

**MEDICAL TEAMS
INTERNATIONAL**

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

JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Medical Teams International

We have audited the accompanying statements of financial position of Medical Teams International (MTI) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of MTI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MTI, as of June 30, 2008 and 2007, 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 10, 2008

**MEDICAL TEAMS INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	June 30,	
	2008	2007
Cash and cash equivalents	\$ 1,361,469	\$ 1,937,193
Cash held in foreign countries	432,381	1,158,815
Total cash and cash equivalents	1,793,850	3,096,008
Investments	6,703,843	9,405,374
Loan fund investments	-	434,776
Receivables	2,649,044	1,317,409
Prepaid expenses	333,611	242,862
Inventories	10,762,012	7,501,871
Property and equipment, net	7,427,011	7,315,622
Other assets	12,345	20,345
TOTAL ASSETS	\$ 29,681,716	\$ 29,334,267

LIABILITIES AND NET ASSETS

Accounts payable	\$ 517,069	\$ 472,103
Loan fund payable	-	655,486
Accrued payroll, vacation, and related liabilities	709,288	572,335
Deferred revenue	127,489	159,488
Annuities payable	106,260	46,199
Total liabilities	1,460,106	1,905,611
Net assets:		
Unrestricted	20,307,202	17,751,124
Temporarily restricted	6,615,252	8,383,376
Permanently restricted	1,299,156	1,294,156
Total net assets	28,221,610	27,428,656
TOTAL LIABILITIES AND NET ASSETS	\$ 29,681,716	\$ 29,334,267

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 7,923,853	\$ 5,569,005	\$ 5,000	\$ 13,497,858
Gifts in-kind	117,481,170	-		117,481,170
Service fees	342,113	378,236		720,349
Investment income	288,620	50,481		339,101
Other	14,118	24,617		38,735
Net assets released from restrictions	7,790,463	(7,790,463)		-
Total revenues and support	<u>133,840,337</u>	<u>(1,768,124)</u>	<u>5,000</u>	<u>132,077,213</u>
EXPENSES				
Program activities	<u>126,951,227</u>	<u>-</u>	<u>-</u>	<u>126,951,227</u>
Supporting activities:				
Administration	1,323,674	-	-	1,323,674
Resource development	<u>3,009,358</u>	<u>-</u>	<u>-</u>	<u>3,009,358</u>
Total supporting activities	<u>4,333,032</u>	<u>-</u>	<u>-</u>	<u>4,333,032</u>
Total expenses	<u>131,284,259</u>	<u>-</u>	<u>-</u>	<u>131,284,259</u>
INCREASE (DECREASE) IN NET ASSETS	2,556,078	(1,768,124)	5,000	792,954
NET ASSETS, beginning of year	<u>17,751,124</u>	<u>8,383,376</u>	<u>1,294,156</u>	<u>27,428,656</u>
NET ASSETS, end of year	<u>\$ 20,307,202</u>	<u>\$ 6,615,252</u>	<u>\$ 1,299,156</u>	<u>\$ 28,221,610</u>

MEDICAL TEAMS INTERNATIONAL
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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Program Activities	Supporting Activities			Total
		Administration	Resource Development	Subtotal	
SALARIES AND RELATED EXPENSES					
Salaries	\$ 4,688,765	\$ 708,140	\$ 1,305,328	\$ 2,013,468	\$ 6,702,233
Employee benefits	1,003,261	102,486	194,281	296,767	1,300,028
Payroll taxes	298,500	61,862	111,017	172,879	471,379
Total salaries and related expenses	5,990,526	872,488	1,610,626	2,483,114	8,473,640
OTHER EXPENSES					
Professional fees	240,464	75,639	10,537	86,176	326,640
Consultants	126,018	9,439	260,679	270,118	396,136
Marketing	24,841	1,112	179,821	180,933	205,774
Direct mail	-	-	460,651	460,651	460,651
Program grants/activities	2,477,171	-	6,803	6,803	2,483,974
Travel	738,436	30,654	64,219	94,873	833,309
Supplies	1,370,945	16,492	74,804	91,296	1,462,241
Facilities	275,350	27,486	73,352	100,838	376,188
Utilities	239,498	45,766	18,278	64,044	303,542
Insurance	160,432	45,871	4,572	50,443	210,875
Equipment	262,456	16,180	57,049	73,229	335,685
Vehicles	460,799	1,419	10,670	12,089	472,888
Other expenses	284,028	64,294	168,020	232,314	516,342
Depreciation	592,716	116,834	9,277	126,111	718,827
Gifts in-kind	113,707,547	-	-	-	113,707,547
TOTAL EXPENSES	\$ 126,951,227	\$ 1,323,674	\$ 3,009,358	\$ 4,333,032	\$ 131,284,259

**MEDICAL TEAMS INTERNATIONAL
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
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 792,954	\$ 755,243
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	718,827	640,479
Loss on disposal of property and equipment	19,792	26,277
Gain on sale of property and equipment	(1,179)	-
Loss on sale of investments	10,462	1,419
Unrealized loss (gain) on investments	241,952	(109,331)
Donated property and equipment	(410,765)	-
Donated investments	(588,109)	(433,028)
Change in inventories	(3,260,141)	(4,782,357)
Change in operating assets and liabilities:		
Receivables	(1,331,635)	(153,472)
Prepaid expenses	(90,749)	172,885
Other assets	8,000	(8,000)
Accounts payable	105,027	504,269
Loan fund payable	(655,486)	-
Accrued payroll, vacation, and related liabilities	136,953	125,806
Deferred revenue	(31,999)	-
Net cash from operating activities	<u>(4,336,096)</u>	<u>(3,259,810)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(266,500)	(230,740)
Proceeds from sale of investments	3,738,502	3,137,770
Proceeds from sale of property and equipment	15,489	-
Acquisition of property and equipment	(453,553)	(685,460)
Net cash from investing activities	<u>3,033,938</u>	<u>2,221,570</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,302,158)	(1,038,240)
CASH AND CASH EQUIVALENTS, beginning of year	3,096,008	4,134,248
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,793,850</u>	<u>\$ 3,096,008</u>

NOTE 1 – ORGANIZATION

Founded in 1979, Medical Teams International's mission is to demonstrate the love of Christ to those affected by disaster, conflict, and poverty. Medical Teams International (MTI) is headquartered in Tigard, Oregon with a satellite office in Redmond, Washington, and ten international offices (Sri Lanka, Liberia, Uganda, Mexico, Uzbekistan, Indonesia, Moldova, Tajikistan, Viet Nam, and Cambodia).

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 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 we 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; humanitarian aid; and children's ministry. Ten mobile dental units have the capability of providing dental care to over 16,000 low-income, uninsured people in 39 Pacific Northwest counties.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The accompanying financial statements include the accounts of all Medical Teams International field offices, and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Prior to June 30, 2008, Medical Teams International presented Manos de Vida, its Mexico field office, as a wholly-owned subsidiary. Management has reviewed the facts and circumstances of the relationship with Manos de Vida and has determined that it is not a separate business entity from MTI and, thus should not be considered a 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

NOTES TO 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 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 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. 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 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.

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.

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

NOTE 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.

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.

Annuities payable – Annuities payable have been computed using an average discount factor of 5.5 percent and 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. 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).

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (continued)

Reclassifications – Certain reclassifications have been made to the 2007 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

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. MTI's cash and cash equivalents consist of the following in United States dollars:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents		
Checking accounts	\$ 1,056,094	\$ 928,705
Money markets	150,000	1,000,000
Petty Cash	13,050	8,000
Cash in foreign currency	142,325	488
Total cash and cash equivalents	<u>1,361,469</u>	<u>1,937,193</u>
Cash held in foreign countries		
Mexico	149,147	224,627
Sri Lanka	97,870	75,178
Uzbekistan	72,304	461,333
Uganda	53,963	177,222
Indonesia	19,679	121,225
Vietnam	14,987	2,686
Tajikistan	10,473	12,733
Liberia	9,693	52,272
Cambodia	4,264	14,253
Moldova	1	17,286
Total cash held in foreign countries	<u>432,381</u>	<u>1,158,815</u>
Total cash and cash equivalents	<u>\$ 1,793,850</u>	<u>\$ 3,096,008</u>

MTI had losses of \$17,119 and \$3,213 from foreign currency transactions for the years ended June 30, 2008 and 2007, respectively. These amounts are included in other expenses.

MEDICAL TEAMS INTERNATIONAL
NOTES TO 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>2008</u>	<u>2007</u>
Mutual funds	<u>\$ 6,703,843</u>	<u>\$ 9,405,374</u>

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

Investment income is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 591,515	\$ 878,502
Realized loss on investments	(10,462)	(1,419)
Unrealized gain (loss) on investments	<u>(241,952)</u>	<u>109,331</u>
	<u>\$ 339,101</u>	<u>\$ 986,414</u>

In September 2006, MTI temporarily assumed a micro-finance loan fund from a former program partner in Uzbekistan. Cash received was 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 were due September 10th and December 24th, 2007; both bore a ten-percent interest rate. The loan fund was increased by the interest income and when loans were repaid, it was decreased by the amount of administrative expenses incurred. The micro-finance project and related loan fund was transferred to an in-country partner prior to year end. Therefore, there was no balance in the loan fund asset or liability as of June 30, 2008. At June 30, 2007, the loan fund liability was \$655,486.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RECEIVABLES

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

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 1,215,217	\$ 598,769
Receivable in one to five years	1,314,761	601,767
Receivable after five years	<u>81,392</u>	<u>81,392</u>
Total unconditional promises to give	2,611,370	1,281,928
Less allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give	2,596,370	1,266,928
Other receivables	<u>52,674</u>	<u>50,481</u>
Total receivables	<u><u>\$ 2,649,044</u></u>	<u><u>\$ 1,317,409</u></u>

Receivables for the years ended June 30, 2008 and 2007, include pledges to MTI's Capital and Endowment Campaigns.

NOTE 6 – INVENTORIES

Inventories consist of the following:

	<u>2008</u>	<u>2007</u>
Donated items	\$ 10,700,053	\$ 7,439,972
Mobile dental care supplies	<u>61,959</u>	<u>61,899</u>
	<u><u>\$ 10,762,012</u></u>	<u><u>\$ 7,501,871</u></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
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Vehicles, including mobile dental units	\$ 2,422,335	\$ 2,429,120
Office equipment and furniture	1,460,113	769,020
Building and land	5,351,088	5,345,068
Assets held overseas	<u>1,682,784</u>	<u>1,577,245</u>
 Total property and equipment	 10,916,320	 10,120,453
Less accumulated depreciation	<u>(3,489,309)</u>	<u>(2,804,831)</u>
 Property and equipment, net	 <u>\$ 7,427,011</u>	 <u>\$ 7,315,622</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>2008</u>	<u>2007</u>
Satisfaction of international and domestic relief and development projects	<u>\$ 7,790,463</u>	<u>\$ 8,829,884</u>

NOTE 9 – NET ASSETS

A summary of net assets is as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted net assets	\$ 2,118,179	\$ 2,933,631
Invested in inventories	10,762,012	7,501,871
Invested in property and equipment, net	<u>7,427,011</u>	<u>7,315,622</u>
	<u>\$ 20,307,202</u>	<u>\$ 17,751,124</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.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – NET ASSETS – (continued)

	<u>2008</u>	<u>2007</u>
Temporarily restricted net assets:		
Asia projects	\$ 4,268,988	\$ 6,322,110
Capital campaign	1,187,579	-
Africa projects	703,665	1,189,024
Mobile dental clinics	226,908	179,072
Latin America	190,612	222,701
Other	37,500	-
Gulf Coast Hurricane	-	470,469
	<u>\$ 6,615,252</u>	<u>\$ 8,383,376</u>
Permanently restricted net assets	<u>\$ 1,299,156</u>	<u>\$ 1,294,156</u>

Permanently restricted net assets consist of endowment fund assets totaling \$1,299,156 and \$1,294,156 at June 30, 2008 and 2007, 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, 2008, gifts in-kind distributed directly by MTI amounted to \$4,975,416. The remaining \$105,517,923 was distributed to, and in partnership with, other agencies and was delivered to MTI before being distributed.

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 \$850,407 was shipped directly from the donor to other organizations.

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.

NOTE 10 – GIFTS IN-KIND – (continued)

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 \$3,214,208 and \$3,104,983 for the years ended June 30, 2008 and 2007, respectively. During the years ending June 30, 2008 and 2007, 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 \$355,259 and \$385,002 for the years ended June 30, 2008 and 2007, respectively.

The future minimum rental payments required under the above noncancellable operating leases is \$22,181 for the year ended June 30, 2009, \$9,389 for each of the years ending June 30, 2010 through June 30, 2012, and \$6,259 for years thereafter.

NOTE 12 – 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 after they have completed 12 months, and 1,000 hours, of service. The plan is funded on a monthly basis and is at the discretion of the Board of Directors.

Total retirement plan expense for the years ended June 30, 2008 and 2007, was \$279,537 and \$190,659, respectively.

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

The following additional information related to Medical Teams International's (MTI) financial statements for the year ended June 30, 2008 is presented for purposes of additional analysis. This is not a required part of the basic financial statements. However, the information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The prior year summarized comparative information has been derived from MTI's 2007 financial statements and, in our report dated September 14, 2007, we expressed an unqualified opinion on those financial statements.

Moss Adams LLP

Portland, Oregon
September 10, 2008

**MEDICAL TEAMS INTERNATIONAL
SCHEDULE OF PROGRAM ACTIVITIES**

YEAR ENDED JUNE 30, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

	<u>Africa</u>	<u>Asia</u>	<u>Latin America</u>	<u>United States</u>	<u>Other Disaster and Development</u>	<u>Distribution Center and Commodities Support</u>	<u>Total Program Activities 2008</u>	<u>Total Program Activities 2007</u>
SALARIES AND RELATED EXPENSES								
Salaries	\$ 828,233	\$ 1,151,956	\$ 417,861	\$ 751,286	\$ 1,126,661	\$ 412,768	\$ 4,688,765	\$ 3,872,114
Employee benefits	143,348	366,189	104,723	135,574	186,482	66,945	1,003,261	701,582
Payroll taxes	27,771	37,001	24,319	71,337	97,911	40,161	298,500	291,752
Total salaries and related expenses	999,352	1,555,146	546,903	958,197	1,411,054	519,874	5,990,526	4,865,448
OTHER EXPENSES								
Professional fees	72,798	59,209	22,315	60,614	25,528	-	240,464	279,300
Consultants	-	89,976	-	3,063	27,234	5,745	126,018	340,831
Marketing	37	1,327	119	18,364	4,994	-	24,841	13,797
Program grants/activities	465,807	786,697	556,574	444,066	35,618	188,409	2,477,171	3,109,444
Travel	147,144	372,965	62,567	31,390	108,620	15,750	738,436	690,399
Supplies	493,749	477,693	61,284	114,096	112,962	111,161	1,370,945	1,561,692
Facilities	85,420	121,470	15,282	20,850	7,446	24,882	275,350	269,711
Utilities	37,751	91,213	11,876	29,546	32,036	37,076	239,498	203,354
Insurance	10,765	31,644	8,131	47,551	16,075	46,266	160,432	183,161
Equipment	46,436	138,424	7,277	28,168	28,514	13,637	262,456	740,983
Vehicles	196,626	115,602	20,925	117,562	2,122	7,962	460,799	412,134
Other expenses	21,463	123,455	23,937	39,691	48,821	26,661	284,028	240,564
Depreciation	71,152	77,055	48,371	261,288	20,207	114,643	592,716	514,763
Gifts in-kind	17,698,674	22,721,372	44,601,331	1,027,493	-	27,658,677	113,707,547	74,382,775
Total expenses before Distribution Center allocation	20,347,174	26,763,248	45,986,892	3,201,939	1,881,231	28,770,743	126,951,227	87,808,356
Distribution Center allocation	5,962,520	7,842,685	13,475,968	938,294	551,276	(28,770,743)	-	-
TOTAL EXPENSES	\$ 26,309,694	\$ 34,605,933	\$ 59,462,860	\$ 4,140,233	\$ 2,432,507	\$ -	\$ 126,951,227	\$ 87,808,356