

PREDISAN-USA, INC.
FINANCIAL STATEMENTS

DECEMBER 31, 2014

together with
INDEPENDENT AUDITOR'S REPORT



**Jones and Kolb
Certified Public Accountants
Atlanta, Georgia**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Predisan-USA, Inc.

We have audited the accompanying financial statements of Predisan-USA, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2014, 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 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 Predisan-USA, Inc. as of December 31, 2014, 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.

Jones and Kolb

July 2, 2015

PREDISAN-USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current assets	
Cash and cash equivalents	\$ 524,748
Marketable securities	271,889
Cash surrender value of life insurance	<u>1,195</u>
Total current assets	<u><u>\$ 797,832</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 3,798
Payroll taxes payable	<u>2,181</u>
Total current liabilities	<u>5,979</u>

Net assets	
Unrestricted	441,386
Temporarily restricted	167,789
Permanently restricted	<u>182,678</u>
Total net assets	<u>791,853</u>
Total liabilities and net assets	<u><u>\$ 797,832</u></u>

The accompanying notes are an integral part
of this financial statement.

PREDISAN-USA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

CHANGE IN UNRESTRICTED NET ASSETS:

Support and revenue	
Contributions	\$ 973,500
Contributed goods and services	97,890
Special Events	81,592
Less: Direct expenses	(11,257)
Interest income	<u>1</u>
 Total support and revenue	 1,141,726
 Net assets released from donor restrictions	 <u>50,417</u>
 Total unrestricted support and reclassifications	 <u>1,192,143</u>
 Expenses	
Program services	989,953
Fundraising	79,953
Management and general	<u>69,958</u>
 Total expenses	 <u>1,139,864</u>
 Change in unrestricted net assets	 <u>52,279</u>

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:

Contributions	55,322
Investment income	6,206
Unrealized gains on investments	18,492
Net assets released from donor restrictions	<u>(50,417)</u>
 Change in temporarily restricted net assets	 <u>29,603</u>

CHANGE IN NET ASSETS	81,882
NET ASSETS AT BEGINNING OF YEAR	<u>709,971</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 791,853</u></u>

The accompanying notes are an integral part
of this financial statement.

PREDISAN-USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Fundraising	Management and general	Total
Grants	\$ 939,980	\$ -	\$ -	\$ 939,980
Compensation and benefits	23,576	37,721	33,006	94,303
Office expenses	6,467	10,347	9,053	25,867
Occupancy	5,100	8,160	7,140	20,400
Advertising and promotion	4,510	7,216	6,314	18,040
Travel	2,713	4,341	3,799	10,853
Payroll taxes	1,813	2,901	2,538	7,252
Insurance	1,653	2,644	2,314	6,611
Accounting fees	1,354	2,166	1,895	5,415
Information technology	1,282	2,050	1,794	5,126
Bank charges and fees	1,210	1,936	1,693	4,839
Other investment fees	195	311	272	778
Conferences/Meetings	68	108	95	271
Other	32	52	45	129
Totals	\$ 989,953	\$ 79,953	\$ 69,958	\$ 1,139,864

The accompanying notes are an integral part
of this financial statement.

PREDISAN-USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities:

Change in net assets	\$ 81,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net unrealized gain on securities	(18,642)
Changes in assets and liabilities:	
Accounts payable	(1,536)
Payroll taxes payable	<u>2,181</u>
Net cash provided by operating activities	<u>63,885</u>
Cash flows from investing activities:	
Purchase of marketable securities	<u>(6,204)</u>
Net cash used in investing activities	<u>(6,204)</u>
Net increase in cash and cash equivalents	57,681
Cash and cash equivalents at beginning of year	<u>467,067</u>
Cash and cash equivalents at end of year	<u><u>\$ 524,748</u></u>

The accompanying notes are an integral part
of this financial statement.

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions using three classifications: unrestricted, temporarily restricted and permanently restricted. These three classifications are defined as follows:

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit Predisan to use or expend the donated assets as specified and are satisfied either by the passage of time and/or by actions of Predisan.

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate resources be maintained permanently, but permit Predisan to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.

Predisan records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Predisan's policy is to record temporarily restricted contributions received and expended in the same period as unrestricted contributions.

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014.

Management 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 Predisan's status as a not-for-profit entity. Management believes Predisan 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. Predisan's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. However, Predisan is not currently under audit nor has it been contacted by the taxing authorities.

Contributed Goods and Services

In 2014, Predisan received a donation for the use of office space and furnishings with an estimated value of \$20,400. Predisan also received goods, primarily supplies to be used in the Honduran clinic, with an estimated value of \$77,490.

Many individuals volunteer their time and perform a variety of tasks that assist Predisan in providing support to clinics and healthcare facilities in Honduras. Approximately 300 volunteers gave their time during the year ended December 31, 2014. The value of these services did not meet the criteria for recognition in the financial statements and the value has not been estimated.

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, 2014

Subsequent Events - Date of Management Evaluation

Management has evaluated subsequent events through July 2, 2015, the date on which the financial statements were available to be issued.

Note 2 - Concentration of Credit Risk

Predisan is subject to some credit risk through short-term cash investments, which are placed with high credit quality financial institutions. At December 31, 2014, Predisan's account balances not covered by F.D.I.C. limits was approximately \$166,000. Predisan has not experienced any losses in such accounts.

Note 3 - Conditional Promises to Give

The entity has been informed of intentions to give in the form of possible future bequests from 12 donors, currently of indeterminable value, that have not been reflected in the accompanying financial statements because they are conditional promises.

Note 4 - Marketable Securities

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon unobservable inputs. At December 31, 2014, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities, which include stock and bond mutual funds. Stock and bond mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents by level, within the fair value hierarchy, Predisan's marketable securities at fair value at December 31, 2014:

	<u>Level 1</u>
Stock Funds	\$ 175,881
Bond Funds	<u>96,008</u>
Total	<u>\$ 271,889</u>

PREDISAN-USA, INC.
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DECEMBER 31, 2014

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets represent donations made that have been designated for a particular purpose, primarily 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, 2014:

Endowment earnings	\$ 112,467
Children's scholarships	36,822
Chaplain services	10,000
Other	<u>8,500</u>
Total	<u>\$ 167,789</u>

Net assets were released from temporarily restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donor as follows:

Children's scholarships	\$ 26,342
Nutrition	21,670
Other	<u>2,405</u>
Total	<u>\$ 50,417</u>

Note 6 - Endowment

At December 31, 2014, Predisan's endowment consisted of one donor-restricted fund. As required by U.S. generally accepted accounting principles, net assets associated with an endowment fund are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of Predisan has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Predisan classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and 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 as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Predisan in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year.

PREDISAN-USA, INC.
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In accordance with UPMIFA, Predisan 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 the Predisan 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 Predisan; and,
- (7) The investment policies of Predisan.

The composition of and changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ 87,769	\$ 182,678
Investment return			
Investment income	-	6,206	-
Net unrealized gain	-	18,492	-
Endowment net assets, end of year	\$ -	\$ 112,467	\$ 182,678

Note 7 - 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 management and general.