

**Mexico Medical Missions**  
Financial Statements  
For the Year Ended December 31, 2011

## CONTENTS

	Page
Independent Auditors' Report.....	1
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Mexico Medical Missions (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Mexico Medical Missions' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mexico Medical Missions as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Briggs & Veselka Co.  
Houston, Texas

September 24, 2012

**MEXICO MEDICAL MISSIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

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**ASSETS**

Current assets

Cash and cash equivalents	\$ 113,528
Contributions receivable	48,469
Note receivable – current portion	8,696
Other current assets	<u>10,775</u>

Total current assets 181,468

Property and equipment, net 614,191

Note receivable, net of current portion 182,690

**TOTAL ASSETS** \$ 978,349

**LIABILITIES AND NET ASSETS**

Current liabilities

Accrued liabilities \$ 23,312

Total current liabilities 23,312

Net assets

Unrestricted net assets 955,037

Total net assets 955,037

**TOTAL LIABILITIES AND NET ASSETS** \$ 978,349

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

**MEXICO MEDICAL MISSIONS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

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Income	
Cash donations	\$ 804,523
Noncash donations	222,256
Hospital income	6,404
Interest income	8,503
Realized gain on investments	6,319
Others	<u>14,813</u>
Total income	1,062,818
Functional expenses	
Program	1,063,489
Support services	
General and administrative	45,176
Fundraising	<u>1,819</u>
Total support services	<u>46,995</u>
Total functional expenses	<u>1,110,484</u>
Decrease in unrestricted net assets	(47,666)
Unrestricted net assets, beginning of year	<u>1,002,703</u>
Unrestricted net assets, end of year	<u><u>\$ 955,037</u></u>

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

**MEXICO MEDICAL MISSIONS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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	<u>Program</u>	<u>Support Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Hospital expenses	\$ 315,969	\$ -	\$ -	\$ 315,969
Community health	219,308	-	-	219,308
Salaries and wages	171,730	12,955	-	184,685
Aviation	103,000	-	-	103,000
Depreciation	96,912	-	-	96,912
Automobile expenses	42,606	-	-	42,606
Other expenses	22,379	11,715	351	34,445
Payroll taxes	27,235	-	-	27,235
Communication	15,392	1,606	-	16,998
Grants	16,285	-	-	16,285
Professional fees	-	15,686	-	15,686
Utilities	14,015	176	-	14,191
Travel	12,755	-	227	12,982
Insurance	5,903	-	-	5,903
Licenses and permit	-	2,303	-	2,303
Computer expenses	-	735	1,241	1,976
Total functional expenses	<u>\$ 1,063,489</u>	<u>\$ 45,176</u>	<u>\$ 1,819</u>	<u>\$ 1,110,484</u>

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

**MEXICO MEDICAL MISSIONS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Cash flows from operating activities	
Decrease in unrestricted net assets	\$ (47,666)
Adjustments to reconcile decrease in unrestricted net assets to net cash from operating activities:	
Depreciation	96,912
Noncash donations of property and equipment	(8,000)
Change in operating assets and liabilities:	
Contributions receivable	(38,230)
Interest receivable	2,204
Other current assets	(100)
Accrued liabilities	<u>(24,274)</u>
Net cash from operating activities	(19,154)
Cash flows from investing activities	
Proceeds from note receivable	16,495
Proceeds from sale of investments	44,823
Purchases of property and equipment	<u>(67,311)</u>
Net cash from investing activities	<u>(5,993)</u>
Net change in cash and cash equivalents	(25,147)
Cash and cash equivalents, beginning of year	<u>138,675</u>
Cash and cash equivalents, end of year	<u><u>\$ 113,528</u></u>
Supplemental cash flow information:	
Noncash investing activities:	
Noncash donations of property and equipment	\$ 8,000

*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.

**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 Organization presents its 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 Organization reports 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 Organization has no temporarily or permanently restricted net assets at December 31, 2011.

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

**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.

**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 is 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.



**MEXICO MEDICAL MISSIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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**Impairment of Long-Lived Assets** – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds its estimated undiscounted net cash flows, excluding interest, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. No impairment charges were recorded during 2011.

**Note Receivable** – Note receivable is stated at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

**Fair Value of Financial Instruments** – The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

Under ASC 820, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than Level 1 that are observable, either directly or indirectly, such as 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 assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2011, the Organization had no assets or liabilities recorded at fair value on a recurring or nonrecurring basis.

**Income Recognition** – Cash contributions received are recorded as increases in unrestricted net assets unless they are limited by donor-imposed stipulations. 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 statement 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.

**Income Taxes** – No provision for income taxes has been reflected in the accompanying financial statements since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**MEXICO MEDICAL MISSIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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**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.

**Concentrations of Credit Risk** – Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. At times, the Organization maintains 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.

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

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2011:

Equipment	\$ 425,089
Vehicles	169,333
Buildings	<u>691,388</u>
	1,285,810
Less: accumulated depreciation	<u>(740,000)</u>
	545,810
Construction in progress	<u>68,381</u>
Total property and equipment, net	<u>\$ 614,191</u>

Depreciation expense was \$96,912 for 2011.

**NOTE 3 – NOTE RECEIVABLE**

On April 1, 2008, the Organization received a \$224,453 promissory note in exchange for an aircraft sold to a third-party. The note is receivable in monthly installments of \$1,390, including interest at an annual rate of 4.25%. The note is secured by the aircraft sold by the Organization in exchange for this note. At December 31, 2011, the note receivable has an outstanding balance of \$191,386.

**NOTE 4 – ALLOCATION OF FUNCTIONAL EXPENSES**

The costs of providing various services are allocated between program, general and administrative, and fundraising expenses based on estimates made by management. Of the total expenses of the Organization, \$1,063,489 are program expenses, \$45,176 are general and administrative expenses, and \$1,819 are fundraising expenses for 2011.

**MEXICO MEDICAL MISSIONS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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**NOTE 5 – NONCASH DONATIONS**

Noncash donations are recorded at their fair values and consist of the following at 2011:

Contributed services	\$ 100,000
Medical materials and supplies	114,256
Property and equipment	<u>8,000</u>
Total noncash donations	<u>\$ 222,256</u>

**NOTE 6 – FOREIGN OPERATIONS**

The Organization is 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 risk are changes in existing laws, different tax regulations, government price or foreign exchange controls, and restrictions on currency exchange. The financial position and results of operations of the Organization are maintained using the U.S. dollar. From time-to-time, the Organization enters into transactions using the local currency, Mexican Peso. These transactions are converted into the U.S. dollar at the time of transaction.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

During 2011, the Organization received cash and noncash donations from members of the Board of Directors amounting to \$103,830 and \$100,000, respectively.

**NOTE 8 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition and disclosure through September 24, 2012, the date the financial statements were available to be issued.