

Mexico Medical Missions
Combined Financial Statements
For the Years Ended December 31, 2014 and 2013

CONTENTS

	Page
Independent Auditors' Report.....	1
Combined Statements of Financial Position	3
Combined Statements of Activities.....	4
Combined Statements of Functional Expenses	6
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mexico Medical Missions
Glenwood Springs, Colorado

We have audited the accompanying combined financial statements of Mexico Medical Missions (a nonprofit organization) (the "Organization"), which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to combined 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.

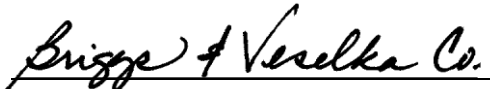
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

To the Board of Directors of
Mexico Medical Missions
Re: Independent Auditors' Report

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Briggs & Veselka Co.
Briggs & Veselka Co.
Houston, Texas

August 6, 2015

MEXICO MEDICAL MISSIONS
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 218,857	\$ 115,891
Cash restricted for property and equipment	5,530	-
Contributions receivable	133,418	36,724
Asset held for sale	-	139,430
Other current assets	<u>12,140</u>	<u>5,000</u>
Total current assets	369,945	297,045
Property and equipment, net	747,863	654,559
Other assets	<u>2,158</u>	<u>15,756</u>
TOTAL ASSETS	<u>\$ 1,119,966</u>	<u>\$ 967,360</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued liabilities	\$ 2,109	\$ 35,205
Net assets		
Unrestricted net assets	1,028,572	932,155
Temporarily restricted net assets	<u>89,285</u>	<u>-</u>
Total net assets	<u>1,117,857</u>	<u>932,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,119,966</u>	<u>\$ 967,360</u>

The accompanying notes are an integral part of these financial statements.

MEXICO MEDICAL MISSIONS
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Income			
Cash donations	\$ 1,086,130	\$ 89,285	\$ 1,175,415
Noncash donations	243,504	-	243,504
Hospital income	6,627	-	6,627
Unrealized loss on investments	(1,081)	-	(1,081)
Others	<u>1</u>	<u>-</u>	<u>1</u>
Total income	1,335,181	89,285	1,424,466
Functional expenses			
Program	1,133,610	-	1,133,610
Support services			
General and administrative	96,705	-	96,705
Fundraising	<u>8,449</u>	<u>-</u>	<u>8,449</u>
Total support services	<u>105,154</u>	<u>-</u>	<u>105,154</u>
Total functional expenses	<u>1,238,764</u>	<u>-</u>	<u>1,238,764</u>
Changes in unrestricted net assets from operations	96,417	89,285	185,702
Nonoperating income			
Gain on extinguishment of note receivable	<u>-</u>	<u>-</u>	<u>-</u>
Changes in unrestricted net assets	96,417	89,285	185,702
Unrestricted net assets, beginning of year	<u>932,155</u>	<u>-</u>	<u>932,155</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 1,028,572</u>	<u>\$ 89,285</u>	<u>\$ 1,117,857</u>

The accompanying notes are an integral part of these financial statements.

MEXICO MEDICAL MISSIONS
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Income			
Cash donations	\$ 961,005	\$ -	\$ 961,005
Noncash donations	247,392	-	247,392
Hospital income	3,671	-	3,671
Unrealized loss on investments	(911)	-	(911)
Others	48	-	48
Total income	<u>1,211,205</u>	<u>-</u>	<u>1,211,205</u>
Functional expenses			
Program	1,189,918	-	1,189,918
Support services			
General and administrative	75,288	-	75,288
Fundraising	7,087	-	7,087
Total support services	<u>82,375</u>	<u>-</u>	<u>82,375</u>
Total functional expenses	<u>1,272,293</u>	<u>-</u>	<u>1,272,293</u>
Changes in unrestricted net assets from operations	(61,088)	-	(61,088)
Nonoperating income			
Gain on extinguishment of note receivable	<u>28,997</u>	<u>-</u>	<u>28,997</u>
Changes in unrestricted net assets	(32,091)	-	(32,091)
Unrestricted net assets, beginning of year	<u>964,246</u>	<u>-</u>	<u>964,246</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 932,155</u>	<u>\$ -</u>	<u>\$ 932,155</u>

The accompanying notes are an integral part of these financial statements.

MEXICO MEDICAL MISSIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program	Support Services		Total
		General and Administrative	Fundraising	
Hospital expenses	\$ 347,909	\$ -	\$ -	\$ 347,909
Community health	211,234	-	-	211,234
Salaries and wages	180,809	9,139	-	189,948
Depreciation	129,109	-	-	129,109
Aviation	83,474	-	-	83,474
Automobile expenses	84,086	-	-	84,086
Payroll taxes	36,296	-	-	36,296
Professional fees	-	25,512	-	25,512
Utilities	23,192	195	-	23,387
Travel	15,666	-	1,521	17,187
Insurance	-	7,204	-	7,204
Communication	14,015	717	-	14,732
Grants	-	477	-	477
Advertising and promotion	-	3,182	-	3,182
Licenses and permit	-	1,222	-	1,222
Computer expenses	-	-	2,114	2,114
Other expenses	7,820	49,057	4,814	61,691
Total functional expenses	<u>\$ 1,133,610</u>	<u>\$ 96,705</u>	<u>\$ 8,449</u>	<u>\$ 1,238,764</u>

The accompanying notes are an integral part of these financial statements.

MEXICO MEDICAL MISSIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program</u>	<u>Support Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Hospital expenses	\$ 385,987	\$ -	\$ -	\$ 385,987
Community health	189,812	-	-	189,812
Salaries and wages	180,890	13,540	-	194,430
Aviation	162,976	-	-	162,976
Depreciation	112,345	-	-	112,345
Automobile expenses	42,019	-	-	42,019
Payroll taxes	35,491	-	-	35,491
Communication	12,804	1,582	-	14,386
Grants	28,202	-	-	28,202
Professional fees	-	19,909	-	19,909
Utilities	14,913	-	-	14,913
Travel	17,384	-	-	17,384
Licenses and permit	-	2,657	-	2,657
Computer expenses	-	-	6,471	6,471
Other expenses	7,095	37,600	616	45,311
	<u>7,095</u>	<u>37,600</u>	<u>616</u>	<u>45,311</u>
Total functional expenses	<u>\$ 1,189,918</u>	<u>\$ 75,288</u>	<u>\$ 7,087</u>	<u>\$ 1,272,293</u>

The accompanying notes are an integral part of these financial statements.

MEXICO MEDICAL MISSIONS
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Changes in net assets	\$ 185,702	\$ (32,091)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	129,109	112,345
Gain on extinguishment of note receivable	-	(28,997)
Loss on disposal of airplane	5,000	-
Loss on sale of asset held for sale	9,430	-
Changes in operating assets and liabilities:		
Contributions receivable	(96,694)	(13,244)
Other current assets	(7,140)	5,775
Other assets	13,598	(15,659)
Accrued liabilities	(33,096)	11,927
Net cash from operating activities	<u>205,909</u>	<u>40,056</u>
Cash flows from investing activities		
Collections on note receivable	-	16,683
Net change in cash restricted for property and equipment	(5,530)	-
Insurance proceeds related to airplane	65,000	-
Proceeds from sale of asset held for sale	130,000	-
Purchases of property and equipment	(292,413)	(32,576)
Net cash from investing activities	<u>(102,943)</u>	<u>(15,893)</u>
Net change in cash and cash equivalents	102,966	24,163
Cash and cash equivalents, beginning of year	<u>115,891</u>	<u>91,728</u>
Cash and cash equivalents, end of year	<u>\$ 218,857</u>	<u>\$ 115,891</u>
Supplemental cash flow information:		
Noncash investing activities:		
Extinguishment of note receivable in exchange for asset held for sale	\$ -	\$ 139,430

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Mexico Medical Missions (the “Organization”) is a nonprofit Colorado corporation registered on February 13, 1989. The Organization provides medical services to the people of Sierra Madre Mountains in Chihuahua, Mexico. The Organization’s primary medical center is located in the town of Samachique, Chihuahua, and includes outpatient facilities, dental suite, adult and pediatric medical wards, a lab, X-ray services and modern surgical suite. The Organization receives its support through voluntary donations from individuals, churches and foundations.

Asociacion Pro-Indigena A.C. is a nonprofit Mexican civil association registered on May 14, 1998 in Chihuahua, Mexico. Asociacion Pro-Indigena A.C. was formed to foster, establish and/or administer health clinics, medical dispensaries, and general centers for health, sports and culture that will contribute to better the life of the natives. Asociacion Pro-Indigena A.C. was created to act as the Mexican nonprofit partner of the Organization as required by the laws of Mexico.

Basis of Combination – The combined financial statements include the accounts of the Organization and Asociacion Pro-Indigena A.C. (collectively, the “Organizations”). All significant inter-organization accounts and transactions have been eliminated in combination.

Basis of Presentation – The financial statements have been prepared in accordance with standards of the American Institute of Certified Public Accountants’ Industry Audit and Accounting Guide, Not-for-Profit-Entities, and in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organizations present their financial statements on the accrual method of accounting in accordance with GAAP. Accounting principles and methods of applying those principles which materially affect the determination of financial position, results of activities, cash flows and changes in net assets are summarized below.

Financial Statements Presentation – The Organizations report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors (Board).
- **Temporarily Restricted** – Net assets whose use by the Board is subject to donor-imposed restrictions that can be fulfilled by action of the Board pursuant to those restrictions or that expire by the passage of time.
- **Permanently Restricted** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Board.

The Organizations had no permanently restricted net assets at December 31, 2014 and 2013. The Organizations had no temporarily restricted net assets at December 31, 2013.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, cash in banks, and highly liquid investments with an original maturity of three months or less from date of purchase.

MEXICO MEDICAL MISSIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Contributions Receivable – Contributions receivable represents unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. The Organizations provide an allowance for uncollectible amounts based on review of specific account balances and considering historical experience, and accounts are written off when they become uncollectible. At December 31, 2014 and 2013, the Organizations concluded that no allowance for doubtful accounts was necessary.

Property and Equipment – Property and equipment consists of purchased, constructed and donated assets. Purchased and constructed property and equipment are recorded at cost less accumulated depreciation. Donated property and equipment are recorded at fair market value at the time of donation. Depreciation is provided on the straight-line method over the estimated useful life of the property and equipment, ranging from five to ten years. Costs incurred on construction in progress are capitalized as incurred and depreciation commences when the asset is placed in service. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the account and any gain or loss is included in the change in unrestricted net assets.

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Impairment of Long-Lived Assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairment charge is recognized if the carrying amount of the asset exceeds its fair value less estimated cost to sell. No impairment charges were recorded during 2014 and 2013.

Income Recognition – All contributions are recognized as income when received or unconditionally promised to the Organizations. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted contribution, depending on the existence and/or nature of any donor restrictions. Contribution that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contribution that is not permanently restricted is reported as temporarily restricted contribution and then reclassified to unrestricted net assets upon expiration of the restriction. Conditional promises to give are not recognized as contribution until the conditions are substantially met. There were no conditional promises at December 31, 2014 and 2013. Contributions of donated noncash assets are recorded at their fair values in the period received. Income from hospital services are recorded as increases in unrestricted net assets in the period on which the related services are performed.

Contributed services are recognized as income, and are included in noncash donations in the combined statements of activities, if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services that do not meet the above criteria are not recognized as income and are not reported in the accompanying financial statements.

Allocation of Expenses – For the purposes of financial statements, expenses are allocated between program expenses, general and administrative expenses, and fundraising expenses based upon management estimates.

Income Taxes – The Organization qualifies as a public charity under the Internal Revenue Code (IRC) and has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the IRC.

MEXICO MEDICAL MISSIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Organization did not recognize any uncertain tax positions or any interest and penalties related to uncertain tax positions.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates. Significant estimates include, but are not limited to, the useful lives of property and equipment, impairment loss and net realizable value of asset held for sale.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organizations to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. At times, the Organizations maintain deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentrations of risk with these financial institutions on a continuing basis to safeguard cash deposits.

From time-to-time, the Organizations receive large contributions from a small number of donors who may represent a significant portion of recorded contributions.

Recent Accounting Pronouncements – The Organizations have implemented all new accounting pronouncements and do not believe that there are any other pronouncements that have been issued that may have a material impact on the financial statements.

Reclassifications – Certain reclassifications have been made to the prior year to conform to the current year presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 525,442	\$ 450,567
Vehicles	412,552	292,350
Buildings	<u>846,234</u>	<u>696,035</u>
	1,784,228	1,438,952
Less: accumulated depreciation	<u>(1,056,091)</u>	<u>(926,982)</u>
	728,137	511,970
Construction in progress	<u>19,726</u>	<u>142,589</u>
Total property and equipment, net	<u>\$ 747,863</u>	<u>\$ 654,559</u>

Depreciation expense was \$129,109 and \$112,345 for 2014 and 2013, respectively.

MEXICO MEDICAL MISSIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3 – ASSET HELD FOR SALE

During 2013, the Organizations extinguished the note receivable obtained in prior years in exchange for the aircraft that was used as collateral for the note. The Organizations recorded the aircraft at the estimated net realizable value of \$139,430 and is presented as asset held for sale in the combined statements of financial position. The Organizations recognized a gain amounting to \$28,997 in 2013 for the difference between the net realizable value of the aircraft and the carrying value of the note receivable.

In July 2014, the Organizations sold the aircraft for \$130,000 and recorded a loss from the sale of \$9,430 in 2014, which is included in the general and administrative expenses in the statement of activities.

NOTE 4 – NONCASH DONATIONS

Noncash donations are recorded at their fair values and consisted of the following for:

	<u>2014</u>	<u>2013</u>
Contributed services	\$ 100,000	\$ 100,000
Medical materials and supplies	<u>143,504</u>	<u>147,392</u>
Total noncash donations	<u>\$ 243,504</u>	<u>\$ 247,392</u>

NOTE 5 – FOREIGN OPERATIONS

The Organizations are engaged primarily in providing medical services to the people of Sierra Madre Mountains in Chihuahua, Mexico. Operations outside the United States of America are subject to risk inherent in operating under different legal systems and various political, social and economic environments. Among the risks are changes in existing laws, different tax regulations, government price or foreign exchange controls, political instability, drug trafficking, political activism or the continuation or escalation of gang activities and restrictions on currency exchange. The financial position and results of operations of the Organizations are maintained using the U.S. dollar. From time-to-time, the Organizations enter into transactions using the local currency, the Mexican peso. These transactions are converted into the U.S. dollar at the time of the transaction.

Accordingly, the United States of America has issued travel warnings to its citizens about the risk of traveling to certain places in Mexico, including the state of Chihuahua, due to threats of safety and security posed by organized criminal groups.

NOTE 6 – RELATED PARTY TRANSACTIONS

During 2014, the Organizations received cash and noncash donations from members of the Board of Directors amounting to \$156,870 and \$100,000, respectively. During 2013, the Organizations received cash and noncash donations from members of the Board of Directors amounting to \$179,840 and \$100,000, respectively.

NOTE 7 – RISK AND CONTINGENCIES

From time-to-time, the Organizations are subject to various litigations and other claims in the normal course of operations. The Organizations establish liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

Due to certain risk from operating in the state of Chihuahua, the Organization is unable to obtain property insurance. Accordingly, the Organization is at risk in the event that its property and equipment sustain substantial damage.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition and disclosure through August 6, 2015, the date the financial statements were available to be issued.