

MEDICAL TEAMS INTERNATIONAL

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Years Ended June 30, 2010 and 2009



MEDICAL TEAMS INTERNATIONAL
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For the Years Ended June 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Medical Teams International
Tigard, Oregon

We have audited the accompanying statements of financial position of Medical Teams International as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Medical Teams International's management. 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 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 our audits provide 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 Medical Teams International, as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, on our consideration of Medical Teams International internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Medical Teams International taken as a whole. The accompanying schedule of program activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Jones & Roth, P.C.

Jones & Roth, P.C.
Hillsboro, Oregon
September 29, 2010

Jones & Roth, P.C.

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FINANCIAL STATEMENTS

MEDICAL TEAMS INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 3,677,985	\$ 1,267,315
Cash and cash equivalents held in foreign countries	<u>704,172</u>	<u>313,712</u>
Total cash and cash equivalents	4,382,157	1,581,027
Investments	1,904,285	2,980,480
Receivables	2,869,429	3,162,943
Prepaid expenses	332,960	147,175
Inventories	9,732,055	8,432,225
Property and equipment, net	<u>9,474,140</u>	<u>7,096,160</u>
Total assets	<u>\$ 28,695,026</u>	<u>\$ 23,400,010</u>
Liabilities and Net Assets		
Accounts payable	\$ 377,560	\$ 470,288
Annuities payable	106,564	111,434
Accrued payroll, vacation, and related liabilities	767,859	636,298
Deferred revenue	<u>10,000</u>	<u>10,000</u>
Total liabilities	<u>1,261,983</u>	<u>1,228,020</u>
Net assets		
Unrestricted	20,804,813	16,529,702
Temporarily restricted	5,433,931	4,589,790
Permanently restricted	<u>1,194,299</u>	<u>1,052,498</u>
Total net assets	<u>27,433,043</u>	<u>22,171,990</u>
Total liabilities and net assets	<u>\$ 28,695,026</u>	<u>\$ 23,400,010</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 7,922,144	\$ 12,300,890	\$ 5,000	\$ 20,228,034
Gifts in-kind	194,269,082	-	-	194,269,082
Service fees	419,140	430,073	-	849,213
Investment income	183,161	13,441	136,801	333,403
Other	30,643	150,087	-	180,730
Net assets released from restrictions	<u>12,050,350</u>	<u>(12,050,350)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>214,874,520</u>	 <u>844,141</u>	 <u>141,801</u>	 <u>215,860,462</u>
Expenses				
Program activities	206,994,960	-	-	206,994,960
Supporting activities:				
Administration	1,281,147	-	-	1,281,147
Resource development	<u>2,323,302</u>	<u>-</u>	<u>-</u>	<u>2,323,302</u>
 Total expenses	 <u>210,599,409</u>	 <u>-</u>	 <u>-</u>	 <u>210,599,409</u>
 Change in net assets	 4,275,111	 844,141	 141,801	 5,261,053
 Net assets, beginning of year	 <u>16,529,702</u>	 <u>4,589,790</u>	 <u>1,052,498</u>	 <u>22,171,990</u>
 Net assets, end of year	 <u>\$ 20,804,813</u>	 <u>\$ 5,433,931</u>	 <u>\$ 1,194,299</u>	 <u>\$ 27,433,043</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 8,251,703	\$ 3,847,779	\$ 12,500	\$ 12,111,982
Gifts in-kind	126,215,972	-	-	126,215,972
Service fees	353,587	449,370	-	802,957
Investment income (loss)	(114,063)	8,111	(202,677)	(308,629)
Other	39,480	59,272	-	98,752
Net assets released from restrictions	<u>6,446,475</u>	<u>(6,389,994)</u>	<u>(56,481)</u>	<u>-</u>
 Total revenue and support	 <u>141,193,154</u>	 <u>(2,025,462)</u>	 <u>(246,658)</u>	 <u>138,921,034</u>
Expenses				
Program activities	141,111,807	-	-	141,111,807
Supporting activities:				
Administration	1,245,937	-	-	1,245,937
Resource development	<u>2,612,910</u>	<u>-</u>	<u>-</u>	<u>2,612,910</u>
 Total expenses	 <u>144,970,654</u>	 <u>-</u>	 <u>-</u>	 <u>144,970,654</u>
 Change in net assets	 <u>(3,777,500)</u>	 <u>(2,025,462)</u>	 <u>(246,658)</u>	 <u>(6,049,620)</u>
 Net assets, beginning of year	 <u>20,307,202</u>	 <u>6,615,252</u>	 <u>1,299,156</u>	 <u>28,221,610</u>
 Net assets, end of year	 <u>\$ 16,529,702</u>	 <u>\$ 4,589,790</u>	 <u>\$ 1,052,498</u>	 <u>\$ 22,171,990</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 5,261,053	\$ (6,049,620)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	787,857	751,759
Loss on sale of property and equipment	(10,305)	(31,113)
(Gain) loss on sale of investments	(259,154)	55,250
Unrealized (gain) loss on investments	(34,222)	463,040
Donated investments	(257,067)	(75,433)
Change in inventories	(1,299,830)	2,329,787
(Increase) decrease in:		
Receivables	293,514	(513,899)
Prepaid expenses	(185,785)	186,436
Increase (decrease) in:		
Accounts payable	(92,728)	(46,780)
Annuities payable	(4,870)	5,174
Accrued payroll, vacation, and related liabilities	131,561	(72,990)
Deferred revenue	-	(117,490)
	<u>4,330,024</u>	<u>(3,115,879)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of investments	(1,331,507)	(190,266)
Proceeds from sale of investments	2,958,145	3,470,772
Proceeds from sale of property and equipment	10,305	43,487
Acquisition of property and equipment	<u>(3,165,837)</u>	<u>(420,937)</u>
	<u>(1,528,894)</u>	<u>2,903,056</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	2,801,130	(212,823)
Cash and cash equivalents, beginning of year	<u>1,581,027</u>	<u>1,793,850</u>
Cash and cash equivalents, end of year	<u>\$ 4,382,157</u>	<u>\$ 1,581,027</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program Activities	Supporting Activities			Total
		Administration	Resource Development	Subtotal	
Salaries and related expenses					
Salaries and related expenses	\$ 4,662,390	\$ 694,563	\$ 1,010,424	\$ 1,704,987	\$ 6,367,377
Employee benefits	990,552	107,076	183,026	290,102	1,280,654
Payroll taxes	292,546	59,565	90,068	149,633	442,179
Total salaries and related expenses	5,945,488	861,204	1,283,518	2,144,722	8,090,210
Other expenses					
Professional fees	180,865	56,282	21,018	77,300	258,165
Consultants	133,048	940	205,910	206,850	339,898
Media and marketing	39,129	337	146,664	147,001	186,130
Direct mail	-	-	189,706	189,706	189,706
Program grants and activities	2,740,933	-	907	907	2,741,840
Travel	884,853	23,805	41,375	65,180	950,033
Supplies	1,102,833	6,848	72,487	79,335	1,182,168
Facilities	327,554	22,369	66,325	88,694	416,248
Utilities	300,069	47,359	20,191	67,550	367,619
Insurance	165,486	38,781	1,758	40,539	206,025
Equipment	679,761	8,106	43,168	51,274	731,035
Vehicles	762,249	1,155	9,940	11,095	773,344
Other expenses	262,655	61,741	217,215	278,956	541,611
Depreciation	632,517	152,220	3,120	155,340	787,857
Gifts in-kind	192,837,520	-	-	-	192,837,520
Total other expenses	201,049,472	419,943	1,039,784	1,459,727	202,509,199
Total expenses	<u>\$ 206,994,960</u>	<u>\$ 1,281,147</u>	<u>\$ 2,323,302</u>	<u>\$ 3,604,449</u>	<u>\$ 210,599,409</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program Activities	Supporting Activities		Subtotal	Total
		Administration	Resource Development		
Salaries and related expenses					
Salaries and related expenses	\$ 4,308,934	\$ 661,221	\$ 1,192,815	\$ 1,854,036	\$ 6,162,970
Employee benefits	956,301	96,700	197,163	293,863	1,250,164
Payroll taxes	276,762	56,002	99,903	155,905	432,667
Total salaries and related expenses	5,541,997	813,923	1,489,881	2,303,804	7,845,801
Other expenses					
Professional fees	273,422	76,049	10,717	86,766	360,188
Consultants	94,369	3,262	219,481	222,743	317,112
Media and marketing	2,855	190	165,407	165,597	168,452
Direct mail	-	-	311,518	311,518	311,518
Program grants and activities	2,066,429	12	2,817	2,829	2,069,258
Travel	621,749	15,632	43,191	58,823	680,572
Supplies	1,441,249	5,111	52,975	58,086	1,499,335
Facilities	282,369	20,451	43,698	64,149	346,518
Utilities	248,679	50,994	13,464	64,458	313,137
Insurance	145,020	43,957	124	44,081	189,101
Equipment	611,660	7,264	59,016	66,280	677,940
Vehicles	421,377	1,736	8,476	10,212	431,589
Other expenses	194,255	77,776	168,185	245,961	440,216
Depreciation	598,219	129,580	23,960	153,540	751,759
Gifts in-kind	128,568,159	-	-	-	128,568,159
Total other expenses	135,569,810	432,014	1,123,029	1,555,043	137,124,853
Total expenses	\$ 141,111,807	\$ 1,245,937	\$ 2,612,910	\$ 3,858,847	\$ 144,970,654

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 mission is to demonstrate the love of Christ to people affected by disaster, conflict, and poverty. Medical Teams International (MTI) is headquartered in Tigard, Oregon with satellite offices in Michigan and Washington and ten international offices in Cambodia, Guatemala, Haiti, Indonesia, Liberia, Mexico, Moldova, Sri Lanka, 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 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 partners, volunteers, staff, and those they serve in order to produce sustainable change. Programs include medical services and training; community health and development; HIV and AIDS; emergency medical services; disaster response; humanitarian aid; and children's ministry. Eleven mobile dental units have the capability of providing dental care to more than 17,500 low-income, uninsured people in 37 Pacific Northwest counties. In partnership with Ronald McDonald House Charities-Upper Midwest, MTI operates one mobile dental van that provides dental care to approximately 1,200 pediatric patients in the 14-county Minneapolis/St. Paul Metro area.

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 generally accepted accounting principles in the United States of America.

Net assets and 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 effective 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 statement 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 uncollectible 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.

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 interest 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 incurred. Compensation is payable to employees at the time the absence occurs or upon termination of employment. As of June 30, 2010 and 2009, accrued compensated absences were \$315,395 and \$224,059, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and 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.

Advertising Costs

Advertising costs are expensed during the year in which they are incurred. During fiscal years 2010 and 2009, advertising costs totaled \$21,145 and \$7,020, respectively.

Annuities Payable

Annuities payable have been computed using an average discount factor of 5.5 percent and 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. 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).

Shipping and Freight

The cost of shipping and freight as they relate to donated assets is included in program grants and activities and is expensed as costs are incurred.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents held in the U.S.:		
Checking accounts	\$ 3,594,555	\$ 1,140,914
Money markets	58,257	100,380
Petty cash	14,350	13,450
Cash in foreign currency	<u>10,823</u>	<u>12,571</u>
Total cash and cash equivalents held in the U.S.	<u>3,677,985</u>	<u>1,267,315</u>
Cash and cash equivalents held in foreign countries:		
Liberia	406,641	20,485
Uzbekistan	136,547	91,592
Indonesia	58,844	28,812
Uganda	58,489	41,885
Haiti	31,811	-
Cambodia	4,279	2,077
Mexico	4,261	48,635
Guatemala	1,749	2,586
Sri Lanka	1,549	76,370
Moldova	2	177
Vietnam	<u>-</u>	<u>1,093</u>
Total cash and cash equivalents held in foreign countries	<u>704,172</u>	<u>313,712</u>
Total cash and cash equivalents	<u>\$ 4,382,157</u>	<u>\$ 1,581,027</u>

MTI had losses of \$9,899 and \$45,946 from foreign currency transactions for the years ended June 30, 2010 and 2009, respectively. These amounts are included in other expenses.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

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 June 30, investments consisted of:

	<u>2010</u>	<u>2009</u>
Certificate of deposit	\$ 145,000	\$ 157,000
Mutual funds	<u>1,759,285</u>	<u>2,823,480</u>
Total investments	<u>\$ 1,904,285</u>	<u>\$ 2,980,480</u>

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

Investment income (loss) is comprised of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 40,027	\$ 209,661
Realized gain (loss) on investments	259,154	(55,250)
Unrealized gain (loss) on investments	<u>34,222</u>	<u>(463,040)</u>
Total investment income (loss)	<u>\$ 333,403</u>	<u>\$ (308,629)</u>

5. Receivables

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

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 1,574,467	\$ 1,672,347
Receivable in one to five years	365,062	1,146,835
Receivable after five years	<u>150,870</u>	<u>150,870</u>
Total unconditional promises to give	2,090,399	2,970,052
Allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give	2,075,399	2,955,052
Other receivables	<u>794,030</u>	<u>207,891</u>
Total receivables	<u>\$ 2,869,429</u>	<u>\$ 3,162,943</u>

At June 30, 2010, there were unconditional promises to give from two major donors that exceeded 10 percent of total net unconditional promises to give. At June 30, 2009, there were unconditional promises to give from three major donors that exceeded 10 percent of total net unconditional promises to give. Receivables from these donors were \$555,059 and \$1,133,334 at June 30, 2010 and 2009, respectively.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

6. Inventories

As of June 30, inventories consisted of the following:

	<u>2010</u>	<u>2009</u>
Donated items	\$ 9,581,808	\$ 8,282,844
Mobile dental care supplies	<u>150,247</u>	<u>149,381</u>
Total inventories	<u>\$ 9,732,055</u>	<u>\$ 8,432,225</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.

7. Property and Equipment

As of June 30, property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Vehicles, including mobile dental units	\$ 2,736,680	\$ 2,736,680
Office equipment and furniture	1,553,216	1,498,566
Building and land	7,951,256	5,349,747
Assets held overseas	2,053,946	1,633,520
Assets held for resale	<u>77,725</u>	<u>12,345</u>
	14,372,823	11,230,858
Accumulated depreciation	<u>(4,898,683)</u>	<u>(4,134,698)</u>
Property and equipment, net	<u>\$ 9,474,140</u>	<u>\$ 7,096,160</u>

8. Line of Credit

MTI has a \$1 million revolving line of credit through U.S. Bank with a maturity date of October 31, 2010. 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 \$19 million. There were no advances made on the line of credit as of June 30, 2010.

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.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

9. Net Assets Released from Restrictions, continued

For the years ended June 30, such releases are summarized as follows:

	<u>2010</u>	<u>2009</u>
Satisfaction of international and domestic relief and development projects – temporarily restricted net assets	\$ <u>12,050,350</u>	\$ <u>6,389,994</u>
Board-approved use of permanently restricted net assets	\$ <u>-</u>	\$ <u>56,481</u>

10. Net Assets

As of June 30, net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Unrestricted net assets	\$ 1,598,621	\$ 1,001,317
Invested in inventories	9,732,051	8,432,225
Invested in property and equipment, net	<u>9,474,141</u>	<u>7,096,160</u>
Total unrestricted net assets	\$ <u>20,804,813</u>	\$ <u>16,529,702</u>

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.

	<u>2010</u>	<u>2009</u>
Temporarily restricted net assets:		
Asia projects	\$ 527,728	\$ 1,938,026
Capital acquisitions	879,593	2,302,564
Africa projects	649,654	210,453
Latin America projects	3,280,053	138,747
Other	<u>96,903</u>	<u>-</u>
Total temporarily restricted net assets	\$ <u>5,433,931</u>	\$ <u>4,589,790</u>
Permanently restricted net assets	\$ <u>1,194,299</u>	\$ <u>1,052,498</u>

Permanently restricted net assets consisted of Endowment Fund assets to be held indefinitely totaling \$1,194,299 and \$1,052,498 at June 30, 2010 and 2009, respectively. The income from these assets is used to support MTI's general activities. Income earned, gains, and losses on endowment investments are being accumulated in permanently restricted revenue.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

11. Gifts In-kind

MTI receives donations of food, medical supplies, and other commodities for use in relief and development programs. These gifts in-kind have been recorded in accordance with AERDO GIK Interagency Standards, which are consistent with presentation in accordance with generally accepted accounting principles. Such gifts are recorded at their estimated fair value in the period shipped or designated for program use. Based upon the quantities donated, such gifts were valued based upon the estimated wholesale value of gifts received considering their condition and utility for use.

For the year ended June 30, 2010, gifts in-kind distributed directly by MTI amounted to \$21,600,025. The remaining \$167,555,448 was distributed to, and in partnership with, other agencies and was delivered to MTI before being distributed.

For the year ended June 30, 2009, gifts in-kind distributed directly by MTI amounted to \$9,294,096. The remaining \$116,032,863 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 freight and services. The total value of these gifts in-kind included in the accompanying financial statements is \$3,682,046 and \$3,241,200 for the years ended June 30, 2010 and 2009, respectively. During the years ended June 30, 2010 and 2009, 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 generally accepted accounting principles 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.

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 \$572,942 and \$324,978 for the years ended June 30, 2010 and 2009, respectively.

The future minimum rental payments required under the above noncancellable operating leases is as follows:

<u>For the Years Ended June 30,</u>	
2011	\$ 9,389
2012	9,389
2013	<u>6,259</u>
Total	<u>\$ 25,037</u>

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

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 monthly basis and funding is at the discretion of the Board of Directors.

Total retirement plan expense for the years ended June 30, 2010 and 2009, was \$299,760 and \$281,838, respectively.

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.

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.

MEDICAL TEAMS INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

15. Fair Value Measurements, continued

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 June 30, 2010 and 2009, was as follows:

<u>Assets at Fair Value as of June 30, 2010</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – mutual funds	<u>\$ 1,759,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,759,285</u>
<u>Assets at Fair Value as of June 30, 2009</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments – mutual funds	<u>\$ 2,823,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,823,480</u>

16. 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 auditor's report.

SUPPLEMENTAL INFORMATION

MEDICAL TEAMS INTERNATIONAL
SCHEDULE OF PROGRAM ACTIVITIES
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	Africa	Asia	Latin America	United States	Other Disaster and Development	Distribution Center and Commodities Support	Total Program Activities 2010	Total Program Activities 2009
Salaries and related expenses								
Salaries and related expenses	\$ 989,050	\$ 1,024,598	\$ 474,238	\$ 930,150	\$ 933,562	\$ 310,792	\$ 4,662,390	\$ 4,308,934
Employee benefits	351,263	165,405	89,559	174,812	164,719	44,794	990,552	956,301
Payroll taxes	27,461	24,350	35,969	92,506	82,146	30,114	292,546	276,762
Total salaries and related expenses	1,367,774	1,214,353	599,766	1,197,468	1,180,427	385,700	5,945,488	5,541,997
Other expenses								
Professional fees	38,450	72,633	26,722	11,312	31,748	-	180,865	273,422
Consultants	14,594	59,698	53,967	1,502	3,287	-	133,048	94,369
Media and marketing	9,136	264	28,009	542	1,178	-	39,129	2,855
Program grants and activities	1,259,156	588,413	716,797	240	78,996	97,331	2,740,933	2,066,429
Travel	215,632	332,933	239,853	27,220	63,351	5,864	884,853	621,749
Supplies	339,043	366,086	137,706	95,663	50,364	113,971	1,102,833	1,441,248
Facilities	104,987	112,151	27,910	36,340	18,661	27,505	327,554	282,369
Utilities	60,642	94,345	34,813	36,665	31,109	42,495	300,069	248,679
Insurance	18,544	13,445	18,852	58,248	15,157	41,240	165,486	145,020
Equipment	134,177	398,421	104,623	17,563	19,324	5,653	679,761	611,660
Vehicles	339,623	269,173	28,653	115,482	3,214	6,104	762,249	421,377
Other expenses	17,344	135,262	51,767	13,957	34,409	9,916	262,655	194,255
Depreciation	77,259	71,824	47,107	234,742	45,583	156,002	632,517	598,219
Gifts in-kind	16,577,897	60,694,176	101,131,056	1,091,605	-	13,342,786	192,837,520	128,568,159
Total other expenses	19,206,484	63,208,824	102,647,835	1,741,081	396,381	13,848,867	201,049,472	135,569,810
Distribution Center allocation								
	1,519,325	4,757,388	7,624,413	217,000	116,441	(14,234,567)	-	-
Total expenses	\$ 22,093,583	\$ 69,180,565	\$ 110,872,014	\$ 3,155,549	\$ 1,693,249	\$ -	\$ 206,994,960	\$ 141,111,807



**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 the financial statements of Medical Teams International (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Medical Teams International's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Medical Team International's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medical Teams International's financial statements are free of 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.

This report is intended solely for the information and use of the Board of Directors, management and others within MTI, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jones & Roth, P.C.

Jones & Roth, P.C.
Hillsboro, Oregon
September 29, 2010