

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

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2023 and 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 & Trolinger P.L.L.C.*

April 11, 2024  
Alexandria, Virginia

**MSI US**  
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**MSI REPRODUCTIVE CHOICES**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2023 and 2022**

<b>ASSETS</b>		
	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,442,991	\$ 1,062,628
Contributions receivable	2,113,161	125,223
Prepaid expenses	5,559	5,559
<b>Total Current Assets</b>	4,561,711	1,193,410
Leased property right of use - operating	405,280	544,233
Security deposit	12,302	12,302
<b>Total Assets</b>	\$ 4,979,293	\$ 1,749,945
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 410,220	\$ 165,532
Due to affiliates	3,215,117	96,587
<b>Total Current Liabilities</b>	3,625,337	262,119
<b>Long-Term Liabilities</b>		
Lease liability - operating	492,044	625,914
<b>Total Liabilities</b>	4,117,381	888,033
<b>Net Assets without Donor Restrictions</b>	861,912	861,912
<b>Total Liabilities and Net Assets</b>	\$ 4,979,293	\$ 1,749,945

See notes to the financial statements.

**MSI US**  
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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenue, Gains and Other Support</b>		
Contribution from unrelated parties	\$ 112,126,142	\$ 48,230,581
Contribution from support organization	4,526,726	3,295,655
Exchange gain (loss)	(1,464)	17,115
<b>Total revenue, gains and other support</b>	<u>116,651,404</u>	<u>51,543,351</u>
<b>Expenses</b>		
<b>Program services</b>	<u>111,931,094</u>	<u>48,228,591</u>
<b>Supporting services</b>		
Management and general	897,246	571,048
Fundraising	3,823,064	2,796,914
<b>Total supporting services</b>	<u>4,720,311</u>	<u>3,367,962</u>
<b>Total expenses</b>	<u>116,651,404</u>	<u>51,596,553</u>
<b>Change in net assets</b>	-	(53,202)
<b>Net assets, beginning of year</b>	<u>861,912</u>	<u>915,114</u>
<b>Net assets, end of year</b>	<u>\$ 861,912</u>	<u>\$ 861,912</u>

See notes to the financial statements.

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**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ -	\$ (53,202)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(1,987,938)	172,385
Prepaid expenses	-	(438)
Accrued expenses	244,688	(10,810)
Due to affiliates	3,118,530	(50,986)
Net cash provided by operating activities	1,375,280	56,949
<b>Cash flows from investing activities</b>		
Amortization of leased property right-of-use - operating	138,953	138,953
<b>Cash flows from financing activities</b>		
Reduction of lease liability - operating	(133,870)	(119,850)
<b>Net increase in cash and cash equivalents</b>	1,380,363	76,052
Cash and cash equivalents, beginning of year	1,062,628	986,576
<b>Cash and cash equivalents, end of year</b>	\$ 2,442,991	\$ 1,062,628

See notes to the financial statements.

**MSI US**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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.

***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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**NOTES TO FINANCIAL STATEMENTS**  
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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 2023 and 2022.

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

***Leases***

Under the provisions of ASC 842, Leases, 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 – 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 \$3,697,690 and \$2,220,007 in 2023 and 2022, respectively.

**NOTE C – 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 \$3,215,117 and \$96,587 as of December 31, 2023 and 2022, respectively.

**NOTE D – 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 E – 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.

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**NOTE F – Functional Expenses**

Expenses of the organization are allocated to the following functional categories for the year ended December 31, 2023:

	<u>Total</u>	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>
Grants	\$ 111,492,380	\$ 111,492,380	\$ -	\$ -	\$ -
Compensation and related	2,984,452	438,714	626,735	1,919,003	2,545,738
Occupancy and office	394,172	-	98,543	295,629	394,172
Professional services	470,156	-	117,539	352,617	470,156
Marketing	1,092,527	-	-	1,092,527	1,092,527
Travel	217,718	-	54,430	163,289	217,718
	<u>\$ 116,651,404</u>	<u>\$ 111,931,094</u>	<u>\$ 897,246</u>	<u>\$ 3,823,064</u>	<u>\$ 4,720,311</u>

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

	<u>Total</u>	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>
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
	<u>\$ 51,596,553</u>	<u>\$ 48,228,591</u>	<u>\$ 571,048</u>	<u>\$ 2,796,914</u>	<u>\$ 3,367,963</u>

**NOTE G – 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 \$102,267 and \$79,248 for 2023 and 2022, respectively.

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

MSI US has \$4,556,152 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 \$2,442,991, and accounts receivable of \$2,113,161. 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 \$2,100,000 - \$2,500,000, which represents, approximately, 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. As a result, financial assets are always readily available for MSI US to continue operations, even when financial assets fall below the \$2,500,000 threshold.

**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, 2023 are as follows:

Year ending December 31, 2024	\$ 174,432
2025	181,410
2026	<u>172,472</u>
	<u>\$ 528,314</u>

**NOTE J – Subsequent Events**

Management has evaluated subsequent events through April 11, 2024, 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.