

MSI – US
A DIRECT SUPPORT ORGANIZATION OF
MARIE STOPES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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.

MSI-US
April 9, 2018

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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, 2017 and 2016, 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.

April 9, 2018
Alexandria, Virginia

MSI – US
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STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS		
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 881,145	\$ 3,360,968
Accounts receivable, net	64,409	45,945
Due from affiliates	352,190	197,660
Security deposit	12,302	12,302
Total Current Assets	1,310,046	3,616,875
Total Assets	\$ 1,310,046	\$ 3,616,875
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 81,079	\$ 44,547
Grant payable	332,401	2,679,006
Deferred rent, current portion	2,858	-
Total Current Liabilities	416,338	2,723,553
Deferred rent, net of current portion	31,795	31,409
Long-Term Liabilities	31,795	31,409
Total Liabilities	448,133	2,754,962
Unrestricted Net Assets	861,913	861,913
Total Liabilities and Net Assets	\$ 1,310,046	\$ 3,616,875

See notes to the financial statements.

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STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017	2016
Revenue, Gains and Other Support		
Contributions	\$ 61,129,462	\$ 51,736,729
Contribution from support organization	1,577,288	2,054,034
Other income	-	719
Loss on disposal of fixed assets	-	(32,590)
Total revenue, gains and other support	62,706,750	53,758,892
Expenses		
Program services	61,837,597	52,821,455
Supporting services		
Management and general	265,128	422,752
Fundraising	604,025	514,685
Total supporting services	869,153	937,437
Total expenses	62,706,750	53,758,892
Change in net assets	-	-
Net assets, beginning of year	861,913	861,913
Net assets, end of year	\$ 861,913	\$ 861,913

See notes to the financial statements.

MSI – US
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets	-	32,590
Changes in operating assets and liabilities:		
Accounts receivable	(18,464)	(42,702)
Due from affiliates	(154,530)	-
Prepaid expenses	-	13,139
Security deposits	-	10,140
Accrued expenses	36,532	(79,136)
Grant payable	(2,346,605)	(1,109,123)
Payroll liabilities	-	(2,096)
Due to affiliates	-	9,037
Deferred rent	3,244	25,615
	(2,479,823)	(1,142,536)
Net decrease in cash and cash equivalents	(2,479,823)	(1,142,536)
Cash and cash equivalents, beginning of year	3,360,968	4,503,504
Cash and cash equivalents, end of year	\$ 881,145	\$ 3,360,968

See notes to the financial statements.

MSI – US
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 is as 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 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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

Property and Equipment

Property and equipment, if any, is recorded at cost. MSI-US capitalizes all expenditures for property and equipment of \$5,000 or more. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. 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. MSI-US has no property and equipment at either December 31, 2017 or 2016.

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 and pay tax on any 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, 2017 and 2016.

NOTE B – 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, bears some risk, MSI-US has not experienced, nor does it anticipate any loss of funds.

NOTE D – Commitments and Contingencies

MSI-US leases an office facility under an agreement which expires on April 30, 2021. The minimum future lease payments required under the lease as of December 31, 2017 are as follows:

Year ending December 31, 2018	\$ 158,650
2019	164,996
2020	171,595
2021	58,719
	<u>\$ 553,960</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 or loss to MSI-US in the current period. Funds granted for operations are included in contributions from support organization and totaled \$1,182,268 and \$1,532,500 as of December 31, 2017 and 2016, respectively.

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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 employees who normally work less than 20 hours per week, 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 \$44,932 for the years ended December 31, 2017 and 2016, respectively.

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 \$352,190 and \$197,660 as of December 31, 2017 and 2016, respectively.

MSI-US is also related to other nonprofit organizations, which are sub-chapters of MSI, through cost reimbursed transactions. These sub-chapters are presented on a consolidated basis on MSI's financial statements.

NOTE H – Subsequent Events

Management has evaluated subsequent events through April 9, 2018, 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.