2,486	3,111,930
Travel	690,399	26,727	48,065	74,792	765,191
Supplies	1,561,692	30,873	50,484	81,357	1,643,049
Facilities	269,711	43,360	55,577	98,937	368,648
Utilities	203,354	44,739	16,410	61,149	264,503
Insurance	183,161	52,860	7,239	60,099	243,260
Equipment	740,983	17,975	62,890	80,865	821,848
Vehicles	412,134	393	8,248	8,641	420,775
Other Expenses	240,564	74,318	119,733	194,051	434,615
Depreciation	514,763	116,187	9,529	125,716	640,479
Gifts in-kind	74,382,775	-	-	-	74,382,775
TOTAL EXPENSES	\$ 87,808,356	\$ 1,462,664	\$ 2,623,759	\$ 4,086,423	\$ 91,894,779

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006**

	<u>Supporting Activities</u>				<u>Total</u>
	<u>Program Activities</u>	<u>Administration</u>	<u>Resource Development</u>	<u>Subtotal</u>	
SALARIES AND RELATED EXPENSES					
Salaries	\$ 3,112,459	\$ 472,215	\$ 917,488	\$ 1,389,703	\$ 4,502,162
Employee benefits	489,109	67,876	116,851	184,727	673,836
Payroll taxes	267,138	44,420	86,276	130,696	397,834
Total salaries and related expenses	3,868,706	584,511	1,120,615	1,705,126	5,573,832
OTHER EXPENSES					
Professional fees	363,105	74,517	6,250	80,767	443,872
Consultants	116,588	13,631	362,098	375,729	492,317
Marketing	4,208	1,327	211,555	212,882	217,090
Video	950	-	6,296	6,296	7,246
Direct mail	-	-	409,437	409,437	409,437
Program grants/activities	4,446,428	7,412	-	7,412	4,453,840
Travel	885,153	23,062	54,471	77,533	962,686
Supplies	1,430,563	14,338	37,860	52,198	1,482,761
Facilities	244,788	27,528	97,140	124,668	369,456
Utilities	170,916	41,990	16,621	58,611	229,527
Insurance	157,726	49,174	10,159	59,333	217,059
Equipment	354,287	47,593	21,490	69,083	423,370
Vehicles	281,402	1,593	14,987	16,580	297,982
Other expenses	126,363	53,305	175,637	228,942	355,305
Depreciation	466,109	72,528	8,184	80,712	546,821
Gifts in-kind	105,005,424	1,750	-	1,750	105,007,174
TOTAL EXPENSES	<u>\$ 117,922,716</u>	<u>\$ 1,014,259</u>	<u>\$ 2,552,800</u>	<u>\$ 3,567,059</u>	<u>\$ 121,489,775</u>

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 755,243	\$ (637,615)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	640,479	546,821
Loss on disposal of property and equipment	26,277	52,580
Loss (gain) on sale of investments	1,419	(11,148)
Unrealized gain on investments	(109,331)	(84,736)
Donated stock investments	-	(340,564)
Change in inventories	(4,782,357)	2,237,214
Change in operating assets and liabilities:		
Receivables	(153,472)	1,178,151
Prepaid expenses	172,885	(248,794)
Other assets	(8,000)	-
Accounts payable	504,269	246,831
Accrued payroll, vacation, and related liabilities	125,806	160,420
Net cash from operating activities	<u>(2,826,782)</u>	<u>3,099,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase (decrease) in investments	2,474,002	(3,500,408)
Acquisition of property and equipment	(685,460)	(399,011)
Proceeds from sale of donated assets	-	348,235
Net cash from investing activities	<u>1,788,542</u>	<u>(3,551,184)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,038,240)	(452,024)
CASH AND CASH EQUIVALENTS, beginning of year	4,134,248	4,586,272
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,096,008</u>	<u>\$ 4,134,248</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION

Medical Teams International (MTI), formerly Northwest Medical Teams, is a nonprofit private voluntary Christian relief and development organization dedicated to providing medical care, supplies, and health education to people in need worldwide. This ministry includes organizing medical personnel and obtaining medical and other supplies for quick response to some of the most devastating and difficult disasters around the world. It involves giving such assistance quickly in acute emergencies, as well as providing intermediate care until such disasters are resolved. MTI also acts as a clearinghouse for medical and other emergency response supplies for other agencies involved with disaster relief projects.

MTI has offices in ten countries, where staff works with volunteer teams and local partners to establish long-term solutions to communities plagued by chronic poverty, lack of medical care and minimal educational opportunities. MTI provides resources and training in other complementary health-related areas such as HIV/AIDS, family nutrition, agriculture, clean water and sanitation, and the training of community health workers.

MTI works in cooperation with partners in more than 100 countries, equipping hospitals and distributing medical supplies to people in need.

Ten mobile dental units have the capability of providing dental care to 17,000 low-income, homeless and migrant workers in Oregon and Washington.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements are consolidated with Manos de Vida, MTI's wholly-owned subsidiary.

Net assets and revenues, 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 effective of net activity absent donor-imposed restrictions.

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

- ◆ *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 statement 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.

Cash and equivalents – For purposes of consolidated 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 uncollectible promises to give – Management periodically reviews the collectibility of promises to give and based on this analysis determines an appropriate allowance for uncollectible promises.

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 are 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 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 funds remain, every effort is made to use the excess funds in like or similar projects.

When a 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 statement of activities as net assets released from restrictions.

Promises to give – Unconditional promises to give are recognized as revenues 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.

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

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.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement 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.

Compensated absences – Employees are compensated during periods of absence due to sickness or vacation. Organizational policies control the use of these benefits. Unused sick pay is not recorded in the financial statements because it expires upon termination of employment. Unused vacation pay does not expire and is recorded as a liability in the accompanying consolidated financial statements.

Use of estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, 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 revenues and support, and expenses during the reporting periods. Actual results could differ from those estimates.

Advertising and promotion costs – Advertising and promotion costs are expensed during the year in which they are incurred.

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

Income taxes – MTI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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).

Reclassifications – Certain reclassifications have been made to the 2006 financial statements to conform to current year presentations. These reclassifications had no effect on total net income or changes in net assets.

NOTE 3 – CASH AND CASH EQUIVALENTS

MTI’s cash and cash equivalents consist of the following:

The United States cash and cash equivalents amounts may exceed the limits of FDIC insurance coverage. However, 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.

	<u>2007</u>	<u>2006</u>
Checking accounts	\$ 928,705	\$ 1,871,847
Money markets	1,000,000	1,721,323
Cash held in foreign countries:		
Uzbekistan	461,333	139,037
Mexico	224,627	159,281
Uganda	177,222	25,554
Indonesia	121,225	114,974
Sri Lanka	75,178	93,870
Liberia	52,272	5,946
Moldova	17,286	-
Cambodia	14,253	-
Tajikistan	12,733	-
Vietnam	2,686	-
Petty Cash	8,488	2,416
	<u>\$ 3,096,008</u>	<u>\$ 4,134,248</u>

MTI had losses of \$3,213 and \$16,875 from foreign currency transactions for the years ended June 30, 2007 and 2006, respectively. These amounts are included in other expenses.

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 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.

	<u>2007</u>	<u>2006</u>
Mutual funds	<u>\$ 9,405,374</u>	<u>\$ 12,206,240</u>

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

Investment income is comprised of the following:

	<u>2007</u>	<u>2006</u>
Interest income	\$ 878,502	\$ 615,131
Realized gain (loss) on investments	(1,419)	11,148
Unrealized gain on investments	<u>109,331</u>	<u>84,736</u>
	<u>\$ 986,414</u>	<u>\$ 711,015</u>

In September 2006, MTI temporarily assumed a micro-finance loan fund from a former program partner in Uzbekistan. Cash received is used to service outstanding loans as well as pay administrative expenses related to the loan fund. In order to maximize the return on these funds, MTI invested the cash in two certificates of deposit (CDs). The CDs are due September 10th and December 24th, 2007; both bear a ten-percent interest rate. The loan fund is increased by the interest income and when loans are repaid, it is decreased by the amount of administrative expenses incurred. The micro-finance project and related loan fund will be transferred to an in-country partner on July 1, 2008. The balance of the loan fund liability was \$655,486 at June 30, 2007.

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – RECEIVABLES

Receivables represent unconditional promises to give and consist of the following:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 598,769	\$ 604,452
Receivable in one to five years	601,767	382,747
Receivable after five years	<u>81,392</u>	<u>84,142</u>
Total unconditional promises to give	1,281,928	1,071,341
Less allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give	1,266,928	1,056,341
Other receivables	<u>50,481</u>	<u>107,596</u>
Total receivables	<u>\$ 1,317,409</u>	<u>\$ 1,163,937</u>

Receivables for the years ended June 30, 2007 and 2006, include pledges to MTI's Capital and Endowment Campaign.

NOTE 6 – INVENTORIES

Inventories consist of the following:

	<u>2007</u>	<u>2006</u>
Donated items	\$ 7,439,972	\$ 2,657,615
Mobile dental care supplies	<u>61,899</u>	<u>61,899</u>
	<u>\$ 7,501,871</u>	<u>\$ 2,719,514</u>

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

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2007</u>	<u>2006</u>
Vehicles, including mobile dental units	\$ 2,429,120	\$ 2,171,824
Office equipment and furniture	760,020	615,900
Building and land	5,345,068	5,329,992
Assets held overseas	<u>1,577,245</u>	<u>1,295,636</u>
Total property and equipment	10,111,453	9,413,352
Less accumulated depreciation	<u>(2,804,831)</u>	<u>(2,246,023)</u>
	7,306,622	7,167,329
Construction in progress	<u>9,000</u>	<u>129,589</u>
Property and equipment, net	<u>\$ 7,315,622</u>	<u>\$ 7,296,918</u>

NOTE 8 – 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. Such releases are summarized as follows:

	<u>2007</u>	<u>2006</u>
Satisfaction of international and domestic relief and development projects	<u>\$ 8,829,884</u>	<u>\$ 3,649,473</u>

NOTE 9 – NET ASSETS

A summary of net assets is as follows:

	<u>2007</u>	<u>2006</u>
Unrestricted net assets	\$ 2,933,631	\$ 3,457,693
Invested in inventories	7,501,871	2,719,514
Invested in property and equipment, net	<u>7,315,622</u>	<u>7,296,918</u>
	<u>\$ 17,751,124</u>	<u>\$ 13,474,125</u>

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS – (continued)

	<u>2007</u>	<u>2006</u>
Temporarily restricted net assets:		
South Asia disaster	\$ 6,054,788	\$ 7,829,000
Africa projects	1,189,024	82,980
Gulf Coast Hurricane	470,469	2,764,000
Asia projects	267,322	747,609
Latin America	222,701	112,127
Mobile dental clinics	179,072	403,172
	<u>\$ 8,383,376</u>	<u>\$ 11,938,888</u>
Permanently restricted net assets	<u>\$ 1,294,156</u>	<u>\$ 1,260,400</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.

Permanently restricted net assets consist of endowment fund assets totaling \$1,294,156 and \$1,260,400 at June 30, 2007 and 2006, to be held indefinitely. The income from these assets is used to support MTI's general activities.

NOTE 10 – GIFTS IN-KIND

MTI receives donations of food, medical supplies, and other commodities for use in relief and development programs. These gifts in-kind have been recorded in accordance with AERDO GIK Interagency Standards, which are consistent with presentation in accordance with generally accepted accounting principles. Such gifts are recorded at their estimated fair value in the period shipped or designated for program use. Based upon the quantities donated, such gifts were valued based upon the estimated wholesale value of gifts received considering their condition and utility for use.

For the year ended June 30, 2007, gifts in-kind distributed directly by MTI amounted to \$4,723,898. The remaining \$66,553,894 was distributed to, and in partnership with, other agencies. Of the amounts distributed to other organizations, \$65,703,487 was delivered to MTI before being distributed. The remaining amount of \$85,407 was shipped directly from the donor to other organizations.

For the year ended June 30, 2006, gifts in-kind distributed directly by MTI amounted to \$4,829,936. The remaining \$96,214,077 was distributed to, and in partnership with, other agencies. All of the gifts-in-kind distributed to other organizations were delivered to MTI before being distributed.

**MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 – GIFTS IN-KIND – (continued)

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

MTI also receives a significant amount of donated freight and services. The total value of these gifts in-kind included in the accompanying financial statements is \$3,104,983 and \$3,961,411 for the years ended June 30, 2007 and 2006, respectively. During the years ending June 30, 2007 and 2006, MTI also received a significant amount of donated services from other volunteers that are not recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles 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.

NOTE 11 – OPERATING LEASE

MTI leases office equipment and vehicles under noncancellable operating leases. MTI also leases buildings and equipment 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 \$385,002 and \$344,661 for the years ended June 30, 2007 and 2006, respectively.

The future minimum rental payments required under the above noncancellable operating leases is \$12,792 for each of the years ending June 30, 2007, through June 30, 2009.

NOTE 12 – RETIREMENT PLAN

Effective January 1, 2007, MTI changed its retirement plan from a defined contribution profit sharing plan to a Safe Harbor 401(k) plan. 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 after they have completed 12 months of service with a minimum of 1,000 hours. The plan is funded on a monthly basis and is at the discretion of the Board.

Total retirement plan expense for the years ended June 30, 2007 and 2006, was \$190,659 and \$141,454, respectively.

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – CONCENTRATION OF GEOGRAPHIC RISK

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

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL
INFORMATION**

The Board of Directors
Medical Teams International and Subsidiary

The following additional information related to Medical Teams International and Subsidiary's (collectively referred to as MTI) consolidated financial statements for the year ended June 30, 2007, is presented for purposes of additional analysis. This is not a required part of the basic consolidated financial statements. However, the information in this schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion such information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The prior year summarized comparative information has been derived from the MTI's 2006 financial statements and, in our report dated August 26, 2006, we expressed an unqualified opinion on those financial statements.

Moss Adams LLP

Portland, Oregon
September 14, 2007

MEDICAL TEAMS INTERNATIONAL AND SUBSIDIARY
SCHEDULE OF PROGRAM ACTIVITIES
YEAR ENDED JUNE 30, 2007 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

	Africa	Asia	Latin America	United States	Other Disaster and Development	Distribution Center and Commodities Support	Total Program Activities 2007	Total Program Activities 2006
SALARIES AND RELATED EXPENSES								
Salaries	\$ 520,249	\$ 847,298	\$ 371,876	\$ 805,521	\$ 924,178	\$ 402,991	\$ 3,872,113	\$ 3,112,459
Employee benefits	94,938	184,783	99,527	133,802	129,502	59,030	701,582	489,109
Payroll taxes	23,283	40,050	20,658	82,961	82,975	41,825	291,752	267,138
Total salaries and related expenses	638,470	1,072,131	492,061	1,022,284	1,136,655	503,846	4,865,447	3,868,706
OTHER EXPENSES								
Professional fees	54,284	51,771	6,954	140,614	25,677	-	279,300	363,105
Consultants	51,331	155,259	1,000	90,610	28,231	14,400	340,831	116,588
Marketing	1,130	3,903	119	3,794	4,851	-	13,797	5,158
Program grants/activities	602,030	913,755	530,119	868,062	54,698	140,780	3,109,444	4,446,428
Travel	156,579	298,935	34,466	71,865	108,888	19,666	690,399	885,153
Supplies	195,771	80,863	45,041	1,161,517	44,973	33,527	1,561,692	1,430,563
Facilities	50,640	125,897	14,704	46,038	7,100	25,332	269,711	244,788
Utilities	24,005	70,984	12,099	30,802	26,522	38,942	203,354	170,916
Insurance	8,051	25,248	7,571	57,666	30,282	54,343	183,161	157,726
Equipment	71,171	605,443	4,859	26,306	23,698	9,506	740,983	354,287
Vehicles	142,195	98,935	19,473	141,659	4,473	5,399	412,134	281,402
Other expenses	23,809	118,060	12,058	38,658	38,380	9,599	240,564	466,110
Depreciation	46,085	61,226	46,626	267,199	10,730	82,897	514,763	126,363
Gifts in-kind	9,333,505	22,349,960	34,808,040	975,456	-	6,915,814	74,382,775	105,005,423
Total expenses before Distribution Center allocation	11,399,056	26,032,370	36,035,190	4,942,530	1,545,158	7,854,051	87,808,356	117,922,716
Distribution Center allocation	1,119,749	2,557,205	3,539,800	485,513	151,784	(7,854,051)	-	-
TOTAL EXPENSES	\$ 12,518,805	\$ 28,589,575	\$ 39,574,990	\$ 5,428,043	\$ 1,696,942	\$ -	\$ 87,808,356	\$ 117,922,716