

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

**Financial Statements
Year Ended December 31, 2018**

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d/b/a Doctors Without Borders USA, Inc.**

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d/b/a Doctors Without Borders USA, Inc.**

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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

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 statement of financial position as of December 31, 2018, 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, 2018, 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 2017 financial statements of Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. and our report dated May 30, 2018 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, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

May 9, 2019

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

**Statement of Financial Position
(with comparative totals for 2017)**

<i>December 31,</i>	2018	2017
Assets		
Cash and cash equivalents (Notes 2 and 16)	\$ 67,232,437	\$ 62,035,683
Short-term investments, at fair value (Notes 2 and 4)	59,445,223	141,732,693
MSF USA network receivables (Note 2)	5,556,978	4,979,812
Contributions receivable (Notes 2 and 5)	44,167,704	44,376,588
Pledges receivable, net (Notes 2 and 6)	10,739,171	4,708,317
Prepaid expenses and other assets	20,518,821	1,630,513
Long-term investments, at fair value (Notes 2 and 4)	34,837,998	35,563,661
Fixed assets, net (Notes 2 and 8)	56,334,249	54,198,757
Total Assets	\$ 298,832,581	\$ 349,226,024
Liabilities and Net Assets		
Liabilities		
Grants payable (Notes 2 and 15)	\$ 23,445,787	\$ 52,899,212
Accounts payable and accrued expenses	9,655,044	8,378,629
MSF USA network payables	94,022	80,749
Capitalized lease obligation	72,256	18,254
Revocable endowment (Note 2)	3,250,000	3,250,000
Annuity and other life income agreement obligations (Note 7)	14,827,498	13,676,159
Mortgage payable (Note 14)	9,708,022	10,363,812
Total Liabilities	61,052,629	88,666,815
Commitments and Contingencies (Notes 2, 3, 7, 9, 11, 12, 13, 14, and 15)		
Net Assets (Notes 2, 11, 12, and 13)		
Without donor restrictions:		
Undesignated	209,296,347	237,647,638
Board-designated for reserves	1,574,005	1,655,346
Total Without Donor Restrictions	210,870,352	239,302,984
With donor restrictions	26,909,600	21,256,225
Total Net Assets	237,779,952	260,559,209
Total Liabilities and Net Assets	\$ 298,832,581	\$ 349,226,024

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 2017)**

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues				
Public support:				
Contributions and private grants:				
Individual donors/marketing	\$ 134,411,326	\$ 1,597,734	\$ 136,009,060	\$ 137,645,679
Sustainer giving	35,969,453	38,037	36,007,490	34,833,571
Major gifts	94,746,100	3,956,862	98,702,962	94,207,915
Planned giving	75,908,186	1,681,378	77,589,564	66,103,648
Foundations	6,725,498	5,701,486	12,426,984	13,091,114
Corporations	21,508,813	1,019,310	22,528,123	24,260,019
Multi-year grants and contributions pledged	-	11,660,000	11,660,000	1,900,000
Total Public Support	369,269,376	25,654,807	394,924,183	372,041,946
Other Revenues				
Investment income (loss), net (Notes 2 and 4)	26,218	(1,625,375)	(1,599,157)	6,638,534
Actuarial loss on annuity and trust obligations (Note 7)	-	(771,667)	(771,667)	(713,197)
Rental income, net (Note 8)	50,000	-	50,000	698,444
MSF network grants	5,455,159	-	5,455,159	4,242,052
Secunded field staff grants	9,943,530	-	9,943,530	10,493,006
Miscellaneous income (expense)	(592,299)	-	(592,299)	149,802
Change in estimate	-	-	-	121,015
Total Other Revenues	14,882,608	(2,397,042)	12,485,566	21,629,656
Total Public Support and Other Revenues	384,151,984	23,257,765	407,409,749	393,671,602
Contributions of In-kind Services (Note 2)	1,201,051	-	1,201,051	801,743
Net Assets Released from Restrictions (Note 12)	17,604,390	(17,604,390)	-	-
Total Revenues and In-Kind Services	402,957,425	5,653,375	408,610,800	394,473,345
Expenses				
Program services:				
Emergency and medical programs	340,863,586	-	340,863,586	346,430,020
Program support and development	16,818,360	-	16,818,360	12,779,004
Field staff	9,950,294	-	9,950,294	10,554,457
Communications	7,548,625	-	7,548,625	5,927,295
Total Program Services	375,180,865	-	375,180,865	375,690,776
Supporting services:				
Management and general	5,019,633	-	5,019,633	6,243,695
Fundraising	46,584,704	-	46,584,704	38,406,335
Total Supporting Services	51,604,337	-	51,604,337	44,650,030
Total Expenses	426,785,202	-	426,785,202	420,340,806
In-Kind Services (Note 2)	1,201,051	-	1,201,051	801,743
Total In-Kind Services	1,201,051	-	1,201,051	801,743
Lease exit costs (Note 10)	3,403,804	-	3,403,804	-
Total Expenses, In-Kind Services, and Lease Exit Costs	431,390,057	-	431,390,057	421,142,549
Change in Net Assets	(28,432,632)	5,653,375	(22,779,257)	(26,669,204)
Net Assets, beginning of year	239,302,984	21,256,225	260,559,209	287,228,413
Net Assets, end of year	\$ 210,870,352	\$ 26,909,600	\$ 237,779,952	\$ 260,559,209

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 2017)**

Year ended December 31,

	Program Services					Supporting Services			Total	
	Emergency and Medical Services	Program and Support	Field Staff ⁽¹⁾	Communications	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018	2017
Salaries and benefits	\$ -	\$ 11,389,110	\$ 8,304,224	\$ 3,614,734	\$ 23,308,068	\$ 2,522,166	\$ 7,143,109	\$ 9,665,275	\$ 32,973,343	\$ 29,165,566
Grants for emergency and medical projects (Note 15)	340,863,586	-	-	-	340,863,586	-	-	-	340,863,586	346,430,020
Printing and publications	-	8,523	-	265,066	273,589	5,331	10,820,752	10,826,083	11,099,672	7,970,843
Rent and occupancy costs	-	332,966	-	408,629	741,595	240,012	304,893	544,905	1,286,500	1,951,548
Consultancy and project development	-	2,150,071	158,551	1,038,724	3,347,346	862,123	11,417,941	12,280,064	15,627,410	14,088,742
Fundraising services	-	47,919	-	52,260	100,179	35,516	6,753,438	6,788,954	6,889,133	6,386,652
Office expense and management	-	267,379	-	151,049	418,428	209,507	463,285	672,792	1,091,220	691,964
Office supplies	-	42,400	342	17,835	60,577	27,391	35,985	63,376	123,953	60,938
Insurance - office and field	-	102,758	772,783	41,332	916,873	59,253	72,670	131,923	1,048,796	1,153,711
Postage/freight/shipping	-	8,962	31,643	349,370	389,975	4,583	7,876,476	7,881,059	8,271,034	6,589,194
Professional fees	-	40,999	-	12,731	53,730	150,086	155,959	306,045	359,775	326,571
Travel and transportation	-	732,904	682,459	872,840	2,288,203	244,225	324,274	568,499	2,856,702	2,644,969
Bank charges and other fees	-	52,554	34	22,258	74,846	29,162	45,542	74,704	149,550	341,692
Interest expense	-	62,847	-	26,721	89,568	45,501	55,804	101,305	190,873	109,329
Telecommunications	-	99,680	258	43,908	143,846	38,667	77,049	115,716	259,562	244,382
Dues and subscriptions	-	249,832	-	97,269	347,101	113,713	358,677	472,390	819,491	475,393
Recruiting and relocation	-	111,747	-	24,749	136,496	63,548	108,555	172,103	308,599	242,991
Representation/meetings	-	45,039	-	45,892	90,931	4,877	123,908	128,785	219,716	185,413
Depreciation	-	1,072,670	-	463,258	1,535,928	363,972	446,387	810,359	2,346,287	1,280,888
Total Expenses	\$ 340,863,586	\$ 16,818,360	\$ 9,950,294	\$ 7,548,625	\$ 375,180,865	\$ 5,019,633	\$ 46,584,704	\$ 51,604,337	\$ 426,785,202	\$ 420,340,806

See accompanying notes to financial statements.

⁽¹⁾ 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 2017)**

<i>Year ended December 31,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (22,779,257)	\$ (26,669,204)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,346,287	1,576,640
Change in estimate	-	(121,015)
Contributions restricted for long-term purposes	(252,400)	(470,011)
Unrealized gains on investments	(3,660,321)	(2,115,843)
Realized (gains) losses on investments	(1,707,289)	368,806
Donated stock	(17,663,966)	(19,477,018)
Actuarial losses on annuity and trust obligations	771,667	713,197
Actuarial liability for annuities and trusts issued	3,264,221	2,486,329
(Increase) decrease in:		
MSF network receivables	(577,166)	(1,477,180)
Contributions receivable	208,884	(10,349,393)
Pledges receivable	(6,030,854)	4,701,246
Prepaid expenses and other assets	(18,888,308)	5,051,412
Increase (decrease) in:		
Grants payable	(29,453,425)	26,519,212
Accounts payable and accrued expenses	1,276,415	1,157,034
MSF network payables	13,273	(35,437)
Revocable endowment	-	250,000
Net Cash Used in Operating Activities	(93,132,239)	(17,891,225)
Cash Flows from Investing Activities		
Purchases of fixed assets	(4,849,905)	(10,965,510)
Proceeds from disposals of fixed assets	368,126	-
Purchases of investments	(56,644,036)	(285,519,373)
Proceeds from sale of investments	162,742,747	319,039,900
Annuity and trust payments	(2,884,549)	(913,478)
Net Cash Provided by Investing Activities	98,732,383	21,641,539
Cash Flows from Financing Activities		
Capital lease obligations	-	(28,635)
Principal payments on mortgage payable	(655,790)	(642,636)
Proceeds from contributions restricted for the Endowment Fund	252,400	470,011
Net Cash Used in Financing Activities	(403,390)	(201,260)
Net Increase in Cash and Cash Equivalents	5,196,754	3,549,054
Cash and Cash Equivalents, beginning of year	62,035,683	58,486,629
Cash and Cash Equivalents, end of year	\$ 67,232,437	\$ 62,035,683
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 190,873	\$ 109,329

See accompanying notes to financial statements.

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

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
- advocate for, and increase public awareness of, populations at risk

2. Summary of Significant Accounting Policies

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 statement 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.

Net Asset Classification

MSF USA's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. The amounts are classified in either of the two classes of net assets defined below and displayed in the statement of financial position, and the amounts of change in each of those classes of net assets are displayed in the statement of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of MSF USA. Certain net assets without donor restriction are designated by the Board of Directors for specified purposes. Revenues are reported as increases in net assets without donor restrictions, unless their use is limited by donor-imposed restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donors or by law. Expenses are reported as decreases in net assets without donor restrictions.

With Donor Restrictions - This class consists of net assets with donor restrictions whose use is limited by donor-imposed, time and/or purpose restrictions. MSF USA reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires - that is, when a stipulated time restriction ends or purpose restriction is accomplished - the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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Notes to Financial Statements

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value based upon quoted market prices. Investment return, net is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fair Value Measurement (Topic 820) standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels on inputs that may be used to measure fair value.

Level 1 - This level consists of quoted prices in active markets for identical assets or liabilities.

Level 2 - This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about MSF USA's business, its value, or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgements about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Pledges and contributions 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.

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Notes to Financial Statements

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 regard to collectibility. Allowance for doubtful pledges receivable accounts was \$105,749 and \$234,717 at December 31, 2018 and 2017, respectively. There was no allowance for contributions receivable accounts for both years.

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 without donor restrictions or with donor restrictions.

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 improvements	10-39 years
Building	39 years
Intangible assets	3-5 years

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 2018 and 2017.

Contributed Services

Throughout the reported periods, legal and other miscellaneous services were donated to MSF USA. These services are reflected as contributions and expenses of services in-kind in the accompanying statement of activities.

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Notes to Financial Statements

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.

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, 2018 and 2017, there were no interest or penalties recorded or included in the statements of activities. As of December 31, 2018, the years still subject to examination by a taxing authority are 2015 through 2018.

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.

Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to those respective programs as incurred and/or utilizing predetermined allocation rates established by management. Common costs include the executive office and other support and general expenditures attributable to such programs. The executive office is allocated based on estimates of the relative time and efforts of such activities. Other support activities consist of information technology, human resources and office management costs. These costs are allocated based on estimates of the relative utilization of such support activities.

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

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Notes to Financial Statements

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.

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, 2018 and 2017 was \$3,250,000.

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.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

Recently Adopted Accounting Pronouncements

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - 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 titled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater 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 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. 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. These financial statements reflect implementation of this ASU.

Médecins Sans Frontières USA, Inc.
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Notes to Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Revenue Recognition

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 MSF-USA 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 has evaluated the impact of this ASU on its financial statements and does not believe it will have a material effect.

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019. Management has evaluated the impact of this ASU on its financial statements and does not believe it will have a material effect.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the statement 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, 2017, from which the summarized information was derived.

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3. Liquidity and Availability of Resources

MSF USA's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2018
Financial assets at year end*	\$ 221,979,511
Less financial assets generally unavailable for general expenditures with one year due to:	
Contractual or donor-imposed restrictions:	
Endowments subject to appropriation and satisfaction of donor restrictions	(1,245,734)
Term and revocable quasi-endowments	(3,709,292)
Restricted by donor with time and / or purpose restrictions	(12,842,052)
Annuity and other life income agreement obligations	(14,827,498)
Board designations:	
Amounts set aside for liquidity reserve	(1,574,005)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 187,780,930

* Financial assets are defined as total assets less non-financial assets consisting of prepaid expenses and other assets, and fixed assets, net.

MSF USA is supported by unrestricted and restricted donor contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, MSF USA must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, a portion of MSF USA's financial assets may not be available for general expenditures within one year of the accompanying financial statement dates.

As a result of the above, MSF USA has a liquidity and investment policy in place to insure the availability of funds to meet obligations as they become due. Financial assets not required to meet near-term obligations are invested over various time horizons to ensure liquidity, preservation of capital and the balancing of market risk and minimization of volatility. In order to meet those objectives, MSF USA has established the following financial asset pools:

- *Operating Fund* - Consists of funds needed to manage MSF USA's short-term cash flow needs. These funds are not invested.
- *Short-Term Fund* - Contains short-term financial assets with maturities up to, but not exceeding, 24 months. This fund's investment objective is to emphasize preservation of capital and liquidity with an emphasis on minimizing return volatility (rather than maximizing returns) and investing in securities that can be readily and efficiently sold.
- *Long-Term Fund* - Comprised of financial assets invested over a longer-term horizon to garnish higher returns while balancing additional market risk and liquidity. The time horizon for this asset pool is two to ten years.

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- *Endowments, Charitable Gift Annuities and Board-Designated Reserves* - In addition to the above-mentioned funds, MSF USA also holds a portion of its financial assets in various types of endowments (perpetual, revocable and term), charitable gift annuities and a Board-designated reserve. The composition and management of those funds are more fully described in Notes 7, 11 and 13.

4. Investments and Fair Value Measurements

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.

Equities

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, 2018 and 2017. In addition, there were no transfers between levels during the years ended December 31, 2018 and 2017.

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, 2018 and 2017. 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.

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December 31, 2018

	Level 1	Total
Money market funds	\$ 4,341,779	\$ 4,341,779
Certificates of deposit	1,045,385	1,045,385
Common stock	20,718	20,718
Equities	16,860,625	16,860,625
Mutual funds	10,549	10,549
Fixed income	48,992,820	48,992,820
Real estate	1,883,192	1,883,192
Municipal bonds	4,427,664	4,427,664
US government obligations	767,586	767,586
EFTs & CEFs	14,891	14,891
Government securities	15,918,012	15,918,012
	\$ 94,283,221	\$ 94,283,221

December 31, 2017

	Level 1	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	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
	\$ 177,296,354	\$ 177,296,354

5. 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 \$44,167,704 and \$44,376,588 at December 31, 2018 and 2017, respectively.

6. Pledges Receivable, Net

As of December 31, 2018 and 2017, MSF USA had gross pledges receivable of \$11,074,894 and \$5,046,500, respectively.

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As of December 31, 2018 and 2017, the net present value of pledges receivable was calculated at 2.08% and 2.05% 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:		
2019	\$	5,626,333
2-5 years		5,448,561
<hr/>		
Contributions pledged		11,074,894
Pledge bad debt allowance		(105,749)
Net present value discount		(229,974)
<hr/>		
Net Present Value	\$	10,739,171

7. 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.

The Charitable Gift Annuity program assets are managed by an investment firm subject to MSF USA's investment policy statement. For this pool of assets, MSF USA's investment policy includes the following objectives: growth and income; a moderate risk tolerance and a three to less-than-seven years investment horizon. Asset classes may include cash equivalents, fixed income and equity investments. While infrequent, nontraditional, illiquid or non-marketable securities may be used to help provide uncorrelated returns relative to the equity and fixed income allocations.

At December 31, 2018 and 2017, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of \$27,190,019 and \$27,840,250 and the related liability amounted to \$14,827,498 and \$13,676,159, respectively. As of December 31, 2018, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

The actuarial loss on annuity and trust obligations amounted \$771,667 and \$713,197 for 2018 and 2017, respectively.

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8. Fixed Assets, Net

Fixed assets, net consists of the following:

<i>December 31,</i>	2018	2017
Land	\$ 18,878,293	\$ 18,878,293
Building	23,068,644	23,068,644
Intangible assets	3,995,294	3,161,849
Furniture, fixtures and equipment	5,947,259	2,499,147
Building & leasehold improvements	10,631,306	1,190,225
Construction-in-progress	-	10,103,459
Total Fixed Assets	62,520,796	58,901,617
Less: accumulated depreciation and amortization	(6,186,547)	(4,702,860)
Fixed Assets, Net	\$ 56,334,249	\$ 54,198,757

Total depreciation expense for 2018 and 2017 amounted to \$2,346,287 and \$1,280,888, respectively.

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

9. 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, 2018 and 2017, MSF USA contributed \$1,502,195 and \$1,384,877, respectively.

10. Lease Exit Costs

MSF USA had an operating lease for its old office space located at 333 7th Avenue New York, NY with an expiration date of June 2021. Due to the purchase of office space that occurred during 2016, MSF USA canceled its operating lease on January 31, 2018 for a total lease exit costs of \$3,403,804.

11. Board-Designated Fund

The Board of Directors designated a bequest received in prior years as a reserve balance. As such, the Board of Directors has limited spending from this fund to amounts appropriated pursuant to MSF USA's spending policy (Note 13). The balance in this reserve fund was \$1,574,005 and \$1,655,346 as of December 31, 2018 and 2017, respectively.

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Notes to Financial Statements

12. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

<i>December 31,</i>	2018	2017
Net assets with donor restrictions:		
Purpose-restricted for emergency and medical relief	\$ 2,102,881	\$ 898,960
Perpetual in nature (inclusive of original contribution plus accumulated unappropriated earnings)	1,245,734	1,313,153
Term-restricted quasi endowments	459,292	1,126,811
Annuity and charitable remainder trusts	12,362,522	13,208,984
Use in future periods - net pledge receivables	10,739,171	4,708,317
Total	\$ 26,909,600	\$ 21,256,225

Net assets without donor restrictions consisted of the following:

<i>December 31,</i>	2018	2017
Net assets without donor restrictions:		
Undesignated	\$ 209,296,347	\$ 237,647,638
Board-designated for reserves	1,574,005	1,655,346
Total	\$ 210,870,352	\$ 239,302,984

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

<i>December 31,</i>	2018	2017
Purpose restrictions accomplished:		
Emergency and medical relief	\$ 12,230,386	\$ 12,002,681
Time restrictions expired:		
Passage of specified time	5,390,489	6,601,246
Release of appropriated endowment amounts	829,977	-
Adjustment of annuity beneficiary obligations	(846,462)	-
Total Restrictions Released	\$ 17,604,390	\$ 18,603,927

13. Endowment Fund

MSF USA's endowment fund consists of both donor-restricted endowment funds and unrestricted 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 unrestricted assets that are Board-designated, as approved by

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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 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
- the investment and spending policies of MSF USA

MSF USA has adopted a spending policy of 2% to 4% per year of a 20-quarter rolling average. The amount of the annual draw is reviewed and approved annually by the Board of Directors. MSF USA appropriated \$255,889 of the endowment funds in 2018.

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, 2018, no donor-restricted endowment funds have fallen below the required level.

The following table represents the endowment net asset composition by type of fund:

December 31,	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,245,734	\$ 1,245,734	\$ -	\$ 1,313,153	\$ 1,313,153
Board-designated endowment funds	1,574,005	-	1,574,005	1,655,346	-	1,655,346
Total Funds	\$ 1,574,005	\$ 1,245,734	\$ 2,819,749	\$ 1,655,346	\$ 1,313,153	\$ 2,968,499

MSF USA classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as restricted net assets. Income earned on such gifts is also classified as restricted and is later appropriated based on the implementation of the above described spending policy.

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The following table represents the reconciliation of changes in endowment net assets for the years ended:

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
December 31,						
Endowment net assets, beginning of year	\$ 1,655,346	\$ 1,313,153	\$ 2,968,499	\$ 1,472,063	\$ 759,119	\$ 2,231,182
Contributions	-	252,400	252,400	-	470,011	470,011
Investment return	(81,341)	(63,930)	(145,271)	183,283	84,023	267,306
Endowment income designated for current operations	-	(255,889)	(255,889)	-	-	-
Endowment Net Assets, End of Year	\$ 1,574,005	\$ 1,245,734	\$ 2,819,739	\$ 1,655,346	\$ 1,313,153	\$ 2,968,499

14. 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 \$186,196 for 2018 and \$109,329 for 2017.

Balance of mortgage payable was \$9,708,022 and \$10,363,812 at December 31, 2018 and 2017, respectively.

The future required minimum payments are as follows:

<i>Year ending December 31,</i>	
2019	\$ 669,212
2020	682,401
2021	696,876
2022	711,139
2023	725,694
2024 and thereafter	6,222,700
	\$ 9,708,022

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15. Grants

During the years ended December 31, 2018 and 2017, 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:

<i>Year ended December 31,</i>	2018	2017
Afghanistan	\$ 6,722,222	\$ 5,900,000
Armenia	-	1,000,000
Bangladesh	9,527,778	3,542,882
Belgium	333,333	5,813,791
Burkina Faso	800,000	-
Burundi	4,994,444	4,200,000
Cambodia	1,000,000	2,000,000
Cameroon	2,600,000	5,300,000
Central African Republic	21,055,556	23,665,000
Chad	3,199,872	6,000,000
Colombia	400,000	445,000
Democratic Republic of the Congo (DRC)	35,694,018	40,942,118
Egypt	-	1,000,000
El Salvador	1,350,000	-
Ethiopia	6,100,000	8,223,924
Greece	3,166,667	4,590,000
Guinea	2,983,523	3,200,000
Haiti	15,427,997	18,839,691
Honduras	1,200,000	400,000
India	11,111	500,000
Indonesia	55,556	-
Iraq	14,377,778	17,405,006
Italy	1,033,333	2,750,000
Ivory Coast	3,000,000	3,000,000
Jordan	10,500,000	15,200,000
Kenya	14,644,444	12,523,320
Kyrgyzstan	1,400,000	850,000
Lebanon	4,500,000	3,000,000
Liberia	6,000,000	5,000,000
Libya	4,000,000	3,000,000
Madagascar	-	50,000
Malawi	4,777,778	1,000,000
Mali	8,000,000	7,000,000
Mexico	1,560,000	2,450,000
Mozambique	4,055,556	1,500,000
Myanmar	2,900,000	1,800,000
Niger	10,000,000	12,600,000
Nigeria	17,920,000	14,503,601
Occupied Palestinian Territories (OPT)	166,667	3,000,000

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<i>Year ended December 31,</i>	2018	2017
Pakistan	\$ 4,000,000	\$ 4,500,000
Papua New Guinea	2,000,000	2,000,000
Philippines	1,000,000	-
Russia	500,000	2,000,000
Sierra Leone	1,011,111	2,300,000
Somalia	3,000,000	-
South Africa	6,333,333	2,481,335
South Sudan	28,276,135	23,317,069
Sudan	3,452,053	1,715,000
Swaziland	3,200,000	4,600,000
Syria	11,880,133	10,500,000
Tajikistan	-	500,000
Tanzania	4,500,000	5,000,000
Thailand	400,000	-
Uganda	5,000,000	7,000,000
Ukraine	1,600,000	1,400,000
Uzbekistan	1,000,000	1,000,000
Venezuela	1,111,111	500,000
Yemen	27,170,604	25,534,359
Zimbabwe	-	500,000
Epicentre	1,570,934	1,365,867
International Office	5,858,720	5,404,623
Access Campaign	1,409,533	1,453,355
Drugs for Neglected Diseases initiative	1,132,286	1,164,079
	\$ 340,863,586	\$ 346,430,020

Grants payable were \$23,445,787 and \$52,899,212 at December 31, 2018 and 2017, respectively.

16. 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.

17. Subsequent Events

In March 2019, MSF USA agreed to a one year extension of an initial term of the agreement that was signed in March 2018 with Drugs for Neglected Diseases Initiative, North America Inc. to allow the use of a portion of the premises owned by MSF USA. The monthly license fee still amounts to \$5,000.

MSF USA's management has performed subsequent events procedures through May 9, 2019, 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.