

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2012 AND 2011

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of Directors of
Médecins Sans Frontières USA, Inc.
New York, New York**

We have audited the accompanying financial statements of Médecins Sans Frontières USA, Inc. Doctors Without Borders USA, Inc. (“*MSF USA*”), which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management 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 organization’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 organization’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 MSF USA, Inc. as of December 31, 2012, 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.

**To the Board of Directors of
Médecins Sans Frontières USA, Inc.**

Report on Summarized Comparative Information

We have previously audited MSF USA's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**New York, New York
March 29, 2013**

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 28,701,310	\$ 14,808,464
Current investments (Note 3)	99,156,333	126,945,601
MSF network receivables	2,113,520	3,294,676
Contributions receivable (Note 4)	18,718,556	16,831,591
Pledges receivable (Note 5)	5,368,994	2,462,024
Prepaid expenses and other	1,095,276	1,012,929
Long-term investments (Note 3)	12,409,467	10,411,542
Equipment, net of accumulated depreciation of \$2,044,106 in 2012 and \$1,851,162 in 2011	<u>1,083,775</u>	<u>1,023,768</u>
Total Assets	<u>\$ 168,647,231</u>	<u>\$ 176,790,595</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ -	\$ 2,732,085
Accounts payable and accrued expenses	2,894,129	2,682,741
MSF network payables	14,138	12,419
Capitalized lease obligation (Note 6)	68,800	87,203
Annuity and other life income agreement obligations	<u>4,757,730</u>	<u>4,184,450</u>
Total Liabilities	<u>7,734,797</u>	<u>9,698,898</u>
NET ASSETS (Note 8)		
Unrestricted		
Undesignated	147,895,704	158,324,870
Reserves	<u>1,252,498</u>	<u>1,115,784</u>
Total unrestricted	149,148,202	159,440,654
Temporarily restricted	11,478,756	7,651,043
Permanently restricted	<u>285,476</u>	<u>-</u>
Total Net Assets	<u>160,912,434</u>	<u>167,091,697</u>
Total Liabilities and Net Assets	<u>\$ 168,647,231</u>	<u>\$ 176,790,595</u>

MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2012 with Summarized Information for 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
REVENUES					
Public Support					
Contributions and private grants					
Individual donors/Marketing	\$ 86,234,112	\$ 793,784	\$ -	\$ 87,027,896	\$ 99,818,372
Sustainer giving	18,223,059	20	-	18,223,079	16,003,223
Major gifts	41,278,951	957,734	-	42,236,685	33,583,845
Planned giving	22,226,495	1,729,790	285,476	24,241,761	13,444,060
Foundations	4,285,860	1,806,250	-	6,092,110	9,396,003
Corporations	6,290,271	35,292	-	6,325,563	7,125,262
Contributions pledged					
Major gifts	-	2,608,481	-	2,608,481	298,199
Foundations	-	2,549,880	-	2,549,880	1,125,834
Total Public Support	<u>178,538,748</u>	<u>10,481,231</u>	<u>285,476</u>	<u>189,305,455</u>	<u>180,794,798</u>
Other Revenue					
Investment income, net	38,486	174,040	-	212,526	209,443
Unrealized and realized gain (loss) on investments, net	105,304	500,058	-	605,362	(172,585)
Actuarial loss on annuity and trust obligations	-	(32,291)	-	(32,291)	(406,954)
Other revenue	46,164	-	-	46,164	68,749
MSF network grants	2,549,507	-	-	2,549,507	2,046,188
Seconded field staff grants	8,122,470	-	-	8,122,470	8,062,500
Total Other Revenue	<u>10,861,931</u>	<u>641,807</u>	<u>-</u>	<u>11,503,738</u>	<u>9,807,341</u>
Total Public Support and Other Revenue	<u>189,400,679</u>	<u>11,123,038</u>	<u>285,476</u>	<u>200,809,133</u>	<u>190,602,139</u>
Contributions of Services					
In-Kind (Note 2)	<u>2,538,868</u>	<u>-</u>	<u>-</u>	<u>2,538,868</u>	<u>2,413,778</u>
Net assets released from restrictions (Note 8)	<u>7,295,325</u>	<u>(7,295,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and In-Kind Services	<u>199,234,872</u>	<u>3,827,713</u>	<u>285,476</u>	<u>203,348,061</u>	<u>193,015,917</u>
EXPENSES					
Program Services					
Emergency and medical programs	162,566,427	-	-	162,566,427	137,098,926
Program support and development	5,363,430	-	-	5,363,430	4,692,594
Field staff	8,304,843	-	-	8,304,843	8,206,217
Communications	3,600,491	-	-	3,600,491	3,247,441
Total Program Services	<u>179,835,191</u>	<u>-</u>	<u>-</u>	<u>179,835,191</u>	<u>153,245,178</u>
Supporting Services					
Management and general	2,635,325	-	-	2,635,325	2,244,434
Fundraising	24,517,940	-	-	24,517,940	22,636,178
Total Supporting Services	<u>27,153,265</u>	<u>-</u>	<u>-</u>	<u>27,153,265</u>	<u>24,880,612</u>
Total Expenses	<u>206,988,456</u>	<u>-</u>	<u>-</u>	<u>206,988,456</u>	<u>178,125,790</u>
In-Kind Services (Note 2)					
Management	<u>2,538,868</u>	<u>-</u>	<u>-</u>	<u>2,538,868</u>	<u>2,413,778</u>
Total In-Kind Services	<u>2,538,868</u>	<u>-</u>	<u>-</u>	<u>2,538,868</u>	<u>2,413,778</u>
Total Expenses and In-Kind Services	<u>209,527,324</u>	<u>-</u>	<u>-</u>	<u>209,527,324</u>	<u>180,539,568</u>
Increase (decrease) in net assets	(10,292,452)	3,827,713	285,476	(6,179,263)	12,476,349
Net Assets					
Beginning of year	<u>159,440,654</u>	<u>7,651,043</u>	<u>-</u>	<u>167,091,697</u>	<u>154,615,348</u>
End of year	<u>\$ 149,148,202</u>	<u>\$ 11,478,756</u>	<u>\$ 285,476</u>	<u>\$ 160,912,434</u>	<u>\$ 167,091,697</u>

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

STATEMENTS OF CASH FLOWS

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (6,179,263)	\$ 12,476,349
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	192,944	101,705
Unrealized and realized (gains) losses on long-term investments	(605,362)	172,585
Actuarial loss on annuity and trust obligations	32,291	406,954
Actuarial liability for annuities and trusts issued	1,272,524	1,039,399
(Increase) decrease in		
Current investments	27,789,268	(5,020,528)
Contributions receivable	(1,886,965)	(1,330,406)
MSF network receivables	1,181,156	(332,754)
Prepaid expenses and other	(82,347)	215,635
Pledges receivable	(2,906,970)	631,512
Increase (decrease) in		
Grants payable	(2,732,085)	(24,764,433)
Accounts payable and accrued expenses	211,388	105,536
MSF network payables	<u>1,719</u>	<u>11,959</u>
Net cash provided by (used for) operating activities	<u>16,288,298</u>	<u>(16,286,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(252,951)	(674,114)
Purchases of long-term investments	(6,710,681)	(4,570,507)
Proceeds from sales of long-term investments	5,318,118	2,135,399
Annuity and trust payments	<u>(731,535)</u>	<u>(752,939)</u>
Net cash used for investing activities	<u>(2,377,049)</u>	<u>(3,862,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capitalized lease obligation	-	51,719
Repayments of capitalized lease obligations	<u>(18,403)</u>	<u>(11,268)</u>
Net cash provided by financing activities	<u>(18,403)</u>	<u>40,451</u>
Net increase (decrease) in cash	13,892,846	(20,108,197)
CASH		
Beginning of year	<u>14,808,464</u>	<u>34,916,661</u>
End of year	<u>\$ 28,701,310</u>	<u>\$ 14,808,464</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 5,957</u>	<u>\$ 4,137</u>

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2012 with Summarized Information for 2011

	Program Services				Supporting Services			Total Expenses	
	Programs And Support (1)	Field Staff (2)	Communications	Total	Management And General	Fundraising	Total	2012	2011
Salaries and benefits	\$ 3,875,132	\$ 7,313,700	\$ 1,711,036	\$ 12,899,868	\$ 1,769,416	\$ 2,831,104	\$ 4,600,520	\$ 17,500,388	\$ 15,900,712
Grants for emergency and medical projects (Note 9)	162,566,427	-	-	162,566,427	-	-	-	162,566,427	137,098,926
Printing and publications	1,887	14	402,917	404,818	691	7,236,551	7,237,242	7,642,060	6,621,746
Rent and occupancy costs	372,886	-	256,884	629,770	159,669	433,938	593,607	1,223,377	960,389
Consultancy and project development	389,053	77,639	589,156	1,055,848	100,851	2,763,660	2,864,511	3,920,359	2,533,917
Fundraising services	1,420	-	5,513	6,933	2,098	4,654,967	4,657,065	4,663,998	5,395,564
Office expense and management	34,669	-	30,338	65,007	75,862	117,658	193,520	258,527	161,081
Office supplies	12,270	-	8,075	20,345	6,443	14,212	20,655	41,000	51,788
Insurance – office and field	10,234	-	6,806	17,040	28,953	11,909	40,862	57,902	78,976
Postage/freight/shipping	14,004	15,823	127,157	156,984	3,455	6,061,088	6,064,543	6,221,527	6,290,066
Professional fees	10,393	-	4,625	15,018	63,735	117,290	181,025	196,043	250,694
Travel and transportation	428,154	860,033	207,323	1,495,510	189,236	51,334	240,570	1,736,080	1,912,710
Financial services	11,284	37,634	10,075	58,993	53,970	19,546	73,516	132,509	115,768
Telecommunications	68,068	-	143,069	211,137	19,549	97,690	117,239	328,376	336,116
Dues and subscription	8,509	-	2,834	11,343	5,448	6,347	11,795	23,138	18,207
Recruiting and relocation	32,005	-	19	32,024	36,924	14,069	50,993	83,017	184,820
Representation/meetings	34,222	-	55,265	89,487	93,659	17,638	111,297	200,784	112,605
Total expenses before depreciation	167,870,617	8,304,843	3,561,092	179,736,552	2,609,959	24,449,001	27,058,960	206,795,512	178,024,085
Depreciation of equipment	59,240	-	39,399	98,639	25,366	68,939	94,305	192,944	101,705
Total expenses	\$ 167,929,857	\$ 8,304,843	\$ 3,600,491	\$ 179,835,191	\$ 2,635,325	\$ 24,517,940	\$ 27,153,265	\$ 206,988,456	\$ 178,125,790

(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. DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

(1) ORGANIZATION

Médecins Sans Frontières USA, Inc., also known as Doctors Without Borders USA, Inc. (“*MSF USA*”) was organized in New York State under Section 402 of the Not-For-Profit Corporation Law.

CHARITABLE PURPOSES

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 relief projects, including emergency medical relief projects, conducted primarily by the international Médecins Sans Frontières network, wherever in the world medical and public health crises may exist,
- To facilitate the recruitment of medical and other professionals from the United States to participate in these projects and,
- To carry out public education projects to increase public awareness of populations at risk.

TAX EXEMPT STATUS

MSF USA is a not-for-profit organization exempt from U.S. Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is a public charity and not a private foundation. As such, donations to MSF USA qualify for maximum deduction for charitable contributions.

Management has reviewed the tax positions for each of the open tax years (2009 – 2011) or expected to be taken in MSF USA’s 2012 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or by expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the MSF USA’s audited financial statements for the year ended December 31, 2011 from which the summarized information was derived.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MÉDECINS SANS FRONTIÈRES USA, INC. DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

BASIS OF PRESENTATION

The assets of MSF USA are reported as follows:

- ***Unrestricted:*** Unrestricted assets include the net assets that are associated with the principal mission of MSF USA.
- ***Unrestricted – Designated for Reserves:*** Gifts designated by the Board of Directors for long-term investments.
- ***Temporarily Restricted:*** Temporarily restricted assets include contributions and other assets received with donor stipulations that limit the use of the donated asset. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as ***“net assets released from restrictions.”***
- ***Permanently Restricted Net Assets:*** Include gifts which require by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions

Contributions are recorded as unrestricted, temporarily and permanently restricted depending on the existence and/or nature of donor restrictions. MSF USA reports information regarding its financial position and activities according to its classes of net assets: unrestricted, temporarily or permanently restricted net assets.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 29, 2013, have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

MSF USA generally maintains deposits in several financial institutions in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

INVESTMENTS

MSF USA records its investments at their fair market value with the related gains and losses included in the statement of activities. The fair value of investments traded on a securities exchange is determined based on quoted market prices. The cost of investments received as gifts is based on fair value as determined upon receipt.

EQUIPMENT

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally five years.

MÉDECINS SANS FRONTIÈRES USA, INC. DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

CONTRIBUTIONS

Contributions are recorded as temporarily or permanently restricted if they are received with donor stipulations that limit the use of such contributions. When the donor restrictions are met, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities and changes in net assets as “net assets released from restrictions.”

GRANTS PAYABLE

MSF USA records grants as liabilities upon approval by the Board of Directors.

ANNUITIES AND OTHER LIFE INCOME AGREEMENTS

The assets held subject to life income provisions include amounts held subject to stated payments to life beneficiaries. On maturity, the remainder interests revert to MSF USA. The assets of the gift annuity agreements are segregated from other assets of the organization.

The actuarial valuations of the gift annuities and other life income agreements are recorded as obligations. The present value of these obligations was determined using a discount rate of 4.2%.

CONTRIBUTIONS IN-KIND

Services provided for legal, advertising and other services were donated to MSF USA. The estimated fair market value of these services was \$2,538,868 and \$2,413,778 for the years ended December 31, 2012 and 2011, respectively. These services are reflected as Contributions and Expenses of Services and Materials In-Kind in the accompanying statement of activities and changes in net assets.

RECLASSIFICATIONS

Certain reclassifications were made to the 2011 financial statements to conform to the 2012 presentation.

(3) INVESTMENTS

The current investments at December 31, 2012 and 2011 consist of securities donated by contributors to MSF USA which have not been converted to cash, deposits in money market funds and other short-term investments designated for current operations. At December 31, 2012 and 2011 current investments consist of the following:

	2012		2011	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Current Investments				
Certificates of Deposit	\$ 14,861,646	\$ 14,861,646	\$ 9,730,313	\$ 9,730,313
Common Stock	94,997	94,997	29,800	29,800
Money Market Funds	<u>84,199,690</u>	<u>84,199,690</u>	<u>117,185,488</u>	<u>117,185,488</u>
Total Current Investments	<u>\$ 99,156,333</u>	<u>\$ 99,156,333</u>	<u>\$ 126,945,601</u>	<u>\$ 126,945,601</u>

MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

Long-term investments include the board designated reserves, term endowments and annuity and charitable remainder trusts. At December 31, 2012 and 2011, long-term investments consisted of the following:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Board-designated reserves				
Certificates of Deposit	\$ 75,000	\$ 76,371	\$ 125,000	\$ 129,120
Money Market	303,049	303,049	277,217	277,217
Common Stock	669,643	760,773	617,855	615,759
Municipal Bonds	72,576	107,052	72,576	88,323
Corporate Bonds	5,000	4,680	5,000	4,717
Mortgage and Asset Backed Securities	480	573	1,444	648
Total board-designated reserves	1,125,748	1,252,498	1,099,092	1,115,784
Term Endowments				
Money Market	1,404,097	1,404,097	1,197,600	1,197,600
Certificates of Deposit	130,000	137,922	200,000	204,591
Equity Mutual Funds	-	-	30,000	32,763
Common Stock	20,000	20,920	20,000	19,800
Corporate Bonds	20,000	23,322	20,000	21,696
Total term endowments	1,574,097	1,586,261	1,467,600	1,476,450
Annuity and Charitable Remainder Trusts				
Cash	-	-	30,550	30,550
Mutual Funds				
Money Market	93,964	93,964	512,225	512,225
Fixed Income	3,040,470	3,229,601	3,740,108	3,845,750
Equity	5,099,610	5,536,486	2,367,394	2,367,220
Municipal Bonds	415,562	414,622	-	-
U.S. Government Obligations	296,920	296,035	993,703	1,063,563
Total annuity and charitable remainder trusts	8,946,526	9,570,708	7,643,980	7,819,308
Total Long-Term Investments	\$ 11,646,371	\$ 12,409,467	\$ 10,210,672	\$ 10,411,542

As of December 31, 2012 and 2011, unrealized gains consist of \$763,096 and \$200,870, respectively.

Investment return for the years ended December 31, 2012 and 2011 is calculated as follows:

	2012	2011
Interest and dividends from investments	\$ 310,314	\$ 307,807
Less: Investment advisory fees	(97,788)	(98,364)
Subtotal investment income, net	<u>212,526</u>	<u>209,443</u>
Realized gains on sales of securities	43,136	166,552
Net change in unrealized gains (losses) on investments	<u>562,226</u>	<u>(339,137)</u>
Subtotal unrealized and realized gain (loss)	<u>605,362</u>	<u>(172,585)</u>
Total investment return	<u>\$ 817,888</u>	<u>\$ 36,858</u>

MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

MSF USA utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the MSF USA’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value MSF USA’s investments as of December 31, 2012 and 2011 is as follows:

	2012			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Current Investments				
Common Stock	\$ 94,997	\$ 94,997	\$ -	\$ -
Money Market Funds	84,199,690	84,199,690	-	-
Certificates of Deposit	14,861,646	-	14,861,646	-
Long-Term Investments				
Certificates of Deposits	214,293	-	214,293	-
Common Stock	781,693	781,693	-	-
Money Market Funds	1,801,110	1,801,110	-	-
Fixed Income Mutual Funds	3,229,601	3,229,601	-	-
Equity Mutual Funds	5,536,486	5,536,486	-	-
Corporate Bonds	28,002	-	28,002	-
Mortgage and Asset Backed Securities	573	-	573	-
U.S. Government Obligations	296,035	-	296,035	-
Municipal Bonds	521,674	-	521,674	-
Totals	<u>\$ 111,565,800</u>	<u>\$ 95,643,577</u>	<u>\$ 15,922,223</u>	<u>\$ -</u>

MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

	2011			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Current Investments				
Common Stock	\$ 29,800	\$ 29,800	\$ -	\$ -
Money Market Funds	117,185,488	117,185,488	-	-
Certificates of Deposit	9,730,313	-	9,730,313	-
Long-Term Investments				
Cash and Cash Equivalents	30,550	30,550	-	-
Certificates of Deposits	333,711	-	333,711	-
Common Stock – Growth	615,759	615,759	-	-
Money Market Funds	1,987,042	1,987,042	-	-
Fixed Income Mutual Funds	3,845,750	3,845,750	-	-
Equity Mutual Funds	2,441,479	2,441,479	-	-
Corporate Bonds	4,717	-	4,717	-
Mortgage and Asset Backed Securities	648	-	648	-
U.S. Government Obligations	1,063,563	-	1,063,563	-
Municipal Bonds	88,323	-	88,323	-
Totals	<u>\$ 137,357,143</u>	<u>\$ 126,135,868</u>	<u>\$ 11,221,275</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the year ended December 31, 2012 and 2011.

(4) CONTRIBUTIONS RECEIVABLE

Contributions receivable represent contributions received by MSF USA as of year-end, but were deposited in the following month of January.

(5) PLEDGES RECEIVABLE

Total pledges received in 2012 and 2011 were \$5,955,000 and \$1,810,000, respectively, (before discount and allowance adjustments) and are recorded as pledged contributions in the statement of activities and changes in net assets. At December 31, 2012 and 2011, pledges receivable were due as follows:

	<u>2012</u>	<u>2011</u>
In less than one year	\$ 2,476,153	\$ 1,623,487
Between one and five years	3,634,400	1,383,500
More than five years	<u>450,000</u>	<u>272,100</u>
Total pledges outstanding	6,560,553	3,279,087
Less: discount to present value at 2.4%	(305,003)	(151,283)
Less: allowance for uncollectible pledges	<u>(886,556)</u>	<u>(665,780)</u>
Total pledges receivable – net	<u>\$ 5,368,994</u>	<u>\$ 2,462,024</u>

**MÉDECINS SANS FRONTIÈRES USA, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

(6) LEASE COMMITMENTS

MSF USA has a noncancellable lease agreement for its New York office space. This lease was amended in 2011 to acquire additional office space, with the original lease expiration date extended to June 2021. Rental payments required under the lease are reported as expense on a straight-line basis over the term of the lease. Total rent expense for 2012 and 2011 was approximately \$1,022,000 and \$776,000, respectively.

Future minimum rental commitments (exclusive of electricity and real estate taxes) under this lease are as follows:

2013	\$ 962,115
2014	978,285
2015	994,455
2016	1,010,625
2017	1,026,795
2018 and thereafter	<u>3,719,100</u>
	<u>\$ 8,691,375</u>

CAPITAL LEASES

MSF USA leases office equipment under two capital leases expiring in June 2015 and December 2016. The related office equipment is included in equipment at a cost of \$105,558 with accumulated depreciation of \$39,849 and \$18,738 at December 31, 2012 and 2011, respectively. Future minimum lease payments under this capital lease together with the present value of the net minimum lease payments at December 31, 2012 are as follows:

2013	\$ 24,360
2014	24,360
2015	17,332
2016	<u>11,940</u>
Total minimum lease payments	77,992
Less: Amounts representing interest	<u>9,192</u>
Present value of minimum lease payments	<u>\$ 68,800</u>

MÉDECINS SANS FRONTIÈRES USA, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

(7) PENSION PLAN

MSF USA has two 401(k) defined contribution plans covering all headquarter employees and field employees. Under these plans, headquarter employees may contribute the lesser of 85% of their salaries or the IRS contribution limit and field employees may contribute the lesser of 75% of their salaries or IRS contribution limit. In addition to the IRS contribution limit, there is a catch-up provision of an additional \$5,000 per year for all employees who have reached the age of 50 and elect to contribute the additional funds into their 401k account. Under the headquarter employee plan, MSF USA matches each contribution up to \$1,200 per year and provides a yearly Safe Harbor distribution of not less than 3%. For field employees, MSF USA matches each contribution up to \$100 per month and provides a yearly Safe Harbor distribution of not less than 6%. Employer contributions under the headquarter employee plan vest over a two-year period while employer contributions to the field employee plan vest immediately. During the years ended December 31, 2012 and 2011, MSF USA contributed approximately \$447,000 and \$427,000, respectively, to the headquarter employee plan and approximately \$467,000 and \$473,000, respectively, to the field employee plan.

(8) NET ASSETS

The Board of Directors designated a bequest received in prior years as a reserve balance. The balance in this reserve fund was \$1,252,498 and \$1,115,784 as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

Temporarily restricted net assets at December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Emergency and medical relief	\$ 7,838	\$ 46,533
Annuity and charitable remainder trusts	4,515,673	3,666,036
Term endowments	1,586,251	1,476,450
Use in future periods – pledges receivable*	<u>5,368,994</u>	<u>2,462,024</u>
	<u>\$ 11,478,756</u>	<u>\$ 7,651,043</u>

* *These pledges receivable represent unrestricted resources which will be released upon receipt of such funds.*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose of restrictions accomplished:

	<u>2012</u>
Emergency and medical relief	\$ 4,531,996
Time restrictions expired	<u>2,763,329</u>
	<u>\$ 7,295,325</u>

**MÉDECINS SANS FRONTIÈRES USA, INC.
DOCTORS WITHOUT BORDERS USA, INC.**

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2012 and 2011

(9) GRANTS

During the years ended December 31, 2012 and 2011, MSF USA awarded grants for emergency and medical relief projects to Médecins Sans Frontières affiliates for overseas operations and to the Drugs for Neglected Diseases Initiative, a not-for-profit organization, of which MSF is a founding member, as follows:

	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>
Afghanistan	\$ 5,700,000	\$ -	Mali	\$ 1,500,000	\$ 2,200,000
Armenia	835,000	500,000	Mauritania	5,000	-
Bangladesh	800,000	-	Mexico	559,708	-
Bolivia	62,190	-	Mozambique	1,800,000	1,730,000
Burkina Faso	123,000	350,000	Niger	1,800,000	1,700,000
Burundi	800,000	-	Nigeria	8,200,000	10,300,000
Cambodia	2,000	-	South Korea		
Cameroon	1,000,000	1,000,000	(North Korean Refugees)	150,000	350,000
Central African Republic	6,139,957	3,000,000	Pakistan	3,750,000	3,720,000
Chad	4,014,708	4,850,000	Palestinian Territories	2,500,000	2,400,000
China	-	180,000	Papua New Guinea	2,490,000	6,000
Colombia	2,554,746	4,600,000	Russia (North Caucasus)	1,450,000	1,200,000
Congo (Brazzaville)	2,000,000	2,500,000	Senegal	10,000	-
Congo (DRC)	17,098,542	17,620,000	Sierra Leone	1,000,000	-
Djibouti	-	200,000	Somalia	9,189,703	8,942,437
Egypt	300,000	-	South Africa	1,000,000	501,000
Ethiopia	2,597,556	2,208,969	South Sudan	10,422,759	6,803,000
Georgia	500,000	1,000,000	Sri Lanka	10,000	950,000
Guatemala	800,000	600,000	Sudan	1,030,470	1,700,000
Guinea	1,500,000	800,000	Swaziland	4,900,000	970,000
Haiti	13,700,000	16,180,700	Syria	3,320,658	-
Honduras	963,492	800,000	Uganda	2,390,000	3,500,000
India	800,000	950,000	Ukraine	1,863,800	-
Iraq	1,100,000	900,000	USA	30,262	-
Ivory Coast	4,900,000	8,233,000	Yemen	7,466,935	6,960,300
Japan	-	100,000	Zambia	1,990,075	400,000
Jordan / Iraq	5,100,000	3,500,000	Zimbabwe	3,150,000	3,000,000
Kenya	3,369,738	212,396	Other	-	1,500
Kyrgyzstan	2,300,000	-	Access Campaign	1,095,187	689,437
Lebanon	1,900,000	-	Drugs for		
Lesotho	500,000	500,000	Neglected Diseases Initiative	1,447,842	1,102,830
Liberia	12,000	50,000	Epicentre	430,000	430,000
Libya	-	2,400,000	Logistique Expansion	1,288,201	1,384,721
Madagascar	-	100,000	MSF International Office	2,552,898	1,628,372
Malawi	2,300,000	650,000	International Innovation Fund	-	544,264
			Total	<u>\$ 162,566,427</u>	<u>\$ 137,098,926</u>