

PREDISAN-USA, INC.  
ANNUAL REPORT  
DECEMBER 31, 2013

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# ZIMMERMAN & ASSOCIATES, P.C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Predisan-USA, Inc.

We have audited the accompanying financial statements of Predisan-USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

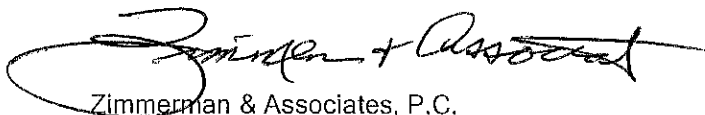
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 Predisan-USA, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Zimmerman & Associates, P.C.  
Certified Public Accountants  
Marietta, Georgia  
May 30, 2014

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PREDISAN-USA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

Current Assets	
Cash and cash equivalents	\$ 467,067
Marketable securities	247,043
Cash surrender value of life insurance	<u>1,195</u>
Total assets	<u>\$ 715,305</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	<u>\$ 5,334</u>
Total liabilities	<u>5,334</u>

Net Assets	
Unrestricted	389,107
Temporarily restricted	138,186
Permanently restricted	<u>182,678</u>
Total net assets	<u>709,971</u>
Total Liabilities and Net Assets	<u>\$ 715,305</u>

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

PREDISAN-USA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

CHANGE IN UNRESTRICTED NET ASSETS:

Support and revenue	
Contributions	\$ 1,114,439
Interest income	1
Total support and revenue	<u>1,114,440</u>
Net assets released from donor restrictions	<u>120,961</u>
 Total unrestricted support and reclassifications	 <u>1,235,401</u>
 Expenses	
Program services	949,173
Fundraising	83,753
Administration	95,719
Total expenses	<u>1,128,645</u>
 Change in unrestricted net assets	 <u>106,756</u>

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:

Contributions	50,414
Investment income	6,037
Unrealized gains on investments	<u>30,237</u>
 Total support and revenue	 86,688
Net assets released from donor restrictions	<u>(120,961)</u>
 Change in temporarily restricted net assets	 <u>(34,273)</u>

CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:

Change in net assets	72,483
Net assets at beginning of year	<u>637,488</u>
 Net assets at end of year	 <u>\$ 709,971</u>

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

PREDISAN-USA, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:

Change in net assets	\$ 72,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net unrealized gain on securities	(30,237)
Decrease in allowance for doubtful accounts	(1,250)
Changes in assets and liabilities:	
Pledges receivable	61,785
Accounts receivable, other	150,000
Accounts payable	<u>(655)</u>
Net cash provided by operating activities	<u>252,126</u>
Cash flows from investing activities:	
Purchase of marketable securities	<u>(10,960)</u>
Net cash used by investing activities	<u>(10,960)</u>
Net increase in cash and cash equivalents	241,166
Cash and cash equivalents at beginning of year	<u>225,901</u>
Cash and cash equivalents at end of year	<u><u>\$ 467,067</u></u>

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

PREDISAN-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Fund- Raising</u>	<u>Admin.</u>	<u>Total</u>
Accounting Fees	\$ 1,363	\$ 1,907	\$ 2,180	\$ 5,450
Advertising and Promotions	3,897	5,456	6,236	15,589
Bank Charges & Fees	1,220	1,708	1,951	4,879
Compensation and Benefits	28,265	39,571	45,225	113,061
Conferences/Meetings	250	350	400	1,000
Fundraising Events	6,863	9,607	10,980	27,450
Grants	889,349	-	-	889,349
Information Technology	1,625	2,274	2,600	6,499
Insurance	1,148	1,607	1,836	4,591
Meals and Entertainment	350	491	561	1,402
Occupancy	5,100	7,140	8,160	20,400
Office Expenses	3,109	4,353	4,974	12,436
Other Fees	1,025	1,435	1,640	4,100
Other	613	859	982	2,454
Payroll Taxes	2,157	3,020	3,451	8,628
Travel	2,839	3,975	4,543	11,357
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Totals	<u>\$ 949,173</u>	<u>\$ 83,753</u>	<u>\$ 95,719</u>	<u>\$ 1,128,645</u>

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

PREDISAN-USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

The purpose of Predisan-USA, Inc. (Predisan) is to collaborate with and support non-profit Christian organizations in Central America that provide/promote healthcare, community development, and spiritual formation activities. Currently, Predisan partners with a non-profit corporation registered in Honduras as Asociacion Hondurena Predicar y Sanar (Mission Predisan) to provide a holistic approach to healing lives and proclaiming Christ to the people of Honduras. Predisan is governed by a volunteer board of directors. Predisan primarily receives contributions from individuals, churches and foundations, primarily located throughout the United States of America.

Basis of Accounting

The accompanying financial statements have been provided on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Predisan is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety days of purchase.

Income Taxes

Predisan is exempt from Federal and State income taxes under Internal Revenue Code Section 501 (c)(3) and Georgia Revenue and Taxation Code Section 48-7-25. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, Predisan has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2013.

Management of the organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

PREDISAN-USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies - (continued)

Pledges Receivable

Contributions are recognized when the donor makes a pledge to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to estimate uncollectible unconditional pledges receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the same accounting period as the contribution is received, the revenue is shown as unrestricted.

Contributed Services

During the year ended December 31, 2013 the value of contributed services meeting the requirements for recognition in the financial statements was for fair rental value of office space. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in providing support to clinics and healthcare facilities in Honduras, but these services do not meet the criteria for recognition as contributed services.

Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through May 30, 2014 the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



PREDISAN-USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Note 2 - Concentration of Credit Risk

The Organization is subject to some credit risk through short-term cash investments, which are placed with high credit quality financial institutions. At December 31, 2013 the Organization's account balances not covered by F.D.I.C. limits was approximately \$30,000. The Organization has not experienced any losses in such accounts.

Note 3 - Pledges Receivable

The pledges receivable outstanding at December 31, 2012 of \$61,785 were collected in full in 2013. There are no pledges receivable at December 31, 2013.

In addition, the entity has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value, that have not been reflected in the accompanying financial statements because they are conditional promises.

Note 4 - Marketable Securities

Marketable securities are presented in the financial statements using level 1 fair value measures (quoted prices in active markets). The marketable securities include investments in stock and bond mutual funds. Donated assets are recorded at fair value at the date of gift. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The cost of marketable securities on hand at December 31, 2013 was approximately \$177,000.

The balances at December 31, 2013 are as follows:

Stock Funds	\$ 157,280
Bond Funds	<u>89,763</u>
Total	<u>\$ 247,043</u>

Note 5 - Fixed Assets

Fixed assets are recorded at the original purchase price or fair value if contributed and are depreciated on a straight-line basis over their estimated useful life. It is the organization's policy to capitalize fixed assets costing over \$1,000. Lesser amounts are expensed. There were no fixed assets which met the criteria for capitalization at December 31, 2013.

Note 6 - Donated Goods and Services

The Organization receives a significant amount of donated goods and services from volunteers who assist in fund-raising and special projects. The amount recognized for goods donated, which primarily consists of supplies to be used in the Honduran clinic, was \$175,135 at December 31, 2013, and is included in revenue and expense. The amount recognized for donation of use of office space and furnishings was \$20,400. This was the only service that met the criteria for recognition under generally accepted accounting principles.

PREDISAN-USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

Note 7 - Temporarily Restricted Net Assets

The temporarily restricted net assets represent donations made that have been designated for a particular purpose for the medical clinics or for programs benefiting people in the region of the community of Catacamas, Honduras. The funds are restricted for use in the following programs as of December 31, 2013:

Children's Scholarships	\$ 26,342
Nutrition Program for Children	21,670
Endowment Earnings	87,769
Other	<u>2,405</u>
Total	<u>\$ 138,186</u>

Note 8 - Permanently Restricted Net Assets

The permanently restricted net assets consist of donations made to establish Endowment funds to be held indefinitely, the income from which is expendable to specific programs based on the donors' wishes. The original gifts and the earnings within each fund are permanently restricted until the fund reaches an amount designated by the board in accordance with the donors' original intent. This amount cannot be less than \$25,000. The permanently restricted individual funds are reviewed annually at the end of each fiscal year to determine if the funds have reached that level. At that point, future earnings may be used in future years to support specific mission programs approved by the Board of Directors of Predisan-USA, Inc and in accordance with specific provisions established in the Endowment Policy and the donors' intent. No withdrawals should be made which would risk decreasing the funds to a balance below the authorized amount.

The balances in the permanently restricted funds as of December 31, 2013 was \$182,678.

Note 9 - Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to program services, fundraising and administrative expenses based on time spent by employees and individuals who provide accounting and administrative contract labor services for Predisan.

Note 10 - Related Parties and Account Receivable, Other

Grants were awarded to Asociacion Hondurena Predicar y Sanar (Mission Predisan) of approximately \$889,000. Certain directors of Predisan-USA Inc. are also directors of this entity.

During 2012, Asociacion Hondurena Predicar y Sanar (Mission Predisan) received a grant from the Honduran government which funded some of the programs that had already been funded by Predisan-USA, Inc. As a result, Mission Predisan agreed to refund \$150,000 of grants received in 2012 from Predisan-USA. This amount was shown as account receivable, other and was collected during 2013.