



MAP INTERNATIONAL

Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

MAP INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
MAP International
Brunswick, Georgia

We have audited the accompanying statements of financial position of MAP International as of September 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the organization's management.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Directors
MAP International
Brunswick, Georgia

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, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Lawrenceville, Georgia
September 27, 2018

MAP INTERNATIONAL

Statements of Financial Position

	September 30,							
	2017				2016			
	Operating	Specified Time or Purpose	Endowment	Total	Operating	Specified Time or Purpose	Endowment	Total
ASSETS:								
Cash and cash equivalents	\$ 1,034,769	\$ 1,148,831	\$ -	\$ 2,183,600	\$ 267,680	\$ 771,963	\$ -	\$ 1,039,643
Accounts receivable–net	319,219	-	-	319,219	365,173	-	-	365,173
Inventory:								
Purchased	168,219	-	-	168,219	176,221	-	-	176,221
Donated	83,551,188	94,075,454	-	177,626,642	122,890,010	96,918,207	-	219,808,217
Prepaid expenses and other assets	386,883	-	-	386,883	241,276	-	-	241,276
Investments	549,138	-	1,325,170	1,874,308	409,254	-	1,280,170	1,689,424
Property and equipment–net	5,757,585	-	-	5,757,585	6,225,349	-	-	6,225,349
Interfund balances	(2,457,369)	7,369	2,450,000	-	(2,990,234)	495,234	2,495,000	-
Total Assets	\$ 89,309,632	\$ 95,231,654	\$3,775,170	\$ 188,316,456	\$ 127,584,729	\$98,185,404	\$3,775,170	\$ 229,545,303

(continued)

See notes to financial statements

MAP INTERNATIONAL

Statements of Financial Position (continued)

	September 30,							
	2017				2016			
	Operating	Specified Time or Purpose	Endowment	Total	Operating	Specified Time or Purpose	Endowment	Total
LIABILITIES AND NET ASSETS:								
Liabilities:								
Accounts payable	\$ 248,376	\$ -	\$ -	\$ 248,376	\$ 224,028	\$ -	\$ -	\$ 224,028
Deposits	87,575	-	-	87,575	130,435	-	-	130,435
Accrued expenses	767,959	-	-	767,959	715,350	-	-	715,350
Line of credit	-	-	-	-	200,000	-	-	200,000
Note payable	-	-	-	-	516,160	-	-	516,160
Annuities payable	299,943	-	-	299,943	257,467	-	-	257,467
	<u>1,403,853</u>	<u>-</u>	<u>-</u>	<u>1,403,853</u>	<u>2,043,440</u>	<u>-</u>	<u>-</u>	<u>2,043,440</u>
Net assets:								
Unrestricted	87,905,779	-	-	87,905,779	125,541,289	-	-	125,541,289
Temporarily restricted	-	95,231,654	-	95,231,654	-	98,185,404	-	98,185,404
Permanently restricted	-	-	3,775,170	3,775,170	-	-	3,775,170	3,775,170
	<u>87,905,779</u>	<u>95,231,654</u>	<u>3,775,170</u>	<u>186,912,603</u>	<u>125,541,289</u>	<u>98,185,404</u>	<u>3,775,170</u>	<u>227,501,863</u>
Total Liabilities and Net Assets	<u>\$ 89,309,632</u>	<u>\$ 95,231,654</u>	<u>\$ 3,775,170</u>	<u>\$ 188,316,456</u>	<u>\$ 127,584,729</u>	<u>\$ 98,185,404</u>	<u>\$ 3,775,170</u>	<u>\$ 229,545,303</u>

See notes to financial statements

MAP INTERNATIONAL

Statements of Activities

Year Ended September 30,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 5,432,988	\$ 4,788,610	\$ -	\$ 10,221,598	\$ 4,496,313	\$ 3,665,092	\$ -	\$ 8,161,405
Donated inventory	379,039,761	206,248,117	-	585,287,878	409,667,634	185,898,967	-	595,566,601
Donated securities	117,058	-	-	117,058	72,485	-	-	72,485
Handling charges and service fees	2,580,290	-	-	2,580,290	2,346,522	-	-	2,346,522
Investment income (loss)	(24,828)	56,885	-	32,057	(19,298)	82,269	-	62,971
Other revenue	124,116	-	-	124,116	281,096	-	-	281,096
Total Support and Revenue	387,269,385	211,093,612	-	598,362,997	416,844,752	189,646,328	-	606,491,080
RECLASSIFICATIONS:								
Net assets released from restrictions	214,047,362	(214,047,362)	-	-	131,697,100	(131,697,100)	-	-

(continued)

See notes to financial statements

MAP INTERNATIONAL

Statements of Activities

(continued)

	Year Ended September 30,							
	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Essential medicine distribution	495,893,255	-	-	495,893,255	454,873,905	-	-	454,873,905
Disaster and disease management	81,059,532	-	-	81,059,532	6,658,871	-	-	6,658,871
Community health development	59,772,496	-	-	59,772,496	54,583,647	-	-	54,583,647
	<u>636,725,283</u>	<u>-</u>	<u>-</u>	<u>636,725,283</u>	<u>516,116,423</u>	<u>-</u>	<u>-</u>	<u>516,116,423</u>
Supporting activities:								
General and administrative	484,568	-	-	484,568	543,549	-	-	543,549
Fund-raising	1,742,406	-	-	1,742,406	1,913,424	-	-	1,913,424
	<u>2,226,974</u>	<u>-</u>	<u>-</u>	<u>2,226,974</u>	<u>2,456,973</u>	<u>-</u>	<u>-</u>	<u>2,456,973</u>
Total Expenses	<u>638,952,257</u>	<u>-</u>	<u>-</u>	<u>638,952,257</u>	<u>518,573,396</u>	<u>-</u>	<u>-</u>	<u>518,573,396</u>
Change in Net Assets	(37,635,510)	(2,953,750)	-	(40,589,260)	29,968,456	57,949,228	-	87,917,684
Net Assets, Beginning of Year	125,541,289	98,185,404	3,775,170	227,501,863	95,572,833	40,236,176	3,775,170	139,584,179
Net Assets, End of Year	<u>\$ 87,905,779</u>	<u>\$ 95,231,654</u>	<u>\$ 3,775,170</u>	<u>\$ 186,912,603</u>	<u>\$ 125,541,289</u>	<u>\$ 98,185,404</u>	<u>\$ 3,775,170</u>	<u>\$ 227,501,863</u>

See notes to financial statements

MAP INTERNATIONAL

Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (40,589,260)	\$ 87,917,684
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	607,924	612,400
Loss (gain) on sale of property and equipment	354	(17,760)
Grants of property and equipment	38,326	126,769
Net realized and unrealized losses (gains) on investments	4,163	(33,484)
Actuarial change in annuities	34,589	37,413
Changes in operating assets and liabilities:		
Accounts receivable	45,954	25,169
Purchased inventory	8,002	(12,140)
Donated inventory	42,181,575	(87,457,218)
Prepaid expenses and other assets	(145,607)	8,971
Accounts payable and deposits	(18,512)	29,646
Accrued expenses	52,609	(239,879)
Net Cash Provided by Operating Activities	<u>2,220,117</u>	<u>997,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,797,094	922,433
Purchases of investments	(1,986,141)	(951,830)
Proceeds from the sale of property and equipment	24,027	22,260
Purchases of property and equipment	(202,867)	(226,372)
Net Cash Used by Investing Activities	<u>(367,887)</u>	<u>(233,509)</u>

(continued)

See notes to financial statements

MAP INTERNATIONAL

Statements of Cash Flows (continued)

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of annuities (net of gift basis)	62,015	11,759
Payments on annuities	(54,128)	(52,413)
Repayments on borrowings	(716,160)	(1,079,199)
Borrowings on line of credit	-	750,000
Net Cash Used by Financing Activities	<u>(708,273)</u>	<u>(369,853)</u>
Net Change in Cash and Cash Equivalents	1,143,957	394,209
Cash and Cash Equivalents, Beginning of Year	<u>1,039,643</u>	<u>645,434</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,183,600</u>	<u>\$ 1,039,643</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 29,671</u>	<u>\$ 47,152</u>

See notes to financial statements

MAP INTERNATIONAL

Statement of Functional Expenses

Year Ended September 30, 2017

	Program Services			Supporting Services				
	Essential Medicine Distribution	Disaster and Disease Management	Community Health Development	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	Total
EXPENSES:								
Distributed inventory	\$ 493,065,091	\$ 80,550,670	\$ 53,853,692	\$ 627,469,453	\$ -	\$ -	\$ -	\$ 627,469,453
Cost of goods distributed	361,511	63,549	99,546	524,606	-	-	-	524,606
Freight	209,219	44,343	67,389	320,951	-	796	796	321,747
Personnel:								
Salaries and wages	949,359	165,106	1,337,257	2,451,722	136,436	727,197	863,633	3,315,355
Employee benefits	398,613	69,324	619,144	1,087,081	48,816	234,713	283,529	1,370,610
Outside services	353,911	61,550	337,192	752,653	103,710	206,212	309,922	1,062,575
Travel	49,775	10,349	323,727	383,851	16,646	71,469	88,115	471,966
Supplies	32,368	10,338	258,899	301,605	2,437	24,395	26,832	328,437
Programs	-	-	1,123,868	1,123,868	-	-	-	1,123,868
Conferences and meetings	4,993	869	12,671	18,533	1,397	4,636	6,033	24,566
Grants	-	-	1,056,970	1,056,970	-	-	-	1,056,970
Printing and publications	30,257	5,262	37,578	73,097	7,427	256,441	263,868	336,965
Postage	6,377	1,109	3,335	10,821	2,584	44,582	47,166	57,987
Equipment rental and repair	47,956	8,340	316,178	372,474	18,847	12,349	31,196	403,670
Telephone	32,983	5,736	51,894	90,613	11,275	14,012	25,287	115,900
Occupancy	27,897	4,852	28,026	60,775	11,552	5,776	17,328	78,103
Interest	5,140	894	1,415	7,449	21,158	1,064	22,222	29,671
Insurance	35,226	6,126	29,064	70,416	14,586	7,293	21,879	92,295
Depreciation	244,472	42,517	144,393	431,382	84,319	92,223	176,542	607,924
Bad debt	6,266	1,071	5,935	13,272	-	-	-	13,272
Miscellaneous	31,841	7,527	64,323	103,691	3,378	39,248	42,626	146,317
Total Expenses	\$ 495,893,255	\$ 81,059,532	\$ 59,772,496	\$ 636,725,283	\$ 484,568	\$ 1,742,406	\$ 2,226,974	\$ 638,952,257

See notes to financial statements

MAP INTERNATIONAL

Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services			Supporting Services				Total
	Essential Medicine Distribution	Disaster and Disease Management	Community Health Development	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	
EXPENSES:								
Distributed inventory	\$ 447,820,344	\$ 6,555,199	\$ 53,733,840	\$ 508,109,383	\$ -	\$ -	\$ -	\$ 508,109,383
Cost of goods distributed	468,486	6,858	56,217	531,561	-	-	-	531,561
Freight	283,626	4,152	34,034	321,812	-	2,088	2,088	323,900
Personnel:								
Salaries and wages	1,970,855	28,851	236,497	2,236,203	170,205	677,543	847,748	3,083,951
Employee benefits	744,297	10,896	89,314	844,507	59,629	223,530	283,159	1,127,666
Outside services	462,640	6,773	55,516	524,929	74,402	319,791	394,193	919,122
Travel	300,193	4,395	36,022	340,610	33,259	102,764	136,023	476,633
Supplies	186,027	2,723	22,323	211,073	4,318	14,467	18,785	229,858
Programs	999,064	15,040	38,171	1,052,275	-	-	-	1,052,275
Conferences and meetings	15,263	223	1,832	17,318	1,516	4,000	5,516	22,834
Grants	556,553	8,171	66,982	631,706	-	-	-	631,706
Printing and publications	49,922	731	91,101	141,754	4,964	342,613	347,577	489,331
Postage	5,722	84	687	6,493	1,291	41,408	42,699	49,192
Equipment rental and repair	265,772	3,891	31,892	301,555	33,494	26,435	59,929	361,484
Telephone	84,434	1,236	10,132	95,802	14,312	15,609	29,921	125,723
Occupancy	55,388	811	6,646	62,845	12,649	6,426	19,075	81,920
Interest	19,213	281	2,306	21,800	22,239	3,114	25,353	47,153
Insurance	60,243	882	7,229	68,354	14,073	7,194	21,267	89,621
Depreciation	377,867	5,532	45,343	428,742	88,685	94,950	183,635	612,377
Bad debt	-	-	-	-	2,892	-	2,892	2,892
Miscellaneous	147,996	2,142	17,563	167,701	5,621	31,492	37,113	204,814
Total Expenses	\$ 454,873,905	\$ 6,658,871	\$ 54,583,647	\$ 516,116,423	\$ 543,549	\$ 1,913,424	\$ 2,456,973	\$ 518,573,396

See notes to financial statements

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

MAP International (MAP), founded as Medical Assistance Programs, was incorporated in 1965 in Illinois as a nonprofit corporation. MAP's purpose is to promote the total health of people living in the world's impoverished communities through its offices in the United States, Bolivia, Ecuador, Uganda, Cote D'Ivoire, Ghana, Liberia, and Kenya. MAP promotes access to health services and essential medicines in more than 130 countries. MAP's operations depend upon gifts-in-kind, which include donated medicines, equipment, and supplies primarily from pharmaceutical companies, as well as cash contributions received from individuals, churches, organizations, foundations, and corporations.

During the year ended September 30, 2017, the offices in Ecuador and Uganda were closed. The office in Ghana was converted to a local non-governmental organization, which is independently governed and separate from MAP.

MAP works with partners to accomplish its objectives through the promotion of essential medicines, prevention and eradication of disease, and community health services. These primary activities are described below:

Essential Medicine Distribution—MAP 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, MAP'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.

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

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.

MAP is classified as a publicly supported organization, which is not a private foundation under Section 509(a)(1) of the Internal Revenue Code (Code) and is exempt from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Contributions to MAP are tax-deductible within the limitations prescribed by the Code.

MAP is also exempt from state franchise and income taxes under Sections 105-130.11(3) of the General Statutes of Georgia.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of MAP have been prepared on the accrual basis of accounting. The significant accounting policies followed are described herein to enhance the usefulness of the financial statements to the reader.

ESTIMATES

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash includes petty cash, checking, savings, money market accounts, and certificates of deposit with original maturity dates of less than three months held in both United States and foreign accounts. For United States' accounts, these accounts may, at times, exceed federally insured limits. MAP has not experienced any losses on such accounts, and management believes they are not exposed to any significant credit risk associated with United States based cash and cash equivalents. Foreign cash accounts are under the control of MAP, but it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while management believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. Total cash and cash equivalents held in foreign accounts amounted to \$546,200 and \$944,405 at September 30, 2017 and 2016, respectively.

FOREIGN CURRENCY TRANSLATION

As previously mentioned, MAP operates in eight foreign field offices using local currency. Current assets and liabilities for these offices are translated at the exchange rates effective at the end of the year. Long-term assets and liabilities are translated at historic exchange rates. Amounts in the statements of activities are translated at the actual exchange rates in effect when funds are transferred from the home office to the field. Currency translation adjustments of \$12,702 and \$18,926 for the years ended September 30, 2017 and 2016, respectively, are included in the statements of activities.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable includes billings for service fees and handling charges and is reported net of any anticipated losses due to uncollectible accounts. Foreign field receivables consist primarily of amounts due to MAP under a cost-reimbursement private grant. MAP's policy for determining when receivables are past due or delinquent is 30 days after invoicing. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts are uncollectible. Payments received from nonaccrual receivables are credited to appropriate receivable accounts.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of collectability of the receivable portfolio including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions.

INVENTORY

Inventory consists of purchased and donated medical products and supplies. Purchased inventory is stated at the lower of cost or market.

Donated inventory is stated at its estimated fair value on the date of receipt as disclosed below in the *Support, Revenue, and Reclassifications* paragraph of this note. Thereafter, it is stated at the lower of cost or market. Inventory cost is expensed when goods are shipped. Management periodically evaluates the net realizable value of all inventory to ensure that any impairments are recognized in the period in which they are incurred. Total inventory held in foreign locations amounted to \$119,644 and \$299,431 at September 30, 2017 and 2016, respectively.

INVESTMENTS

Investments in equity and debt securities with readily determinable fair values are reported at fair value. Gains and losses (including unrealized) are reported in the statements of activities as investment income. Donated investments are recorded at market value on the date of donation and thereafter carried in accordance with the above provisions.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ENDOWMENT FUNDS

Endowment funds represent assets and net assets that are subject to permanent restriction by gift instruments as prescribed by donors. The principal amount, based on historical gift value of each endowment, is to be maintained permanently. The income derived from each permanent endowment is allocated to the unrestricted or temporarily restricted revenue per the donor's specifications.

During the 2012 fiscal year, MAP elected to initiate an interfund loan from the endowment fund of up to \$1,000,000 to finance a capital project. During the 2013 fiscal year, MAP elected to initiate an interfund loan from the endowment fund in the amount of \$1,500,000 for the purpose of paying the sum of the loan on the MAP International office building (Note 6). The balance of all interfund borrowings from the endowment fund was \$2,450,000 and \$2,495,000 as of September 30, 2017 and 2016, respectively. MAP intends to repay the balance of the loan as the availability of operating funds permit.

PROPERTY AND EQUIPMENT

Items purchased as property, plant, and equipment are recorded at historical cost. Donated items are recorded at fair market value on the date of the gift. Depreciation of buildings, equipment, furniture, and fixtures are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-nine years. MAP capitalizes all items greater than \$2,500 for the United States and foreign locations except for infrequent instances where field offices capitalize long-lived items with a lower value.

ANNUITIES PAYABLE

MAP has issued charitable gift annuity agreements. Under these agreements, a donor contributes assets to MAP in exchange for the right to receive a fixed dollar annual return during the donor's lifetime. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. Discount rates ranged from 1.2% to 10.6% for the years ended September 30, 2017 and 2016. Actuarial changes and annuity payments are reported as change in value of annuities within investment income in the statements of activities. The State of Georgia requires \$300,000 in unrestricted cash, cash equivalents, or publicly traded securities for issuers of annuities.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by classification of net assets:

Unrestricted net assets are currently available for purposes under the direction of the board, designated by the board, resources invested in property and equipment, or held as annuity reserves.

Temporarily restricted net assets are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted net assets are contributed with donor restrictions that the principal remain in perpetuity with only the income available as unrestricted or temporarily restricted, per endowment agreements.

SUPPORT, REVENUE, AND RECLASSIFICATIONS

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to MAP. Gifts-in-kind (including inventory, securities, property, and equipment) are recorded at fair value at the date of the gift.

Contributions other than gifts-in-kind are primarily cash contributions that are derived from ongoing fund-raising. All contributions are considered to be available for unrestricted use unless specifically designated by the donor. Bequests are recorded as income at the time MAP has an established right to the bequest and the proceeds are measurable.

Gifts-in-kind of medicines and medical supplies are recorded as inventory and contribution revenue at its estimated fair value at the date of donation. All donated inventory is received from private organizations, and is considered to be unrestricted support unless the gift explicitly contains donor restrictions. MAP only records the value of donated inventory in which MAP was either the original recipient of the gift, MAP was involved in partnership with another organization for distribution of the inventory internationally, or the inventory was used in MAP's programs.

MAP estimates the fair value of donated inventory as of the date received. To determine fair value for donations where the U.S. is the principal or most advantageous market within the meaning of U.S. generally accepted accounting principles, MAP begins with wholesale acquisition cost ("WAC") and may discount such pricing based on inventory condition, transactional data, and other factors within MAP's judgment and discretion. WAC is defined in federal law as the manufacturer's list price for the drug to wholesalers or direct purchasers, not including prompt pay or other discounts, rebates, or reductions, for the most recent month for which information is available.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND RECLASSIFICATIONS, continued

MAP uses published industry information regarding WAC, primarily Thomson Reuter's "Red Book," which is a pharmaceutical industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For products not available in the Red Book, the fair value is estimated using publicly available pricing sources, including where the U.S. is not the principal market or the most advantageous market.

When MAP receives donated inventory with specific geographic or purpose restrictions, they are recognized as temporarily restricted contributions. Donor restrictions are satisfied, and donated inventory is released from restriction and reclassified as unrestricted, when the donated product has been shipped. When MAP receives donated inventory with legal limitations (e.g., non-FDA approved drugs, which cannot be distributed within the United States), they are considered limitations, rather than purpose restrictions, and therefore are reported as unrestricted contributions.

Donated property and equipment are recorded as temporarily restricted if donors stipulate how or how long the asset must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The accompanying financial statements do not recognize the value of donated services as such services do not meet the recognition requirements under the *Contributed Services* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC); however, a substantial number of volunteers have donated significant amounts of their time to MAP's program services. During the years ended September 30, 2017 and 2016, management estimated that volunteers donated over 4,900 and 4,500 hours to MAP, respectively.

Service fee revenues, including handling charges, are received primarily from organizations and mission boards to offset administrative costs for distribution of donated inventory and covers only a portion of total operating costs. Service fee revenue is recognized when the inventory is shipped to a recipient.
restrictions.

EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of MAP have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Reclassifications in the September 30, 2016 financial statements pertain primarily to investments, investment income, annuities payable, interfund balances, net assets released from restriction, and unrestricted endowment net assets.

3. ACCOUNTS RECEIVABLE–NET:

Accounts receivable–net consist of:

	September 30,	
	2017	2016
Trade receivables	\$ 227,454	\$ 259,338
Foreign field receivables	99,240	120,385
Other receivables	-	300
	<u>326,694</u>	<u>380,023</u>
Less allowance for uncollectible accounts	(7,475)	(14,850)
	<u>\$ 319,219</u>	<u>\$ 365,173</u>

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2017	2016
U.S. government obligations	\$ 120,433	\$ 40,927
Mutual funds	1,549,721	1,607,364
Exchange traded funds (ETFs)	204,154	41,133
	<u>\$ 1,874,308</u>	<u>\$ 1,689,424</u>

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

4. INVESTMENTS, continued:

Investments consist of:

	September 30,	
	2017	2016
Operating	\$ 549,138	\$ 1,216
Annuity funds	-	297,195
Endowment	1,325,170	1,391,013
	<u>\$ 1,874,308</u>	<u>\$ 1,689,424</u>

Investment income consists of:

	Year Ended September 30,	
	2017	2016
Unrestricted:		
Interest and dividends	\$ 15,610	\$ 10,879
Net realized and unrealized gains (losses)	(1,850)	3,164
Investment fees	(5,491)	(3,516)
Change in value of annuities	(33,097)	(29,825)
	<u>(24,828)</u>	<u>(19,298)</u>
Temporarily restricted:		
Interest and dividends	\$ 67,430	\$ 58,898
Net realized and unrealized gains (losses)	(2,313)	30,320
Investment fees	(8,232)	(6,949)
	<u>56,885</u>	<u>82,269</u>
Total investment income	<u>\$ 32,057</u>	<u>\$ 62,971</u>

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	September 30, 2017		
	United States	Foreign	Total
Land and improvements	\$ 702,036	\$ -	\$ 702,036
Building and improvements	5,323,546	14,927	5,338,473
Equipment	3,067,598	651,770	3,719,368
	9,093,180	666,697	9,759,877
Less accumulated depreciation	(3,626,764)	(418,670)	(4,045,434)
	5,466,416	248,027	5,714,443
Work in progress	43,142	-	43,142
	<u>\$ 5,509,558</u>	<u>\$ 248,027</u>	<u>\$ 5,757,585</u>

	September 30, 2016		
	United States	Foreign	Total
Land and improvements	\$ 702,036	\$ -	\$ 702,036
Building and improvements	5,323,546	17,517	5,341,063
Equipment	3,021,503	1,073,714	4,095,217
	9,047,085	1,091,231	10,138,316
Less accumulated depreciation	(3,095,915)	(817,052)	(3,912,967)
	<u>\$ 5,951,170</u>	<u>\$ 274,179</u>	<u>\$ 6,225,349</u>

Net equity in property and equipment consists of:

	September 30,	
	2017	2016
Property and equipment—net	\$ 5,757,585	\$ 6,225,349
Less related debt	-	(516,160)
	<u>\$ 5,757,585</u>	<u>\$ 5,709,189</u>

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT—NET, continued:

Management has reviewed the assets in other countries and, in its opinion, has determined they are under the control of MAP. For this reason, such items are recognized as assets of MAP. It should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while management believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the value of the assets in other countries. In addition, it should be understood that the assets in other countries may not be representative of the amount that would be realized should the assets be sold. Many of the assets were designed to carry out the specific programs of MAP, and they might have limited resale potential.

6. NOTE PAYABLE AND LINE OF CREDIT:

Note payable consists of:

September 30,	
2017	2016
\$	-
-	\$ 516,160

Note payable, secured by building, with monthly payments on principal and interest of \$20,050. Interest is charged at a variable rate based upon LIBOR not to exceed 6.00% and adjusted periodically as the rate changes (effective rate September 30, 2016 was 3.25%). Unpaid principal and interest due in April of 2020.

LINE OF CREDIT

MAP entered into a line of credit of \$1,000,000 in November 2014 that matures in October 2017 and is secured by inventory and equipment. This agreement was renewed in April 2017 and matures in October 2018. The interest rate is LIBOR plus 2.50% (3.73% and 4.03% as of September 30, 2017 and 2016, respectively) with interest due monthly and principal due upon maturity. The balance drawn against the line of credit at September 30, 2017 and 2016, was \$0 and \$200,000, respectively.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

7. ANNUITIES PAYABLE:

Annuities payable represent the present value of future payments to annuitants. Annuity liabilities are computed using federal income tax mortality rate tables and charitable mid-term rates published by the Internal Revenue Service. Actuarial assumptions include an assumed expense rate of 1% and gross investment return assumption of 4.25%. Annuities payable consist of:

	September 30,	
	2017	2016
Annuities payable—current portion	\$ 57,676	\$ 51,789
Annuities payable—net of current portion	242,267	205,678
	<u>\$ 299,943</u>	<u>\$ 257,467</u>
	Year Ended September 30,	
	2017	2016
Change in value (net assets) of annuities:		
Interest and dividends	\$ 4,677	\$ 6,985
Net realized and unrealized (losses) gains	(1,175)	2,611
Fees	(2,010)	(2,008)
Actuarial change	(34,589)	(37,413)
	<u>\$ (33,097)</u>	<u>\$ (29,825)</u>

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

8. NET ASSETS:

Net assets consist of:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Operating	\$ 941,882	\$ (665,399)
Donor-restricted endowment loan	(2,450,000)	(2,495,000)
Donated inventory	83,551,188	122,890,010
Designated for minimum state required annuity reserves	105,124	102,489
Net equity in property and equipment	<u>5,757,585</u>	<u>5,709,189</u>
	<u>87,905,779</u>	<u>125,541,289</u>
Temporarily restricted net assets:		
Donated inventory	94,075,454	96,918,207
Special projects	860,785	1,128,451
Relief	<u>295,415</u>	<u>138,746</u>
	<u>95,231,654</u>	<u>98,185,404</u>
Permanently restricted:		
MAP program activities endowment	2,561,443	2,561,443
MAP International Fellowship endowment	<u>1,213,727</u>	<u>1,213,727</u>
	<u>3,775,170</u>	<u>3,775,170</u>
	<u>\$ 186,912,603</u>	<u>\$ 227,501,863</u>

9. GIFTS-IN-KIND:

MAP receives donations of medicine and supplies for use in relief and development programs. MAP ships all such gifts-in-kind to similar not-for-profit organizations, including Christian health personnel and mission groups on short-term missions, for ultimate distribution throughout the world.

For the years ended September 30, 2017 and 2016, MAP distributed donated inventory totaling \$627,469,453 and \$508,109,383 respectively. For the year ended September 30, 2017, \$626,711,177 of donated inventory was delivered to MAP before being distributed and the remaining amount of \$758,276 was shipped directly from the donor to the organizations. For the year ended September 30, 2016, \$508,078,668 of donated inventory was delivered to MAP before being distributed and the remaining amount of \$30,715 was shipped directly from the donor to the organizations.

In accordance with Interagency Standards established by the Accord Network, MAP only records the value of gifts-in-kind for which it receives and exercises variance power, which is the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

10. EMPLOYEE BENEFIT PLANS:

MAP offers its full-time, permanent employees health, life, and disability insurance plans. MAP also has a defined contribution retirement plan (Plan) covering substantially all of its employees. The Plan consists of three components: (1) MAP's variable contribution, (2) employee deferred contributions to the Plan, and (3) employer matching components. Employees are eligible to participate in the Plan immediately upon employment. MAP's Plan began operations in accordance with the "safe harbor" provisions of section 401(k)(12) of the Internal Revenue Code. Under "safe harbor" eligibility, variable contribution and matching programs begins after one year of service with full vesting of employer contributions occurring immediately. Fiduciaries of the Plan include MAP officers as trustees and administrator and Manufacturers Life Insurance Company as investment manager or custodian. Total amounts contributed by MAP to the Plan during the years ended September 30, 2017 and 2016, were \$93,660 and \$75,310, respectively.

11. COMMITMENTS AND CONTINGENCIES:

COMMITMENTS

MAP maintains noncancellable operating leases for certain buildings expiring at various dates through 2019. The scheduled obligations associated with these noncancellable operating leases are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2018	\$ 79,288
2019	66,524
2020	49,784
2021	25,146
2022	-
Thereafter	-
	<hr/>
	\$ 220,742

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

11. COMMITMENTS AND CONTINGENCIES, continued:

Rental expense under operating leases totaled approximately \$108,411 and \$125,793 for the years ended September 30, 2017 and 2016, respectively, and is allocated to the program services and supporting activities benefited.

In May 2017, the Organization committed to pay approximately \$150,000 for an event to be held in April 2018.

CONTINGENCIES

MAP is involved in administrative proceedings with the California Attorney General (AG). The AG's office is seeking penalties and fines of at least \$158,875. MAP denies any liability, and intends vigorously to defend. The ultimate liability, if any, cannot be determined at this time because considerable uncertainties exist. However, based on the facts currently available, management believes that the ultimate outcome of matters that are pending or asserted will not have a materially adverse effect on MAP's financial position. Accordingly, no adjustment has been made to reflect the amounts sought by the AG.

12. DONOR CONCENTRATION:

There were five donors that each donated medicines that accounted for 50% or more of total contributions for the years ended September 30, 2017 and 2016, respectively. Collectively, those five donors provided approximately 63% and 53% of the donated inventory received by MAP for the years ended September 30, 2017 and 2016, respectively. The current level of the Organization's operations and program activities could be impacted if these donor relationships were to be terminated and could not be replaced by new donors with comparable donations.

13. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. MAP uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MAP measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

13. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017 and 2016:

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
U.S. government obligations	\$ 120,433	\$ -	\$ 120,433	\$ -
Mutual funds:				
Money market funds	90,357	90,357	-	-
International bonds	82,853	82,853	-	-
Intermediate term bond	163,068	163,068	-	-
Emerging markets bond	83,894	83,894	-	-
Multisector bond	99,806	99,806	-	-
Ultra short term bond	8,115	8,115	-	-
Real estate	82,669	82,669	-	-
Options-based	166,235	166,235	-	-
World allocation	166,540	166,540	-	-
Tactical allocation	278,165	278,165	-	-
Bank loan	164,258	164,258	-	-
Inflation-protected bond	163,761	163,761	-	-
	<u>1,549,721</u>	<u>1,549,721</u>	<u>-</u>	<u>-</u>
Exchange traded funds (ETFs):				
Governmental	15,006	15,006	-	-
Fixed Income	189,148	189,148	-	-
	<u>204,154</u>	<u>204,154</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,874,308</u>	<u>\$ 1,753,875</u>	<u>\$ 120,433</u>	<u>\$ -</u>

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

13. FAIR VALUE MEASUREMENTS, continued:

	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
U.S. government obligations	\$ 40,927	\$ -	\$ 40,927	\$ -
Mutual funds:				
Money market funds	131,268	131,268	-	-
International bonds	28,879	28,879	-	-
International growth	29,321	29,321	-	-
Intermediate term bond	979,803	979,803	-	-
Nontraditional bond	32,975	32,975	-	-
Emerging markets bond	29,420	29,420	-	-
Multisector bond	132,095	132,095	-	-
Ultra short term bond	125,058	125,058	-	-
Large value	29,829	29,829	-	-
Mid cap growth	29,909	29,909	-	-
Real estate	58,807	58,807	-	-
	<u>1,607,364</u>	<u>1,607,364</u>	<u>-</u>	<u>-</u>
Exchange traded funds (ETFs):				
Governmental	25,937	25,937	-	-
Fixed income	15,196	15,196	-	-
	<u>41,133</u>	<u>41,133</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,689,424</u>	<u>\$ 1,648,497</u>	<u>\$ 40,927</u>	<u>\$ -</u>

U.S. government obligations, exchange traded funds and mutual funds: The fair values of these financial instruments are based on quoted market prices.

Change in valuation techniques : None.

Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed. MAP does not expect the difference to be material.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

14. ENDOWMENTS:

MAP endowment consists of funds established for scholarships and general operations. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MAP classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MAP in a manner consistent with the standard of prudence prescribed by GUPMIFA. In accordance with GUPMIFA, MAP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of MAP and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MAP
7. The investment policies of MAP

Endowment net assets composition by type of fund as of September 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 3,775,170	\$ 3,775,170

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

14. ENDOWMENTS, continued:

Changes in endowment net assets for year ended September 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 3,775,170	\$ 3,775,170
Investment return:			
Investment income	67,430	-	67,430
Gains (losses) (realized and unrealized), net of fees	(10,545)	-	(10,545)
	56,885	-	56,885
Amounts appropriated for expenditure	(56,885)	-	(56,885)
Endowment net assets, end of year	\$ -	\$ 3,775,170	\$ 3,775,170

Endowment net assets composition by type of fund as of September 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 3,775,170	\$ 3,775,170

Changes in endowment net assets for year ended September 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 3,775,170	\$ 3,775,170
Investment return:			
Investment income	58,898	-	58,898
Gains (losses) (realized and unrealized), net of fees	23,371	-	23,371
	82,269	-	82,269
Amounts appropriated for expenditure	(82,269)	-	(82,269)
Endowment net assets, end of year	\$ -	\$ 3,775,170	\$ 3,775,170

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

14. ENDOWMENTS, continued:

	<u>Year Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by GUPMIFA.	\$ 3,775,170	\$ 3,775,170
Total endowment funds classified as permanently restricted net assets	<u>\$ 3,775,170</u>	<u>\$ 3,775,170</u>

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or GUPMIFA requires MAP to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were -0- as of September 30, 2017 and 2016, respectively.

Return Objectives and Risk Parameters—MAP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MAP must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted income stream to grow the corpus above the inflation rate. MAP expects its endowment funds, over time, to provide an average rate of return of approximately 2%-3% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, MAP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MAP targets a diversified asset allocation to ensure total return necessary to preserve and enhance the principal within a reasonable and prudent level of risk.

Spending Policy and How the Investment Objectives Related to Spending Policy—MAP has a policy of appropriating for distribution each year up to 5% of its endowment fund's year-end fair value for the previous calendar year. In establishing this policy, the board of directors considered long-term expected return on its endowment. Accordingly, over the long-term, MAP expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

MAP INTERNATIONAL

Notes to Financial Statements

September 30, 2017 and 2016

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 27, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.