

**Mexico Medical Missions**  
Combined Financial Statements  
For the Years Ended December 31, 2012 and 2011

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## 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, 2012 and 2011, 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.

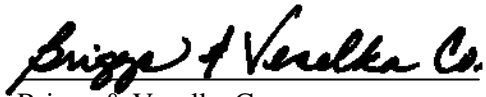
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Briggs & Veselka Co.  
Houston, Texas

August 13, 2013

**MEXICO MEDICAL MISSIONS**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 91,825	\$ 113,528
Contributions receivable	23,480	48,469
Note receivable – current portion	16,683	8,696
Other current assets	<u>10,775</u>	<u>10,775</u>
Total current assets	<b>142,763</b>	181,468
Property and equipment, net	<b>734,328</b>	614,191
Note receivable, net of current portion	<u>110,433</u>	<u>182,690</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 987,524</u></b>	<b><u>\$ 978,349</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 22,489	\$ -
Accrued liabilities	<u>789</u>	<u>23,312</u>
Total current liabilities	<b>23,278</b>	23,312
Net assets		
Unrestricted net assets	<u>964,246</u>	<u>955,037</u>
Total net assets	<b><u>964,246</u></b>	<b><u>955,037</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 987,524</u></b>	<b><u>\$ 978,349</u></b>

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

**MEXICO MEDICAL MISSIONS**  
**COMBINED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Income		
Cash donations	\$ 1,044,516	\$ 804,523
Noncash donations	194,487	222,256
Hospital income	3,937	6,404
Interest income	-	8,503
Realized gain on investments	2,709	6,319
Others	<u>10</u>	<u>14,813</u>
Total income	<u>1,245,659</u>	1,062,818
Functional expenses		
Program	1,118,257	1,063,489
Support services		
General and administrative	51,876	45,176
Fundraising	<u>2,047</u>	<u>1,819</u>
Total support services	<u>53,923</u>	<u>46,995</u>
Total functional expenses	<u>1,172,180</u>	<u>1,110,484</u>
Changes in unrestricted net assets from operations	73,479	(47,666)
Nonoperating item		
Impairment loss on note receivable	<u>(64,270)</u>	-
Changes in unrestricted net assets	9,209	(47,666)
Unrestricted net assets, beginning of year	<u>955,037</u>	<u>1,002,703</u>
Unrestricted net assets, end of year	<u>\$ 964,246</u>	<u>\$ 955,037</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, 2012**

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	Program	Support Services		Total
		General and Administrative	Fundraising	
Hospital expenses	\$ 302,462	\$ -	\$ -	\$ 302,462
Community health	243,144	-	-	243,144
Salaries and wages	163,502	6,508	-	170,010
Aviation	157,848	-	-	157,848
Depreciation	103,959	-	-	103,959
Automobile expenses	39,456	-	-	39,456
Payroll taxes	29,003	-	-	29,003
Communication	13,236	1,268	-	14,504
Grants	5,910	-	-	5,910
Professional fees	-	17,913	-	17,913
Utilities	15,324	-	-	15,324
Travel	19,953	-	139	20,092
Insurance	13,986	-	-	13,986
Licenses and permit	-	1,202	-	1,202
Computer expenses	-	145	1,435	1,580
Other expenses	10,474	24,840	473	35,787
Total functional expenses	<u>\$ 1,118,257</u>	<u>\$ 51,876</u>	<u>\$ 2,047</u>	<u>\$ 1,172,180</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, 2011**

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	Program	Support Services		Total
		General and Administrative	Fundraising	
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
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
Other expenses	22,379	11,715	351	34,445
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**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Changes in unrestricted net assets	\$ 9,209	\$ (47,666)
Adjustments to reconcile changes in unrestricted net assets to net cash from operating activities:		
Depreciation	103,959	96,912
Noncash donations of property and equipment	-	(8,000)
Impairment loss on note receivable	64,270	-
Changes in operating assets and liabilities:		
Contributions receivable	24,989	(38,230)
Interest receivable	-	2,204
Other current assets	-	(100)
Accounts payable	22,489	-
Accrued liabilities	<u>(22,523)</u>	<u>(24,274)</u>
Net cash from operating activities	<b>202,393</b>	(19,154)
Cash flows from investing activities		
Collections on note receivable	-	16,495
Proceeds from sale of investments	-	44,823
Purchases of property and equipment	<u>(224,096)</u>	<u>(67,311)</u>
Net cash from investing activities	<b>(224,096)</b>	(5,993)
Net change in cash and cash equivalents	<b>(21,703)</b>	(25,147)
Cash and cash equivalents, beginning of year	<u>113,528</u>	<u>138,675</u>
Cash and cash equivalents, end of year	<u><b>\$ 91,825</b></u>	<u><b>\$ 113,528</b></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.*

**MEXICO MEDICAL MISSIONS**  
NOTES TO COMBINED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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**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 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 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 have no temporarily or permanently restricted net assets at December 31, 2012 and 2011.

**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  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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**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 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.

**Note Receivable and Impairment of Long-Lived Assets** – Long-lived assets and notes receivable, 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. An impairment charge to reduce the note receivable to its estimated net realizable value was recorded in 2012 (*see Note 3*).

Interest income generally is not recognized on impaired note receivable unless the likelihood of further loss is remote. Interest payments received on note receivables are applied as a reduction of the note principal balance. Interest income on impaired note receivable is recognized only to the extent of interest payments received.

**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 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.

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.

**MEXICO MEDICAL MISSIONS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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The Organization's tax returns filed in 2009 and, thereafter, are subject to examination by taxing authorities in accordance with the normal statutes of limitations in the applicable jurisdictions.

**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 and impairment loss.

**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.

**Recent Accounting Pronouncements** – The Organizations have 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:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 450,567	\$ 425,089
Vehicles	297,650	169,333
Buildings	<u>696,388</u>	<u>691,388</u>
	<b>1,444,605</b>	1,285,810
Less: accumulated depreciation	<u>(819,937)</u>	<u>(740,000)</u>
	<b>624,668</b>	545,810
Construction in progress	<u>109,660</u>	<u>68,381</u>
	<b>\$ 734,328</b>	<b>\$ 614,191</b>

Depreciation expense was \$103,959 and \$96,912 for 2012 and 2011, respectively.

**NOTE 3 – NOTE RECEIVABLE**

On April 1, 2008, the Organizations 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 Organizations in exchange for this note.

**MEXICO MEDICAL MISSIONS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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The Organizations obtained services from a third party appraiser to determine the value of the aircraft as of December 31, 2012. The difference between the outstanding balance of the note receivable as of December 31, 2012 and the market value of the aircraft, less 10% estimated cost to sell, was recorded as impairment loss during 2012 and included in nonoperating item in the statements of activities.

During 2012, the Organizations reclassified the entire balance of the note receivable on a nonaccrual status and no interest income was recognized. If interest on nonaccrual note receivable had been accrued at its original rate, such income would have approximated \$8,085 for 2012. At December 31, 2012, the note receivable has an outstanding balance of \$127,116 after deducting impairment loss of \$64,270. At December 31, 2011, the note receivable had an outstanding balance of \$191,386.

**NOTE 4 – NONCASH DONATIONS**

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

	<u>2012</u>	<u>2011</u>
Contributed services	\$ 100,000	\$ 100,000
Medical materials and supplies	94,487	114,256
Property and equipment	<u>-</u>	<u>8,000</u>
Total noncash donations	<u>\$ 194,487</u>	<u>\$ 222,256</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, 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, Mexican Peso. These transactions are converted into the U.S. dollar at the time of transaction.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

During 2012, the Organizations received cash and noncash donations from members of the Board of Directors amounting to \$303,612 and \$100,000, respectively. During 2011, the Organizations received cash and noncash donations from members of the Board of Directors amounting to \$103,830 and \$100,000, respectively.

**MEXICO MEDICAL MISSIONS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 7 – 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.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition and disclosure through August 13, 2013, the date the financial statements were available to be issued.