

**MEDICAL TEAMS INTERNATIONAL**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**For the Year Ended September 30, 2015**

*Jones & Roth*  
  
CPAs & Business Advisors

MEDICAL TEAMS INTERNATIONAL  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
For the Year Ended September 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Medical Teams International  
Tigard, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of Medical Teams International (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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 September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental 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. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 12, 2016, 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.*

Jones & Roth, P.C.  
Hillsboro, Oregon  
February 12, 2016

## FINANCIAL STATEMENTS

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF FINANCIAL POSITION  
September 30, 2015

**Assets**

Cash and cash equivalents	\$ 944,227
Cash and cash equivalents held in foreign countries	<u>484,772</u>
Total cash and cash equivalents	1,428,999
Investments	3,976,784
Receivables and advances	3,226,027
Prepaid expenses	256,718
Inventories	27,660,041
Property and equipment, net	<u>8,381,672</u>
<b>Total assets</b>	<b><u>\$ 44,930,241</u></b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 781,222
Annuities payable	37,276
Accrued payroll, vacation, and related liabilities	489,659
Deferred revenue	<u>9,141</u>
Total liabilities	<u>1,317,298</u>

**Net assets**

Unrestricted - undesignated	38,344,942
Unrestricted - Board-designated operating reserve	<u>870,000</u>
Total unrestricted net assets	39,214,942
Temporarily restricted	2,530,541
Permanently restricted	<u>1,867,460</u>
Total net assets	<u>43,612,943</u>

<b>Total liabilities and net assets</b>	<b><u>\$ 44,930,241</u></b>
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The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and support</b>				
Contributions	\$ 10,026,679	\$ 13,268,427	\$ -	\$ 23,295,106
Gifts in-kind	166,770,451	-	-	166,770,451
Service fees	-	908,524	-	908,524
Investment income (loss)	(49,855)	6,797	(103,048)	(146,106)
Other	24,941	38,799	-	63,740
Net assets released from restrictions	<u>15,152,558</u>	<u>(15,059,373)</u>	<u>(93,185)</u>	<u>-</u>
 Total revenue and support	 <u>191,924,774</u>	 <u>(836,826)</u>	 <u>(196,233)</u>	 <u>190,891,715</u>
<b>Expenses</b>				
Program activities	173,590,480	-	-	173,590,480
Supporting activities:				
Administration	2,046,740	-	-	2,046,740
Resource development	<u>3,884,330</u>	<u>-</u>	<u>-</u>	<u>3,884,330</u>
 Total expenses	 <u>179,521,550</u>	 <u>-</u>	 <u>-</u>	 <u>179,521,550</u>
<b>Change in net assets</b>	12,403,224	(836,826)	(196,233)	11,370,165
Net assets, beginning of year	<u>26,811,718</u>	<u>3,367,367</u>	<u>2,063,693</u>	<u>32,242,778</u>
Net assets, end of year	<u>\$ 39,214,942</u>	<u>\$ 2,530,541</u>	<u>\$ 1,867,460</u>	<u>\$ 43,612,943</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2015

	Program Activities	Supporting Activities			Total
		Administration	Resource Development	Subtotal	
<b>Salaries and related expenses</b>					
Salaries and related expenses	\$ 6,954,055	\$ 1,071,188	\$ 1,448,974	\$ 2,520,162	\$ 9,474,217
Employee benefits	1,397,802	207,133	228,665	435,798	1,833,600
Payroll taxes	280,027	78,609	117,004	195,613	475,640
<b>Total salaries and related expenses</b>	<u>8,631,884</u>	<u>1,356,930</u>	<u>1,794,643</u>	<u>3,151,573</u>	<u>11,783,457</u>
<b>Other expenses</b>					
Professional fees	536,572	107,351	71,397	178,748	715,320
Consultants	95,743	47,933	494,373	542,306	638,049
Media and marketing	16,874	8,235	666,809	675,044	691,918
Direct mail	-	-	21,537	21,537	21,537
Program grants and activities	2,430,771	-	-	-	2,430,771
Travel	1,197,605	55,347	180,083	235,430	1,433,035
Supplies	1,776,905	18,606	92,641	111,247	1,888,152
Facilities	463,888	64,979	73,983	138,962	602,850
Utilities	401,693	59,777	19,126	78,903	480,596
Insurance	196,932	71,773	1,879	73,652	270,584
Equipment	790,718	29,966	109,783	139,749	930,467
Vehicles	1,004,395	1,810	5,385	7,195	1,011,590
Other expenses	518,599	104,864	337,966	442,830	961,429
Depreciation	483,805	119,169	14,725	133,894	617,699
Gifts in-kind	155,044,096	-	-	-	155,044,096
<b>Total other expenses</b>	<u>164,958,596</u>	<u>689,810</u>	<u>2,089,687</u>	<u>2,779,497</u>	<u>167,738,093</u>
<b>Total expenses</b>	<u>\$ 173,590,480</u>	<u>\$ 2,046,740</u>	<u>\$ 3,884,330</u>	<u>\$ 5,931,070</u>	<u>\$ 179,521,550</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2015

**Cash flows from operating activities**

Change in net assets	\$ 11,370,165
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	617,699
Gain on disposal of property and equipment	(4,380)
Loss on sale of investments	325
Unrealized loss on investments	252,662
Donated investments	(114,303)
Change in inventories	(11,726,221)
(Increase) decrease in:	
Receivables and advances	1,406,558
Prepaid expenses	(126,068)
Increase (decrease) in:	
Accounts payable	104,649
Annuities payable	(5,217)
Accrued payroll, vacation, and related liabilities	106,305
Deferred revenue	<u>231</u>
 Net cash provided by operating activities	 <u>1,882,405</u>

**Cash flows from investing activities**

Purchase of investments	(1,425,482)
Proceeds from sale of investments	176,255
Proceeds from sale of property and equipment	4,380
Acquisition of property and equipment	<u>(1,014,789)</u>
 Net cash used by investing activities	 <u>(2,259,636)</u>

**Net decrease in cash and cash equivalents**

	(377,231)
Cash and cash equivalents, beginning of year	<u>1,806,230</u>
Cash and cash equivalents, end of year	<u>\$ 1,428,999</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 and Zeeland, Michigan 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 community health workers, local health care providers, partners, volunteers, and staff in order to produce sustainable change. Programs include medical services and training; community health and development; HIV and AIDS; emergency medical services; humanitarian response; and humanitarian aid.

MTI operates 11 mobile dental units that have the capability of providing dental care to over 21,000 low-income people without insurance or reasonable access to affordable care in 39 Pacific Northwest counties.

### 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 statement of activities and 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.

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 earned. Compensation is payable to employees at the time the absence occurs or upon termination of employment. As of September 30, 2015, accrued compensated absences were \$257,341.

**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.

**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.

**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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**3. Cash and Cash Equivalents, continued**

As of September 30, 2015, MTI's cash and cash equivalents, in United States dollars, consisted of the following:

Cash and cash equivalents held in the U.S.:	
Checking accounts	\$ 930,638
Money markets	1,335
Petty cash	11,650
Cash in foreign currency	<u>604</u>
Total cash and cash equivalents held in the U.S.	<u>944,227</u>
Cash and cash equivalents held in foreign countries:	
Uganda	215,130
Liberia	154,688
Haiti	37,286
Guatemala	35,352
Cambodia	30,571
Uzbekistan	3,271
Nepal	3,076
Lebanon	2,957
Mexico	1,700
Myanmar	<u>741</u>
Total cash and cash equivalents held in foreign countries	<u>484,772</u>
Total cash and cash equivalents	<u>\$ 1,428,999</u>

MTI had a loss of \$118,520 from foreign currency transactions for the year ended September 30, 2015. 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.

As of September 30, 2015, investments consisted of:

Certificate of deposit	\$ 56,604
Mutual funds	<u>3,920,180</u>
Total investments	<u>\$ 3,976,784</u>

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

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**4. Investments, continued**

Investment income (loss) is comprised of the following:

Interest and dividend income	\$ 106,881
Realized loss on investments	(325)
Unrealized loss on investments	<u>(252,662)</u>
Total investment income (loss)	<u>\$ (146,106)</u>

**5. Receivables and Advances**

As of September 30, 2015, receivables included unconditional promises to give and consisted of the following:

Pledges receivable in less than one year	\$ 1,549,923
Receivable in one to five years	648,434
Receivable after five years	<u>110,000</u>
Total unconditional promises to give	2,308,357
Allowance for uncollectible promises to give	<u>(15,000)</u>
Net unconditional promises to give	2,293,357
Grant receivables	779,529
Other receivables and advances	<u>153,141</u>
Total receivables and advances	<u>\$ 3,226,027</u>

At September 30, 2015, there were unconditional promises to give from one major donor that exceeded 10 percent of total net unconditional promises to give. Receivables from this donor were \$810,000 at September 30, 2015.

**6. Inventories**

As of September 30, 2015, inventories consisted of the following:

Donated items	\$ 27,449,650
Mobile dental care supplies	<u>210,391</u>
Total inventories	<u>\$ 27,660,041</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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**7. Property and Equipment**

As of September 30, 2015, property and equipment consisted of the following:

Vehicles, including mobile dental units	\$ 4,331,862
Office equipment and furniture	2,429,482
Building and land	8,881,428
Assets held for resale	<u>45,360</u>
	15,688,132
Accumulated depreciation	<u>(7,306,460)</u>
Property and equipment, net	<u>\$ 8,381,672</u>

**8. Line of Credit**

MTI has a \$500,000 revolving line of credit through U.S. Bank with a maturity date of March 31, 2016. 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 September 30, 2015.

**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.

For the year ended September 30, 2015, such releases are summarized as follows:

Satisfaction of international and domestic relief and development projects – temporarily restricted net assets	<u>\$ 15,059,373</u>
Board-approved use of permanently restricted net assets	<u>\$ 93,185</u>

**10. Net Assets**

As of September 30, 2015, net assets consisted of the following:

Unrestricted net assets	\$ 2,303,229
Board-designated reserve	870,000
Invested in inventories	27,660,041
Invested in property and equipment, net	<u>8,381,672</u>
Total unrestricted net assets	<u>\$ 39,214,942</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**10. Net Assets**, continued

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.

Temporarily restricted net assets:	
Asia projects	\$ 844,572
Africa projects	668,011
Latin America projects	127,794
Other	<u>890,164</u>
 Total temporarily restricted net assets	 <u>\$ 2,530,541</u>
 Permanently restricted net assets	 <u>\$ 1,867,460</u>

Permanently restricted net assets consisted of Endowment Fund assets to be held indefinitely totaling \$1,867,460 at September 30, 2015. 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.

For the year ended September 30, 2015, gifts in-kind distributed directly by MTI amounted to \$1,950,992. The remaining \$150,931,086 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 \$2,162,018 for the year ended September 30, 2015. During the year ended September 30, 2015, 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 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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**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 \$470,254 for the year ended September 30, 2015.

The future minimum rental payments required under noncancellable operating leases are as follows:

For the Years Ending September 30

2016	\$	8,578
2017		-
2018		-
2019		-
2020		-
		<hr/>
Total	\$	<u>8,578</u>

**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 year ended September 30, 2015, was \$268,260.

**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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**15. Fair Value Measurements, continued**

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.

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 September 30, 2015, was as follows:

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,920,180	\$ _____	\$ _____	\$ 3,920,180

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**16. Change of Year End**

As of July 1, 2013, MTI changed its fiscal year end from June 30 to September 30. Due to the change in year end, the September 30, 2014, financial statements were presented as 15-month, non-comparative for the period from July 1, 2013 to September 30, 2014. The September 30, 2015, financial statements are presented as 12-month, non-comparative for the period from October 1, 2014 to September 30, 2015.

**17. 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 September 30, 2015

	Africa	Asia	Latin America	United States	General Disaster and Development	Medicines and Health Products	Total Program Activities 2015
<b>Salaries and related expenses</b>							
Salaries and related expenses	\$ 3,138,462	\$ 637,892	\$ 755,193	\$ 982,586	\$ 969,901	\$ 470,021	\$ 6,954,055
Employee benefits	640,904	134,890	136,121	226,120	171,979	87,788	1,397,802
Payroll taxes	38,597	13,697	13,534	100,405	69,960	43,834	280,027
<b>Total salaries and related expenses</b>	<u>3,817,963</u>	<u>786,479</u>	<u>904,848</u>	<u>1,309,111</u>	<u>1,211,840</u>	<u>601,643</u>	<u>8,631,884</u>
<b>Other expenses</b>							
Professional fees	407,047	49,711	42,483	15,375	21,781	175	536,572
Consultants	28,300	24,289	2,400	16,864	23,890	-	95,743
Media and marketing	12,955	456	1,018	995	1,409	41	16,874
Program grants and activities	999,268	926,543	501,388	27	3,545	-	2,430,771
Travel	780,010	217,338	65,852	30,477	81,910	22,018	1,197,605
Supplies	1,384,965	48,682	153,067	126,859	42,294	21,038	1,776,905
Facilities	257,091	34,525	51,098	28,113	16,562	76,499	463,888
Utilities	207,849	27,723	44,150	39,213	33,448	49,310	401,693
Insurance	59,687	2,987	10,494	39,015	66,354	18,395	196,932
Equipment	623,052	46,010	16,484	55,539	45,003	4,630	790,718
Vehicles	812,047	25,922	44,744	112,638	357	8,687	1,004,395
Other expenses	267,177	31,454	18,133	8,511	33,583	159,741	518,599
Depreciation	102,497	18,356	47,168	168,091	46,870	100,823	483,805
Gifts in-kind	14,116,584	48,299,706	76,820,172	1,171,462	-	14,636,172	155,044,096
<b>Total other expenses</b>	<u>20,058,529</u>	<u>49,753,702</u>	<u>77,818,651</u>	<u>1,813,179</u>	<u>417,006</u>	<u>15,097,529</u>	<u>164,958,596</u>
<b>Distribution Center allocation</b>	<u>2,374,046</u>	<u>5,025,223</u>	<u>7,827,497</u>	<u>310,450</u>	<u>161,956</u>	<u>(15,699,172)</u>	<u>-</u>
<b>Total expenses</b>	<u>\$ 26,250,538</u>	<u>\$ 55,565,404</u>	<u>\$ 86,550,996</u>	<u>\$ 3,432,740</u>	<u>\$ 1,790,802</u>	<u>\$ -</u>	<u>\$ 173,590,480</u>

SINGLE AUDIT INFORMATION

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year Ended September 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Agency for International Development</b>			
Passed through International Rescue Committee:			
Rapid Ebola Response in Liberia	98.001	AID-OFDA-F-15-00037	\$ 3,461,233
Montserrado Ebola Prevention and Response	98.001	AID-OFDA-G-14-00204	1,151,116
Passed through University Research Co., LLC:			
Quality Health Services	98.001	AID-442-A-14-00003	<u>49,293</u>
Total U.S. Agency for International Development			<u>4,661,642</u>
<b>U.S. Department of State, Bureau of Population, Refugees, and Migration</b>			
Direct program:			
Comprehensive Health Care for Refugees	19.517	SPRMCO15CA1095	133,730
Life-Saving Preventative and Curative Healthcare for Refugees	19.517	SPRMCO14CA1127	<u>800,224</u>
Total U.S. Department of State, Bureau of Population, Refugees, and Migration			<u>933,954</u>
Total federal awards			<u>\$ 5,595,596</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2015

**1. Purpose of the Schedule**

The accompanying schedule of expenditures of federal awards is a supplementary schedule to MTI's financial statements and is presented for purposes of additional analysis. Because the schedule presents only a selected portion of the activities of MTI, it is not intended to and does not present the financial position, results of operations, or changes in net assets of MTI.

**2. Significant Accounting Policies**

**Reporting Entity**

The reporting entity is described in Note 1 to MTI's basic financial statements.

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes all federal programs administered by MTI for the year ended September 30, 2015. The information in the schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Federal Financial Assistance**

Pursuant to the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and therefore is reported on the schedule if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between MTI and the federal government for which the federal government procures tangible goods and services are not considered to be federal financial assistance.

**Major Programs**

The Single Audit Act and OMB Circular A-133 establish criteria to be used for defining major programs. Major programs for MTI are those programs selected for testing using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

**3. Catalog of Federal Domestic Assistance**

Catalog of Federal Domestic Assistance (CFDA) numbers reported in the accompanying schedule of expenditures of federal awards are based on the October 2015 CFDA.

**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 September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2016.

**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 Medical Teams International'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.



Jones & Roth, P.C.  
Hillsboro, Oregon  
February 12, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
Medical Teams International  
Tigard, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Medical Teams International's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Medical Teams International's major federal programs for the year ended September 30, 2015. Medical Teams International's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Medical Teams International's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Medical Teams International's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Medical Teams International's compliance.

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## Opinion on Each Major Federal Program

In our opinion, Medical Teams International complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

## Report on Internal Control Over Compliance

Management of Medical Teams International is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Medical Teams International's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Medical Teams International's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jones & Roth, P.C.  
Hillsboro, Oregon  
February 12, 2016

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2015

**Section 1 - Summary of Audit Results**

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of Medical Teams International.
- 2) No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
- 3) No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) No significant deficiencies in internal control were disclosed by the audit of the major federal award programs.
- 5) No instances of noncompliance were disclosed by the audit of the major federal award programs.
- 6) The independent auditor's report on compliance for the major federal award programs for Medical Teams International expresses an unmodified opinion.
- 7) The programs tested as major programs were:
  - CFDA # 98.001 USAID Foreign Assistance for Programs Overseas
  - CFDA # 19.517 Overseas Refugee Assistance Programs for Africa
- 8) The threshold for distinguishing between Type A and Type B programs was \$300,000.
- 9) Medical Teams International was considered a low-risk auditee under §530 of OMB Circular A-133.

**Section 2 - Financial Statement Audit Findings**

None.

**Section 3 - Federal Award Findings and Questioned Costs**

None.

There were no findings or questioned costs reported in the prior year.