



MAP INTERNATIONAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
MAP International
Brunswick, Georgia

We have audited the accompanying financial statements of MAP International ("the Organization"), which consist of the statement of financial position as of September 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 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 audit. We conducted our audit 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 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAP International as of September 30, 2019, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
February 12, 2020

BATTIS MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

OFFICES | ORLANDO • DALLAS
800.960.0803 • WWW.NONPROFITCPA.COM
KEEPING WATCH FOR NONPROFITS ACROSS THE UNITED STATES®

MAP INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
September 30, 2019

ASSETS

ASSETS

Cash and cash equivalents	\$ 2,593,699
Inventory	216,641,884
Prepaid expenses and other assets	397,373
Cash and investments restricted for long-term purposes	3,775,170
Property and equipment, net	<u>4,627,019</u>

Total assets \$ 228,035,145

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 550,232
Other liabilities	<u>202,065</u>

Total liabilities 752,297

NET ASSETS

Without donor restrictions	
Undesignated	130,371,234
Designated for minimum state required annuity reserves	74,384
Net equity in property and equipment	<u>4,627,019</u>

Total without donor restrictions 135,072,637

With donor restrictions 92,210,211

Total net assets 227,282,848

Total liabilities and net assets \$ 228,035,145

MAP INTERNATIONAL
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Noncash contributions	\$ 379,756,781	\$ 202,139,846	\$ 581,896,627
Cash contributions	4,918,702	1,564,756	6,483,458
Service fees	2,557,816	—	2,557,816
Investment income	66,131	131,239	197,370
Other revenue	37,609	—	37,609
Net assets released from time and use restrictions	225,302,215	(225,302,215)	—
Total public support and revenue and net assets released from restrictions	612,639,254	(21,466,374)	591,172,880
EXPENSES			
Program services			
Essential medicine distribution	480,175,109	—	480,175,109
Community health development	63,057,519	—	63,057,519
Disaster and disease management	16,750,295	—	16,750,295
Total program services	559,982,923	—	559,982,923
Supporting activities			
Fundraising	2,246,252	—	2,246,252
Management and general	558,831	—	558,831
Total supporting activities	2,805,083	—	2,805,083
Total expenses	562,788,006	—	562,788,006
CHANGE IN NET ASSETS	49,851,248	(21,466,374)	28,384,874
NET ASSETS - Beginning of year	85,221,389	113,676,585	198,897,974
NET ASSETS - End of year	\$ 135,072,637	\$ 92,210,211	\$ 227,282,848

The Accompanying Notes are an Integral
Part of These Financial Statements

MAP INTERNATIONAL
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2019

OPERATING CASH FLOWS

Cash received from contributors	\$ 6,483,458
Cash received from service fees	2,557,816
Cash received from other sources	202,632
Cash paid for operating activities and costs	<u>(8,188,225)</u>

Net operating cash flows **1,055,681**

INVESTING CASH FLOWS

Proceeds from sales of investments	187,164
Purchases of investments	(154,817)
Purchases of and improvements to property and equipment	<u>(68,493)</u>

Net investing cash flows **(36,146)**

NET CHANGE IN CASH AND CASH EQUIVALENTS **1,019,535**

CASH AND CASH EQUIVALENTS - Beginning of year **1,574,164**

CASH AND CASH EQUIVALENTS - End of year **\$ 2,593,699**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS

Change in net assets	\$ 28,384,874
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	490,570
Net gain on investments	(32,347)
Net loss on disposal of property and equipment	148,877
Change in inventory	(28,113,484)
Change in other assets	437,645
Change in accounts payable and accrued expenses	(217,070)
Change in other liabilities	<u>(43,384)</u>

Net operating cash flows **\$ 1,055,681**

MAP INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2019

	Program Services				Support Activities			Total Expenses
	Essential Medicine Distribution	Community Health Development	Disaster and Disease Management	Total Program	Fundraising	Management and General	Total Supporting	
Salaries and wages	\$ 1,239,228	\$ 357,752	\$ 43,229	\$ 1,640,209	\$ 676,996	\$ 132,849	\$ 809,845	\$ 2,450,054
Employee benefits	512,817	114,690	17,889	645,396	247,105	42,991	290,096	935,492
Total personnel-related expenses	1,752,045	472,442	61,118	2,285,605	924,101	175,840	1,099,941	3,385,546
Goods distributed	476,150,808	61,000,155	16,609,912	553,760,875	—	—	—	553,760,875
Outside services	353,490	114,947	12,331	480,768	511,987	99,209	611,196	1,091,964
Cost of goods distributed	855,112	109,375	29,830	994,317	—	—	—	994,317
Grants	—	726,184	—	726,184	—	—	—	726,184
Depreciation	261,690	49,438	9,129	320,257	92,356	77,957	170,313	490,570
Printing and publications	39,840	21,534	1,390	62,764	323,006	15,279	338,285	401,049
Freight	304,022	44,351	10,605	358,978	749	110	859	359,837
Programs	8,579	326,181	299	335,059	2,099	1,748	3,847	338,906
Travel	96,775	59,250	3,376	159,401	138,853	26,438	165,291	324,692
Miscellaneous	93,520	19,086	3,263	115,869	70,329	35,124	105,453	221,322
Equipment rental and repair	63,852	41,936	2,227	108,015	43,733	21,203	64,936	172,951
Supplies	53,196	33,267	1,856	88,319	33,925	3,271	37,196	125,515
Insurance	51,785	7,948	1,806	61,539	8,689	17,033	25,722	87,261
Postage	5,304	817	185	6,306	72,803	1,704	74,507	80,813
Telephone	38,533	16,044	1,344	55,921	13,278	10,583	23,861	79,782
Occupancy	35,049	11,278	1,223	47,550	5,822	11,644	17,466	65,016
Bad debt	—	—	—	—	—	57,572	57,572	57,572
Conferences and meetings	11,509	3,286	401	15,196	4,522	4,116	8,638	23,834
Total	\$ 480,175,109	\$ 63,057,519	\$ 16,750,295	\$ 559,982,923	\$ 2,246,252	\$ 558,831	\$ 2,805,083	\$ 562,788,006

The Accompanying Notes are an Integral
Part of These Financial Statements

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – NATURE OF ACTIVITIES

MAP International (“the Organization”) was established in 1965 as an Illinois not-for-profit corporation. The Organization’s purpose is to promote the total health of people living in the world’s impoverished communities. The Organization provides access to health services and essential medicines in more than 98 countries. In fulfilling its purpose, the Organization distributes gifts in-kind, including donated medicines, equipment, and supplies which are primarily donated by pharmaceutical companies. The Organization also receives cash contributions from individuals, churches, and other organizations. During the year ended September 30, 2019, the Organization closed an office located in Kenya. Office locations formerly operated in Bolivia and Cote d’Ivoire were converted to separate and autonomous local non-government organizations. Accordingly, the Organization now operates exclusively from its offices located in the United States.

The Organization works with its partners to accomplish the following primary program services:

Essential Medicine Distribution – the Organization provides critical life-saving medications that are always in short supply in impoverished countries with limited health care. Medicines and medical supplies are provided to hospitals, clinics, refugee centers, and physicians in other countries as they are needed. In addition, the Organization’s specially designed travel packs are used by Christian health personnel and mission groups on short-term missions and include an assortment of some of the most critically needed medicines and supplies. MAP also provides medicines and supplies for rapid response to humanitarian emergencies around the world and, at times, in the United States.

Community Health Development – Total health training workshops teach medical, cultural, and biblical principles of health in remote, rural areas from the Amazon to Kenya. The MAP International Fellowship provides opportunities for medical students to serve short-term missions in Christian hospitals around the world.

Disaster and Disease Management – the Organization’s programs provide vital medicines, educational materials, and training to aid in the treatment and prevention of diseases. The Organization provides a variety of disease prevention and eradication programs, including education and prevention programs that benefit communities in Latin America and Africa.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a 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 accompanying statement of activities as “net assets released from time and use restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Service fees are recognized as revenue when the inventory is distributed.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

Inventory

Inventory consists of humanitarian relief goods which were not yet distributed to beneficiaries. Inventory is recorded at estimated fair value on the date of the gift.

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and investments restricted for long-term purposes

Cash and investments restricted for long-term purposes consist of amounts restricted to endowments.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board has designated a portion of net assets without donor restrictions for minimum state required annuity reserves. Net assets with donor restrictions consist primarily of amounts held by the Organization for use toward specific projects or for distribution in specific geographic areas.

Functional allocation of expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the accompanying financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Organization's financial statements for the year ended September 30, 2019. The ASU requires various changes to the presentation of financial statements of not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity's liquidity and availability of resources. The adoption of the ASU had no effect on the Organization's net assets as of October 1, 2018.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through February 12, 2020, the date as of which the accompanying financial statements were available to be issued.

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE C - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the September 30, 2019 statement of financial position for general expenditure are as follows:

Financial assets available:	
Cash and cash equivalents	\$ 3,165,863
Investments	3,203,006
Accounts receivable (included in prepaid expenses and other assets)	<u>138,314</u>
Total financial assets available within one year	6,507,183
Less amounts unavailable for general expenditure within one year:	
Endowments	(3,775,170)
Designated for minimum state required annuity reserves	<u>(74,384)</u>
Net financial assets available within one year	<u>\$ 2,657,629</u>

The Organization is primarily supported by contributions and service fees. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Certain net assets with donor restrictions are available for general expenditure within one year of September 30, 2019, because the restrictions on net assets are expected to be met by conducting the normal activities of the Organization in the coming year. The state of Georgia requires issuers of annuities to maintain \$300,000 in available liquid assets. Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need. The Organization also has a revolving line of credit in an amount up to \$1,000,000 as an additional source of liquidity (see Note K).

NOTE D - CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents. As of September 30, 2019, the Organization had approximately \$2,737,000 in bank deposit accounts, not reflective of outstanding deposits or disbursements. Bank deposit accounts are federally insured up to \$250,000 per financial institution.

During the year ended September 30, 2019, approximately 53% of total noncash contribution revenue was sourced from the Organization's largest three donors.

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E – CASH AND INVESTMENTS RESTRICTED FOR LONG-TERM PURPOSES

Cash and investments restricted for long-term purposes consisted of the following:

Category	
Cash (including \$453,619 held in brokerage accounts)	\$ 572,164
Mutual funds	2,020,626
Certificates of deposit	1,102,213
U.S. Treasury Notes	80,167
Total cash and investments restricted for long-term purposes	\$ 3,775,170

NOTE F – FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (“GAAP”) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated fair value of certain assets measured on a recurring basis at September 30, 2019, is as follows:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 2,020,626	\$ 2,020,626	\$ —	\$ —
Certificates of deposit	1,102,213	1,102,213	—	—
U.S. Treasury Notes	80,167	80,167	—	—
Total	\$ 3,203,006	\$ 3,203,006	\$ —	\$ —

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	
Land and land improvements	\$ 702,036
Buildings and building improvements	5,383,498
Furniture and equipment	2,638,947
Total property and equipment	8,724,481
Less: Accumulated depreciation	(4,097,462)
Net property and equipment	\$ 4,627,019

Depreciation expense amounted to \$490,570 during the year ended September 30, 2019.

NOTE H – RESTRICTIONS ON NET ASSETS

Net assets were restricted by donors for the following purposes during the year ended September 30, 2019:

	Balance October 1	Contributions and investment income	Releases	Balance September 30
Pharmaceuticals and other gifts in-kind restricted for certain geographic regions	\$ 108,615,427	\$ 202,139,846	\$ (223,270,872)	\$ 87,484,401
Endowment appreciation	218,971	131,239	—	350,210
Special projects	876,413	871,964	(1,328,903)	419,474
Disaster relief	190,604	692,792	(702,440)	180,956
Subtotal	109,901,415	203,835,841	(225,302,215)	88,435,041
Endowments:				
Program activities endowment	2,561,443	—	—	2,561,443
International Fellowship endowment	1,213,727	—	—	1,213,727
Subtotal	3,775,170	—	—	3,775,170
Total	\$ 113,676,585	\$ 203,835,841	\$ (225,302,215)	\$ 92,210,211

Distributions from the Program activities endowment are available to support the general operations of the Organization. Distributions from the International Fellowship endowment are available for medical scholarships. The Organization preserves the estimated fair value of all original endowment gifts as of the gift date, which management deems is in compliance with state law. Accordingly, the Organization classifies as “endowment corpus” (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital. The stated investment goal is an absolute rate of return between three and five percent per annum. The Organization emphasizes spending on current or near-term programs.

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE H – RESTRICTIONS ON NET ASSETS (Continued)

The spending policy provides flexibility, and the Organization seeks the advice of investment counsel, as well as management and certain committees of the Board, when determining amounts to be spent on supported programs. The Organization considers all endowment earnings to be restricted until such time that the earnings are appropriated for expenditure.

During the year ended September 30, 2019, management determined that approximately \$4,861,000 of amounts previously classified as net assets without donor restrictions are more appropriate classified as net assets with donor restrictions.

The Organization’s endowment activity for the year ended September 30, 2019, is as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Time/Purpose</u>	<u>Perpetual</u>	
Endowment net assets, October 1, 2018	\$ 218,971	\$ 3,775,170	\$ 3,994,141
Investment income, net	131,239	—	131,239
Appropriated for expenditure	<u>—</u>	<u>—</u>	<u>—</u>
Endowment net assets, September 30, 2019	<u>\$ 350,210</u>	<u>\$ 3,775,170</u>	<u>\$ 4,125,380</u>

NOTE I – NONCASH CONTRIBUTIONS

Noncash contributions (“gifts in-kind”), including donated pharmaceuticals and medical supplies, are recognized as revenue at their estimated fair value on the date the gifts are received. The Organization only records the value of noncash contributions over which it exercises variance power. In general, the Organization’s management estimates the fair value of donated pharmaceuticals using “wholesale acquisition cost,” listed in reference materials including the IBM Micromedex RED BOOK, a widely-used drug and pricing reference guide for the pharmaceutical industry in the United States. The Organization’s Management may apply discounts to the prices in the RED BOOK depending on the gift’s condition or other factors. For gifts in-kind of pharmaceuticals and medical supplies that are sold in the United States market, the Organization has determined that the U.S. is the principal or most advantageous market for purposes of estimating fair value. If prices for a particular item are not available in the RED BOOK, MAP estimates fair value using other online pricing sources. The Organization considers the valuation practices used for noncash contributions to be consistent with industry standards. The Organization’s policy is to distribute donated pharmaceuticals and medical supplies, and those items are recognized as expenses when they are shipped from the Organization’s warehouse or the date upon which the Organization no longer exercises practical control over those items.

The Organization distributed gifts in-kind to its partners totaling \$553,760,875 during the year ended September 30, 2019. Of this amount, approximately \$2,598,000 was shipped directly from the donor to the Organization’s partners.

NOTE J – RETIREMENT PLAN

The Organization offers a defined contribution retirement plan which covers substantially all employees. The Organization contributed approximately \$103,000 to the retirement plan during the year ended September 30, 2019.

MAP INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES

The Organization has available a \$1,000,000 revolving line of credit which matures in October 2020. Draws, if any, carry interest at the one-month LIBOR plus 2.50% per annum (4.52% as of September 30, 2019). No draws were made on the line of credit during the year ended September 30, 2019, and no balance was outstanding on the line of credit as of September 30, 2019.

During the year ended September 30, 2019, an administrative judge in the state of California ordered the Organization to pay a penalty of \$80,600 to the California Attorney General related to certain solicitation practices. Although management has accrued this amount in the accompanying financial statements, the Organization is appealing the administrative judge's decision. The Organization has no further obligations with respect to this matter.