

**MSI US  
A DIRECT SUPPORT ORGANIZATION OF  
MSI REPRODUCTIVE CHOICES**

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2020 and 2019**

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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, 2020 and 2019, and the related statements of activities and changes in net assets, 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, 2020 and 2019, 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 10, 2021  
Alexandria, Virginia

**MSI US**  
**A DIRECT SUPPORT ORGANIZATION OF**  
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**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2020 and 2019**

|                             | <b>ASSETS</b>              |                            |
|-----------------------------|----------------------------|----------------------------|
|                             | <u><b>2020</b></u>         | <u><b>2019</b></u>         |
| <b>Current Assets</b>       |                            |                            |
| Cash and cash equivalents   | \$ 1,071,406               | \$ 843,405                 |
| Contributions receivable    | 92,523                     | 76,253                     |
| Prepaid expenses            | 4,975                      | 5,158                      |
| Due from affiliates         | <u>77,042</u>              | <u>77,626</u>              |
| <b>Total Current Assets</b> | 1,245,946                  | 1,002,442                  |
| Security deposit            | <u>12,302</u>              | <u>12,302</u>              |
| <b>Total Assets</b>         | <u><u>\$ 1,258,248</u></u> | <u><u>\$ 1,014,744</u></u> |

| <b>LIABILITIES AND NET ASSETS</b>            |                            |                            |
|--|----------------------------|----------------------------|
| <b>Current Liabilities</b>                   |                            |                            |
| Accrued expenses                             | <u>\$ 91,157</u>           | <u>\$ 86,746</u>           |
| <b>Total Current Liabilities</b>             | <u>91,157</u>              | <u>86,746</u>              |
| Deferred rent                                | 88,621                     | 66,085                     |
| Payroll Protection Program loan              | <u>216,557</u>             | <u>-</u>                   |
| <b>Long-Term Liabilities</b>                 | <u>305,178</u>             | <u>66,085</u>              |
| <b>Total Liabilities</b>                     | 396,335                    | 152,831                    |
| <b>Net Assets without Donor Restrictions</b> | <u>861,913</u>             | <u>861,913</u>             |
| <b>Total Liabilities and Net Assets</b>      | <u><u>\$ 1,258,248</u></u> | <u><u>\$ 1,014,744</u></u> |

See notes to the financial statements.

**MSI US**  
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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2020 and 2019**

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| <b>Revenue, Gains and Other Support</b>       |                   |                   |
| Contribution from unrelated parties           | \$ 49,660,602     | \$ 52,611,320     |
| Contribution from support organization        | 2,347,068         | 2,019,481         |
| Exchange gain                                 | 747               | 6,206             |
| <b>Total revenue, gains and other support</b> | <u>52,008,417</u> | <u>54,637,007</u> |
| <b>Expenses</b>                               |                   |                   |
| <b>Program services</b>                       | <u>49,530,266</u> | <u>52,839,612</u> |
| <b>Supporting services</b>                    |                   |                   |
| Management and general                        | 450,298           | 372,700           |
| Fundraising                                   | 2,027,853         | 1,424,695         |
| <b>Total supporting services</b>              | <u>2,478,151</u>  | <u>1,797,395</u>  |
| <b>Total expenses</b>                         | <u>52,008,417</u> | <u>54,637,007</u> |
| <b>Change in net assets</b>                   | -                 | -                 |
| <b>Net assets, beginning of year</b>          | <u>861,913</u>    | <u>861,913</u>    |
| <b>Net assets, end of year</b>                | <u>\$ 861,913</u> | <u>\$ 861,913</u> |

See notes to the financial statements.

**MSI US**  
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**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2020 and 2019**

|   | <b>2020</b>  | <b>2019</b> |
|---|--------------|-------------|
| <b>Cash flows from operating activities</b>   |              |             |
| Change in net assets  | \$ -         | \$ -        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |              |             |
| Changes in operating assets and liabilities:  |              |             |
| Contributions receivable  | (16,270)     | (25,969)    |
| Prepaid expenses  | 183          | (112)       |
| Due from affiliates   | 584          | 234,849     |
| Accrued expenses  | 4,411        | 7,112       |
| Deferred rent   | 22,536       | 34,290      |
| Net cash provided by operating activities   | 11,444       | 250,170     |
| <b>Cash flows from financing activities</b>   |              |             |
| Proceeds of Payroll Protection Program loan   | 216,557      | -           |
| <b>Net increase in cash and cash equivalents</b>  | 228,001      | 250,170     |
| Cash and cash equivalents, beginning of year  | 843,405      | 593,235     |
| <b>Cash and cash equivalents, end of year</b>   | \$ 1,071,406 | \$ 843,405  |

See notes to the financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**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 MSI Reproductive Choices (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.

***Net Assets Without Donor Restrictions***

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

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

***Revenue Recognition***

MSI US accounts for revenue under ASC 606, wherein revenue is recognized when a contract has been executed, the contract price is fixed and determinable, delivery of services or products has occurred, and the collectability of the contract price is considered probable and can be reasonably estimated. Contracts are divided into “milestones”, where value to the customer is delivered. The principal source of revenue of MSI US is contributions. Contributions do not involve an exchange transaction and, hence, there is no customer receiving anything of value. Contribution revenue is recognized when a donor has made an irrevocable commitment to make the contribution.

***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 overhead costs have been allocated among the programs and supporting services benefited, based on employees’ time records. Office use is allocated by specific usage.

***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 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 has no unrelated business income during 2020 and 2019.

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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 contributions from support organization and totaled \$1,487,717 and \$1,555,969 in 2020 and 2019, respectively.

**NOTE C – Financial Assets Available and Management of Liquidity Risks**

MSI US has \$1,163,929 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 \$1,071,406, and accounts receivable of \$92,523. 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 March 27, 2021. MSI US has a goal to maintain financial assets in a range of \$700,000 - \$1,000,000, 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 change in net assets for 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 \$700,000 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 \$77,042 and \$77,626 as of December 31, 2020 and 2019, 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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**NOTE F – Revenue Recognition**

On January 1, 2019, MSI US adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. MSI US’s revenues are primarily contributions which are recognized when a donor makes an irrevocable commitment to a contribution.

The following are the revenues under AC 606, as December 31, 2020 and 2019 are:

|   | <u>2020</u>  | <u>2019</u>  |
|---|--------------|--------------|
| Revenue from contributions                  | \$52,007,670 | \$54,630,801 |
| Remaining performance obligations           | \$ -         | \$ -         |
| Assets from the cost of obtaining contracts | \$ -         | \$ -         |

**NOTE G – Functional Expenses**

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2020:

|                          | <u>Total</u>         | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u>  | <u>Total supporting services</u> |
|--------------------------|----------------------|-------------------------|-------------------------------|---------------------|----------------------------------|
| Grants                   | \$49,295,267         | \$49,295,267            | \$ -                          | \$ -                | \$ -                             |
| Compensation and related | 1,677,142            | 230,235                 | 270,020                       | 1,176,887           | 1,446,907                        |
| Occupancy and office     | 243,777              | -                       | 92,635                        | 151,142             | 243,777                          |
| Professional services    | 78,597               | -                       | 26,050                        | 52,547              | 78,597                           |
| Marketing                | 683,888              | -                       | 55,053                        | 628,835             | 683,888                          |
| Travel                   | 29,747               | 4,764                   | 6,540                         | 18,443              | 24,983                           |
|                          | <u>\$ 52,008,417</u> | <u>\$ 49,530,266</u>    | <u>\$ 450,298</u>             | <u>\$ 2,027,853</u> | <u>\$ 2,478,151</u>              |

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**NOTE G – Functional Expenses (continued)**

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2019:

|                          | <u>Total</u>         | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u>  | <u>Total supporting services</u> |
|--------------------------|----------------------|-------------------------|-------------------------------|---------------------|----------------------------------|
| Grants                   | \$ 52,309,118        | \$ 52,309,118           | \$ -                          | \$ -                | \$ -                             |
| Compensation and related | 1,530,270            | 335,129                 | 246,373                       | 948,767             | 1,195,141                        |
| Occupancy and office     | 269,713              | 59,067                  | 43,424                        | 167,222             | 210,646                          |
| Professional services    | 104,721              | 43,620                  | 14,769                        | 46,331              | 61,101                           |
| Marketing                | 313,151              | 68,580                  | 50,417                        | 194,154             | 244,571                          |
| Travel                   | 110,034              | 24,097                  | 17,716                        | 68,221              | 85,937                           |
|                          | <u>\$ 54,637,007</u> | <u>\$ 52,839,612</u>    | <u>\$ 372,700</u>             | <u>\$ 1,424,696</u> | <u>\$ 1,797,395</u>              |

**NOTE H – 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 \$65,995 and \$58,992 for 2020 and 2019, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE I – Commitments and Contingencies**

MSI US leases office space under an agreement which originally set to expire in April, 2021. During 2019, the lease was extended through November, 2026. Minimum future lease payments required under the lease as of December 31, 2020 are as follows:

|                               |                    |
|-------------------------------|--------------------|
| Year ending December 31, 2021 | \$ 155,091         |
| 2022                          | 161,268            |
| 2023                          | 167,718            |
| 2024                          | 174,432            |
| 2025                          | 181,410            |
| 2026                          | 172,472            |
|                               | <u>\$1,012,391</u> |

**NOTE J – Effects of the Pandemic**

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been and could continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. Restrictions are continuing in 2021 and it is uncertain when they will be removed. No adjustments have been made to these financial statements as a result of this uncertainty.

**NOTE K – Subsequent Events**

Management has evaluated subsequent events through May 10, 2021, the date at 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.