

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

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2021 and 2020**

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# Thompson, Hughes & Trollinger



Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
MSI US  
Washington, DC

### *Opinion*

We have audited the accompanying financial statements of MSI US, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial positions of MSI US, as of December 31, 2021 and 2020, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MSI US, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MSI US's ability to continue as a going concern for one year after the date that the financial statements are issued.



### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MSI US's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MSI US's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Thompson, Hughes & Trullinger P.L.L.C.*

March 31, 2022  
Alexandria, Virginia

**MSI US**  
**A DIRECT SUPPORT ORGANIZATION OF**  
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**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

<b>ASSETS</b>		
	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 986,576	\$ 1,071,406
Contributions receivable	297,608	92,523
Prepaid expenses	5,121	4,975
Due from affiliates	-	77,042
<b>Total Current Assets</b>	1,289,305	1,245,946
Security deposit	12,302	12,302
<b>Total Assets</b>	\$ 1,301,607	\$ 1,258,248

<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 176,342	\$ 91,157
Due to affiliates	147,573	-
<b>Total Current Liabilities</b>	323,915	91,157
Deferred rent	115,779	88,621
Payroll Protection Program loan	-	216,557
<b>Long-Term Liabilities</b>	115,779	305,178
<b>Total Liabilities</b>	439,694	396,335
<b>Net Assets without Donor Restrictions</b>	861,913	861,913
<b>Total Liabilities and Net Assets</b>	\$ 1,301,607	\$ 1,258,248

See notes to the financial statements.

**MSI US**  
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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Revenue, Gains and Other Support</b>		
Contribution from unrelated parties	\$ 68,770,983	\$ 49,660,602
Contribution from support organization	2,305,453	2,347,068
Governmental pandemic assistance	216,557	-
Exchange gain	5,345	747
<b>Total revenue, gains and other support</b>	<u>71,298,338</u>	<u>52,008,417</u>
<b>Expenses</b>		
<b>Program services</b>	<u>68,697,966</u>	<u>49,530,266</u>
<b>Supporting services</b>		
Management and general	442,961	450,298
Fundraising	2,157,412	2,027,853
<b>Total supporting services</b>	<u>2,600,373</u>	<u>2,478,151</u>
<b>Total expenses</b>	<u>71,298,339</u>	<u>52,008,417</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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Payroll Protection Program loan forgiveness	(216,557)	-
Changes in operating assets and liabilities:		
Contributions receivable	(205,085)	(16,270)
Prepaid expenses	(146)	183
Due to/from affiliates	224,615	584
Accrued expenses	85,185	4,411
Deferred rent	27,158	22,536
	(84,830)	11,444
Net cash provided (used) by operating activities		
<b>Cash flows from financing activities</b>		
Proceeds of Payroll Protection Program loan	-	216,557
	(84,830)	228,001
<b>Net increase (decrease) in cash and cash equivalents</b>		
Cash and cash equivalents, beginning of year	1,071,406	843,405
<b>Cash and cash equivalents, end of year</b>	\$ 986,576	\$ 1,071,406

See notes to the financial statements.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**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 2021 and 2020.

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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 \$1,373,263 and \$1,487,717 in 2021 and 2020, respectively.

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

MSI US has \$1,284,183 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 \$986,575, and accounts receivable of \$297,608. 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 31, 2022. 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 \$(147,573) and \$77,042 as of December 31, 2021 and 2020, 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**

MSI US follows 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, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Revenue from contributions	\$ 71,076,436	\$ 52,007,670
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, 2021:

	<u>Total</u>	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>
Grants	\$ 68,312,743	\$ 68,312,743	\$ -	\$ -	\$ -
Compensation and related	1,926,113	385,223	333,218	1,207,673	1,540,890
Occupancy and office	264,834	-	66,209	198,626	264,834
Professional services	149,157	-	37,289	111,868	149,157
Marketing	620,508	-	-	620,508	620,508
Travel	24,984	-	6,246	18,738	24,984
	<u>\$ 71,298,338</u>	<u>\$ 68,697,966</u>	<u>\$ 442,961</u>	<u>\$ 2,157,412</u>	<u>\$ 2,600,373</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, 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 <sup>+</sup>	\$ -	\$ -	\$ -
Compensation and related	1,677,143	230,235	270,020	1,176,887	1,446,908
Occupancy and office	243,777	-	92,635	151,142	243,777
Professional services	78,598	-	26,050	52,547	78,598
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>

**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 \$71,953 and \$65,995 for 2021 and 2020, respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE I – Commitments and Contingencies**

MSI US leases office space under an agreement which extends through November, 2026. Minimum future lease payments required under the lease as of December 31, 2021 are as follows:

Year ending December 31, 2022	\$ 161,268
2023	167,718
2024	174,432
2025	181,410
2026	<u>172,472</u>
	<u>\$ 857,300</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 March 31, 2022, 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.