

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For The Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 22, 2017
Alexandria, Virginia

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS		
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 3,360,968	\$ 4,503,504
Accounts receivable, net	45,945	3,243
Prepaid expenses	-	13,139
Due from affiliates	197,660	206,697
Security deposit	12,302	22,442
Total Current Assets	3,616,875	4,749,025
Property and equipment-net of accumulated depreciation	-	32,590
Total Assets	\$ 3,616,875	\$ 4,781,615
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 44,547	\$ 123,683
Grant payable	2,679,006	3,788,129
Payroll liabilities	-	2,096
Deferred rent, current portion	3,245	5,794
Total Current Liabilities	2,726,798	3,919,702
Deferred rent	28,164	-
Long-Term Liabilities	28,164	-
Total Liabilities	2,754,962	3,919,702
Unrestricted Net Assets	861,913	861,913
Total Liabilities and Net Assets	\$ 3,616,875	\$ 4,781,615

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, 2016 and 2015

	2016	2015
Revenue, Gains and Other Support		
Contributions	\$ 51,736,729	\$ 59,627,761
Contribution from support organization	2,054,034	1,605,381
Sublease income	-	18,571
Other income	719	-
Loss on disposal of fixed assets	(32,590)	-
Total revenue, gains and other support	53,758,892	61,251,713
 Expenses		
Program services	52,821,455	60,423,653
Supporting services		
Management and general	422,752	549,255
Fundraising	514,685	278,805
Total supporting services	937,437	828,060
Total expenses	53,758,892	61,251,713
 Change in net assets	\$ -	\$ -
 Net assets, beginning of year	861,913	861,913
 Net assets, end of year	\$ 861,913	\$ 861,913

The accompanying notes are an integral part of these statements.

MSI – US
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net income (loss)	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	-	7,863
Loss on disposal of assets	32,590	-
Changes in operating assets and liabilities:		
Accounts receivable	(42,702)	(3,243)
Grants receivable	-	26
Prepaid expenses	13,139	4,188
Security deposits	10,140	(12,300)
Accrued expenses	(79,136)	97,703
Grant payable	(1,109,123)	3,518,486
Payroll liabilities	(2,096)	(11,821)
Unearned revenue	-	(1,175)
Deferred grant revenue	-	(842)
Due to affiliates	9,037	(291,706)
Deferred rent	25,615	-
	(1,142,536)	3,307,179
Net cash provided (used) by operating activities	(1,142,536)	3,307,179
Net increase (decrease) in cash and cash equivalents	(1,142,536)	3,307,179
Cash and cash equivalents, beginning of year	4,503,504	1,196,325
Cash and cash equivalents, end of year	\$ 3,360,968	\$ 4,503,504

The accompanying notes are an integral part of these statements.

MSI – US
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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
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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, 2016 and 2015. 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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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. MSI-US is a supporting organization as described in section 509(a)(3) of the Internal Revenue Code. 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, 2016 and 2015.

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>2016</u>	<u>2015</u>
Furniture and equipment	\$ -	\$ 34,297
Leasehold property	-	25,435
Total	-	59,732
Accumulated depreciation	-	(27,142)
Property and equipment, net	<u>\$ -</u>	<u>\$ 32,590</u>

Depreciation and amortization expense for the year ended December 31, 2016 and 2015 were \$0 and \$7,863, respectively.

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NOTE D – Commitments and Contingencies

MSI-US had an operating lease for its facility which expired April 30, 2016. During 2015, the Organization signed a five year lease for a new office facility which expires April 30, 2021. The minimum future lease payments required under the operating leases as of December 31, 2016 are as follows:

Year ending December 31, 2017	152,548
2018	158,650
2019	164,996
2020	171,595
2021	58,719
	<u>\$ 706,508</u>

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*. Operational costs of MSI-US are funded by a grant from MSI and results in no income (loss) to MSI-US in the current period. Funds granted for operations are included in contributions from support organization and totaled \$1,532,500 and \$1,342,700 as of December 31, 2016 and 2015, respectively.

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 \$44,932 and \$33,013 for the years ended December 31, 2016 and 2015, 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 \$197,660 and \$72,112 as of December 31, 2016 and 2015, respectively.

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 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
MSI - Mexico	-	28,228
MSI - Afghanistan	-	3,945
MSI - Bolivia	-	857
MSI - Ethiopia	-	5,554
MSI - Lat Am Reserves	-	116,745
MSI - Uganda	-	100
MSI - Australia	-	(20,844)
TOTAL	<u>\$ -</u>	<u>\$ 134,585</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 22, 2017, 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.