



**AUDITED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

PREDISAN-USA, INC.
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DECEMBER 31, 2017 AND 2016

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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Predisan-USA, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Predisan-USA, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

August 1, 2018

PREDISAN-USA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 318,673	\$ 405,589
Marketable securities	369,741	297,821
Prepaid expenses	-	3,250
Cash surrender value of life insurance	7,099	5,575
Computer equipment, net of accumulated depreciation	793	1,044
	<u> </u>	<u> </u>
Total assets	<u>\$ 696,306</u>	<u>\$ 713,279</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 10,549	\$ 11,727
Payroll liabilities	2,772	4,239
	<u> </u>	<u> </u>
Total liabilities	<u>13,321</u>	<u>15,966</u>
NET ASSETS		
Unrestricted	230,676	238,638
Temporarily restricted	244,631	275,997
Permanently restricted	207,678	182,678
	<u> </u>	<u> </u>
Total net assets	<u>682,985</u>	<u>697,313</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 696,306</u>	<u>\$ 713,279</u>

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

PREDISAN-USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 858,928	\$ 100,257	\$ 25,000	\$ 984,185
Contributed goods and services	22,415	-	-	22,415
Special events	16,220	-	-	16,220
Less: Direct expenses	(8,279)	-	-	(8,279)
Investment income	12	6,963	-	6,975
Unrealized gain on investments	-	40,148	-	40,148
	<u>889,296</u>	<u>147,368</u>	<u>25,000</u>	<u>1,061,664</u>
Total support and revenue				
Net assets released from restricted net assets	<u>178,734</u>	<u>(178,734)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	873,070	-	-	873,070
Fundraising	128,343	-	-	128,343
Management and general	74,579	-	-	74,579
	<u>1,075,992</u>	<u>-</u>	<u>-</u>	<u>1,075,992</u>
Total expenses				
CHANGE IN NET ASSETS	(7,962)	(31,366)	25,000	(14,328)
NET ASSETS, Beginning of year	<u>238,638</u>	<u>275,997</u>	<u>182,678</u>	<u>697,313</u>
NET ASSETS, End of year	<u>\$ 230,676</u>	<u>\$ 244,631</u>	<u>\$ 207,678</u>	<u>\$ 682,985</u>

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

PREDISAN-USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 841,590	\$ 129,506	\$ -	\$ 971,096
Contributed goods and services	23,601	-	-	23,601
Special events	137,740	-	-	137,740
Less: Direct expenses	(26,058)	-	-	(26,058)
Investment income	1	6,735	-	6,736
Unrealized gain on investments	-	16,866	-	16,866
	<u>976,874</u>	<u>153,107</u>	<u>-</u>	<u>1,129,981</u>
Net assets released from restricted net assets	<u>195,282</u>	<u>(195,282)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	1,043,875	-	-	1,043,875
Fundraising	147,064	-	-	147,064
Management and general	80,937	-	-	80,937
	<u>1,271,876</u>	<u>-</u>	<u>-</u>	<u>1,271,876</u>
CHANGE IN NET ASSETS	(99,720)	(42,175)	-	(141,895)
NET ASSETS, Beginning of year	<u>338,358</u>	<u>318,172</u>	<u>182,678</u>	<u>839,208</u>
NET ASSETS, End of year	<u>\$ 238,638</u>	<u>\$ 275,997</u>	<u>\$ 182,678</u>	<u>\$ 697,313</u>

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

PREDISAN-USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Grants	\$ 829,404	\$ -	\$ -	\$ 829,404
Compensation and benefits	28,107	70,269	42,161	140,537
Occupancy	6,120	10,200	4,080	20,400
Advertising and promotion	-	13,447	-	13,447
Office expenses	2,494	6,236	3,742	12,472
Travel	2,175	5,438	3,263	10,876
Payroll taxes	2,083	5,210	3,126	10,419
Accounting fees	-	-	10,413	10,413
Other	823	4,511	4,729	10,063
Information technology	-	5,822	1,059	6,881
Bank charges and credit card fees	-	5,312	150	5,462
Insurance	1,772	1,772	1,773	5,317
Depreciation	42	126	83	251
Conferences and meetings	50	-	-	50
Total	<u>\$ 873,070</u>	<u>\$ 128,343</u>	<u>\$ 74,579</u>	<u>\$ 1,075,992</u>

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

PREDISAN-USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>Management & General</u>	<u>Total</u>
Grants	\$ 963,450	\$ -	\$ -	\$ 963,450
Compensation and benefits	39,757	90,356	50,599	180,712
Office expenses	6,441	14,641	8,199	29,281
Occupancy	6,120	10,200	4,080	20,400
Advertising and promotion	10,654	7,102	-	17,756
Travel	7,405	9,256	1,851	18,512
Payroll taxes	2,792	6,347	3,554	12,693
Insurance	1,181	2,684	1,503	5,368
Accounting fees	3,224	-	7,523	10,747
Information technology	924	2,099	1,176	4,199
Bank charges and credit card fees	1,596	3,628	2,032	7,256
Conferences and meetings	156	354	198	708
Depreciation	46	105	58	209
Other	129	292	164	585
Total	<u>\$ 1,043,875</u>	<u>\$ 147,064</u>	<u>\$ 80,937</u>	<u>\$ 1,271,876</u>

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

PREDISAN-USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (14,328)	\$ (141,895)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Depreciation	251	209
Net unrealized gain on marketable securities	(40,148)	(16,866)
Changes in:		
Prepaid expenses	3,250	6,750
Cash surrender value of life insurance	(1,524)	(1,475)
Accounts payable	(1,178)	6,163
Payroll liabilities	(1,467)	1,260
Total adjustments	(40,816)	(3,959)
Net cash and cash equivalents used in operating activities	(55,144)	(145,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computer equipment	-	(1,253)
Purchases of marketable securities	(31,772)	(6,642)
Net cash and cash equivalents used in investing activities	(31,772)	(7,895)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(86,916)	(153,749)
CASH, Beginning of year	405,589	559,338
CASH, End of year	\$ 318,673	\$ 405,589

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

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

C. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as unrestricted income unless specifically restricted by the donor. When the donor stipulation expires, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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

E. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Contributed services recognized are reflected in the financial statements at the fair value of the services

PREDISAN-USA, INC.
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received. 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. The value of these services did not meet the criteria for recognition in the financial statements and the value has not been estimated. Donated materials and services are reflected as support in the accompanying financial statements at their estimated fair value at date of receipt.

During the years ended December 31, 2017 and 2016, the Organization received a donation for the use of office space and furnishings with an estimated value of \$20,400. The Organization also received goods, primarily supplies to be used in the Honduran clinic, with an estimated value of \$2,015 and \$3,201 for the year ends December 31, 2017 and 2016, respectively.

F. The Organization is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code ("IRC"). Only unrelated business income as define by Section 512(a)(1) of the Internal Revenue Code is subject to income taxes. There was no unrelated business income for the years ended December 31, 2017 and 2016.

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 the Organization's status as a tax-exempt 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. However, the Organization is not currently under audit nor has it been contacted by the taxing authorities.

G. The costs of providing the Organization's various programs, management and general services and fundraising have been summarized on a functional basis in the Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the programs and management and general services benefited.

H. Subsequent events have been evaluated by management through August 1, 2018, the date these financial statements were issued.

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, 2017 and 2016, the Organization's accounts balances not covered by F.D.I.C. limits were approximately \$41,000 and \$62,000, respectively. The Organization has not experienced any losses in such accounts.

PREDISAN-USA, INC.
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3. CONDITIONAL PROMISES TO GIVE

The Organization has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value. Consistent with GAAP, these intentions have not been reflected in the accompanying financial statements because they are conditional promises.

4. MARKETABLE SECURITIES

U.S. GAAP 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, 2017 and 2016, 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 individual securities are traded.

The following table presents the Organization's marketable securities at fair value at December 31, 2017 and 2016:

	2017	2016
Stock funds	\$ 240,986	\$ 197,841
Bond funds	128,755	99,980
Total marketable securities	369,741	297,821

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent donations made that have been restricted for a particular purpose, primarily for medical clinics or for programs benefiting people in the region of the community of Catacamas, Honduras.

PREDISAN-USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The following table presents the Organization's temporarily restricted net assets at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment earnings	\$ 185,601	\$ 138,490
Scholarships, economic development and mission trips	59,030	37,507
CEREPA - Addiction Treatment Center	<u>-</u>	<u>100,000</u>
Total temporarily restricted net assets	<u>\$ 244,631</u>	<u>\$ 275,997</u>

The following table presents the Organization's net assets released from restricted net assets for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
CEREPA - Addiction Treatment Center	\$ 100,000	\$ 150,000
Scholarships, economic development and mission trips	<u>78,734</u>	<u>45,282</u>
Total net assets released from restricted net assets	<u>\$ 178,734</u>	<u>\$ 195,282</u>

6. ENDOWMENT

The Organization's endowment consisted of one donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment fund are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Organization 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, the Organization 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

PREDISAN-USA, INC.
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expenditure by the Organization 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. UPMIFA does not apply to beneficial interests in perpetual trusts.

In accordance with UPMIFA, the Organization 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 Organization 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 the Organization; and,
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies that attempt to preserve endowment assets by using funding only when operating cash is insufficient. To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The composition of and changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ 138,490	\$ 182,678
Contributions	-	-	25,000
Investment return			
Investment income	-	6,963	-
Net unrealized gain	-	40,148	-
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 185,601</u></u>	<u><u>\$ 207,678</u></u>

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The composition of and changes in endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -	\$ 114,889	\$ 182,678
Investment return			
Investment income	-	6,735	-
Net unrealized gain	-	16,866	-
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 138,490</u></u>	<u><u>\$ 182,678</u></u>