

Medical Mission International, Inc.
Financial Statements
Years Ended January 31, 2016 and 2015

Medical Mission International, Inc.
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Independent Auditors' Report

To the Board of Directors of
Medical Mission International, Inc.

We have audited the accompanying financial statements of Medical Mission International, Inc. (a nonprofit organization), which comprise the statements of financial position as of January 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, Medical Mission International Inc. has computed depreciation on its assets in accordance with the Modified Accelerated Cost Recovery System ("MACRS") required for federal income tax reporting purposes, which does not allocate depreciation to expense over the estimated useful lives of the assets. In our opinion, the assets should be depreciated over their estimated useful lives to conform with accounting principles generally accepted in the United States of America. If the financial statements were corrected for that departure from U.S. generally accepted accounting principles, based on a straight-line depreciation method, accumulated depreciation would be decreased by approximately \$23,000 as of January 31, 2016 and the decrease in net assets would be reduced by approximately \$23,000 for the year then ended.

Opinion

In our opinion, except for the effects of computing depreciation as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Medical Mission International, Inc., as of January 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Shandale Sherman Klein Kramer & Co. CPAs P.C.

New York, New York
December 5, 2016

Medical Mission International, Inc.

Statements of Financial Position

January 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 30,133	\$ 13,479
Receivable and deposits	<u>7,850</u>	<u>3,759</u>
Total current assets	<u>37,983</u>	<u>17,238</u>
Real estate		
Land	166,924	166,924
Building	1,990,832	1,587,933
Furniture, fixtures and equipment	293,026	265,158
Construction in progress	<u>-</u>	<u>392,112</u>
	2,450,782	2,412,127
Less: accumulated depreciation	<u>(400,324)</u>	<u>(279,578)</u>
Total real estate, net	<u>2,050,458</u>	<u>2,132,549</u>
Total assets	<u>\$ 2,088,441</u>	<u>\$ 2,149,787</u>

Medical Mission International, Inc.
Statements of Financial Position
January 31, 2016 and 2015

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
Current liabilities		
Accounts payable	\$ 748	\$ 390
Loan payable	<u>2,051</u>	<u>2,051</u>
Total current liabilities	<u>2,799</u>	<u>2,441</u>
 Total liabilities	 <u>2,799</u>	 <u>2,441</u>
 Net assets		
Unrestricted	1,848,194	1,909,898
Permanently restricted	<u>237,448</u>	<u>237,448</u>
Total net assets	<u>2,085,642</u>	<u>2,147,346</u>
 Total liabilities and net assets	 <u>\$ 2,088,441</u>	 <u>\$ 2,149,787</u>

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

Medical Mission International, Inc.
Statements of Activities
Years Ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Contributions received	\$ 514,527	\$ 311,299
Total revenue	<u>514,527</u>	<u>311,299</u>
Expenses		
Grants	328,270	223,829
Rent expense	60,000	-
Payroll and payroll tax	26,168	14,918
Office and miscellaneous expense	21,846	12,542
Gala expense	12,710	19,671
Travel and entertainment	3,248	4,025
Professional fees	1,280	11,000
Maintenance	1,250	-
Taxes and filing fees	475	575
Advertising	238	3,228
Depreciation	<u>120,746</u>	<u>88,406</u>
Total expenses	<u>576,231</u>	<u>378,194</u>
Decrease in net assets	(61,704)	(66,895)
Net assets – beginning of year	<u>2,147,346</u>	<u>2,214,241</u>
Net assets – end of year	<u>\$ 2,085,642</u>	<u>\$ 2,147,346</u>

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

Medical Mission International, Inc.
Statements of Cash Flows
Years Ended January 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (61,704)	\$ (66,895)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated medical and office equipment	-	(21,620)
Depreciation	120,746	88,406
Receivable and deposit	(4,091)	(459)
Accounts payable	<u>358</u>	<u>390</u>
Net cash provided by (used in) operating activities	<u>55,309</u>	<u>(178)</u>
 Cash flows from investing activities		
Additions to building	(10,787)	(2,789)
Additions to furniture, fixtures and equipment	<u>(27,868)</u>	<u>-</u>
Net cash used in investing activities	<u>(38,655)</u>	<u>(2,789)</u>
 Cash flows from financing activities		
Payment of loan payable	<u>-</u>	<u>2,051</u>
Net cash provided by financing activities	<u>-</u>	<u>2,051</u>
 Net increase (decrease) in cash and cash equivalents	16,654	(916)
 Cash and cash equivalents – beginning of year	<u>13,479</u>	<u>14,395</u>
 Cash and cash equivalents – end of year	<u>\$ 30,133</u>	<u>\$ 13,479</u>
 Noncash investing activities		
Donated medical and office equipment	<u>\$ -</u>	<u>\$ 21,620</u>

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

Medical Mission International, Inc.
Notes to Financial Statements
January 31, 2016 and 2015

1. ORGANIZATION

Medical Mission International, Inc. (the "Organization"), is a nonprofit organization dedicated to bringing modern medical services to impoverished people primarily in developing countries. On November 9, 2011, the Organization completed construction of the David V. King Medical Center (the "Center"), in Jucuapa, El Salvador, and began treating patients. The Center houses volunteer expert medical teams, principally from U.S. hospitals and medical schools, who perform procedures otherwise unavailable in the region.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

In accordance with Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor or use restrictions. Contributions are recognized as revenue when they are received.

Contributions are recognized as an expense for the period during which they are made. Contributions are measured at the fair value of the donated asset.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments in money market funds that have a maturity of less than three months and that are available for current use.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Real estate/depreciation

Real estate is recorded at cost. For the year ended January 31, 2016, assets are depreciated in accordance with the Modified Accelerated Cost Recovery System (MACRS) required for federal income tax reporting purposes which is a departure from accounting principles generally accepted in the United States of America. For the year ended January 31, 2015, the real estate was depreciated using the straight-line method over the estimated useful lives of the respective assets: 40 years for buildings, five to seven years for furniture, fixtures and equipment, and three years for vehicles. Donated medical and office equipment are recorded at their estimated fair market value upon receipt.

Depreciation includes \$48,708 of expense for permanently restricted assets.

During the fiscal year ended January 31, 2015, the Organization received donated medical and office equipment in the amount of \$21,620. This equipment was placed in service during July 2015.

Medical Mission International, Inc.
Notes to Financial Statements
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Advertising costs

Advertising costs are expensed as incurred.

Fair value measurements

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the Organization has implemented the full provisions of fair value measurement. ASC 820 establishes a guideline for measuring fair value. Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction in the most advantageous market for an asset or a liability between market participants at the measurement date. The guideline provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs - Quoted prices for identical assets and liabilities in active markets.

Level 2 Inputs - Observable inputs other than quoted prices in active markets, which may include quoted prices for similar assets or liabilities or other inputs that can be corroborated by observable market data.

Level 3 Inputs - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current-year presentation.

3. CONSTRUCTION IN PROGRESS

As of January 31, 2015, the Organization was in the process of constructing operating rooms and a kitchen/cafeteria in the Center.

On July 29, 2015, the new facilities and donated equipment (Note 2) were completed and placed in service.

4. CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents in financial institutions. At times, such deposits and investments may be in excess of amounts insured by the Federal Deposit Insurance Corporation. The Organization's management does not believe the Organization is exposed to any significant credit risk on its cash and cash equivalents or on its escrows and reserves.

5. INCOME TAXES

The Organization is a nonprofit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Medical Mission International, Inc.
Notes to Financial Statements
January 31, 2016 and 2015

The Organization files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Organization is subject to examination by federal, state and local jurisdictions, where applicable. As of January 31, 2016, the tax years that remained subject to examination by the major tax jurisdictions under the statute of limitations were from the tax year 2012 and forward.

The Organization follows the authoritative guidance on accounting for and disclosure of uncertainty in tax positions set forth in ASC 740, *Income Taxes*, which requires management to determine whether a tax position of the Organization is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

Management has determined that there were no uncertain tax positions at January 31, 2016 and 2015, requiring adjustment to or disclosure in the financial statements.

6. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 5, 2016, the date when the financial statements were available to be issued.

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