



MEDICAL TEAMS INTERNATIONAL

Financial Statements and
Supplemental Information

September 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

MEDICAL TEAMS INTERNATIONAL

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KPMG LLP
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Independent Auditors' Report

To the Board of Directors
Medical Teams International
Tigard, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Medical Teams International (a nonprofit organization) (the Company), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Teams International as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

2019 Financial Statements

The accompanying financial statements of the Company as of September 30, 2019 and for the year then ended were audited by other auditors whose report thereon, dated May 27, 2020 expressed an unmodified opinion on those financial statements. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Company, accordingly, we do not express an opinion in any form of assurance to the 2019 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2021 on our consideration of Medical Teams International's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Medical Teams International's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Medical Teams International's internal control over financial reporting and compliance.

KPMG LLP

Seattle, Washington
March 4, 2021

FINANCIAL STATEMENTS

MEDICAL TEAMS INTERNATIONAL

Statements of Financial Position

September 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 12,971,626	3,181,496
Cash and cash equivalents held in foreign countries	1,697,549	2,633,921
Total cash and cash equivalents	14,669,175	5,815,417
Investments	2,781,389	2,517,271
Receivables and advances, net	2,546,990	14,085,111
Promises to give, net	8,064,965	—
Prepaid expenses	505,885	216,326
Inventory	8,840,243	15,280,174
Property and equipment, net	5,628,916	7,420,715
Total assets	\$ 43,037,563	45,335,014
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,095,183	1,130,196
Annuities payable	3,916	9,651
Accrued payroll, vacation, and related liabilities	643,690	1,444,726
Paycheck protection program loan	1,254,448	—
Refundable advances	1,423,182	1,052,779
Total liabilities	4,420,419	3,637,352
Net assets:		
Without donor restrictions:		
Undesignated	30,083,428	31,115,001
Board-designated operating reserve	—	881,169
Total net assets without donor restrictions	30,083,428	31,996,170
Net assets with donor restrictions	8,533,716	9,701,492
Total net assets	38,617,144	41,697,662
Total liabilities and net assets	\$ 43,037,563	45,335,014

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Statement of Activities

Year ended September 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 11,459,797	4,307,852	15,767,649
U.S. government grants and contracts	6,337,840	—	6,337,840
Other grants and contracts	12,453,567	—	12,453,567
Gifts-in-kind	27,145,384	—	27,145,384
Program revenue (service fees)	727,800	—	727,800
Investment income	215,721	48,231	263,952
Gain from sale of property	3,700,139	—	3,700,139
Other	57,859	—	57,859
Net assets released from restrictions	5,523,859	(5,523,859)	—
	<u>67,621,966</u>	<u>(1,167,776)</u>	<u>66,454,190</u>
Total revenue and support			
Expenses:			
Program activities:			
International programs	57,000,066	—	57,000,066
U.S. programs	3,755,521	—	3,755,521
Supporting activities:			
Management and general	3,632,206	—	3,632,206
Resource development	5,146,915	—	5,146,915
	<u>69,534,708</u>	<u>—</u>	<u>69,534,708</u>
Total expenses			
Change in net assets	(1,912,742)	(1,167,776)	(3,080,518)
Net assets, beginning of year	<u>31,996,170</u>	<u>9,701,492</u>	<u>41,697,662</u>
Net assets, end of year	\$ <u><u>30,083,428</u></u>	<u><u>8,533,716</u></u>	<u><u>38,617,144</u></u>

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Statement of Activities

Year ended September 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 17,204,311	27,983,612	45,187,923
Gifts-in-kind	41,319,669	—	41,319,669
Service fees	887,764	—	887,764
Investment income	50,381	78,267	128,648
Other	81,704	—	81,704
Net assets released from restrictions	<u>22,582,711</u>	<u>(22,582,711)</u>	<u>—</u>
Total revenue and support	<u>82,126,540</u>	<u>5,479,168</u>	<u>87,605,708</u>
Expenses:			
Program activities	68,340,390	—	68,340,390
Supporting activities:			
Administration	2,545,358	—	2,545,358
Resource development	<u>5,162,849</u>	<u>—</u>	<u>5,162,849</u>
Total expenses	<u>76,048,597</u>	<u>—</u>	<u>76,048,597</u>
Change in net assets	6,077,943	5,479,168	11,557,111
Net assets, beginning of year	<u>25,918,227</u>	<u>4,222,324</u>	<u>30,140,551</u>
Net assets, end of year	<u>\$ 31,996,170</u>	<u>9,701,492</u>	<u>41,697,662</u>

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Statement of Functional Expenses

Year ended September 30, 2020

	Program activities			Supporting activities			Total
	International programs	U.S. programs	Total Program activities	Management and general	Resource development	Total Supporting activities	
Salaries and related expenses:							
Salaries and related expenses	\$ 10,934,536	1,416,000	12,350,536	1,928,926	2,538,033	4,466,959	16,817,495
Employee benefits	1,843,135	299,214	2,142,349	352,329	452,479	804,808	2,947,157
Payroll taxes	141,195	132,677	273,872	138,674	192,948	331,622	605,494
Total salaries and related expenses	12,918,866	1,847,891	14,766,757	2,419,929	3,183,460	5,603,389	20,370,146
Other expenses:							
Professional fees	532,538	120,220	652,758	250,320	60,038	310,358	963,116
Consultants	447,834	102,962	550,796	230,793	954,387	1,185,180	1,735,976
Media and marketing	12,305	1,105	13,410	1,488	165,684	167,172	180,582
Direct mail	—	—	—	—	11,550	11,550	11,550
Program grants and activities	3,666,093	23,811	3,689,904	705	342	1,047	3,690,951
Travel	934,960	119,348	1,054,308	126,585	68,217	194,802	1,249,110
Supplies	1,948,789	209,774	2,158,563	170,944	177,292	348,236	2,506,799
Facilities	1,096,441	82,751	1,179,192	50,203	11,748	61,951	1,241,143
Utilities	381,088	54,609	435,697	45,609	28,909	74,518	510,215
Insurance	153,997	74,923	228,920	40,416	31,734	72,150	301,070
Equipment	498,675	103,697	602,372	87,090	55,866	142,956	745,328
Vehicles	469,375	128,763	598,138	959	726	1,685	599,823
Other expenses	570,773	21,031	591,804	126,730	364,566	491,296	1,083,100
Depreciation	492,725	160,373	653,098	80,435	32,395	112,830	765,928
Gifts-in-kind	32,875,607	704,263	33,579,870	—	—	—	33,579,870
Total other expenses	44,081,200	1,907,630	45,988,830	1,212,277	1,963,454	3,175,731	49,164,561
Total expenses	\$ 57,000,066	3,755,521	60,755,587	3,632,206	5,146,914	8,779,120	69,534,707

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Statement of Functional Expenses

Year ended September 30, 2019

	Program activities	Supporting activities			Total
		Administration	Resource development	Subtotal	
Salaries and related expenses:					
Salaries and related expenses	\$ 10,712,150	1,273,185	2,301,661	3,574,846	14,286,996
Employee benefits	1,820,704	209,259	471,676	680,935	2,501,639
Payroll taxes	242,411	89,034	185,705	274,739	517,150
Total salaries and related expenses	<u>12,775,265</u>	<u>1,571,478</u>	<u>2,959,042</u>	<u>4,530,520</u>	<u>17,305,785</u>
Other expenses:					
Professional fees	195,838	127,974	110,659	238,633	434,471
Consultants	616,507	192,720	834,262	1,026,982	1,643,489
Media and marketing	3,256	4,071	428,417	432,488	435,744
Direct mail	—	—	11,650	11,650	11,650
Program grants and activities	4,560,527	30,093	—	30,093	4,590,620
Travel	1,335,348	126,559	136,725	263,284	1,598,632
Supplies	2,346,171	66,327	180,750	247,077	2,593,248
Facilities	974,504	29,926	110,008	139,934	1,114,438
Utilities	414,012	52,976	25,019	77,995	492,007
Insurance	183,575	81,610	1,016	82,626	266,201
Equipment	355,225	20,896	35,889	56,785	412,010
Vehicles	879,921	1,033	1,838	2,871	882,792
Other expenses	572,848	145,675	294,960	440,635	1,013,483
Depreciation	634,703	94,020	32,614	126,634	761,337
Gifts-in-kind	42,492,690	—	—	—	42,492,690
Total other expenses	<u>55,565,125</u>	<u>973,880</u>	<u>2,203,807</u>	<u>3,177,687</u>	<u>58,742,812</u>
Total expenses	<u>\$ 68,340,390</u>	<u>2,545,358</u>	<u>5,162,849</u>	<u>7,708,207</u>	<u>76,048,597</u>

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Statements of Cash Flows

Years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,080,517)	11,557,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	765,928	761,337
Gain on disposal of property and equipment	(3,700,139)	(1,199)
Gain on sale of investments	(962)	(22,692)
Unrealized (gain) loss on investments	(149,757)	90,676
Donated investments	(769,414)	(112,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receivables and advances	11,538,121	(10,332,861)
Promises to give	(8,064,965)	—
Prepaid expenses	(289,559)	43,772
Inventory	6,439,931	1,173,699
Accounts payable	(35,013)	349,386
Annuities payable	(5,735)	(5,735)
Accrued payroll, vacation, and related liabilities	(801,036)	538,788
Refundable advances	370,403	1,050,423
Net cash provided by operating activities	<u>2,217,286</u>	<u>5,090,340</u>
Cash flows from investing activities:		
Proceeds from sale of investments	656,014	490,852
Proceeds from sale of property and equipment	6,166,822	25,622
Acquisition of property and equipment	<u>(1,440,812)</u>	<u>(1,072,727)</u>
Net cash provided by (used in) investing activities	<u>5,382,024</u>	<u>(556,253)</u>
Cash flows from financing activities:		
Payments on line of credit	—	(500,000)
Proceeds from paycheck protection loan program	<u>1,254,448</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>1,254,448</u>	<u>(500,000)</u>
Net increase in cash and cash equivalents	8,853,758	4,034,087
Cash and cash equivalents, beginning of year	<u>5,815,417</u>	<u>1,781,330</u>
Cash and cash equivalents, end of year	<u>\$ 14,669,175</u>	<u>5,815,417</u>

See accompanying notes to financial statements.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(1) Organization and Purpose

Founded in 1979, Medical Teams International (Medical Teams) is a Christian humanitarian relief agency focused on providing life-saving medical care for people in crisis, such as survivors of natural disasters and refugees. Medical Teams cares for the whole person—physical, emotional, social, and spiritual. Daring to love like Jesus, Medical Teams cares for all people—regardless of religion, nationality, sex, or race. Medical Teams believes every person, no matter where they are or how desperate their situation, matters.

Medical Teams responds to disasters and protracted emergencies around the world where the needs are urgent, where Medical Teams have access, and when resources are available.

Medical Teams provides direct medical care to people who have been impacted by emergencies and conflict and have limited or no access to life-saving care. Medical Teams uses professionally trained volunteers and staff to operate fixed or mobile health centers. In the U.S., Medical Teams provides free dental care services to people with no access to dental care through Medical Teams mobile dental program.

Medical Teams works directly with health facilities to improve and strengthen the quality of medical services being provided. In many cases, this involves training of health care professionals and seeking to improve access and management of medicines and medical supplies.

Medical Teams works in partnership with communities, especially with women and children, to empower them to manage and promote their own health as well as reduce preventable diseases and ensure sustainability and well-being long after Medical Teams leaves.

In addition to U.S.-based programs, Medical Teams operates in Bangladesh, Colombia, Guatemala, Liberia, Tanzania, and Uganda.

On March 23, 2020, as a result of the COVID-19 outbreak, Oregon Governor Kate Brown issued a statewide Executive Order mandating Oregonians to stay at home, closing specified retail businesses, requiring social distancing measures for other public and private facilities, and imposing other requirements. The Executive Order was effective immediately and remains in effect until terminated by the Governor. Management anticipates that this disruption will negatively impact Medical Teams' financial position and operating results. However, the scope of the financial impact cannot be estimated at this time.

(2) Significant Accounting Policies

(a) Basis of Accounting and Presentation

The accompanying financial statements including all Medical Team locations have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP.)

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(b) Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Medical Team's net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions. This balance includes any funds restricted by the board but not subject to donor restrictions
- Net assets with donor restrictions—Net assets that are subject to donor-imposed restrictions that permit Medical Teams to use or expend the assets as specified. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose or that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are required to be maintained in perpetuity.

(c) Cash and Cash Equivalents

Cash equivalents consist of primarily of money market instruments with original maturities of three months or less at the date of acquisition. Medical Teams maintains bank accounts in several foreign countries to facilitate operations. Total cash held in foreign accounts at September 30, 2020 and 2019 is \$1,697,548 and \$2,633,921, respectively.

(d) Concentration of Credit Risk

Medical Teams maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Medical Teams has not experienced any losses in such accounts and believes that it is not exposed to any significant financial risk on cash.

(e) Investments

Investments are recorded at fair value as determined by quoted or published market prices. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

The investment objective of the Endowment is to provide a rate of return over inflation sufficient to support in perpetuity the mission. It is particularly important to preserve the value of the assets in real terms to enable the Endowment to preserve intergenerational equity and maintain the purchasing power of the spending on programs and administration without eroding the real value of the principal corpus of the Endowment.

The objective in the investment management of the Operating Reserves shall be to optimize return, net of costs on investments within the approved policy investment options, with careful consideration of the projected liquidity needs of the organization.

(f) Promises to Give, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(g) Inventory

Inventory consists of donated medical supplies that are used in global programs and distributed to other like organizations. The valuation of inventory is described in note (i) Gifts-in-Kind.

(h) Property and Equipment, Net

Property and equipment are capitalized at cost or, if donated, at the approximate fair market value at the date of donation, providing they have a useful life of more than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets.

The cost of repairs and maintenance are charged to expense when incurred. Upon sale or retirement of the property and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of activities.

Property and equipment are reviewed each year for impairment or whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values. No impairment losses related to property and equipment were recognized during the years ended September 30, 2020 and 2019.

During November 2020, Medical Teams sold an office building that was located in Redmond, Washington, for \$6,550,000. The net proceeds from the sale was \$6,166,822 and net of the carrying value the realized gain on the sale was \$3,700,139.

(i) Annuities Payable

Annuities payable have been computed using an average discount factor of 5.5 percent and an estimated life expectancy of annuitants based on applicable mortality rates.

(j) Contributions

Contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contributions are recorded as with donor restrictions or without donor restrictions, depending on donor intent. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(k) Government and Other Grant Funding

Support and revenue related to government and other grants is recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met to be entitled to the funds. For this reason, grant revenues are conditional, and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not recognized as revenue, are classified in the statement of financial position as refundable advances.

For the years ended September 30, 2020 and 2019, grant revenue amounted to \$18,791,407 and \$17,204,311, respectively. Total contingent grants not yet earned as of September 30, 2020 and 2019 amounted to \$27,753,940 and \$23,188,138, respectively.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(l) Gifts-in-Kind

Gifts-in kind (GIK) are primarily from three corporate medical supply donors, I-5 hospital partners, and from individuals. GIK also include services provided to mobile dental units and volunteers supporting MTI programs. GIK received through private donations are recorded in accordance with U.S. GAAP and industry standards, including the Interagency GIK Standards developed by the Accord Network and the Private Voluntary Organization (PVO) standards developed by InterAction. The Accord Network and InterAction are two industry networks, which collaborate to eliminate poverty and establish common reporting and operating principles. GIK's are valued and recorded as revenue at their estimated fair value based upon estimates of the wholesale values that would be received for selling the goods in their principal exit markets considering the goods condition and utility for use at the time of contribution. Medical Teams does not sell donated GIK and only distributes the goods for program use. Medical Teams receives and distributes medical supplies, pharmacy and hygiene products.

GIK revenue and expense are recorded when the goods are distributed for program use. The inventory is valued using the same methodologies described above. Medical Teams believes that this approximates the lower of cost or net realizable value in the market.

For the years ended September 30, 2020 and 2019, GIK received directly by Medical Teams amounted to \$27,145,384 and \$41,319,669, respectively.

(m) In-Kind Support

Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create non-financial assets or require specialized skills and are provided by individual possessing those skills. These skills would be purchased if not provided by the donation. These services are recorded at their estimated fair value at the date of donation and are recognized in the financial statements as contributions and expenses.

The total value of this in-kind support included in the accompanying financial statements is \$1,122,161 and \$2,912,485, for the years ended September 30, 2020 and 2019, respectively. During the years ended September 30, 2020 and 2019, Medical Teams also received a significant amount of donated services from other volunteers that are not recognized in the statements of activities because the criteria for recognition under U.S. GAAP was not satisfied.

(n) Program Revenue

Medical Teams runs dental clinics and COVID-19 testing sites that charge fees for services and the revenue is recognized when the service is provided.

(o) Other Income

Other income consists primarily of interest and dividend income, realized and unrealized gains/losses on securities, as well as fixed assets.

(p) Functional Allocation of Expenses

The costs of providing certain activities of Medical Teams have been summarized on a functional basis in the financial statements. Where practicable, expenses are directly classified to specific program or

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Notes to Financial Statements

September 30, 2020 and 2019

supporting service categories. Costs that are not specifically identifiable within functional categories are classified using an allocation method such as square footage and other methodologies.

(q) Fundraising Events

Revenue and expenses from fundraising events are reported gross. Therefore, fundraising expenses are not offset directly against related revenues are reported as resource development expenses in the accompanying statements of activities.

(r) Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(s) Income Taxes

Medical Teams is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, Medical Teams 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). However, Medical Teams remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exception. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard requires that the entity account for and disclose in the financial statements the impact of a tax position if that position will more likely than not be sustained upon examinations, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Medical Teams has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax positions that would require tax assets or liabilities to be recorded in accordance with accounting guidance.

(t) Accounting Pronouncements

Medical Teams adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for its fiscal year ended September 30, 2019. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows.

The main provision include the reduction in the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

The guidance also includes quantitative and qualitative disclosures regarding liquidity and availability of resources, recognition of underwater endowment funds as a reduction in net assets with donor restrictions, presentation of expenses by both their natural and functional classification, investment return net of external and direct internal investment expenses, and enhanced disclosures for board designated endowments.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made*. This ASU clarified the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contributions) and for distinguishing between conditional and unconditional contributions. This guidance also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The guidance has different effective dates for resource recipients and resource providers. The adoption did not have a material impact on the reported net assets as of September 30, 2020.

(u) Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance is designated to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing agreements. The ASU was amended and the new effective date for Medical Teams begins the year after December 31, 2021.

(v) Liquidity and Availability of Resources

For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, all expenditures related to its ongoing activities of providing health care services to individuals globally as well as the conduct of activities to support those services operations to be general expenditures. Medical Teams manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide a reasonable assurance that all of its obligations will be discharged.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

At September 30, Medical Team's financial assets, reduced by amounts not available for general expenditures within one year, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 14,669,175	5,815,417
Investments	2,781,389	2,517,271
Receivables and advances	2,546,990	14,085,111
Promises to give, net	<u>8,064,965</u>	<u>—</u>
	28,062,519	22,417,799
Less board designated funds	—	(881,169)
Less donor restricted funds	<u>(8,533,716)</u>	<u>(9,701,492)</u>
Financial assets available for general expenditure within one year	<u>\$ 19,528,803</u>	<u>11,835,138</u>

As noted in note 8, Medical Teams has access to a line of credit up to \$500,000 that could be drawn on in the event additional liquid financial assets were needed for operations

(w) Concentrations

During the year ended September 30, 2020, Medical Teams received approximately 13% of total revenue from one donor. During the year ended September 30, 2019, Medical Teams received approximately 11% of total revenue from one donor.

(x) Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported net assets or change in net assets.

(3) Investments and Fair Value Measurements

Fair value is defined as the price that Medical Teams would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. A three-tier hierarchy was established by the FASB to classify measurement inputs for determining fair value for disclosure purposes. Inputs refer broadly to the assumption that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Medical Teams has the ability to access at the measurement date

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable, including Medical Team's own assumptions in determine the fair value of assets or liabilities.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the asset in its entirety falls in determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Medical Team's perceived risk of liquidity for that asset.

The following table presents assets that are measured at fair value on a recurring basis as of September 30, 2020:

	Assets at fair value as of September 30, 2020			
	Level 1	Level 1	Level 1	Total
Mutual funds	\$ 2,781,389	—	—	2,781,389

The following table presents assets that are measured at fair value on a recurring basis as of September 30, 2019:

	Assets at fair value as of September 30, 2019			
	Level 1	Level 1	Level 1	Total
Mutual funds	\$ 2,517,271	—	—	2,517,271

(4) Endowment Fund

Medical Teams has one endowment fund. The income from the fund is to be used to fund operations or to be reinvested. As required by GAAP, net assets associated with donor-restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

Medical Teams is subject to the State of Oregon's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Based on the interpretation of UPMIFA by the board of directors of Medical Teams, applicable accounting guidance, and absent explicit donor stipulations to the contrary, Medical Teams classifies net assets of a perpetual nature with donor restrictions as (a) the original value of gifts donated to the donor restricted endowment (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulation to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor's restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the board of directors.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

In accordance with UPMIFA, Medical Teams considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Medical Teams and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Medical Teams
- The investment policies of Medical Teams

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original dollar value of the endowment fund or the level specifically required to be detained by the donor. Medical Teams considers prudence in maintaining an endowment fund in perpetuity. While spending may occur while the fund's fair value is below its historic value, Medical Teams' board of directors will exercise prudence to continue the perpetual nature of the endowment over time.

(b) Investment Objectives and Spending Policy

To achieve its long-term rate-of-return objectives, Medical Teams relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends.) Medical Teams targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints. The spending rate is review by the board of directors based on the criteria listed above and is capped at 5% of the fair value of the portfolio.

(c) Endowment Activities

Changes in endowment net assets included in net assets with donor restrictions were as follows for the year ended September 30, 2020:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 2,297,266	2,377,864
Investment income	148,301	37,877
Spending rate	<u>100,070</u>	<u>118,475</u>
Endowment net assets, end of year	<u>\$ 2,345,497</u>	<u>2,297,266</u>

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(5) Promises to Give, net

	<u>2020</u>	<u>2019</u>
Estate gift receivable in less than one year	\$ 251,915	251,915
Pledges receivable in less than one year	3,676,247	6,324,684
Promises to give in one to five years	<u>4,259,963</u>	<u>6,802,397</u>
Total unconditional promises to give	8,188,125	13,378,996
Unamortized discount	<u>(123,160)</u>	<u>(257,188)</u>
Total promises to give, net	<u>\$ 8,064,965</u>	<u>13,121,808</u>

As of September 30, 2020, and 2019, the interest rate used to discount pledges receivable to their net present value was 1.46% and 2.12%, respectively.

At September 30, 2020, there were unconditional promises to give from two major donors that comprised 43% of the total net unconditional promises to give. At September 30, 2019, there were unconditional promises to give from two major donors that comprised 77% of the total net unconditional promises to give.

(6) Receivables and Advances

	<u>2020</u>	<u>2019</u>
Grant receivables	\$ 1,723,574	559,284
Other receivables and advances, net	<u>838,416</u>	<u>419,019</u>
Total receivables and advances	2,561,990	978,303
Allowance for other uncollectible receivables and advances	<u>(15,000)</u>	<u>(15,000)</u>
Total net other receivables and advances	<u>\$ 2,546,990</u>	<u>963,303</u>

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(7) Property and Equipment, Net

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

	<u>2020</u>	<u>2019</u>
Vehicles, including mobile dental units	\$ 5,460,033	4,954,627
Office equipment and furniture	1,698,312	2,094,090
Building and land	6,453,359	8,563,254
Assets held for resale	4,500	45,360
	<u>13,616,204</u>	<u>15,657,331</u>
Accumulated depreciation	<u>(7,987,288)</u>	<u>(8,236,616)</u>
Property and equipment, net	<u>\$ 5,628,916</u>	<u>7,420,715</u>

(8) Line of Credit

Medical Teams has a \$500,000 revolving line of credit through U.S. Bank with a maturity date of April 30, 2021. The unpaid principal balance bears interest at an annual rate equal to the prime rate, 3.25% as of September 30, 2020 and 5.25% as of 2019, 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 Medical Teams and requires that Medical Teams always maintain a tangible net worth in the amount of \$20 million.

The outstanding balance on the line of credit was \$0 as of September 30, 2020 and 2019.

(9) Payroll Protection Program Loan

During the year ended September 30, 2020, Medical Teams received a loan from U.S. Bank in the amount of \$1,249,340 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 4, 2020 and was forgiven by U.S. Bank and the Small Business Association on November 10, 2020, along with \$6,594 in accrued interest.

(10) Operating Leases

Medical Teams leases office equipment under noncancellable operating leases. Medical Teams 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 \$386,969 and \$338,073 for the years ended September 30, 2020 and 2019, respectively.

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

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

Year ending September 30:		
2021	\$	82,024
2022		83,371
2023		27,610
2024		—
Total	\$	<u>193,005</u>

(11) Employee Benefit Plan

Medical Teams 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.

Total retirement plan expense for the years ended September 30, 2020 and 2019, was \$353,939 and \$337,230, respectively.

(12) Net Assets Released from Restrictions

Net assets relating to restricted contributions and grants are released from net assets with donor restrictions to net assets without donor restrictions when Medical Teams incurs expenses satisfying the restricted purposes or when other events specified by donors occur.

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

	<u>2020</u>	<u>2019</u>
Satisfaction of international and domestic relief and development projects	\$ 5,523,859	22,464,211
Board-approved use of funds of perpetual duration	—	118,500
Total net assets released from restrictions	\$ <u>5,523,859</u>	<u>22,582,711</u>

MEDICAL TEAMS INTERNATIONAL

Notes to Financial Statements

September 30, 2020 and 2019

(13) Net Assets

The nature of Medical Teams' activities is such that it is common to have net assets with donor restrictions carryover when projects funded by long-term grants are carried out over multiple-year periods or when restricted contributions for projects exceeds expenses for those projects during the same fiscal year. Medical Teams is committed to these long-term projects and plans to expend these funds.

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions:		
Africa and Middle East projects	\$ 41,076	64,413
Latin America projects	639,905	293,718
Long-term pledges	4,259,963	6,494,389
Funds restricted in perpetuity	2,345,497	2,297,266
Other	<u>1,247,276</u>	<u>551,706</u>
Total net assets with donor restrictions	<u>\$ 8,533,717</u>	<u>9,701,492</u>

Funds restricted in perpetuity consisted entirely of Endowment Fund assets to be held indefinitely at September 30, 2020 and 2019. The income from these assets is used to support Medical Teams' general activities.

(14) Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditors' report.

Medical Teams has received a loan from U.S. Bank in the amount of \$1,249,340 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 4, 2020 and was forgiven by U.S. Bank and the Small Business Association on November 10, 2020, along with \$6,594 in accrued interest.

SINGLE AUDIT INFORMATION



KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' 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*

Finance Committee
Medical Teams International
Tigard, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Medical Teams International, which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Medical Teams International's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Medical Teams International's internal control. Accordingly, we do not express an opinion on the effectiveness of Medical Teams International's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Medical Teams International's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed



instances of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

Medical Teams International’s Response to Finding

Medical Teams International’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Medical Teams International’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Teams International’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Teams International’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Seattle, Washington
March 4, 2021



KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Medical Teams International
Tigard, Oregon

Report on Compliance for Each Major Federal Program

We have audited Medical Teams International's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Medical Teams International's major federal programs for the year ended September 30, 2020. Medical Teams International's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Medical Teams International's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Medical Teams International's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Medical Teams International complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings



and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

Medical Teams International's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Medical Teams International is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. Medical Teams International's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a significant deficiency.

Medical Teams International's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Medical Teams International is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. Medical Teams International's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Medical Teams International as of and for the year ended September 30, 2020, and have issued our report thereon dated March 4, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Seattle, Washington
March 4, 2021

MEDICAL TEAMS INTERNATIONAL

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA number</u>	<u>Grantor's number</u>	<u>Passed through to subrecipients</u>	<u>Expenditures</u>	<u>Total Grant Expenditures</u>
U.S. Department of State, Bureau of Population, Refugees, and Migration:					
Overseas Refugee Assistance Programs for Africa:					
Direct program:					
Comprehensive Health Care for Refugees	19.517	S-PRMCO-19-CA-0112	\$ 466,869	2,691,958	3,158,827
Comprehensive Health Care for Refugees	19.517	S-PRMCO-20-CA-0097	—	288,374	288,374
Comprehensive Health Care for Refugees	19.517	S-PRMCO-19-CA-0091	—	2,387,626	2,387,626
Comprehensive Health Care for Refugees	19.517	S-PRMCO-20-CA-0085	—	188,698	188,698
Total U.S. Department of State, Bureau of Population, Refugees, and Migration			466,869	5,556,656	6,023,525
Office of Foreign Disaster Assistance:					
Emergency preparedness and response to COVID-19 pandemic communities in Guatemala	98.001	720-FD-20-GR-00206	—	105,602	105,602
U.S. Agency for International Development:					
Foreign Assistance for Programs Overseas:					
Passed through World Vision, Inc.:					
Core Group Polio Project	98.001	AID-OAA-A-17-00026-MTI	—	194,820	194,820
Total federal awards			\$ 466,869	5,857,078	6,323,947

See accompanying independent auditors' report.

MEDICAL TEAMS INTERNATIONAL

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

(1) Purpose of the Schedule

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

(2) Significant Accounting Policies

(a) Reporting Entity

The reporting entity is described in Note 1 to Medical Teams' basic financial statements.

(b) Basis of Accounting

The Schedule includes the federal grant activity of Medical Teams under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the accrual basis of accounting.

(c) Indirect Cost Rate

Medical Teams did not use the 10 percent de minimis indirect cost rate and has elected to use the approved indirect cost rate as allowed under the grant agreement.

(d) Federal Financial Assistance

Federal financial assistance is defined by the Uniform Guidance as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and therefore is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between Medical Teams and the federal government for which the federal government procures tangible goods and services are not considered to be federal financial assistance.

(e) Major Programs

The Uniform Guidance establishes criteria to be used for defining major programs. Major programs for Medical Teams are those programs selected for testing using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

MEDICAL TEAMS INTERNATIONAL
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **Yes, see Finding 2020-001**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **Yes, see Finding 2020-002**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes, see Finding 2020-002**
- g. Major program:
 - Overseas Refugee Assistance Programs for Africa – CFDA 19.517
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i. Auditee qualified as a low-risk auditee: **No**

MEDICAL TEAMS INTERNATIONAL

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

<i>Finding:</i>	2020-001
<i>Criteria:</i>	Medical Team's control environment should include environment includes sufficient review to ensure proper classification of net assets with donor restrictions and release of those net assets when the donor condition is met.
<i>Statement of Condition:</i>	During testwork over net assets released from restriction as a part of the Financial statement audit, the Company classified net assets as donor restricted when there was no donor restriction and then the Company also recorded those net assets as being released in the same period.
<i>Questioned Costs:</i>	\$0
<i>Cause and Effect:</i>	Planned giving and the finance/accounting department did not have sufficient processes in place to accurately identify net assets with or without donor restrictions for one specific donor campaign. The campaign received donations which had no restrictions, however, it was communicated to finance/accounting that they were restricted, which caused the classification error.
<i>Recommendation:</i>	KPMG recommends the Company add additional communication and reviews on a monthly basis between planned giving and finance/accounting to ensure proper classification of donated net assets.
<i>Medical Teams International's Response:</i>	Medical Team's recognizes net assets were inappropriately restricted and released from restriction when no such donor restriction existed.

MEDICAL TEAMS INTERNATIONAL

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

(3) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

<i>Finding:</i>	2020-002
<i>Federal Program:</i>	Overseas Refugee Assistance Programs for Africa: Comprehensive Health Care for Refugees
<i>CFDA Number:</i>	19.517
<i>Federal Agency:</i>	U.S. Department of State, Bureau of Population
<i>Award Year:</i>	October 1, 2019 to September 30, 2020
<i>Criteria:</i>	A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years (2 CFR section 200.313(d)(2)). Control environment would include sufficient management review to ensure equipment which is properly disposed of is timely written off of the financial books and records.
<i>Statement of Condition:</i>	The Company performed the bi-annual inventory of equipment as required, however, they did not properly reconcile the results of the inventory to the trial balance resulting in the Company carrying a piece of equipment which had been properly disposed of. Equipment was purchased appropriately in a previous grant year. One out of our seven samples was noted to be in error.
<i>Questioned Costs:</i>	\$0
<i>Cause and Effect:</i>	The Company had insufficient review of the inventory to general ledger reconciliation process to ensure the accuracy of equipment carried in the grant's general ledger.
<i>Sampling Approach:</i>	The single audit compliance sample was not intended to be, and was not, a statistically valid sample.
<i>Repeat Finding:</i>	This finding is not a repeat of a finding in the immediately prior audit.
<i>Recommendation:</i>	KPMG recommends the Company improve its reconciliation and review process related to its bi-annual inventory review as well as a monthly reconciliation and review for equipment disposed of on a month to month basis.

MEDICAL TEAMS INTERNATIONAL

Notes to Schedule of Expenditures of Federal Awards

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***Medical Teams
International's
Response:***

On October 1, 2020, Medical Teams went live with a new ERP system. In prior years each country office was on a separate accounting system and the US staff was manually eliminating country office balance sheet transactions when importing to consolidate in the HQ system. In this process the transaction to remove the asset was missed by HQ. Therefore, HQ's consolidated fixed asset schedule was not updated. In the new ERP system, the US, Tanzania, and Uganda are each running on a separate client of the software that will be consolidated for reporting purposes.