

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For The Years Ended December 31, 2015 and 2014

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Thompson, Hughes & Trollinger



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MSI-US
Washington, DC

We have audited the accompanying financial statements of MSI-US, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 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 MSI-US as of December 31, 2015 and 2014, 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.

Thompson, Hughes & Trolinger P.L.L.C.

March 25, 2016
Alexandria, Virginia

MSI – US
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STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS		
	2015	2014
Current Assets		
Cash and cash equivalents	\$ 4,503,504	\$ 1,196,325
Accounts receivable, net	3,243	-
Grants receivable	-	26
Prepaid expenses	13,139	17,326
Due from affiliates	206,697	-
Security deposit	22,442	10,142
Total Current Assets	4,749,025	1,223,819
Property and equipment-net of accumulated depreciation	32,590	40,454
Total Assets	\$ 4,781,615	\$ 1,264,273
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 123,683	\$ 25,980
Grant payable	3,788,129	269,643
Payroll liabilities	2,096	13,917
Unearned revenue	-	1,175
Deferred grant revenue	-	842
Deferred rent, current portion	5,794	-
Due to affiliates	-	85,009
Total Current Liabilities	3,919,702	396,566
Deferred rent	-	5,794
Long-Term Liabilities	-	5,794
Total Liabilities	3,919,702	402,360
Unrestricted Net Assets	861,913	861,913
Total Liabilities and Net Assets	\$ 4,781,615	\$ 1,264,273

The accompanying notes are an integral part of these statements.

MSI – US
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STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue, Gains and Other Support		
Contributions	\$ 59,627,761	\$ 34,825,461
Contribution from support organization	1,605,381	3,735,576
Sublease income	18,571	13,184
	<u>61,251,713</u>	<u>38,574,221</u>
Total revenue, gains and other support	61,251,713	38,574,221
 Expenses		
Program services	60,423,653	35,435,498
Supporting services		
Management and general	549,255	262,044
Fundraising	278,805	235,499
	<u>828,060</u>	<u>497,543</u>
Total supporting services	828,060	497,543
	<u>61,251,713</u>	<u>35,933,041</u>
Total expenses	61,251,713	35,933,041
 Change in net assets	\$ -	\$ 2,641,180
 Net assets, beginning of year	<u>861,913</u>	<u>(1,779,267)</u>
 Net assets, end of year	<u>\$ 861,913</u>	<u>\$ 861,913</u>

The accompanying notes are an integral part of these statements.

MSI – US
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net income (loss)	\$ -	\$ 2,641,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,863	7,660
Changes in operating assets and liabilities:		
Accounts receivable	(3,243)	-
Grants receivable	26	-
Prepaid expenses	4,188	7,871
Security deposits	(12,300)	-
Accrued expenses	97,703	5,960
Grant payable	3,518,486	-
Payroll liabilities	(11,821)	(8,075)
Unearned revenue	(1,175)	-
Deferred grant revenue	(842)	(172,692)
Due to affiliates	(291,706)	(2,373,107)
Deferred rent	-	(16,339)
	3,307,179	92,458
Cash flows from investing activities		
Acquisition of property and equipment	-	(7,491)
	-	(7,491)
Net cash used by investing activities	-	(7,491)
Net increase (decrease) in cash and cash equivalents	3,307,179	84,967
Cash and cash equivalents, beginning of year	1,196,325	1,111,358
Cash and cash equivalents, end of year	\$ 4,503,504	\$ 1,196,325

The accompanying notes are an integral part of these statements.

MSI – US
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NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A – Organization & Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Organization

MSI-US, a nonprofit organization based in Washington, D.C., is a supporting organization for Marie Stopes International (dba MSI). Since its founding in 1998, MSI-US's primary purpose has been to provide support for MSI's family planning and reproductive health services program. These activities are funded primarily through public contributions. The majority of contributions received by MSI-US are granted to MSI. MSI-US is dependent on MSI to reimburse them for the operating costs incurred by MSI-US.

Risks and Uncertainties

MSI-US depends heavily on contributions for its revenue. The ability of certain MSI-US's contributors to continue giving amounts comparable to prior years may be dependent upon current and future overall economic conditions. While MSI-US's Board of Directors believes MSI-US has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

Basis of Accounting

The financial statements of MSI-US have been prepared on the accrual basis of accounting, which presents financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when incurred.

Cash and Cash Equivalents

MSI-US considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A – Organization & Summary of Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets are recorded at cost. MSI-US capitalizes all expenditures for fixed assets of \$5,000 or more as of December 31, 2015 and \$1,000 or more as of December 31, 2014. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the lease period for leases. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Revenue Recognition

Revenue is recognized when earned. Contributions are reported when an unconditional promise to give is received.

Expenses

Expenses are recognized by MSI-US during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

MSI – US
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NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A – Organization & Summary of Significant Accounting Policies (Continued)

Income Taxes/Tax Status

MSI-US has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The IRS has also determined that the Foundation is not a private foundation. MSI-US is required to report unrelated business income to the IRS and the related state taxing authorities. MSI-US had no unrelated business income tax for the years ended December 31, 2015 and 2014.

NOTE B – Concentrations of Credit Risk

MSI-US maintains cash accounts with federally-insured banks. While the amounts at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, MSI-US has not experienced, nor does it anticipate any loss of funds.

NOTE C – Fixed Assets

Fixed assets consist of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 34,297	\$ 34,298
Leasehold property	25,435	25,435
Total	59,732	59,733
Accumulated depreciation	<u>(27,142)</u>	<u>(19,279)</u>
Property and equipment, net	<u>\$ 32,590</u>	<u>\$ 40,454</u>

Depreciation and amortization expense for the year ended December 31, 2015 and 2014 were \$7,863 and \$7,660, respectively.

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NOTE D – Commitments and Contingencies

MSI-US has an operating lease for its facility which expires April 30, 2016. During 2015, the Organization signed a five year lease for a new office facility. The minimum future lease payments required under the operating leases as of December 31, 2015 are as follows:

Year ending December 31, 2016	142,096
2017	152,548
2018	158,650
2019	164,996
2020	171,595
2021	58,719
	\$ 848,604

NOTE E – Description of Program and Supporting Services

MSI-US's purpose is to provide vision and leadership for the development of US-based partnerships to leverage technical and financial resources in support of MSI's global mission: *Children by choice, not chance.*

NOTE F – Retirement Plan

MSI-US maintains a contributory defined contribution plan under Section 403(b) of the Internal Revenue Code for the benefit of its employees. All employees, except for part-time employees who normally work less than 20 hours per week, participate in the Plan. MSI-US contributes a fixed percentage of the employees pay to the plan. Participants are also eligible to contribute to the plan as well up to federal maximum limits. Contribution expense for the Plan totaled \$33,013 and \$32,957 for the years ended December 31, 2015 and 2014, respectively.

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NOTE G – Related Party Transactions

MSI-US is a direct supporting organization for MSI and transactions between them are varied and material. They share certain resources and incur costs on behalf of each other, and these costs are subsequently reimbursed. MSI owed MSI-US \$72,112 as of December 31, 2015 and MSI-US owed MSI \$220,466 as of December 31, 2014.

MSI-US is related to other nonprofit organizations through cost reimbursed transactions. These organizations, which are sub-chapters of MSI, owed to (from) MSI-US in 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
MSI - Mexico	28,228	28,228
MSI - Afghanistan	3,945	3,945
MSI - Bolivia	857	-
MSI - Ethiopia	5,554	6,194
MSI - Lat Am Reserves	116,745	116,745
MSI - Uganda	100	100
MSI - Australia	(20,844)	(19,755)
TOTAL	<u>\$ 134,585</u>	<u>\$ 135,457</u>

These entities are presented on a consolidated basis on Marie Stopes International (dba MSI) financial statements.

NOTE H – Subsequent Events

Management has evaluated subsequent events through March 25, 2016, the date of which the financial statements were available to be issued. No subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.