

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For The Years Ended December 31, 2013 and 2012

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	1
STATEMENTS OF ACTIVITIES	2
STATEMENTS OF CASH FLOWS	3
NOTES TO FINANCIAL STATEMENTS	4-8

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, 2013 and 2012, 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 its material respects, the financial position of MSI-US as of December 31, 2013 and 2012, and the changes in 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.

April 16, 2014
Alexandria, Virginia

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF FINANCIAL POSITIONS
December 31, 2013 and 2012

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 1,111,358	\$ 462,715
Grants receivable	26	-
Prepaid expenses	25,198	25,013
Security deposit	10,141	10,141
Total Current Assets	1,146,723	497,869
Property and equipment-net of accumulated depreciation	40,623	44,002
Total Assets	\$ 1,187,346	\$ 541,871

LIABILITIES AND FUND BALANCE

Current Liabilities		
Accrued expenses	\$ 289,663	\$ 269,642
Payroll liabilities	21,992	13,683
Unearned revenue	1,175	2,350
Deferred grant revenue	173,534	-
Due to affiliates	2,458,116	1,468,208
Total Current Liabilities	2,944,480	1,753,883
Deferred rent	22,133	9,474
Other Liabilities	22,133	9,474
Total Liabilities	2,966,613	1,763,357
Unrestricted Net Assets	(1,779,267)	(1,221,483)
Total Liabilities and Fund Balance	\$ 1,187,346	\$ 541,874

The accompanying notes are an integral part of these statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenue, Gains and Other Support		
Contributions	\$ 44,231,831	\$ 34,168,927
Contribution from support organization	398,350	227,109
Sublease income	12,282	592
	44,642,463	34,396,628
Expenses		
Program services	42,893,906	33,472,948
Supporting services		
Management and general	2,144,006	1,336,693
Fundraising	162,335	128,150
	2,306,341	1,464,843
Other expenses		
Gain (loss) on disposal of assets	-	(3,144)
	45,200,247	34,940,935
Change in net assets	\$ (557,784)	\$ (544,307)
Net assets, beginning of year	(1,221,483)	(677,176)
Net assets, end of year	\$ (1,779,267)	\$ (1,221,483)

The accompanying notes are an integral part of these statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Net income (loss)	\$ (557,784)	\$ (544,307)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,954	1,634
Loss on sale and disposal of assets	-	3,144
Changes in operating assets and liabilities:		
Grants receivable	(26)	-
Prepaid expenses	(185)	(22,953)
Security deposits	-	(10,141)
Accrued expenses	20,021	(54,703)
Payroll liabilities	8,312	370
Unearned revenue	(1,175)	2,350
Deferred grant revenue	173,534	-
Due to affiliates	989,908	523,740
Deferred rent	12,659	9,471
Net cash provided by operating activities	<u>652,218</u>	<u>(91,395)</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(3,575)</u>	<u>(43,075)</u>
Net cash (used) by investing activities	(3,575)	(43,075)
Net increase (decrease) in cash and cash equivalents	648,643	(134,470)
Cash and cash equivalents, beginning of year	<u>462,715</u>	<u>597,185</u>
Cash and cash equivalents, end of year	<u>\$ 1,111,358</u>	<u>\$ 462,715</u>

The accompanying notes are an integral part of these statements.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, DC., 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.

Risks and Uncertainties

MSI-US depends heavily on contributions for its revenue. The ability of certain of 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.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 \$1,000 or more. 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
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 sources of unrelated business income for the years ended December 31, 2013 and 2012.

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:

	2013	2012
Furniture and equipment	\$ 26,807	\$ 23,232
Leasehold property	25,435	25,435
Total	52,242	48,667
Accumulated depreciation	(11,619)	(4,665)
Property and equipment, net	\$ 40,623	\$ 44,002

Depreciation and amortization expense for the year ended December 31, 2013 and 2012 were \$6,954 and \$1,634, respectively.

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE D – Commitments and Contingencies

MSI-US has one renewable operating lease for its facility. The minimum future lease payments required under the operating lease as of December 31, 2013 are as follows:

Year ending December 31,	2014	124,997
	2015	128,118
	2016	43,678
		\$ 296,793

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 change.*

NOTE F – 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 is owed \$2,607,981 and 1,597,231 from MSI-US at December 31, 2013 and 2012, respectively.

MSI-US is related to five other nonprofit organizations through cost reimbursed transactions. These organizations, which are sub-chapters of MSI, owed to (from) MSI-US in 2013 and 2012 as follows:

	2013	2012
MSI - Mexico	28,225	28,225
MSI - Afghanistan	3,945	-
MSI - Ethiopia	4,084	4,084
MSI - Lat Am Reserves	116,746	99,849
MSI - Ghana	(3,235)	(3,235)
MSI - Uganda	100	100
TOTAL	\$ 149,865	\$ 129,023

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

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE G – Organization’s Going Concern is Dependent on Its Parent

All the contributions received by MSI-US are transferred to MSI. MSI-US is dependent on MSI to reimburse them for the operating costs incurred by MSI-US.

NOTE H – Subsequent Events

Management has evaluated subsequent events through April 16, 2014, 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.