MSI US
A DIRECT SUPPORT ORGANIZATION OF
MSI REPRODUCTIVE CHOICES

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2022 and 2021

CONTENTS

Thompson, Hughes & Trollinger

THT

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, 2022 and 2021, 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, 2022 and 2021, 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.

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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 & Trollinger P.L.L.C.

March 31, 2023
Alexandria, Virginia

MSI US
A DIRECT SUPPORT ORGANIZATION OF
MSI REPRODUCTIVE CHOICES
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash and cash equivalents	$ 1,062,628	$ 986,576
Contributions receivable	125,223	297,608
Prepaid expenses	5,559	5,121
Total Current Assets	1,193,410	1,289,305
Leased property right of use	544,233	683,186
Security deposit	12,302	12,302
Total Assets	$ 1,749,945	$ 1,984,793

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accrued expenses	$ 165,532	$ 176,342
Due to affiliates	96,587	147,573
Total Current Liabilities	262,119	323,915
Lease liability	625,914	745,764
Long-Term Liabilities	625,914	745,764
Total Liabilities	888,033	1,069,679
Net Assets without Donor Restrictions	861,912	915,114
Total Liabilities and Net Assets	$ 1,749,945	$ 1,984,793

See notes to the financial statements.

MSI US
A DIRECT SUPPORT ORGANIZATION OF
MSI REPRODUCTIVE CHOICES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue, Gains and Other Support		
Contribution from unrelated parties	$ 48,230,581	$ 68,770,983
Contribution from support organization	3,295,655	2,305,453
Governmental pandemic assistance	-	216,557
Exchange gain	17,115	5,345
Total revenue, gains and other support	51,543,351	71,298,338
Expenses		
Program services	48,228,591	68,697,966
Supporting services		
Management and general	571,048	451,816
Fundraising	2,796,914	2,183,977
Total supporting services	3,367,963	2,635,792
Total expenses	51,596,553	71,333,758
Change in net assets	(53,202)	(35,420)
Net assets, beginning of year	915,114	950,534
Net assets, end of year	$ 861,912	$ 915,114

See notes to the financial statements.

MSI US
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STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (53,202)	$ (35,420)
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	172,385	(205,085)
Prepaid expenses	(438)	(146)
Due to/from affiliates	(50,986)	224,615
Leased property right of use	138,953	138,953
Accrued expenses	(10,810)	85,185
Lease liability	(119,850)	(76,375)
Net cash provided (used) by operating activities	76,052	(84,830)
Net increase (decrease) in cash and cash equivalents	76,052	(84,830)
Cash and cash equivalents, beginning of year	986,576	1,071,406
Cash and cash equivalents, end of year	$ 1,062,628	$ 986,576

See notes to the financial statements.

MSI US
A DIRECT SUPPORT ORGANIZATION OF
MSI REPRODUCTIVE CHOICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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.

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 2022 and 2021.

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

Leases

During 2022, MSI US adopted the provisions of ASC 842, Leases. Under this topic, future lease payments which an entity is legally required to make are recorded as a liability. A corresponding right-of-use asset is also recorded. Both are recorded at the present value of all lease payments, amortized retroactively to the commencement of the lease. Present value is calculated at a rate implicit in the related lease. The amortization of the right-of-use asset and the interest imputed on the liability are recorded as lease expense.

NOTE B – Implementation of Leasing Standard

As discussed above, the Company adopted the provisions of ASC 842, Leases. The standard requires retroactive application on any financial statement presented. In addition to recording the right-of-use asset and lease liability, deferred rent that was determined to arise from related parties and lacked credible legal enforcement potential was eliminated. As a result, the retained earnings at January 1, 2021 was increased by $88,621.

Previously audited statements for the year ended December 31, 2021 were also retroactively adjusted. A leased property right-of-use asset of $683,186, and a lease liability of $745,764 was recognized. Rental expense was increased by $35,420. Deferred rent of $115,779 was eliminated.

NOTE C –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 $2,220,007 and $1,373,263 in 2022 and 2021, respectively.

NOTE D – Financial Assets Available and Management of Liquidity Risks

MSI US has $1,187,851 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 $1,062,628, and accounts receivable of $125,223. 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, 2023. MSI US has a goal to maintain financial assets in a range of $1,300,000 - $1,800,000, which represents, on

NOTE D – Financial Assets Available and Management of Liquidity Risks (continued)

six months of operating expenses. MSI US has a policy to structure its financial assets to available for 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 E – 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 US owed MSI $96,587 and $147,573 as of December 31, 2022 and 2021, respectively.

NOTE F – 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.

NOTE G – 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 do not involve exchange transactions and do not fall under the provisions of ASC 606.

NOTE H – Functional Expenses

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2022:

	Total	Program services	Management and general	Fundraising	Total supporting services
Grants	$47,800,661	$47,800,661	$ -	$ -	$ -
Compensation and related	2,139,652	427,930	370,160	1,341,562	1,711,722
Occupancy and office	347,529	-	86,882	260,647	347,529
Professional services	324,851	-	81,213	243,638	324,851
Marketing	852,687	-	-	852,687	852,687
Travel	131,174	-	32,794	98,381	131,174
	$51,596,553	$48,228,591	$ 571,048	$2,796,914	$ 3,367,963

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2021:

	Total	Program services	Management and general	Fundraising	Total supporting services
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	300,253	-	75,064	225,191	300,253
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
	$71,333,757	$68,697,966	$ 451,816	$2,183,977	$ 2,635,792

NOTE I – 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 $79,248 and $71,953 for 2022 and 2021, respectively.

NOTE J – 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, 2022 are as follows:

Year ending December 31,	2023	$ 167,718
	2024	174,432
	2025	181,410
	2026	172,472
		$ 696,032

NOTE K – Subsequent Events

Management has evaluated subsequent events through March 31, 2023, 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.