

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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.

Auditors' 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 auditors' 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, 2018 and 2017, 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.

May 15, 2019
Alexandria, Virginia

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
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STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

| | 2018 | 2017 |
|-----------------------------|-------------|--------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 593,235 | \$ 881,145 |
| Accounts receivable | 50,284 | 64,409 |
| Prepaid expenses | 5,046 | - |
| Due from affiliates | 312,475 | 352,190 |
| Security deposit | 12,302 | 12,302 |
| Total Current Assets | 973,342 | 1,310,046 |
| Total Assets | \$ 973,342 | \$ 1,310,046 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------|--------------|
| Current Liabilities | | |
| Accrued expenses | \$ 79,634 | \$ 81,079 |
| Grant payable | - | 332,401 |
| Deferred rent, current portion | 9,204 | 2,858 |
| Total Current Liabilities | 88,838 | 416,338 |
| Deferred rent, net of current portion | 22,591 | 31,795 |
| Long-Term Liabilities | 22,591 | 31,795 |
| Total Liabilities | 111,429 | 448,133 |
| Net Assets without Donor Restrictions | 861,913 | 861,913 |
| Total Liabilities and Net Assets | \$ 973,342 | \$ 1,310,046 |

See notes to the financial statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Revenue, Gains and Other Support | | |
| Contributions | \$ 54,148,551 | \$ 61,129,462 |
| Contribution from support organization | 1,752,920 | 1,577,288 |
| Unrealized loss on investments | (1,533) | - |
| Total revenue, gains and other support | <u>55,899,938</u> | <u>62,706,750</u> |
| Expenses | | |
| Program services | <u>54,896,981</u> | <u>61,837,597</u> |
| Supporting services | | |
| Management and general | 285,469 | 265,128 |
| Fundraising | 717,488 | 604,025 |
| Total supporting services | <u>1,002,957</u> | <u>869,153</u> |
| Total expenses | <u>55,899,938</u> | <u>62,706,750</u> |
| Change in net assets | - | - |
| Net assets, beginning of year | <u>861,913</u> | <u>861,913</u> |
| Net assets, end of year | <u>\$ 861,913</u> | <u>\$ 861,913</u> |

See notes to the financial statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|-------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ - | \$ - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 14,125 | (18,464) |
| Prepaid expenses | (5,046) | - |
| Due from affiliates | 39,715 | (154,530) |
| Accrued expenses | (1,445) | 36,532 |
| Grant payable | (332,401) | (2,346,605) |
| Deferred rent | (2,858) | 3,244 |
| | <u>(287,910)</u> | <u>(2,479,823)</u> |
| Net cash used by operating activities | <u>(287,910)</u> | <u>(2,479,823)</u> |
| Net decrease in cash and cash equivalents | (287,910) | (2,479,823) |
| Cash and cash equivalents, beginning of year | <u>881,145</u> | <u>3,360,968</u> |
| Cash and cash equivalents, end of year | <u>\$ 593,235</u> | <u>\$ 881,145</u> |

See notes to the financial statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE A – Organization & Summary of Significant Accounting Policies

A summary of the organization and 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 donations. The majority of donations 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 donations for its revenue. The ability of certain of MSI-US's donors to continue giving amounts comparable to their giving in prior years may be dependent upon 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 these 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, and temporary investments, to be cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations.

Revenue Recognition

Revenue is recognized when earned. Donations are reported when received or 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, based on employees' time records.

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.

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 (IRC). MSI-US is a supporting organization as described in section 509(a)(3) of the IRC. MSI-US is required to report and pay tax on any unrelated business income to the IRS and the related state taxing authorities. MSI-US had no unrelated business income during 2018 and 2017.

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NOTE B – Programs 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 which results in no income or loss to MSI-US in the current period. Funds granted for operations are included in donations from support organization and totaled \$1,501,731 and \$1,182,268 in 2018 and 2017, respectively.

NOTE C – Financial Assets Available and Management of Liquidity Risks

MSI-US has \$643,519 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date. Financial assets available consists of cash and cash equivalents of \$581,435, and accounts receivable of \$62,084. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The accounts receivable have all been collected as of April 12, 2019. MSI-US has a goal to maintain financial assets in a range of \$500,000 - \$700,000, which represents, on average, six months of operating expenses. MSI-US has a policy to structure its financial assets to be available for the payment of general expenditures, as they become necessary. MSI-US has no long-term debt.

As described in Note B, operational costs of MSI-US are funded by a grant from MSI and the result is no income or loss to MSI-US in the current year. As a result, financial assets are always readily available for MSI-US to continue operations, even when financial assets fall below the \$500,000 threshold.

NOTE D – 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 \$312,475 and \$352,190 as of December 31, 2018 and 2017, respectively.

NOTE E – Concentrations of Credit Risk

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE F – Functional Expenses

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2018:

| | <u>Total</u> | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>Total supporting services</u> |
|--------------------------|----------------------|-------------------------|-------------------------------|--------------------|----------------------------------|
| Grants | \$ 53,918,483 | \$ 53,918,483 | \$ - | \$ - | \$ - |
| Compensation and related | 1,350,106 | 653,451 | 198,466 | 498,189 | 696,655 |
| Occupancy and office | 246,873 | 119,487 | 36,290 | 91,096 | 127,386 |
| Professional services | 193,847 | 113,296 | 22,690 | 57,861 | 80,551 |
| Marketing | 121,858 | 58,979 | 17,913 | 44,966 | 62,879 |
| Travel | 68,771 | 33,285 | 10,110 | 25,376 | 35,486 |
| | <u>\$ 55,899,938</u> | <u>\$ 54,896,981</u> | <u>\$ 285,469</u> | <u>\$ 717,488</u> | <u>\$ 1,002,957</u> |

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2017:

| | <u>Total</u> | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>Total supporting services</u> |
|--------------------------|----------------------|-------------------------|-------------------------------|--------------------|----------------------------------|
| Grants | \$ 61,007,923 | \$ 61,007,923 | \$ - | \$ - | \$ - |
| Compensation and related | 1,198,429 | 580,040 | 176,169 | 442,220 | 618,389 |
| Occupancy and office | 221,387 | 107,151 | 32,544 | 81,692 | 114,236 |
| Professional services | 175,212 | 92,244 | 41,157 | 41,811 | 82,968 |
| Marketing | 48,970 | 23,701 | 7,199 | 18,070 | 25,269 |
| Travel | 54,829 | 26,537 | 8,060 | 20,232 | 28,292 |
| | <u>\$ 62,706,750</u> | <u>\$ 61,837,597</u> | <u>\$ 265,128</u> | <u>\$ 604,025</u> | <u>\$ 869,153</u> |

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NOTE G – Retirement Plan

MSI-US maintains a defined contribution plan under Section 403(b) of the IRC for the benefit of its employees. All employees, except for those who normally work less than 20 hours weekly, participate in the Plan. MSI-US contributes 5% of the employees' pay to the plan. Participants are also eligible to contribute to the Plan up to federal maximum limits. Contribution expense for the Plan totaled \$41,620 and \$51,005 for 2018 and 2017, respectively.

NOTE H – Commitments and Contingencies

MSI-US leases office space under an agreement which expires in April, 2021. Minimum future lease payments required under the lease as of December 31, 2018 are as follows:

| | |
|------|-------------------|
| 2019 | \$ 164,996 |
| 2020 | 171,595 |
| 2021 | 58,719 |
| | <u>\$ 395,310</u> |

NOTE I – Subsequent Events

Management has evaluated subsequent events through May 15, 2019 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.