

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND
SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
APRIL 30, 2019 AND 2018



DYER ROCHE & COMPANY, INC.

Certified Public Accountants and Consultants

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY
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To the Board of Trustees of
Central American Medical Outreach, Inc., and Subsidiary
Orrville, Ohio

We have audited the accompanying consolidated financial statements of Central American Medical Outreach, Inc., and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of April 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Inversions Solidarias S. A. DE. C. V. (INSSA), which statements reflect total assets of \$251,708, as of April 30, 2019, and total support and revenues of \$478,031, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for INSSA, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central American Medical Outreach, Inc. and Subsidiary as of April 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Central American Medical Outreach, Inc. and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Dyck & Company, Inc.

Wooster, Ohio
September 10, 2019

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

APRIL 30, 2019

(with comparative totals for the year ended April 30, 2018)

ASSETS

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 511,251 | \$ 587,466 |
| Accounts receivable, net | 42,830 | 28,284 |
| Inventory | 405,825 | 451,487 |
| Prepaid expenses | <u>15,934</u> | <u>36,763</u> |
| Total current assets | <u>975,840</u> | <u>1,104,000</u> |
| Property and Equipment: | | |
| Land and land improvements | 70,931 | 70,931 |
| Building | 335,941 | 335,941 |
| Equipment | 3,929 | 3,929 |
| Furniture and fixtures | 120,507 | 121,530 |
| Vehicles | <u>46,975</u> | <u>48,091</u> |
| | 578,283 | 580,422 |
| Less: accumulated depreciation | <u>(264,749)</u> | <u>(254,432)</u> |
| Property and equipment, net | <u>313,534</u> | <u>325,990</u> |
| Other Assets: | | |
| Endowment fund held by others | 35,678 | 34,615 |
| Cash surrender value of life insurance | <u>48,223</u> | <u>34,135</u> |
| Total other assets | <u>83,901</u> | <u>68,750</u> |
| Total assets | <u>\$ 1,373,275</u> | <u>\$ 1,498,740</u> |

See accompanying independent auditors' report and notes to the financial statements.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

APRIL 30, 2019

(with comparative totals for the year ended April 30, 2018)

LIABILITIES AND NET ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 206,144 | \$ 131,529 |
| Accrued liabilities | <u>19,286</u> | <u>20,656</u> |
| Total current liabilities | <u>225,430</u> | <u>152,185</u> |
| Long-Term Liabilities: | | |
| Supplemental benefit plan | <u>250,000</u> | <u>250,000</u> |
| Total long term liabilities | <u>250,000</u> | <u>250,000</u> |
| Total liabilities | <u>475,430</u> | <u>402,185</u> |
| Net Assets: | | |
| Without donor restriction: | | |
| Board designated endowment | 35,678 | 34,615 |
| Controlling interest | <u>723,264</u> | <u>828,414</u> |
| Total net assets without donor restrictions | <u>758,942</u> | <u>863,029</u> |
| With donor restriction | <u>128,860</u> | <u>218,929</u> |
| Total net assets with donor restrictions and without donor restrictions | 887,802 | 1,081,958 |
| Cumulative translation adjustment | (20,579) | (15,240) |
| Noncontrolling interest | <u>30,622</u> | <u>29,837</u> |
| Total net assets | <u>897,845</u> | <u>1,096,555</u> |
| Total liabilities and net assets | <u>\$ 1,373,275</u> | <u>\$ 1,498,740</u> |

See accompanying independent auditors' report and notes to the financial statements.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2019

(with comparative totals for the year ended April 30, 2018)

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Totals</u> | |
|---|--------------------------------------|-----------------------------------|-------------------|---------------------|
| | | | <u>2019</u> | <u>2018</u> |
| Revenues, Gains and Other Support: | | | | |
| Contributions and donations | \$ 371,210 | \$ 141,159 | \$ 512,369 | \$ 689,473 |
| Grants/Foundations | - | 267,728 | 267,728 | 404,104 |
| In-kind contributions | | | | |
| Medical supplies and equipment | 1,448,025 | - | 1,448,025 | 1,509,048 |
| Medical services | 926,960 | - | 926,960 | 1,076,771 |
| Other services | 238,003 | - | 238,003 | 96,926 |
| Investment income, net | 2,069 | - | 2,069 | 4,241 |
| Special events income | 81,826 | - | 81,826 | 96,517 |
| Less: special events expense | (13,892) | - | (13,892) | (25,033) |
| Other revenue | 4,925 | - | 4,925 | 6,646 |
| INSSA sales | 438,002 | - | 438,002 | 337,915 |
| Net assets released from restrictions | 498,956 | (498,956) | - | - |
| | <u>3,996,084</u> | <u>(90,069)</u> | <u>3,906,015</u> | <u>4,196,608</u> |
| Expenses: | | | | |
| Program services | 3,899,282 | - | 3,899,282 | 3,485,308 |
| Supporting services | | | | |
| Management and general | 160,091 | - | 160,091 | 200,243 |
| Fundraising | 40,013 | - | 40,013 | 52,168 |
| | <u>4,099,386</u> | <u>-</u> | <u>4,099,386</u> | <u>3,737,719</u> |
| Change in net assets before noncontrolling interest | (103,302) | (90,069) | (193,371) | 458,889 |
| Noncontrolling interest in INSSA | (785) | - | (785) | (279) |
| Change in net assets after noncontrolling interest | (104,087) | (90,069) | (194,156) | 458,610 |
| Net assets, beginning of year | <u>863,029</u> | <u>218,929</u> | <u>1,081,958</u> | <u>623,348</u> |
| Net assets, end of year | <u>\$ 758,942</u> | <u>\$ 128,860</u> | <u>\$ 887,802</u> | <u>\$ 1,081,958</u> |

See accompanying independent auditors' report and notes to the financial statements.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2019

(with comparative totals for the year ended April 30, 2018)

| | | | | <u>Totals</u> | |
|-----------------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
| | Program Services | Management and General | Fundraising | 2019 | 2018 |
| Compensation and related expenses | | | | | |
| Salaries | \$ 70,356 | \$ 84,084 | \$ 17,160 | \$ 171,600 | \$ 247,872 |
| Payroll taxes | 7,374 | 8,813 | 1,799 | 17,986 | 23,248 |
| Employee benefits | 10,482 | 12,527 | 2,556 | 25,565 | 27,233 |
| Total | <u>88,212</u> | <u>105,424</u> | <u>21,515</u> | <u>215,151</u> | <u>298,353</u> |
| In-kind expenses | | | | | |
| Medical supplies and equipment | 1,471,720 | - | - | 1,471,720 | 1,290,483 |
| Medical services | 926,960 | - | - | 926,960 | 1,076,771 |
| Other services | 238,003 | - | - | 238,003 | 96,926 |
| INSSA | 413,696 | - | - | 413,696 | 294,793 |
| Bad debt | - | - | - | - | 8,901 |
| Insurance | 612 | 7,716 | 149 | 8,477 | 3,314 |
| Occupancy | 4,174 | 4,989 | 1,018 | 10,181 | 10,009 |
| Depreciation | 7,939 | 9,489 | 1,936 | 19,364 | 19,365 |
| Communications | 5,662 | 6,767 | 1,381 | 13,810 | 10,846 |
| Marketing expense | - | - | 12,584 | 12,584 | 17,033 |
| Office expense and supplies | 5,864 | 7,008 | 1,430 | 14,302 | 12,770 |
| Postage and shipping | 45,038 | - | - | 45,038 | 52,178 |
| Outside services | - | 9,530 | - | 9,530 | 22,512 |
| Grants to Fundacion CAMO | 54,262 | - | - | 54,262 | 108,740 |
| Special projects/programs | 552,465 | - | - | 552,465 | 330,077 |
| Supplies | - | - | - | - | 102 |
| Team expense | 77,427 | - | - | 77,427 | 72,833 |
| Vehicle expense | 7,248 | - | - | 7,248 | 9,451 |
| Miscellaneous | - | 9,168 | - | 9,168 | 2,262 |
| Total expenses | <u>\$ 3,899,282</u> | <u>\$ 160,091</u> | <u>\$ 40,013</u> | <u>\$ 4,099,386</u> | <u>\$ 3,737,719</u> |

See accompanying independent auditors' report and notes to the financial statements.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2019
(with comparative totals for the year ended April 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ (193,370) | \$ 458,889 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Net unrealized (gain) loss on endowment fund held by others | (1,063) | (2,903) |
| Depreciation and amortization | 14,213 | 19,365 |
| Bad debt expense | - | 8,901 |
| Non-cash donations of inventory, net | (23,696) | (218,565) |
| Minority interest in INSSA net income (loss) | 785 | 279 |
| Increase in cash surrender value of life insurance | (14,088) | (13,365) |
| Change in: | | |
| Accounts receivable | 20,778 | 4,996 |
| Inventory | 62,578 | (104,651) |
| Accounts payable and accrued expenses | 41,393 | (8,203) |
| Prepaid expenses | <u>20,829</u> | <u>10,087</u> |
| Net cash provided (used) by operating activities | <u>(71,642)</u> | <u>154,830</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of fixed assets | (2,604) | (7,043) |
| Purchase of investments | <u>-</u> | <u>(175)</u> |
| Net cash provided (used) by investing activities | <u>(2,604)</u> | <u>(7,218)</u> |
| Effect of exchange rate changes on cash | <u>(1,969)</u> | <u>516</u> |
| Net change in cash and cash equivalents | (76,215) | 148,128 |
| Cash and cash equivalents, beginning | <u>587,466</u> | <u>439,338</u> |
| Cash and cash equivalents, ending | <u>\$ 511,251</u> | <u>\$ 587,466</u> |
| Supplemental disclosures of cash flow information: | | |
| Income taxes paid | \$ 2,088 | \$ 2,179 |

See accompanying independent auditors' report and notes to the financial statements.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Nature of Organization

Central American Medical Outreach, Inc. (CAMO) is a non-denominational, Christian-based organization located in Orrville, Ohio. CAMO brings life-saving medical education, supplies, equipment and capital improvement projects to impoverished regions of Central America with the goal of creating sustainable health care systems and communities. CAMO receives support through donations of cash, medical supplies and equipment, volunteer services, and grants.

Inversiones Solidarias S.A. DE C.V. (INSSA) is a for-profit entity organized under the laws of Honduras. INSSA provides sustainability for CAMO programs and projects through the sales of medical services, equipment and supplies.

Principles of Consolidation

The consolidated financial statements include the accounts of CAMO and its 84% owned subsidiary, INSSA (collectively the Organization). All significant inter-organization accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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, as well as revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the U.S. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended April 30, 2018 from which the summarized information was derived.

Basis of Presentation and Adoption of New Accounting Pronouncement

For the year ended April 30, 2019, CAMO adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements about a not-for-profit entity's liquidity, financial performance and cash flows. The main provision of this guidance is the presentation of two classes of net assets versus the previously recognized three. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, and expenses in both their natural and functional classification.

Accordingly, CAMO has presented its financial position and activities according to two classes of net assets: *net assets without donor restrictions* – net assets that are not subject to donor imposed restrictions and which CAW/M can use for its daily operations; and *net assets with donor restrictions* – net assets subject to donor imposed restrictions.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Under accounting principles generally accepted in the United States of America for not-for-profit organizations, contributions received are recorded as revenue as with and without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and recorded in the Statement of Activities as net assets released from restrictions.

Support received under grants is accounted for as an exchange transaction. Grant revenue is recognized to the extent of the related costs incurred. Contributions received with donor-imposed restrictions are recorded as without donor restrictions if the restrictions are expected to be met within the same period.

Cash and Cash Equivalents

For purposes of reporting cash flows, CAMO considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Financial Instrument Risk

During the course of the year there were periods in which CAMO had cash balances in financial institutions which exceeded the F.D.I.C. insurance limits. The amount which exceeds the insurance limit represents a potential credit risk.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from the balances outstanding at year-end. Based on management's assessment, no allowances are considered necessary.

Inventory

The inventory of supplies and equipment, received as in-kind contributions, is valued at fair market value at the date of donation. Purchased supplies and equipment are stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost at the date of purchase or fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows: building 40 years; improvements 7-39 years; furniture and fixtures 7-10 years; equipment 7-10 years; vehicles 5-10 years. Maintenance and repairs of property and equipment are charged to expense and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in income. Depreciation expense for the years ended April 30, 2019 and 2018 was \$19,364 and \$19,365, respectively.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

Cash Value of Life Insurance

The Organization is the owner and beneficiary of a life insurance policy that covers the life of the Executive Director. This life insurance policy has a cash surrender value which is reported on the balance sheet at the surrender value provided to the Organization by the insurance carrier.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958 605, *Revenue Recognition*. Volunteers also provided services throughout the year that are not recognized as contributions since the recognition criteria under FASB ASC 958 605 were not met.

Functional Expense Allocation

The costs of providing program services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services.

Advertising

CAMO expenses the cost of advertising when the expense occurs. Advertising and marketing expenses for the years ended April 30, 2019 and 2018 were \$12,584 and \$17,033, respectively.

Compensated Absences

CAMO is liable for 504 hours of accrued leave for the executive director of international operations which is included in accrued liabilities on the statement of financial position. CAMO's policy, aside from the executive director's accrued leave, is to recognize the cost of vacation when actually paid.

Income Taxes

The Organization adopted the provisions of FASB ASC 740-10, (formerly FIN 48 *Accounting for Uncertainty in Income Taxes*), which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

As a result of the implementation of this standard, management determined that there are no material uncertain tax positions.

As a not-for-profit organization, CAMO is generally exempt from Federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code and exempt from Ohio income taxes. However, INSSA, CAMO's for profit subsidiary, has a tax provision in the amount of \$2,088 and \$2,179 included in INSSA's expenses for the years ended April 30, 2019 and 2018, respectively.

The Organization's federal income tax returns are subject to examination by the IRS, generally for three years after they are filed.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no impact on the stated change in net assets.

Foreign Currency Translation

The financial statements of INSSA are measured using the local currency as the functional currency. For purposes of presenting the consolidated financial statements, assets and liabilities are translated into US dollars at year-end rates of exchange and results of operations are translated at the average rate for the year. The aggregate effect of the foreign currency translation is included in the Net Asset section of the consolidated financial statements as Cumulative Translation Adjustment.

New Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities whom receive or make contributions. The core principles of ASU 2018-08 are to clarify whether a transfer of assets is a contribution or an exchange transaction as well as whether a contribution is conditional or unconditional. The objective of this ASU is to provide improved guidance on these types of transactions due to the current diversity in practice of reporting similar transactions. ASU 2018-08 is effective for annual periods beginning after December 15, 2018, with early adoption permitted.

Management is currently evaluating the impact of adopting the standard on CAMO's financial statements and has not yet determined the method by which they will adopt the standard.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through September 10, 2019, which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

The following reflects CAMO's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

| | | |
|---|----|-----------|
| Cash | \$ | 511,251 |
| Accounts receivable | | 42,830 |
| | | <hr/> |
| | | 554,081 |
| Less: cash subject to donor restrictions | | (128,860) |
| | | <hr/> |
| Amounts available to meet cash needs for general expenditures within one year | \$ | 425,221 |
| | | <hr/> |

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 3: Donated Services and Materials

CAMO receives significant in-kind donations of medical and other services. For the year ended April 30, 2019, CAMO recognized income and corresponding program expense from in-kind donations of \$926,960 in medical services and \$238,003 in other volunteer services. For the year ended April 30, 2018, CAMO recognized income and corresponding program expense from in-kind donations of \$1,076,771 in medical services and \$96,926 in other volunteer services. Donated services not meeting the criteria for recognition for the years ended April 30, 2019 and 2018 were estimated to be \$0.

CAMO recognized income and corresponding inventory from in-kind donations of medical supplies and equipment of \$1,273,868, and \$1,509,048 for the years ended April 30, 2019 and 2018, respectively.

CAMO also recognizes program expense from in-kind donations of medical supplies and equipment in the year items are shipped. For the years ended April 30, 2019 and 2018 medical supplies and equipment expense were \$1,538,959 and \$1,290,483, respectively.

Note 4: Fair Value of Investments

FASB ASC 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels of valuations that are observable, market corroborated, or generally unobservable inputs. CAMO uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, CAMO measures fair value maximizing the use of observable inputs because they generally provide the most reliable evidence of fair value. Based on the examination of the inputs used in the valuation techniques, CAMO is required to provide the following information according to the fair value hierarchy. The assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following is a description of the valuation methodologies used for assets measured at fair value. Fair value for endowment funds held at the Wayne County Community Foundation is determined based on values reported by the Foundation, and are therefore considered Level 3 investments. There have been no changes in the methodologies used at April 30, 2019.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 5: Endowment Fund Held by Others

CAMO applies FASB ASC 958 605, *Revenue Recognition*, which requires a specified beneficiary recognize its rights to assets held by a recipient organization. CAMO is party to an agreement with Wayne County Community Foundation to manage the Central American Medical Outreach Fund and the Central American Medical Opportunity Fund (collectively referred to as the “Fund”). CAMO has not explicitly granted variance power to the Wayne County Community Foundation. See below detail:

| | 2019 | 2018 |
|--|-----------|-----------|
| Balance at the beginning of the year | \$ 34,615 | \$ 31,537 |
| Contributions | - | 175 |
| Interfund Transfers | 800 | - |
| Realized Gain (Loss) | 69 | 12 |
| Interest and dividends | 723 | 889 |
| Unrealized gains (losses) on investments | (357) | 2,168 |
| Administrative Fees | (172) | (166) |
| Balance at the end of the year | \$ 35,678 | \$ 34,615 |

Investment income on all accounts for the years ended April 30, 2019 and 2018 consists of the following:

| | 2019 | 2018 |
|---|----------|----------|
| Interest income | \$ 1,650 | \$ 1,185 |
| Dividend income | 707 | 876 |
| Unrealized and realized gains (losses) on investments | (288) | 2,180 |
| | \$ 2,069 | \$ 4,241 |

Note 6: Retirement Plan

CAMO has a simple IRA plan. The organization contributes 3.75% of compensation for eligible employees. Total expense under the plan for the years ended April 30, 2019 and 2018 was \$1,605 and \$2,454, respectively.

Note 7: Net Assets

Net assets released from restrictions for the years ended April 30, 2019 and 2018 were \$498,956 and \$590,723, respectively.

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 7: Net Assets (Continued)

At April 30, 2019 and 2018 CAMO had net assets with donor restrictions designated for the following purposes:

| | 2019 | 2018 |
|--------------------|------------|------------|
| Vanderbilt Grants | \$ 13,858 | \$ 74,390 |
| ACECO Eye Grant | 29,210 | 57,000 |
| Women's Shelter | - | 2,400 |
| Nutrition | 2,367 | 1,119 |
| I Stat Respiratory | - | 4,020 |
| Literacy | 3,424 | - |
| Building Usage | 80,000 | 80,000 |
| | \$ 128,860 | \$ 218,929 |

As of April 30, 2013 CAMO had a note payable for \$80,000 related to funds advanced from a contributor to partially fund the purchase of a building. The note carried no interest or payment terms. The contributor forgave the note provided CAMO continues to use the building for its mission. Thus, the value of the forgiven debt is recorded as net assets with donor restriction and will continue to be so until the building is no longer used and or the donor releases the restriction. If the building fails to be used for CAMO's mission, the restricted contribution will revert back to a note payable due on demand.

Note 8: INSSA

CAMO is the controlling member of INSSA, a for-profit entity created under the laws of Honduras. The purpose of INSSA is to provide sustainability for CAMO programs and projects through the sales of medical services, equipment and supplies. As of April 30, 2019 and 2018, the total capital contributed by CAMO was \$122,961.

Changes in non-controlling interest are as follows:

| | 2019 | 2018 |
|-------------------|-----------|-----------|
| Beginning balance | \$ 29,837 | \$ 29,558 |
| Income (loss) | 785 | 279 |
| Ending balance | \$ 30,622 | \$ 29,837 |

CENTRAL AMERICAN MEDICAL OUTREACH, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

Note 9: Management & General

CAMO calculates its overhead, which includes management and general expenses, as a percentage of revenue. The 2019 overhead calculations are below.

| | 2019 | 2018 |
|--|--------------|--------------|
| Total revenue | \$ 3,731,858 | \$ 4,196,608 |
| Management & general expense | \$ 160,091 | \$ 200,243 |
| Total management & general as a percent of revenue | 4.3% | 4.8% |

Note 10: Related Party Transactions

Fundacion CAMO and CAMO are under common control, and Fundacion CAMO owns the noncontrolling interest in INSSA. CAMO has a receivable from Fundacion CAMO of \$13,682 and \$-0- as of April 30, 2019 and 2018, respectively. For the years ended April 30, 2019 and 2018, CAMO also issued grants to Fundacion CAMO of \$54,262 and \$108,740, respectively.

Note 11: Supplemental Benefit Plan

CAMO entered into an agreement with the Founder & Executive Director Kathryn Tschiegg to provide supplemental retirement benefits to Ms. Tschiegg totaling \$250,000 which will be paid in 165 monthly installments of \$1,500 and one payment of \$1,000 in the final month, following her retirement. Ms. Tschiegg will be entitled to these benefits upon her voluntary separation from the Organization on or after April 30, 2024, or upon her involuntary separation from service (other than separation of service due to cause) after December 31, 2020. As it is probable that the Organization will be required to pay the entire benefit, the total amount of \$250,000 has been accrued as a contingent liability in the statement of financial position. The Organization intends to fund payment of this obligation with proceeds received from the cash surrender value of a life insurance policy held on the Executive Director. See note 1.