Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc.

Financial Statements
Year Ended December 31, 2017

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.

Financial Statements
Year Ended December 31, 2017

Contents

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Independent Auditor's Report

To the Board of Directors of
Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. ("MSF USA"), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's 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 auditor's 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 Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2016 financial statements of Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. and our report dated May 8, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 30, 2018

Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.

Statement of Financial Position
(with comparative totals for 2016)

December 31,	**2017**	2016
Assets		
Cash and cash equivalents (Notes 2 and 15)	**$ 62,035,683**	$ 58,486,629
Short-term investments, at fair value (Notes 2 and 3)	**141,732,693**	161,273,057
MSF USA network receivables (Note 2)	**4,979,812**	3,502,632
Contributions receivable (Notes 2 and 4)	**44,376,588**	34,027,195
Pledges receivable, net (Notes 2 and 5)	**4,708,317**	9,409,563
Prepaid expenses and other assets	**1,630,513**	6,681,925
Long-term investments, at fair value (Notes 2 and 3)	**35,563,661**	28,319,769
Fixed assets, net (Notes 2 and 7)	**54,198,757**	44,688,872
Total Assets	**$349,226,024**	$346,389,642
Liabilities and Net Assets		
Liabilities:		
Grants payable (Notes 2 and 14)	**$ 52,899,212**	$ 26,380,000
Accounts payable and accrued expenses	**8,378,629**	7,221,595
MSF USA network payables	**80,749**	116,186
Capitalized lease obligation	**18,254**	46,889
Revocable endowment (Note 2)	**3,250,000**	3,000,000
Annuity and other life income agreement obligations (Note 6)	**13,676,159**	11,390,111
Mortgage payable (Note 13)	**10,363,812**	11,006,448
Total Liabilities	**88,666,815**	59,161,229
Commitments and Contingencies (Notes 2, 6, 8, 9, 10, 11, 12, 13 and 14)		
Net Assets (Notes 2, 3, 10, 11 and 12):		
Unrestricted:		
Undesignated	**237,647,638**	264,681,774
Board designated for reserves	**1,655,346**	1,472,063
Total Unrestricted	**239,302,984**	266,153,837
Temporarily restricted	**19,968,461**	20,340,846
Permanently restricted	**1,287,764**	733,730
Total Net Assets	**260,559,209**	287,228,413
Total Liabilities and Net Assets	**$349,226,024**	$346,389,642

See accompanying notes to financial statements.

Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.

Statement of Activities
(with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenues:					
Public support:					
Contributions and private grants:					
Individual donors/marketing	$136,525,640	$ 1,120,039	$ -	**$137,645,679**	$131,487,043
Sustainer giving	34,830,731	2,840	-	**34,833,571**	30,349,980
Major gifts	90,765,730	3,442,185	-	**94,207,915**	88,452,043
Planned giving	64,014,412	1,619,225	470,011	**66,103,648**	69,535,143
Foundations	5,978,238	7,112,876	-	**13,091,114**	10,402,038
Corporations	23,551,897	708,122	-	**24,260,019**	20,917,497
Multi-year grants and contributions pledged	-	1,900,000	-	**1,900,000**	6,295,000
Total Public Support	355,666,648	15,905,287	470,011	**372,041,946**	357,438,744
Other Revenues:					
Investment income, net (Notes 2 and 3)	3,515,059	3,039,452	84,023	**6,638,534**	1,334,049
Actuarial loss on annuity and trust obligations (Note 6)	-	(713,197)	-	**(713,197)**	(465,346)
Rental income, net (Note 7)	698,444	-	-	**698,444**	204,697
MSF network grants	4,242,052	-	-	**4,242,052**	4,585,569
Seconded field staff grants	10,493,006	-	-	**10,493,006**	9,792,654
Miscellaneous income	149,802	-	-	**149,802**	111,690
Change in estimate (Note 7)	121,015	-	-	**121,015**	-
Total Other Revenues	19,219,378	2,326,255	84,023	**21,629,656**	15,563,313
Total Public Support and Other Revenues	374,886,026	18,231,542	554,034	**393,671,602**	373,002,057
Contributions of In-kind Services (Note 2)	801,743	-	-	**801,743**	1,214,948
Net Assets Released From Restrictions (Note 11)	18,603,927	(18,603,927)	-	**-**	-
Total Revenues and In-Kind Services	394,291,696	(372,385)	554,034	**394,473,345**	374,217,005
Expenses:					
Program services:					
Emergency and medical programs	346,430,020	-	-	**346,430,020**	300,119,963
Program support and development	12,779,004	-	-	**12,779,004**	10,335,161
Field staff	10,554,457	-	-	**10,554,457**	9,655,651
Communications	5,927,295	-	-	**5,927,295**	5,485,291
Total Program Services	375,690,776	-	-	**375,690,776**	325,596,066
Supporting services:					
Management and general	6,243,695	-	-	**6,243,695**	5,099,917
Fundraising	38,406,335	-	-	**38,406,335**	32,608,630
Total Supporting Services	44,650,030	-	-	**44,650,030**	37,708,547
Total Expenses	420,340,806	-	-	**420,340,806**	363,304,613
In-kind Services (Note 2):					
Program	-	-	-		389,130
Management	801,743	-	-	**801,743**	1,214,931
Total In-kind Services	801,743	-	-	**801,743**	1,604,061
Total Expenses and In-kind Services	421,142,549	-	-	**421,142,549**	364,908,674
Change in Net Assets	(26,850,853)	(372,385)	554,034	**(26,669,204)**	9,308,331
Net Assets, Beginning of Year	266,153,837	20,340,846	733,730	**287,228,413**	277,920,082
Net Assets, End of Year	**$239,302,984**	**$19,968,461**	**$1,287,764**	**$260,559,209**	$287,228,413

See accompanying notes to financial statements.

Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.

Statement of Functional Expenses
(with comparative totals for 2016)

Year ended December 31, 2017

	Program Services				Supporting Services			Total	
	Program and Support [(1)]	Field Staff [(2)]	Communications	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2017**	2016
Salaries and benefits	$ 8,579,980	$ 8,762,960	$2,976,147	$ 20,319,087	$2,659,994	$ 6,186,485	$ 8,846,479	**$ 29,165,566**	$ 26,390,687
Grants for emergency and medical projects (Note 14)	346,430,020	-	-	346,430,020	-	-	-	**346,430,020**	300,119,963
Printing and publications	1,463	102	64,180	65,745	435	7,904,663	7,905,098	**7,970,843**	7,246,510
Rent and occupancy costs	602,596	-	387,698	990,294	292,115	669,139	961,254	**1,951,548**	1,430,641
Consultancy and project development	1,628,758	155,706	762,937	2,547,401	2,125,583	9,415,758	11,541,341	**14,088,742**	11,021,752
Fundraising services	5,785	-	2,774	8,559	38,516	6,339,577	6,378,093	**6,386,652**	5,394,529
Office expense and management	93,440	-	72,171	165,611	453,113	73,240	526,353	**691,964**	633,108
Office supplies	23,601	-	10,377	33,978	7,849	19,111	26,960	**60,938**	76,140
Insurance – office and field	87,240	884,947	41,595	1,013,782	41,852	98,077	139,929	**1,153,711**	1,103,482
Postage/freight/shipping	13,086	21,329	207,850	242,265	3,374	6,343,555	6,346,929	**6,589,194**	5,384,779
Professional fees	43,613	5,213	39,641	88,467	91,751	146,353	238,104	**326,571**	190,933
Travel and transportation	677,433	656,327	990,222	2,323,982	51,032	269,955	320,987	**2,644,969**	2,355,232
Bank charges and other fees	98,995	15,120	49,170	163,285	69,362	109,045	178,407	**341,692**	153,524
Interest expense	35,415	-	16,981	52,396	17,478	39,455	56,933	**109,329**	56,388
Telecommunications	81,572	-	47,375	128,947	23,086	92,349	115,435	**244,382**	256,024
Dues and subscriptions	51,236	52,000	25,230	128,466	158,063	188,864	346,927	**475,393**	232,383
Recruiting and relocation	133,892	753	18,983	153,628	41,660	47,703	89,363	**242,991**	220,028
Representation/meetings	50,606	-	22,763	73,369	8,983	103,061	112,044	**185,413**	116,685
Depreciation	570,293	-	191,201	761,494	159,449	359,945	519,394	**1,280,888**	921,825
Total Expenses	**$359,209,024**	**$10,554,457**	**$5,927,295**	**$375,690,776**	**$6,243,695**	**$38,406,335**	**$44,650,030**	**$420,340,806**	$363,304,613

See accompanying notes to financial statements.

(1) Includes emergency and medical programs; program support and development.

(2) Field staff expenses include costs for U.S. residents working on assignments in MSF field projects overseas and will fluctuate year to year in response to emergency and medical needs.

Médecins Sans Frontières USA, Inc.
d/b/a Doctors Without Borders USA, Inc.

Statement of Cash Flows
(with comparative totals for 2016)

Year ended December 31,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ (26,669,204)**	$ 9,429,346
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	**1,576,640**	1,190,715
Change in estimate	**(121,015)**	-
Contributions restricted for long-term purposes	**(470,011)**	(24,521)
Unrealized (gains) losses on investments	**(2,115,843)**	735,703
Realized losses on investments	**368,806**	726,559
Donated stock	**(19,477,018)**	(18,975,610)
Actuarial losses on annuity and trust obligations	**713,197**	465,346
Actuarial liability for annuities and trusts issued	**2,486,329**	2,089,921
(Increase) decrease in:		
MSF network receivables	**(1,477,180)**	691,187
Contributions receivable	**(10,349,393)**	(3,327,951)
Pledges receivable	**4,701,246**	510,642
Prepaid expenses and other assets	**5,051,412**	(4,809,480)
Increase (decrease) in:		
Grants payable	**26,519,212**	25,929,370
Accounts payable and accrued expenses	**1,157,034**	2,991,630
MSF network payables	**(35,437)**	109,046
Revocable endowment	**250,000**	1,000,000
Net Cash (Used In) Provided By Operating Activities	**(17,891,225)**	18,610,888
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(10,965,510)**	(44,019,231)
Purchases of investments	**(285,519,373)**	(118,464,183)
Proceeds from sale of investments	**319,039,900**	132,762,591
Annuity and trust payments	**(913,478)**	(738,177)
Net Cash Provided By (Used In) Investing Activities	**21,641,539**	(30,459,000)
Cash Flows From Financing Activities:		
Capital lease obligations	**(28,635)**	(107)
Proceeds from mortgage payable	**-**	11,165,232
Principal payments on mortgage payable	**(642,636)**	(158,784)
Proceeds from contributions restricted for the Endowment Fund	**470,011**	24,521
Net Cash (Used In) Provided By Financing Activities	**(201,260)**	11,030,862
Net Increase (Decrease) in Cash and Cash Equivalents	**3,549,054**	(817,250)
Cash and Cash Equivalents, Beginning of Year	**58,486,629**	59,303,879
Cash and Cash Equivalents, End of Year	**$ 62,035,683**	$ 58,486,629
Supplemental Disclosure of Cash Flow Information:		
Interest paid	**$ 109,329**	$ 56,388

See accompanying notes to financial statements.

1. Description of Organization

Médecins Sans Frontières USA, Inc., doing business as Doctors Without Borders USA, Inc. ("MSF USA") was organized in New York State under Section 402 of the Not-For-Profit Corporation Law.

MSF USA is a private, not-for-profit organization devoted to assisting victims of disasters and conflicts worldwide, regardless of race, political beliefs, or religion. The purposes of MSF USA are:

- to support medical-humanitarian projects, conducted primarily by the international Médecins Sans Frontières network, wherever in the world a humanitarian crisis may exist,
- to raise funds in the United States to finance these projects,
- to facilitate the recruitment of medical and other professionals from the United States to participate in these projects, and
- advocate for, and increase public awareness of, populations at risk.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to not-for-profit organizations. In the statements of financial position, assets and liabilities are presented in order of liquidity or conversation to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by MSF USA is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MSF USA.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by MSF USA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of MSF USA pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

Unrestricted - Board Designated for Reserves - Net assets consisting of all monies or assets contributed to MSF USA which are designated for future programs by the Board of Directors for long-term investments.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

MSF USA considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Pledges and grants receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the gifts.

(e) Provision for Doubtful Accounts

MSF USA provides an allowance for doubtful accounts for pledges and contributions receivable which are specifically identified by management as to their uncertainty in regards to collectibility. Allowance for doubtful pledges receivable accounts was $234,717 and $242,217 at December 31, 2017 and 2016, respectively. There was no allowance for contributions receivable accounts for both years.

(f) Contributions and Promises to Give

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support.

(g) Fixed Assets

Fixed assets are recorded at cost or, if contributed, at market value at date of contribution. Maintenance and repairs are charged to expense in period incurred and betterments are capitalized. It is MSF USA's policy to capitalize all fixed asset purchases greater than $5,000. Depreciation is computed using the straight-line method over the estimated useful lives. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. The estimated useful lives of the assets are as follows:

Furniture, fixtures and equipment	3 - 10 years
Leasehold improvements	9 - 14 years
Building	39 years
Intangible assets	3 – 5 years

(h) Impairment of Long-Lived Assets

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, "Property, Plant and Equipment," requires MSF USA to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments recognized in 2017 and 2016.

(i) Contributed Services

Services provided for legal, advertising and other services were donated to MSF USA. These services are reflected as contributions and expenses of services in-kind in the accompanying statements of activities.

(j) Grants Payable

MSF USA records grants as liabilities upon approval by the Board of Directors. Grants awarded and not paid during the fiscal year are due to be paid in the first quarter of the following fiscal period.

(k) Income Taxes

MSF USA was incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. MSF USA has been determined by the Internal Revenue Service not be a "private foundation" within the meaning of Section 509(a) of the IRC.

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on MSF USA's financial statements. MSF USA does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. MSF USA has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, MSF USA has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required to do so. For the years ended December 31, 2017 and 2016, there were no interest or penalties recorded or included in the statements of activities. As of December 31, 2017, the years still subject to examination by a taxing authority are 2014 through 2017.

(l) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(m) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(n) Net Asset Classification

On September 17, 2010, New York State enacted New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designated to allow organizations to cope more easily with fluctuations in the value of their endowment and to afford them greater access to funds needed to support their programs and services in difficult financial times. This law should provide some relief to organizations that have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes and certain trusts.

(o) Fair Value Measurements

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as MSF USA would use in pricing their asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of MSF USA are traded. MSF USA estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(p) Revocable Endowment

Revocable endowment includes gifts which require by donor stipulation that the total donation be invested and only the income made available for program operations. The original donation total may be due back to the donor at the end of the term. The balance at December 31, 2017 and 2016 was $3,250,000 and $3,000,000, respectively.

(q) Risks and Uncertainties

MSF USA's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of MSF USA's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

(r) New Accounting Pronouncements Issued But Not Yet Adopted

(i) Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for MSF USA's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

(ii) Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

(iii) Revenue From Contracts With Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the entity until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

(s) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statements of activities, the prior year information is presented in total, not by net asset class. With respect to the statements of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category, in order to facilitate comparison; as a result, such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with MSF USA's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

3. Investments and Fair Value Measurements

At December 31, 2017 and 2016, short-term investments consist of the following:

December 31,

	2017		2016	
	Cost	Market	Cost	Market
Short-term Investments:				
Common stock	**$ 136,592**	**$ 136,592**	$ 20,213	$ 60,900
Corporate fixed income	**47,549,855**	**45,217,763**	54,177,549	52,641,523
Fixed income	**66,632,582**	**66,003,039**	72,705,546	71,720,841
Mutual funds - fixed income	**19,090**	**19,090**	4,955	4,955
Government securities	**21,891,008**	**21,756,033**	20,413,628	20,174,021
Municipal bonds	**3,708,607**	**3,689,294**	1,551,712	1,522,625
Money market funds	**4,909,665**	**4,910,882**	15,148,192	15,148,192
Total short-term investments	**$144,847,399**	**$141,732,693**	$164,021,795	$161,273,057

MSF USA's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of MSF USA's policies regarding this hierarchy. A description of the valuation techniques applied to MSF USA's major categories of assets measured at fair value are as follows:

Money Market Funds

Money market deposit accounts are valued at cost plus interest, which approximates fair value.

Common Stock

These investments are priced using nationally recognized pricing services based on observable market data and are classified as Level 1.

Mutual Funds

Mutual funds are valued at the last reported NAV of shares held by MSF USA at year-end and are classified as Level 1.

Fixed Income, Government Securities and Municipal Bonds

Fixed income and government bonds are valued at the last reported market value by the holding institution and are classified as Level 1.

MSF USA had no financial assets and liabilities that were measured at fair value on a non-recurring basis during the years ended December 31, 2017 and 2016. In addition, there were no transfers between levels during the years ended December 31, 2017 and 2016.

Long-term investments include the board-designated reserves, term endowments and annuity and charitable remainder trusts. At December 31, 2017 and 2016, long-term investments consisted of the following:

December 31,	2017		2016	
	Cost	Market Value	Cost	Market Value
Board-designated/revocable endowment/term endowment/endowment:				
Money market funds	**$ 1,605,580**	**$ 1,605,942**	$ 1,324,588	$ 1,324,588
Equities	**2,665,834**	**3,210,061**	2,685,969	2,724,591
Fixed income	**2,960,850**	**2,907,408**	2,422,000	2,327,823
Total board-designated/term endowment/endowment investments	**7,232,264**	**7,723,411**	6,432,557	6,377,002
Annuity and charitable remainder trusts:				
Money market funds	**1,759,315**	**1,759,315**	1,679,412	1,679,412
Mutual funds	**-**	**-**	6,070,189	5,984,456
Fixed income	**7,462,189**	**7,439,018**	-	-
Equities	**13,747,284**	**16,368,374**	12,071,392	12,453,405
Municipal bonds	**1,687,405**	**1,675,670**	1,656,862	1,648,305
U.S. government obligations	**603,915**	**597,873**	178,146	177,189
Total annuity and charitable remainder trusts	**25,260,108**	**27,840,250**	21,656,001	21,942,767
Total long-term investments	**$32,492,372**	**$35,563,661**	$28,088,558	$28,319,769

Net investment income consisted of the following:

Year ended December 31,	**2017**	2016
Interest and dividend income, net	**$4,891,497**	$2,796,311
Net realized loss on investments	**(368,806)**	(726,559)
Net unrealized gain (loss) on investments	**2,115,843**	(735,703)
	$6,638,534	$1,334,049

The following tables show, by level within the fair value hierarchy, MSF USA's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2017 and 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. MSF USA's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

December 31, 2017

	Level 1	Level 2	Total
Money market funds	**$ 6,953,759**	**$-**	**$ 6,953,759**
Certificates of deposit	**1,319,769**		**1,319,769**
Common stock	**136,592**	**-**	**136,592**
Equities	**16,126,944**	**-**	**16,126,944**
Mutual funds – fixed income *	**-**	**-**	**19,090**
Fixed income	**121,567,228**	**-**	**121,567,228**
Real estate	**3,451,492**		**3,451,492**
Municipal bonds	**5,364,964**	**-**	**5,364,964**
US government obligations	**597,873**	**-**	**597,873**
EFTs & CEFs	**2,610**		**2,610**
Government securities	**21,756,033**	**-**	**21,756,033**
	$177,277,264	**$-**	**$177,296,354**

December 31, 2016

	Level 1	Level 2	Total
Money market funds	$ 18,152,192	$-	$ 18,152,192
Common stock	60,900	-	60,900
Equities	15,177,996	-	15,177,996
Mutual funds – fixed income *	-	-	4,955
Mutual funds *	-	-	5,984,456
Fixed income	126,690,187	-	126,690,187
Municipal bonds	3,170,930	-	3,170,930
US government obligations	177,189	-	177,189
Government securities	20,174,021	-	20,174,021
	$183,603,415	$-	$189,592,826

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy table. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the accompanying statements of financial position.

4. Contributions Receivable

Contributions receivable represents contributions received by MSF USA as of year-end, but deposited in the following month of January. The contributions receivable balance was $44,376,588 and $34,027,195 at December 31, 2017 and 2016, respectively.

5. Pledges Receivable, Net

As of December 31, 2017 and 2016, MSF USA had gross pledges receivable of $5,046,500 and $9,755,246, respectively.

As of December 31, 2017 and 2016, the net present value of pledges receivable was calculated at 2.05% and 1.06% discount rates, respectively. These rates are equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time the contributions are made and equal in duration to the length of time that contribution is expected to be paid over.

The following represents future payments due:

Amount due in:	
2018	$2,226,500
2 – 5 years	2,820,000
Contributions pledged	5,046,500
Pledge bad debt allowance	(234,717)
Net present value discount	(103,466)
Net present value	$4,708,317

6. Charitable Gift Annuities Payable

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of the donor or beneficiary. During the term of the agreement, MSF USA acts as custodian of these funds, whereby the asset and the net present value of the related liability are reflected in the statements of financial position. After the term of the agreement, the remaining assets belong to MSF USA. At December 31, 2017 and 2016, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of $27,840,250 and $21,942,767 and the related liability amounted to $13,676,159 and $11,390,111, respectively.

The actuarial loss on annuity and trust obligations amounted $713,197 and $465,346 for 2017 and 2016, respectively.

7. Fixed Assets, Net

Fixed assets, net consists of the following:

December 31,	**2017**	2016
Land	**$18,878,293**	$18,878,293
Building	**23,068,644**	23,068,644
Intangible assets	**3,161,849**	2,291,373
Furniture, fixtures and equipment	**2,499,147**	2,262,792
Leasehold improvements	**1,190,225**	1,190,225
Construction-in-progress	**10,103,459**	244,780
Total fixed assets	**58,901,617**	47,936,107
Less: Accumulated depreciation and amortization	**(4,702,860)**	(3,247,235)
Fixed assets, net	**$54,198,757**	$44,688,872

Total depreciation expense for 2017 and 2016 amounted to $1,280,888 and $921,825, respectively.

Building depreciation of $295,752 and $268,891 is netted against rental income for financial statement presentation for 2017 and 2016, respectively, and is not included in the total depreciation expense above.

The estimated cost to complete the construction-in-progress at December 31, 2017 was approximately $3,000,000.

Subsequent to the 2016 close of its acquisition of two floors of an office building located in downtown Manhattan, MSF USA obtained an appraisal of the land portion of the acquisition. Based on this appraisal, depreciation expense was adjusted to reflect the reduced building depreciation basis. For comparison purposes, the change in depreciation estimate attributable in 2016 is reported in the accompanying 2017 statement of activities.

8. Pension Plans

MSF USA formerly had two 401(k) defined contribution plans covering all headquarter employees and field employees. These plans were merged effective January 1, 2014. Under the merged plan, employees may contribute the lesser of 85% of their salaries or IRS contribution limit. In addition to the IRS contribution limit, there is a catch-up provision of an additional $6,000 per year for all employees who have reached the age of 50 and elect to contribute the additional funds into their 401(k) account. For all employees, MSF USA matches each contribution up to $1,200 per year and provides a yearly safe harbor distribution of not less than 3%. Employer contributions under the merged plan vest over a two-year period. During the years ended December 31, 2017 and 2016, MSF USA contributed $1,384,877 and $1,116,411, respectively.

9. Lease Commitments

MSF USA has a noncancellable operating lease for its office space with an expiration date of June 2021. Rental payments required under the lease are reported as expense on a straight-line basis over the term of the lease. At December 31, 2017, future minimum rental payments under this operating lease are as follows:

Fiscal year ending	Amount
2018	$1,042,965
2019	1,059,135
2020	1,075,305
2021	541,695
Total	$3,719,100

Rent expense was $947,972 and $947,055 for 2017 and 2016, respectively.

10. Board-Designated Fund

The Board of Directors designated a bequest received in prior years as a reserve balance. The balance in this reserve fund was $1,655,346 and $1,472,063 as of December 31, 2017 and 2016, respectively. As of December 31, 2017, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

11. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets at December 31, 2017 and 2016 consisted of the following:

December 31,	**2017**	2016
Emergency and medical relief	**$ 898,960**	$ 409,039
Annuity and charitable remainder trusts	**13,208,984**	9,492,328
Term endowments	**1,113,591**	991,307
Use in future periods – pledge receivables	**4,708,317**	9,409,563
Accumulated endowment income	**38,609**	38,609
Total	**$19,968,461**	$20,340,846

Net assets were released from donor restrictions at December 31, 2017 and 2016 by incurring expenses satisfying the restricted purposes specified by donors:

December 31,	**2017**	2016
Emergency and medical relief	**$12,002,681**	$ 9,930,106
Time restrictions expired	**6,601,246**	6,805,642
Total	**$18,603,927**	$16,735,748

12. Endowment Fund

MSF USA's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Under 958-205, the following applies to the endowment funds.

Investment and spending policies – MSF USA has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MSF USA must hold in perpetuity, and as directed by the donors, and those assets that are Board designated, as approved by the Board of Directors of MSF USA. The endowment funds are invested in vehicles such as money market funds, equities, fixed income, hedge funds, real estate and tangible assets.

MSF USA did not spend any of the endowment investments during 2017.

MSF USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- the purposes of MSF USA and the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- other resources of MSF USA; and
- the investment policy of MSF USA.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state standards require MSF USA to retain as a fund of perpetual duration. At December 31, 2017, no donor-restricted endowment funds have fallen below the required level.

The following table represents the endowment net asset composition by type of fund as of December 31, 2017 and 2016:

December 31,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$25,389**	**$1,287,764**	**$1,313,153**	$ -	$25,389	$733,730	$ 759,119
Board-designated endowment funds	**1,655,346**	**-**	**-**	**1,655,346**	1,472,063	-	-	1,472,063
Total funds	**$1,655,346**	**$25,389**	**$1,287,764**	**$2,968,499**	$1,472,063	$25,389	$733,730	$2,231,182

MSF USA classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Income earned on such gifts is classified as temporarily restricted.

The following table represents the reconciliation of changes in endowment net assets for the years ended December 31, 2017 and 2016:

Year ended December 31,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$1,472,063**	**$25,389**	**$733,730**	**$2,231,182**	$1,388,265	$25,389	$672,722	$2,086,376
Contributions	**-**	**-**	**470,011**	**470,011**	-	-	24,521	24,521
Investment return	**183,283**	**-**	**84,023**	**267,306**	83,798	-	36,487	120,285
Endowment net assets, end of year	**$1,655,346**	**$25,389**	**$1,287,764**	**$2,968,499**	$1,472,063	$25,389	$733,730	$2,231,182

13. Mortgage Payable

On October 7, 2016, MSF USA entered into a mortgage held by the Bank of America in the amount of $11,165,232 to finance part of the purchase price of building space. Interest on the loan accrues at 2% per annum. Both principal and interest are payable monthly in accordance with the mortgage amortization schedule up to maturity on September 30, 2026. The building space complex is pledged as collateral for the mortgage. Interest expense amounted to $109,329 for 2017 and $56,388 for 2016.

Balance of mortgage payable was $10,363,812 and $11,006,448 at December 31, 2017 and 2016, respectively.

The future required minimum payments are as follows:

Year ending December 31,	
2018	$ 655,789
2019	669,212
2020	682,401
2021	696,876
2022	711,139
2023 and thereafter	6,948,395
	$10,363,812

14. Grants

During the years ended December 31, 2017 and 2016, MSF USA awarded grants for emergency and medical relief projects to Médecins Sans Frontières international members for overseas operations and to the Drugs for Neglected Diseases Initiative, a not-for-profit organization, of which MSF USA is a founding member, as follows:

Year ended December 31,	**2017**	2016
Afghanistan	**$ 5,900,000**	$ 4,615,780
Armenia	**1,000,000**	430,000
Bangladesh	**3,542,882**	800,000
Belgium	**5,813,791**	226,553
Burundi	**4,200,000**	5,385,538
Cambodia	**2,000,000**	860,000
Cameroon	**5,300,000**	6,300,000
Central African Republic	**23,665,000**	26,599,672
Chad	**6,000,000**	6,610,951
Colombia	**445,000**	-
Democratic Republic of the Congo (DRC)	**40,942,118**	44,372,856
Egypt	**1,000,000**	1,617,626
Ethiopia	**8,223,924**	9,299,000
France	**-**	2,700,000
Georgia	**-**	550,000
Greece	**4,590,000**	4,298,725
Guinea	**3,200,000**	3,703,806
Haiti	**18,839,691**	16,656,009
Honduras	**400,000**	200,000
India	**500,000**	1,641,265
Iraq	**17,405,006**	6,420,000
Italy	**2,750,000**	784,883
Ivory Coast	**3,000,000**	2,160,000
Jordan	**15,200,000**	14,200,000
Kenya	**12,523,320**	5,965,604
Kyrgyzstan	**850,000**	400,000
Lebanon	**3,000,000**	2,500,000
Liberia	**5,000,000**	2,780,000
Libya	**3,000,000**	4,320,000
Madagascar	**50,000**	-
Malawi	**1,000,000**	460,000
Mali	**7,000,000**	6,120,000
Mexico	**2,450,000**	1,800,000
Mozambique	**1,500,000**	320,000
Myanmar	**1,800,000**	2,600,000
Niger	**12,600,000**	9,655,310
Nigeria	**14,503,601**	13,377,303
Occupied Palestinian Territories (OPT)	**3,000,000**	2,160,000

Year ended December 31,	**2017**	2016
Pakistan	**$ 4,500,000**	$ 4,710,000
Papua New Guinea	**2,000,000**	2,160,000
Russia	**2,000,000**	2,260,000
Sierra Leone	**2,300,000**	1,706,791
South Africa	**2,481,335**	719,565
South Sudan	**23,317,069**	25,344,439
Sudan	**1,715,000**	6,280,376
Swaziland	**4,600,000**	3,000,000
Syria	**10,500,000**	4,950,000
Tajikistan	**500,000**	684,550
Tanzania	**5,000,000**	3,100,000
Uganda	**7,000,000**	3,160,000
Ukraine	**1,400,000**	500,000
Uzbekistan	**1,000,000**	2,500,000
Venezuela	**500,000**	-
Yemen	**25,534,359**	19,831,250
Zimbabwe	**500,000**	500,000
Epicentre	**1,365,867**	60,000
International Office	**5,404,623**	3,644,648
Access Campaign	**1,453,355**	1,254,178
Drugs for Neglected Diseases initiative	**1,164,079**	987,912
International Innovation Fund - prior years grant write-off	**-**	(124,627)
	$346,430,020	$300,119,963

Grants payable were $52,899,212 and $26,380,000 at December 31, 2017 and 2016, respectively.

15. Concentration of Credit Risk

The financial instruments that potentially subject MSF USA to concentration of credit risk consist primarily of cash and cash equivalents. At various times, MSF USA has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") limit.

16. Subsequent Events

In March 2018, MSF USA signed an agreement with Drugs for Neglected Diseases Initiative, North America Inc. to allow the use of a portion of the premises owned by MSF USA for an initial term of one year. The monthly license fee will amount to $5,000.

MSF USA's management has performed subsequent events procedures through May 30, 2018, which is the date the financial statements were available to be issued and there were no subsequent events except disclosed above, requiring adjustment to the financial statements or disclosures as stated herein.