

**MEDICAL TEAMS INTERNATIONAL**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**For the Years Ended September 30, 2019 and 2018**



MEDICAL TEAMS INTERNATIONAL  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
For the Years Ended September 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S 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), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

### Auditor's 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 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 audits 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 auditor's 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, 2019 and 2018, 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.

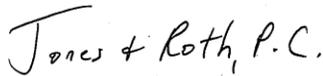
## Other Matters

### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020 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 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 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.



Jones & Roth, P.C.  
Hillsboro, Oregon  
May 27, 2020

## FINANCIAL STATEMENTS

MEDICAL TEAMS INTERNATIONAL  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,181,496	\$ 1,093,025
Cash and cash equivalents held in foreign countries	<u>2,633,921</u>	<u>688,305</u>
Total cash and cash equivalents	5,815,417	1,781,330
Investments	2,517,271	2,963,742
Receivables and advances	14,085,111	3,752,250
Prepaid expenses	216,326	260,098
Inventories	15,280,174	16,453,873
Property and equipment, net	<u>7,420,715</u>	<u>7,133,748</u>
<b>Total assets</b>	<u>\$ 45,335,014</u>	<u>\$ 32,345,041</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,130,196	\$ 780,810
Annuities payable	9,651	15,386
Accrued payroll, vacation, and related liabilities	1,444,726	905,938
Line of credit	-	500,000
Advances	<u>1,052,779</u>	<u>2,356</u>
Total liabilities	<u>3,637,352</u>	<u>2,204,490</u>
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	31,115,001	25,037,058
Board-designated operating reserve	<u>881,169</u>	<u>881,169</u>
Total net assets without donor restrictions	31,996,170	25,918,227
Net assets with donor restrictions	<u>9,701,492</u>	<u>4,222,324</u>
Total net assets	<u>41,697,662</u>	<u>30,140,551</u>
<b>Total liabilities and net assets</b>	<u>\$ 45,335,014</u>	<u>\$ 32,345,041</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
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	22,582,711	(22,582,711)	-
Total revenue and support	82,126,540	5,479,168	87,605,708
<b>Expenses</b>			
Program activities	68,340,390	-	68,340,390
Supporting activities:			
Administration	2,545,358	-	2,545,358
Resource development	5,162,849	-	5,162,849
Total expenses	76,048,597	-	76,048,597
<b>Change in net assets</b>	6,077,943	5,479,168	11,557,111
Net assets, beginning of year	25,918,227	4,222,324	30,140,551
Net assets, end of year	\$ 31,996,170	\$ 9,701,492	\$ 41,697,662

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants	\$ 9,765,757	\$ 17,398,489	\$ 27,164,246
Gifts in-kind	31,744,248	-	31,744,248
Service fees	738,384	-	738,384
Investment income	18,693	220,766	239,459
Other	97,509	-	97,509
Net assets released from restrictions	<u>17,766,319</u>	<u>(17,766,319)</u>	<u>-</u>
 Total revenue and support	 <u>60,130,910</u>	 <u>(147,064)</u>	 <u>59,983,846</u>
 <b>Expenses</b>			
Program activities	53,227,801	-	53,227,801
Supporting activities:			
Administration	2,291,439	-	2,291,439
Resource development	<u>4,764,961</u>	<u>-</u>	<u>4,764,961</u>
 Total expenses	 <u>60,284,201</u>	 <u>-</u>	 <u>60,284,201</u>
 <b>Change in net assets</b>	 (153,291)	 (147,064)	 (300,355)
 Net assets, beginning of year	 <u>26,071,518</u>	 <u>4,369,388</u>	 <u>30,440,906</u>
 Net assets, end of year	 <u>\$ 25,918,227</u>	 <u>\$ 4,222,324</u>	 <u>\$ 30,140,551</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2019

	Supporting Activities				Total
	Program Activities	Administration	Resource Development	Subtotal	
<b>Salaries and related expenses</b>					
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
	<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>
<b>Other expenses</b>					
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
	<u>55,565,125</u>	<u>973,880</u>	<u>2,203,807</u>	<u>3,177,687</u>	<u>58,742,812</u>
<b>Total expenses</b>	<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>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2018

	Supporting Activities				Total
	Program Activities	Administration	Resource Development	Subtotal	
<b>Salaries and related expenses</b>					
Salaries and related expenses	\$ 9,036,526	\$ 1,184,566	\$ 2,304,580	\$ 3,489,146	\$ 12,525,672
Employee benefits	1,713,243	202,977	454,656	657,633	2,370,876
Payroll taxes	269,468	82,717	178,910	261,627	531,095
	<u>11,019,237</u>	<u>1,470,260</u>	<u>2,938,146</u>	<u>4,408,406</u>	<u>15,427,643</u>
<b>Other expenses</b>					
Professional fees	212,242	104,747	123,935	228,682	440,924
Consultants	565,358	135,296	512,484	647,780	1,213,138
Media and marketing	4,354	28,316	315,402	343,718	348,072
Direct mail	-	-	8,578	8,578	8,578
Program grants and activities	3,329,432	-	-	-	3,329,432
Travel	1,155,222	73,053	111,414	184,467	1,339,689
Supplies	1,627,744	48,088	173,012	221,100	1,848,844
Facilities	1,174,272	27,408	88,099	115,507	1,289,779
Utilities	407,673	59,118	25,726	84,844	492,517
Insurance	220,320	80,746	1,003	81,749	302,069
Equipment	347,584	38,009	82,324	120,333	467,917
Vehicles	944,468	1,006	2,785	3,791	948,259
Other expenses	569,215	128,808	338,351	467,159	1,036,374
Depreciation	622,064	96,584	43,702	140,286	762,350
Gifts in-kind	31,028,616	-	-	-	31,028,616
	<u>42,208,564</u>	<u>821,179</u>	<u>1,826,815</u>	<u>2,647,994</u>	<u>44,856,558</u>
<b>Total expenses</b>	<u>\$ 53,227,801</u>	<u>\$ 2,291,439</u>	<u>\$ 4,764,961</u>	<u>\$ 7,056,400</u>	<u>\$ 60,284,201</u>

The accompanying notes are an integral part of these statements.

MEDICAL TEAMS INTERNATIONAL  
STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 11,557,111	\$ (300,355)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	761,337	762,350
(Gain) loss on disposal of property and equipment	(1,199)	55,704
Gain on sale of investments	(22,692)	(410)
Unrealized (gain) loss on investments	90,676	(99,639)
Donated investments	(112,365)	(121,564)
Change in inventories	1,173,699	(710,397)
(Increase) decrease in:		
Receivables and advances	(10,332,861)	6,689
Prepaid expenses	43,772	(66,415)
Increase (decrease) in:		
Accounts payable	349,386	502,646
Annuities payable	(5,735)	(5,965)
Accrued payroll, vacation, and related liabilities	538,788	(17,334)
Advances	1,050,423	2,125
Net cash provided by operating activities	5,090,340	7,435
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	490,852	555,236
Proceeds from sale of property and equipment	25,622	38,725
Acquisition of property and equipment	(1,072,727)	(125,205)
Net cash provided (used) by investing activities	(556,253)	468,756
<b>Cash flows from financing activities</b>		
Payments on line of credit	(500,000)	-
<b>Net increase in cash and cash equivalents</b>	4,034,087	476,191
Cash and cash equivalents, beginning of year	1,781,330	1,305,139
Cash and cash equivalents, end of year	\$ 5,815,417	\$ 1,781,330

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 (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. We care for the whole person – physical, emotional, social, and spiritual. Daring to love like Jesus, we care for all people – regardless of religion, nationality, sex, or race. We believe 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 we have access, and when resources are available.

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

We work 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.

We work 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 we leave.

### 2. Significant Accounting Policies

#### Recent Accounting Standard Adopted

During the year ended September 30, 2019, Medical Teams adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The standard was applied on a retrospective basis. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 2). The accompanying information from the 2018 financial statements has been restated to conform to the current year presentation and disclosure requirements of ASU 2016-14.

#### Basis of Accounting and Presentation

The accompanying financial statements include the accounts of all Medical Teams field offices and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Medical Teams and changes therein are classified and reported as follows:

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Basis of Accounting and Presentation, continued**

*Net assets without donor restrictions* reflect the cumulative effect of net activity absent donor-imposed restrictions.

*Net assets with donor restrictions* 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 Medical Teams pursuant to these stipulations. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Net assets with donor restrictions also includes amounts perpetually restricted by the donor. Such restrictions neither expire by the passage of time nor can be fulfilled or otherwise removed by Medical Teams' actions.

**Cash and Cash Equivalents**

For purposes of financial statement classification, Medical Teams considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**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.

**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 uncollectable 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 Medical Teams' policy to capitalize expenditures for items that are more than \$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 Medical Teams 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

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, Medical Teams reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Medical Teams reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Donated Assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

**Donated Services**

Medical Teams 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.

**Revenue and Support**

Contributions and grants received are recorded as support with donor restrictions or without donor restrictions 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, upon approval of the Board of Directors (the Board).

**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. Medical Teams' 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 income 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.

Medical Teams' 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 Medical Teams' 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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies**, continued

**Endowment Fund Policy**, continued

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 statements of activities and statements 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. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Expenses that are common to several functions are allocated among the program and support services benefited. Some expenses are considered indirect expenses and are required to be allocated on a reasonable basis that is consistently applied. Indirect expenses are allocated using the basis of actual employee time and effort.

**Compensated Absences**

Employees are compensated during periods of absence due to sickness or vacation. Medical Teams records this cost as it is earned. Compensation is payable to employees at the time the absence occurs or upon termination of employment. As of September 30, 2019 and 2018, accrued compensated absences were \$308,648 and \$308,840, respectively.

**Use of 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 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 revenue, 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.

**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.

**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). In any year in which Medical Teams has unrelated business gross income of \$1,000 or more, it must file Form 990-T with the Internal Revenue Service (IRS) and may have to pay tax on such income. Medical Teams' Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the IRS for three years after it was filed.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Liquidity and Availability of Resources**

Medical Teams has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At September 30, Medical Team's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,815,417	\$ 1,781,330
Receivables	14,085,111	3,752,250
Investments	<u>2,517,271</u>	<u>2,963,742</u>
	22,417,799	8,497,322
Less: board designated funds	(881,169)	(881,169)
Less: donor restricted funds	<u>(9,701,492)</u>	<u>(4,222,324)</u>
Financial assets available for general expenditure	<u>\$ 11,835,138</u>	<u>\$ 3,393,829</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.

**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. Deposits in excess of FDIC insurance limits were \$2,277,120 and \$976,390 at September 30, 2019 and 2018, respectively. Medical Teams 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.

As of September 30, Medical Teams' cash and cash equivalents, in United States dollars, consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents held in the U.S.:		
Checking accounts	\$ 2,084,549	\$ 1,079,995
Petty cash	11,850	12,250
Cash in foreign currency	90,418	779
Money markets	<u>994,679</u>	<u>1</u>
Total cash and cash equivalents held in the U.S.	<u>3,181,496</u>	<u>1,093,025</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**3. Cash and Cash Equivalents, continued**

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents held in foreign countries:		
Uganda	2,329,317	443,307
Liberia	263,729	207,759
Guatemala	20,753	31,607
Lebanon	8,654	2,561
Turkey	-	2,694
Tanzania	<u>11,468</u>	<u>377</u>
Total cash and cash equivalents held in foreign countries	<u>2,633,921</u>	<u>688,305</u>
Total cash and cash equivalents	<u>\$ 5,815,417</u>	<u>\$ 1,781,330</u>

Medical Teams had losses of \$7,523 and \$114,009 from foreign currency transactions for the years ended September 30, 2019 and 2018, respectively. These amounts are included in other expenses.

**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.

As of September 30, investments consisted of:

	<u>2019</u>	<u>2018</u>
Mutual funds	<u>\$ 2,517,271</u>	<u>\$ 2,963,742</u>

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

Investment income is comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 196,632	\$ 139,410
Realized gain on investments	22,692	410
Unrealized gain (loss) on investments	<u>(90,676)</u>	<u>99,639</u>
Total investment income	<u>\$ 128,648</u>	<u>\$ 239,459</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**5. Receivables and Advances**

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

	<u>2019</u>	<u>2018</u>
Estate gift receivable in less than one year	\$ 251,915	\$ 1,291,915
Other pledges receivable in less than one year	6,324,684	1,095,423
Receivable in one to five years	<u>6,802,397</u>	<u>84,975</u>
Total unconditional promises to give	13,378,996	2,472,313
Unamortized discount	(257,188)	-
Allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give	13,106,808	2,457,313
Grant receivables	559,284	422,801
Other receivables and advances	<u>419,019</u>	<u>872,136</u>
Total receivables and advances	<u>\$ 14,085,111</u>	<u>\$ 3,752,250</u>

As of September 30, 2019, the interest rate used to discount pledges receivable to their net present value was 2.12 percent.

At September 30, 2019, there were unconditional promises to give from two major donors that comprised 77 percent of the total net unconditional promises to give. At September 30, 2018, there were unconditional promises to give from one major donor and an estate that comprised 65 percent of the total net unconditional promises to give.

**6. Inventories**

As of September 30, inventories consisted of the following:

	<u>2019</u>	<u>2018</u>
Donated items	\$ 15,020,698	\$ 16,238,581
Mobile dental care supplies	<u>259,476</u>	<u>215,292</u>
Total inventories	<u>\$ 15,280,174</u>	<u>\$ 16,453,873</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.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**7. Property and Equipment**

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

	<u>2019</u>	<u>2018</u>
Vehicles, including mobile dental units	\$ 4,954,627	\$ 4,454,455
Office equipment and furniture	2,094,090	2,664,161
Building and land	8,563,254	8,563,254
Assets held for resale	<u>45,360</u>	<u>45,360</u>
	15,657,331	15,727,230
Accumulated depreciation	<u>(8,236,616)</u>	<u>(8,593,482)</u>
Property and equipment, net	<u>\$ 7,420,715</u>	<u>\$ 7,133,748</u>

**8. Line of Credit**

Medical Teams has a \$500,000 revolving line of credit through U.S. Bank with a maturity date of July 31, 2020. The unpaid principal balance bears interest at an annual rate equal to the prime rate, 5.25 percent as of September 30, 2019 and 2018, 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 maintain a tangible net worth at all times in the amount of \$20 million. The outstanding balance on the line of credit was \$-0- and \$500,000 as of September 30, 2019 and 2018, respectively.

**9. 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>2019</u>	<u>2018</u>
Satisfaction of international and domestic relief and development projects	\$ 22,464,211	\$ 17,651,089
Board-approved use of funds of perpetual duration	<u>118,500</u>	<u>115,230</u>
Total net assets released from restrictions	<u>\$ 22,582,711</u>	<u>\$ 17,766,319</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**10. Net Assets**

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

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions	\$ 8,414,112	\$ 1,449,437
Board-designated reserve	881,169	881,169
Invested in inventories	15,280,174	16,453,873
Invested in property and equipment, net	<u>7,420,715</u>	<u>7,133,748</u>
Total net assets without donor restrictions	<u>\$ 31,996,170</u>	<u>\$ 25,918,227</u>

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 revenue 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>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Asia projects	\$ -	\$ 227,428
Africa and Middle East projects	64,413	1,020,354
Latin America projects	293,718	-
Other	551,706	596,678
Long-term pledges	6,494,389	-
Funds restricted in perpetuity	<u>2,297,266</u>	<u>2,377,864</u>
Total net assets with donor restrictions	<u>\$ 9,701,492</u>	<u>\$ 4,222,324</u>

Funds restricted in perpetuity consisted entirely of Endowment Fund assets to be held indefinitely at September 30, 2019 and 2018. The income from these assets is used to support Medical Teams' general activities. Income earned and gains and losses on endowment investments are accumulated in restricted revenue and are released upon approval by the Board to expend a percentage in a given fiscal year.

**11. Gifts In-kind**

Medical Teams receives donations of medical supplies and other commodities for use in relief and development programs. These in-kind donations have been recorded in accordance with ACCORD GIK Interagency Standards, which are consistent with presentation per accounting principles generally accepted in the United States of America. All in-kind donations are recorded at their estimated fair value in the period shipped or designated for program use.

For the years ended September 30, 2019 and 2018, gifts in-kind distributed directly by Medical Teams amounted to \$2,073,763 and \$29,440, respectively. The remaining \$36,333,421 and \$25,323,267, respectively, was distributed to, and in partnership with, other agencies and was delivered to Medical Teams before being distributed.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**11. Gifts In-kind, continued**

Medical Teams 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.

Medical Teams also receives a significant amount of donated services. The total value of these gifts in-kind included in the accompanying financial statements is \$2,912,485 and \$5,675,909, for the years ended September 30, 2019 and 2018, respectively. During the years ended September 30, 2019 and 2018, 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 accounting principles generally accepted in the United States of America was not satisfied.

Medical Teams' 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**

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 \$338,073 and \$340,302 for the years ended September 30, 2019 and 2018, respectively.

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

For the Years Ending September 30,

2020	\$ 79,809
2021	82,024
2022	83,371
2023	<u>27,610</u>
Total	<u>\$ 272,814</u>

**13. Retirement 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, 2019 and 2018, was \$337,230 and \$352,264, respectively.

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**14. Concentrations**

During the year ended September 30, 2019, Medical Teams received approximately 11 percent of total revenue from one donor. During the year ended September 30, 2018, Medical Teams received approximately 12 percent of total revenue from one organization.

**15. Fair Value Measurements**

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability 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.

At September 30, 2019, fair value of assets measured on a recurring basis was as follows:

	Assets at Fair Value as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,517,271	\$ -	\$ -	\$ 2,517,271

At September 30, 2018, fair value of assets measured on a recurring basis was as follows:

	Assets at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,963,742	\$ -	\$ -	\$ 2,963,742

MEDICAL TEAMS INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS

**16. Reclassification**

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

**17. 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 auditor's report.

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.

SUPPLEMENTAL INFORMATION

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF PROGRAM ACTIVITIES  
For the Year Ended September 30, 2019  
(With Comparative Totals for the Year Ended September 30, 2018)

	Africa and Middle East	Asia	Latin America	United States	Europe	General Disaster and Development	Medicines and Health Products	Total Program Activities 2019	Total Program Activities 2018
<b>Salaries and related expenses</b>									
Salaries and related expenses	\$ 7,700,725	\$ 51,342	\$ 262,944	\$ 1,149,768	\$ -	\$ 1,319,815	\$ 227,556	\$ 10,712,150	\$ 9,036,526
Employee benefits	1,174,444	10,399	55,553	245,834	-	273,874	60,600	1,820,704	1,713,243
Payroll taxes	12,615	4,623	99	115,265	-	91,305	18,504	242,411	269,468
<b>Total salaries and related expenses</b>	<b>8,887,784</b>	<b>66,364</b>	<b>318,596</b>	<b>1,510,867</b>	<b>-</b>	<b>1,684,994</b>	<b>306,660</b>	<b>12,775,265</b>	<b>11,019,237</b>
<b>Other expenses</b>									
Professional fees	131,146	6,304	4,544	19,337	-	19,959	14,548	195,838	212,242
Consultants	219,430	161,186	7,315	89,542	-	139,034	-	616,507	565,358
Media and marketing	590	-	96	954	-	1,616	-	3,256	4,354
Program grants and activities	4,007,830	196,539	78,610	86,253	-	191,295	-	4,560,527	3,329,432
Travel	861,395	85,837	28,574	44,810	-	304,300	10,432	1,335,348	1,155,222
Supplies	2,089,081	4,621	61,081	137,821	-	49,712	3,855	2,346,171	1,627,744
Facilities	856,800	-	11,617	41,567	-	14,782	49,738	974,504	1,174,272
Utilities	245,608	-	9,387	60,952	-	32,821	65,244	414,012	407,673
Insurance	16,744	-	9,310	46,752	-	92,870	17,899	183,575	220,320
Equipment	221,024	-	3,259	98,779	-	19,370	12,793	355,225	347,584
Vehicles	702,056	-	29,905	139,122	-	1,682	7,156	879,921	944,468
Other expenses	271,838	195	7,978	17,529	-	90,787	184,521	572,848	569,215
Depreciation	286,374	-	11,843	187,033	-	51,536	97,917	634,703	622,064
Gifts in-kind	2,109,876	10,915,666	8,232,584	7,787,578	10,081,642	3,365,344	-	42,492,690	31,028,616
<b>Total other expenses</b>	<b>12,019,792</b>	<b>11,370,348</b>	<b>8,496,103</b>	<b>8,758,029</b>	<b>10,081,642</b>	<b>4,375,108</b>	<b>464,103</b>	<b>55,565,125</b>	<b>42,208,564</b>
<b>Distribution Center allocation</b>	<b>280,316</b>	<b>153,336</b>	<b>118,182</b>	<b>137,679</b>	<b>-</b>	<b>81,250</b>	<b>(770,763)</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>\$ 21,187,892</b>	<b>\$ 11,590,048</b>	<b>\$ 8,932,881</b>	<b>\$ 10,406,575</b>	<b>\$ 10,081,642</b>	<b>\$ 6,141,352</b>	<b>\$ -</b>	<b>\$ 68,340,390</b>	<b>\$ 53,227,801</b>

SINGLE AUDIT INFORMATION

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2019

<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>
<b>U.S. Department of State, Bureau of Population, Refugees, and Migration</b>				
Overseas Refugee Assistance Programs for Africa:				
Direct program:				
Comprehensive Health Care for Refugees	19.517	S-PRMCO-18-CA-0070	\$ 399,974	\$ 3,027,772
Comprehensive Health Care for Refugees	19.517	S-PRMCO-18-CA-0069	-	2,797,888
Comprehensive Health Care for Refugees	19.517	S-PRMCO-19-CA-0091	-	158,888
Comprehensive Health Care for Refugees	19.517	S-PRMCO-19-CA-0112	<u>29,180</u>	<u>216,389</u>
Total U.S. Department of State, Bureau of Population, Refugees, and Migration			429,154	6,200,937
<b>U.S. Agency for International Development</b>				
Foreign Assistance for Programs Overseas:				
Passed through World Vision, Inc.:				
Core Group Polio Project	98.001	AID-OAA-A-17-00026-MTI	<u>-</u>	<u>123,940</u>
Total federal awards			<u>\$ 429,154</u>	<u>\$ 6,324,877</u>

MEDICAL TEAMS INTERNATIONAL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2019

**1. Purpose of the Schedule**

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to 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**

**Reporting Entity**

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

**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, 2019. 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).

**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.

**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.

**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.

**INDEPENDENT AUDITOR'S 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, 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, the financial statements of Medical Teams International (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, 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 May 27, 2020.

**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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.  
Hillsboro, Oregon  
May 27, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
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, 2019. Medical Teams International's major federal programs are identified in the summary of auditor's 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.

***Auditor's 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Medical Team International's compliance.

### ***Basis for Qualified Opinion on CFDA # 19.517, Overseas Refugee Assistance Programs for Africa***

As described in the accompanying schedule of findings and questioned costs, Medical Teams International did not comply with requirements regarding CFDA # 19.517 Overseas Refugee Assistance Programs for Africa as described in finding number 2019-001 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Medical Teams International to comply with the requirements applicable to that program.

### ***Qualified Opinion on CFDA # 19.517, Overseas Refugee Assistance Programs for Africa***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA # 19.517 Overseas Refugee Assistance Programs for Africa for the year ended September 30, 2019.

### ***Other Matters***

Medical Teams International's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

### **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 identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Medical Teams International's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.  
Hillsboro, Oregon  
May 27, 2020

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2019

**Summary of Auditor's Results**

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of Medical Teams International.
- 2) No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
- 3) No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) One material weakness in internal control was disclosed by the audit of the major federal award program. No significant deficiencies.
- 5) One instance of noncompliance was disclosed by the audit of the major federal award program.
- 6) The independent auditor's report on compliance for the major federal award program for Medical Teams International expresses a qualified opinion.
- 7) The program tested as a major program was:

CFDA # 19.517 - Overseas Refugee Assistance Programs for Africa
- 8) The threshold for distinguishing between Type A and Type B programs was \$750,000.
- 9) Medical Teams International was not determined to be a low-risk auditee under Title 2 CFR §200.520.

**Findings - Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Program Audit**

**Finding 2019-001**

*Type of Finding:* Material weakness in internal control over compliance and material noncompliance  
*Federal Agency:* Department of State, Bureau of Population, Refugees, and Migration  
*Federal Program:* CFDA # 19.517 – Overseas Refugee Assistance Programs for Africa  
*Grant No.:* S-PRMCO-18-CA-0070; S-PRMCO-18-CA-0069; S-PRMCO-19-CA-0091;  
S-PRMCO-19-CA-0012  
*Known Questioned Costs:* \$92,513  
*Likely Questioned Costs:* Present and indeterminable

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended September 30, 2019

**Findings and Questioned Costs – Major Federal Award Program Audit, continued**

**Finding 2019-001, continued**

**Criteria:** Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart E, Section 403 indicates that in order for costs to be allowable under federal awards that they must be adequately documented.

**Conditions:**

- A) While performing audit procedures over cash disbursements and personnel expenses, we noted that there was inadequate documentation for 7 transactions out of our sample of 80. These cash disbursements and payroll expenses were all from the Organization's Tanzania location. Management informed us that they would be unable to provide further support for cash disbursements and/or personnel expenses from that location due to a "tenuous political situation in that region." Total known questioned costs from these 7 transactions was \$48,278. While there are likely to be questioned costs beyond the \$48,278 that we identified in performing our audit procedures, we are unable to determine the extent or amount of those additional likely questioned costs. Total federal program expenditures in Tanzania for the year ended September 30, 2019 totaled \$2,370,288. We did not utilize statistical sampling.
- B) During the audit, we were made aware that the Organization conducted an internal investigation which included a review of 90 percent of the disbursements from their Uganda locations for the period of January 1, 2019 – June 30, 2019. It was determined through the course of that investigation that there was inadequate documentation for numerous transactions. While management notes in their response that they were later able to locate appropriate documentation after their internal investigation was complete, we were not provided with documentation for those disbursements in question during our audit. The disbursements lacking adequate documentation totaled \$44,235.

**Cause:** The internal controls in place with the intent to ensure that costs are adequately documented were not operating effectively. The key controls in place that were not operating effectively include the following:

- 1) Expenses are supported by vendor invoices or other applicable supporting documentation for the amount and the date the expense was incurred.
- 2) Invoices or other supporting documentation for expenses are authorized by an appropriate employee prior to payment.
- 3) Employment contracts are signed by the employee and Country Director and approved by the Human Resource and Administration Manager.
- 4) Timesheets are approved by the employee and at least one supervisor.

**Effect of condition:** The costs that were not adequately documented may be disallowed.

**Repeat Finding:** No

MEDICAL TEAMS INTERNATIONAL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the Year Ended September 30, 2019

**Findings and Questioned Costs – Major Federal Award Program Audit, continued**

**Finding 2019-001, continued**

**Recommendation:**

- A) We recommend that management review the internal controls in place for document retention for their international locations to ensure that the Organization has access to supporting documentation when needed. The Organization could consider utilizing a cloud based accounting system whereby supporting documents are electronically attached to the accounting transactions so that necessary parties have access when needed.
- B) We recommend that management review the internal controls in place to ensure that all transactions are adequately documented.

**Views of Responsible Officials:**

- A) Due to the political dynamic within Tanzania, Medical Teams could only implement the grant through the Tanzania Red Cross Society (TRCS), as an implementing partner, as only TRCS has the approval of the Tanzania Ministry of Health. As many other NGOs have experienced, TRCS has been difficult in providing proper support for payments. In this case, because MTI could attest to the work being done, MTI initiated payment to TRCS in order to ensure their payroll was met. Efforts to get supporting documentation have been unsuccessful. MTI has had discussion with the donors and have asked for guidance, however, none was given. Although the environment and the partner have made it challenging to operate in Tanzania for Medical Teams, we remain committed to the mission of Medical Teams, to provide healing and hope to the Burundian and Congolese refugees in Western Tanzania.
- B) Medical Teams maintains a hotline reporting process that served its purpose in providing a means for concerns to be reported and further investigated. Medical Teams agrees that there were transactions identified by our investigators for which documentation was not immediately presented, however, supporting documentation for many of those transactions were later located. As the investigators weren't charged with subsequent work to validate all exception transactions, we disagree with the amount of questioned costs resulting from unsupported transactions as that support was able to be verified.

**Prior Year Findings**

None.



## Correction Action Plan to Finding 2019-001

- A) Medical Teams is doing all we can working with the partner as well as the donor to ensure adequate documentation is obtained to support all expenditures.
- B) Medical Teams has made numerous control improvements to our procurement and authorization processes to mitigate the risk of unsupported, unauthorized or potentially fraudulent transactions occurring. The improvements consist of the following:
- In September 2019 a revised procurement policy was rolled out and officially implemented for all field offices at the beginning of 2020. Multiple trainings on the new procurement policy have occurred and are ongoing.
  - Staffing additions also serve to mitigate risk, as we've hired procurement officers working in each Uganda location, have hired a Director of Procurement to further review and evaluate procurement processes for improvement. Expenditures over \$250 go through a full procurement review and approval process.
  - We have digitized procurement in Uganda's ERP system, established a procurement committee, and developed procurement packs that require a thorough review and approval process by the committee before signing off.
  - We hired a more experienced Finance Manager in Uganda who started in September 2019.
  - Advances are tracked in Excel and we are exploring ways to digitize tracking in the accounting system. This is a primary area of focus of the compliance team.
  - Fund requests from the various field offices are now based on a schedule of planned activities over the next 30 days - this increases the visibility and monitoring of the Uganda head office over cash usage and advances in field offices.
  - We've hired a team of three compliance officers to audit the field offices, an effective detective control and deterrent to future occurrences of fraud.
  - To mitigate cash in field, the field offices are limited to \$2500 in cash and cash counts are done every time a compliance officer visits the sites.

**Responsible:** Andrew Hoskins, Uganda Country Director

**CAP Completion date:** 6/30/20

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