



MEDICAL AMBASSADORS INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2013 and 2012

MEDICAL AMBASSADORS INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Medical Ambassadors International
Modesto, California

We have audited the accompanying financial statements of Medical Ambassadors International (the Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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.

Board of Directors
Medical Ambassadors International
Modesto, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Ambassadors International as of December 31, 2013 and 2012, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

San Diego, California
May 27, 2014

MEDICAL AMBASSADORS INTERNATIONAL

Statements of Financial Position

	Year Ended December 31,	
	2013	2012
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,333,244	\$ 961,739
Investments	253,316	794,410
Accounts receivable	582	1,090
Prepaid expenses, cash advances, and other assets	40,883	38,151
Field advances	211,315	201,079
	<u>1,839,340</u>	<u>1,996,469</u>
Property and equipment - net	<u>661,038</u>	<u>50,900</u>
Total Assets	<u>\$ 2,500,378</u>	<u>\$ 2,047,369</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 32,701	\$ 32,020
Accrued expenses	15,262	18,148
Capital lease payable - current portion	12,859	12,151
	<u>60,822</u>	<u>62,319</u>
Capital lease payable - net of current portion	<u>62,591</u>	<u>18,598</u>
Total liabilities	<u>123,413</u>	<u>80,917</u>
Net assets:		
Unrestricted:		
Undesignated	1,058,268	1,179,867
Net investment in property and equipment	585,588	20,151
	<u>1,643,856</u>	<u>1,200,018</u>
Temporarily restricted	<u>733,109</u>	<u>766,434</u>
Total net assets	<u>2,376,965</u>	<u>1,966,452</u>
Total Liabilities and Net Assets	<u>\$ 2,500,378</u>	<u>\$ 2,047,369</u>

See notes to financial statements

MEDICAL AMBASSADORS INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 1,400,838	\$ 1,717,679	\$ 3,118,517	\$ 1,139,236	\$ 1,189,230	\$ 2,328,466
Donated services	150,000	-	150,000	135,000	-	135,000
Investment income (loss)	(6,094)	-	(6,094)	(5,590)	-	(5,590)
Other income	9,440	-	9,440	434	-	434
Net assets released from restrictions:						
Satisfaction of ministry project restrictions	1,751,004	(1,751,004)	-	1,222,577	(1,222,577)	-
Total Support, Revenue, and Reclassifications	3,305,188	(33,325)	3,271,863	2,491,657	(33,347)	2,458,310
OPERATING EXPENSES:						
Program services:						
Field ministry and programs	2,153,638	-	2,153,638	1,901,620	-	1,901,620
Supporting activities:						
General and administrative	271,212	-	271,212	275,359	-	275,359
Fundraising	374,322	-	374,322	299,497	-	299,497
	<u>2,799,172</u>	<u>-</u>	<u>2,799,172</u>	<u>2,476,476</u>	<u>-</u>	<u>2,476,476</u>
Change in Net Assets from Operations	506,016	(33,325)	472,691	15,181	(33,347)	(18,166)
NON-OPERATING:						
Write-off of leasehold improvements	62,178	-	62,178	-	-	-
Change in Net Assets	443,838	(33,325)	410,513	15,181	(33,347)	(18,166)
Net Assets, Beginning of Year	<u>1,200,018</u>	<u>766,434</u>	<u>1,966,452</u>	<u>1,184,837</u>	<u>799,781</u>	<u>1,984,618</u>
Net Assets, End of Year	<u>\$ 1,643,856</u>	<u>\$ 733,109</u>	<u>\$ 2,376,965</u>	<u>\$ 1,200,018</u>	<u>\$ 766,434</u>	<u>\$ 1,966,452</u>

See notes to financial statements

MEDICAL AMBASSADORS INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 410,513	\$ (18,166)
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,405	17,120
Net realized and unrealized loss on investments	23,162	19,087
Gain on disposal of capital lease	(4,683)	-
Net change in:		
Accounts receivable	508	3,602
Prepaid expenses, cash advances, and other assets	(2,732)	(22,070)
Field advances	(10,236)	(49,802)
Accounts payable	681	16,381
Accrued expenses	(2,886)	4,972
Net Cash Provided by (Used In) Operating Activities	435,732	(28,876)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(571,153)	(5,331)
Proceeds from sale of investments	535,000	-
Purchase of investments	(17,068)	(813,497)
Net Cash Used in Investing Activities	(53,221)	(818,828)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease	(11,006)	(10,795)
Net Cash Used in Financing Activities	(11,006)	(10,795)
Change in Cash and Cash Equivalents	371,505	(858,499)
Cash and Cash Equivalents, Beginning of Year	961,739	1,820,238
Cash and Cash Equivalents, End of Year	\$ 1,333,244	\$ 961,739
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest (none capitalized)	\$ 3,625	\$ 4,343
Equipment financed with capital lease obligation	\$ 77,475	\$ -

See notes to financial statements

MEDICAL AMBASSADORS INTERNATIONAL

Notes to Financial Statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:

Medical Ambassadors International (the Organization), was incorporated in 1980 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from state income taxes. Contributions made by donors are deductible for income tax purposes.

The Organization exists to recruit, train, and support national leaders among developing peoples to take responsibility to reach their own people physically and spiritually. Using the Community Health Evangelism model, the Organization trains nationals in basic preventive medical care as well as evangelism and discipleship of their neighbors. The goal is to promote healthier families, more self-reliant communities, and stronger churches. The Organization's primary source of revenue is from tax-deductible contributions from the public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, money market accounts, and certificates of deposit with an original maturity date of 90 days or less. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts.

INVESTMENTS

Investments consist of deposit accounts and mutual funds that are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. Interest income and the realized and unrealized gains or losses on investments are reported as unrestricted investment income unless a donor or law temporarily restricts its use.

FIELD ADVANCES

The Organization advances field support to missionaries serving abroad in December in order for there to be funds on hand to cover expenses in January.

PROPERTY AND EQUIPMENT

Expenditures over \$1,000 for property and equipment are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets ranging from 3 to 30 years.

MEDICAL AMBASSADORS INTERNATIONAL

Notes to Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by class of net assets:

Unrestricted net assets are currently available at the discretion of the board and management for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted net assets are contributed with donor stipulation for specific operating purposes or capital projects.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. Restrictions on contributions for the acquisition of property or other long-lived assets are considered to be met when the property or other long-lived asset is placed in service.

DONATED SERVICES

The president and vice president of ministries of the Organization have elected to not receive a salary for services performed. Management researched compensation for a similar position and for the size of organization and has recorded \$90,000 and \$80,000 for the president and \$60,000 and \$55,000 for the vice president of ministries as reasonable compensation for the years ending December 31, 2013 and 2012. This amount was recorded as a contribution and expense in the statements of activities.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the Organization. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization receives noncash gifts that are recorded as support at the estimated fair market value on the date of the gift. Goods given to the Organization that do not have an objective basis for valuation are not recorded.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements

December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADVERTISING

Advertising is used to promote the operations of the Organization. Advertising costs are expensed as incurred. For the years ended December 31, 2013 and 2012, advertising costs were \$1,446 and \$245, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2013 and 2012, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization files information tax returns in the U.S. and California. The Organization is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board (FASB) recently issued an accounting standards update to the Statement of Cash Flows—Overall—Other Presentation Matters Topic of the Accounting Standards Codification (ASC). The amendments in this update require classification of cash receipts from the sale of donated financial assets (e.g., debt or equity instruments) by a not-for-profit that, upon receipt of the donated financial assets, are directed for sale without any limitations and are converted nearly immediately into cash as (1) operating cash flows, or (2) if the donor has restricted the use of the securities to a long-term purpose, as financing cash flows. The amendments require classification as investing cash flows of all other cash receipts resulting from the sale of debt and equity securities not meeting the foregoing conditions for classification within operating or financing cash flows. The amendments are effective for fiscal years beginning after June 15, 2013, with early adoption permitted. The Organization has early adopted this update.

MEDICAL AMBASSADORS INTERNATIONAL

Notes to Financial Statements

December 31, 2013 and 2012

3. INVESTMENTS:

Investments consist of:

	December 31,	
	2013	2012
Deposit accounts	\$ 4,154	\$ 100,005
Mutual funds	249,162	694,405
Total investments	<u>\$ 253,316</u>	<u>\$ 794,410</u>

Investment income consists of:

	December 31,	
	2013	2012
Interest and dividends	\$ 17,068	\$ 13,497
Realized and unrealized gain (loss) on investments	(23,162)	(19,087)
	<u>\$ (6,094)</u>	<u>\$ (5,590)</u>

4. PROPERTY AND EQUIPMENT - NET:

Property and equipment - net consists of:

	December 31,	
	2013	2012
Land	\$ 185,489	\$ -
Building	349,511	-
Furniture and equipment	198,335	162,183
Equipment under capital lease	77,475	56,949
Donated cemetery lots	500	500
	<u>811,310</u>	<u>219,632</u>
Less accumulated depreciation and amortization	(150,272)	(168,732)
	<u>661,038</u>	<u>50,900</u>
Less equipment under capital lease	(75,450)	(30,749)
Net investment in property and equipment	<u>\$ 585,588</u>	<u>\$ 20,151</u>

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Notes to Financial Statements

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5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2013	2012
Missionary support	\$ 470,987	\$ 451,361
Haiti relief and development	13,935	33,199
Afghan development	8,483	8,003
Philippines development	12,272	-
Wheelchair mission fund	19,337	19,337
Field projects and other	208,095	254,534
	\$ 733,109	\$ 766,434

6. CAPITAL LEASES PAYABLE:

	December 31,	
	2013	2012
Capital lease entered into October 2013 for copiers with monthly payments of \$2,053, maturing October 2018.	\$ 94,814	\$ -
Capital lease entered into March 2010 for copiers with monthly payments of \$1,262, terminated September 2013.	-	35,336
Less: discount to present value	(19,364)	(4,587)
	75,450	30,749
Less: current portion	(12,859)	(12,151)
Long-term portion of capitalized leases payable	\$ 62,591	\$ 18,598

Non-cancelable capitalized leases payable will mature as follows:

<u>Year Ending December 31,</u>	
2014	\$ 12,859
2015	14,164
2016	15,601
2017	17,183
2018	15,643
	\$ 75,450

Lease expense was \$15,409 and \$15,141 for the years ended December 31, 2013 and 2012, respectively. Accumulated amortization was \$3,874 and \$31,322 for the years ended December 31, 2013 and 2012, respectively.

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Notes to Financial Statements

December 31, 2013 and 2012

7. RETIREMENT PLAN:

The Organization has a defined contribution pension program that covers certain employees. Employees may make voluntary contributions to the plan through a salary reduction agreement. Currently, the Organization makes no employer contributions.

8. CONCENTRATION:

For the years ended December 31, 2013 and 2012, the top 5 donors gave 53% and 35%, respectively, of total contributions.

9. SUBSEQUENT EVENT:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Medical Ambassadors International
Modesto, California

We have audited the financial statements of Medical Ambassadors International as of December 31, 2013 and 2012, and our report thereon dated May 27, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Statements of Functional Expenses are presented for purposes of additional analysis and are 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.

Capin Crouse LLP

San Diego, California
May 27, 2014

MEDICAL AMBASSADORS INTERNATIONAL

Supplemental Statement of Functional Expenses

Year Ended December 31, 2013

	Field Ministry and Programs	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 768,519	\$ 195,644	\$ 110,537	\$ 1,074,700
Ministry support	541,889	-	-	541,889
Field transportation	265,373	-	-	265,373
Office expense	99,108	41,193	12,522	152,823
Special project expense	58,163	-	100,179	158,342
Travel and meetings	117,008	281	17,465	134,754
Program expense	172,092	-	-	172,092
Outside services	62,765	113,789	28,052	204,606
Other expenses	30,731	13,936	12,003	56,670
Deputation	-	-	1,620	1,620
Depreciation and amortization	-	21,405	-	21,405
Utilities	1,435	12,839	624	14,898
Facility allocation	36,555	(127,875)	91,320	-
	<u>\$ 2,153,638</u>	<u>\$ 271,212</u>	<u>\$ 374,322</u>	<u>\$ 2,799,172</u>

MEDICAL AMBASSADORS INTERNATIONAL

Supplemental Statement of Functional Expenses

Year Ended December 31, 2012

	Field Ministry and Programs	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 711,561	\$ 200,236	\$ 101,441	\$ 1,013,238
Ministry support	509,871	-	-	509,871
Field transportation	231,797	-	-	231,797
Office expense	49,439	29,069	15,521	94,029
Special project expense	61,545	-	67,875	129,420
Travel and meetings	95,824	130	15,431	111,385
Program expense	97,427	-	-	97,427
Outside services	78,907	101,121	16,133	196,161
Other expenses	44,599	12,826	3,230	60,655
Deputation	-	-	2,391	2,391
Depreciation and amortization	-	17,120	-	17,120
Utilities	-	12,878	104	12,982
Facility allocation	20,650	(98,021)	77,371	-
	<u>\$ 1,901,620</u>	<u>\$ 275,359</u>	<u>\$ 299,497</u>	<u>\$ 2,476,476</u>