

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

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

DECEMBER 31, 2014 AND 2013

**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, 2014 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, 2014, 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.
New York, New York**

Report on Summarized Comparative Information

We have previously audited MSF USA's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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
April 20, 2015**

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 85,961,593	\$ 19,562,519
Current investments (<i>Note 3</i>)	150,443,142	110,915,845
MSF network receivables	3,825,822	2,716,111
Contributions receivable (<i>Note 4</i>)	29,315,946	21,187,373
Pledges receivable (<i>Note 5</i>)	2,192,457	4,690,878
Prepaid expenses and other	1,854,066	724,574
Long-term investments (<i>Note 3</i>)	20,165,045	16,107,957
Equipment, net of accumulated depreciation of \$1,770,972 in 2014 and \$2,238,245 in 2013	<u>1,563,001</u>	<u>956,681</u>
Total Assets	<u>\$ 295,321,072</u>	<u>\$ 176,861,938</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 53,858,002	\$ 1,530,556
Accounts payable and accrued expenses	4,371,149	3,608,333
MSF network payables	134,124	25,629
Capitalized lease obligation (<i>Note 6</i>)	25,738	49,092
Revocable endowment	2,000,000	-
Annuity and other life income agreement obligations	<u>6,823,771</u>	<u>5,771,728</u>
Total Liabilities	<u>67,212,784</u>	<u>10,985,338</u>
NET ASSETS (<i>Note 8</i>)		
Unrestricted		
Undesignated	199,852,964	145,163,713
Reserves	<u>1,416,944</u>	<u>1,373,517</u>
Total unrestricted	201,269,908	146,537,230
Temporarily restricted	26,204,363	18,805,353
Permanently restricted	<u>634,017</u>	<u>534,017</u>
Total Net Assets	<u>228,108,288</u>	<u>165,876,600</u>
Total Liabilities and Net Assets	<u>\$ 295,321,072</u>	<u>\$ 176,861,938</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, 2014 With Summarized Information For 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
REVENUES					
Public Support					
Contributions and private grants					
Individual donors/Marketing	\$ 147,254,189	\$ 5,936,089	\$ -	\$ 153,190,278	\$ 100,077,054
Sustainer giving	22,458,996	20,084	-	22,479,080	19,901,057
Major gifts	62,082,563	13,780,817	-	75,863,380	42,168,715
Planned giving	41,671,808	1,535,144	100,000	43,306,952	28,334,120
Foundations	8,333,705	11,145,421	-	19,479,126	7,463,159
Corporations	12,461,737	5,354,141	-	17,815,878	9,049,065
Contributions pledged (Note 5)	-	75,112	-	75,112	1,993,347
Total Public Support	<u>294,262,998</u>	<u>37,846,808</u>	<u>100,000</u>	<u>332,209,806</u>	<u>208,986,517</u>
Other Revenue					
Investment income, net	157,258	220,087	-	377,345	363,575
Unrealized and realized gain (loss) on investments, net	(2,213)	(135,686)	-	(137,899)	791,270
Actuarial gain on annuity and trust obligations	-	177,142	-	177,142	136,922
Other revenue	5,220	-	-	5,220	44,940
MSF network grants	2,826,795	-	-	2,826,795	2,782,134
Seconded field staff grants	9,405,720	-	-	9,405,720	8,500,206
Total Other Revenue	<u>12,392,780</u>	<u>261,543</u>	<u>-</u>	<u>12,654,323</u>	<u>12,619,047</u>
Total Public Support and Other Revenue	<u>306,655,778</u>	<u>38,108,351</u>	<u>-</u>	<u>344,864,129</u>	<u>221,605,564</u>
Contributions of Services					
In-Kind (Note 2)	<u>920,417</u>	<u>-</u>	<u>-</u>	<u>920,417</u>	<u>1,404,695</u>
Net assets released from restrictions (Note 8)	<u>30,709,341</u>	<u>(30,709,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and In-Kind Services	<u>338,285,536</u>	<u>7,399,010</u>	<u>100,000</u>	<u>345,784,546</u>	<u>223,010,259</u>
EXPENSES					
Program Services					
Emergency and medical programs	231,007,413	-	-	231,007,413	171,134,520
Program support and development	6,679,026	-	-	6,679,026	5,915,520
Field staff	9,441,123	-	-	9,441,123	8,637,536
Communications	3,514,989	-	-	3,514,989	3,572,066
Total Program Services	<u>250,642,551</u>	<u>-</u>	<u>-</u>	<u>250,642,551</u>	<u>189,259,642</u>
Supporting Services					
Management and general	2,519,697	-	-	2,519,697	2,723,698
Fundraising	29,520,313	-	-	29,520,313	24,658,058
Total Supporting Services	<u>32,040,010</u>	<u>-</u>	<u>-</u>	<u>32,040,010</u>	<u>27,381,756</u>
Total Expenses	<u>282,682,561</u>	<u>-</u>	<u>-</u>	<u>282,682,561</u>	<u>216,641,398</u>
In-Kind Services (Note 2)					
Management	<u>870,297</u>	<u>-</u>	<u>-</u>	<u>870,297</u>	<u>1,404,695</u>
Total In-Kind Services	<u>870,297</u>	<u>-</u>	<u>-</u>	<u>870,297</u>	<u>1,404,695</u>
Total Expenses and In-Kind Services	<u>283,552,858</u>	<u>-</u>	<u>-</u>	<u>283,552,858</u>	<u>218,046,093</u>
Increase in net assets	<u>54,732,678</u>	<u>7,399,010</u>	<u>100,000</u>	<u>62,231,688</u>	<u>4,964,166</u>
Net Assets					
Beginning of year	<u>146,537,230</u>	<u>18,805,353</u>	<u>534,017</u>	<u>165,876,600</u>	<u>160,912,434</u>
End of year	<u>\$ 201,269,908</u>	<u>\$ 26,204,363</u>	<u>\$ 634,017</u>	<u>\$ 228,108,288</u>	<u>\$ 165,876,600</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF CASH FLOWS

December 31, 2014 And 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 62,231,688	\$ 4,964,166
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	190,962	194,139
Unrealized and realized gains (loss) on long-term investments	137,899	(791,270)
Actuarial gain on annuity and trust obligations	(177,142)	(136,922)
Actuarial liability for annuities and trusts issued	2,270,198	1,930,520
(Increase) decrease in		
Current investments	(39,527,297)	(11,759,512)
Contributions receivable	(8,128,573)	(2,468,817)
MSF network receivables	(1,109,711)	(602,591)
Prepaid expenses and other	(1,129,492)	370,702
Pledges receivable	2,498,421	678,116
Increase in		
Grants payable	52,327,446	1,530,556
Accounts payable and accrued expenses	762,816	714,204
Revocable endowment	2,000,000	-
MSF network payables	<u>108,495</u>	<u>11,491</u>
Net cash provided by (used for) operating activities	<u>72,455,710</u>	<u>(5,365,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(797,282)	(67,045)
Purchases of long-term investments	(8,499,591)	(9,531,969)
Proceeds from sales of long-term investments	4,304,604	6,624,749
Annuity and trust payments	<u>(1,041,013)</u>	<u>(779,600)</u>
Net cash used for investing activities	<u>(6,033,282)</u>	<u>(3,753,865)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of capitalized lease obligations	<u>(23,354)</u>	<u>(19,708)</u>
Net cash used for financing activities	<u>(23,354)</u>	<u>(19,708)</u>
Net increase (decrease) in cash	66,399,074	(9,138,791)
CASH		
Beginning of year	<u>19,562,519</u>	<u>28,701,310</u>
End of year	<u>\$ 85,961,593</u>	<u>\$ 19,562,519</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 3,098</u>	<u>\$ 4,466</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2014 With Summarized Information For 2013

	Program Services				Supporting Services			Total Expenses	
	Programs And Support (1)	Field Staff (2)	Communications	Total	Management And General	Fundraising	Total	2014	2013
Salaries and benefits	\$ 5,058,998	\$ 8,177,466	\$ 1,866,941	\$ 15,103,405	\$ 1,705,206	\$ 3,561,795	\$ 5,267,001	\$ 20,370,406	\$ 18,884,536
Grants for emergency and medical projects (Note 9)	231,007,413	-	-	231,007,413	-	-	-	231,007,413	171,134,520
Printing and publications	937	-	402,148	403,085	796	8,109,741	8,110,537	8,513,622	6,741,915
Rent and occupancy costs	544,891	-	203,649	748,540	123,018	436,999	560,017	1,308,557	1,318,024
Consultancy and project development	307,884	143,371	482,971	934,226	102,455	4,895,010	4,997,465	5,931,691	4,798,031
Fundraising services	14,257	-	4,481	18,738	12,684	5,935,657	5,948,341	5,967,079	4,735,572
Office expense and management	64,047	-	35,353	99,400	33,363	110,869	144,232	243,632	245,794
Office supplies	18,770	-	7,284	26,054	6,844	15,525	22,369	48,423	32,560
Insurance – office and field	20,875	-	6,683	27,558	24,176	14,442	38,618	66,176	59,701
Postage/freight/shipping	11,191	24,564	190,447	226,202	2,776	5,802,990	5,805,766	6,031,968	6,084,034
Professional fees	13,237	-	4,512	17,749	80,687	110,105	190,792	208,541	162,718
Travel and transportation	393,942	1,026,621	109,233	1,529,796	165,721	105,807	271,528	1,801,324	1,556,567
Financial services	3,094	69,101	1,102	73,297	85,047	2,489	87,536	160,833	187,562
Telecommunications	74,846	-	160,015	234,861	20,543	209,997	230,540	465,401	311,195
Dues and subscription	3,811	-	4,924	8,735	806	3,654	4,460	13,195	30,783
Recruiting and relocation	46,004	-	1,377	47,381	101,417	92,828	194,245	241,626	53,335
Representation/meetings	23,979	-	6,041	30,020	32,055	49,637	81,692	111,712	110,412
Depreciation of equipment	78,263	-	27,828	106,091	22,103	62,768	84,871	190,962	194,139
Total expenses	\$ 237,686,439	\$ 9,441,123	\$ 3,514,989	\$ 250,642,551	\$ 2,519,697	\$ 29,520,313	\$ 32,040,010	\$ 282,682,561	\$ 216,641,398

(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, 2014 And 2013

(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 (2011 – 2013) or expected to be taken in MSF USA’s 2014 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, 2013 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, 2014 And 2013

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.

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.

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.”

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

GRANTS PAYABLE

MSF USA records grants as liabilities upon approval by the Board of Directors. All grants are due to be paid in the first quarter of 2015.

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 \$920,417 and \$1,404,695 for the years ended December 31, 2014 and 2013, 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 2013 financial statements to conform to the 2014 presentation.

(3) INVESTMENTS

The current investments at December 31, 2014 and 2013 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, 2014 and 2013 current investments consist of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Current Investments				
Certificates of Deposit	\$ 7,968,622	\$ 7,968,622	\$ 11,387,776	\$ 11,387,776
Common Stock	35,800	35,800	38,339	38,339
Money Market Funds	<u>142,438,720</u>	<u>142,438,720</u>	<u>99,489,730</u>	<u>99,489,730</u>
Total Current Investments	<u>\$ 150,443,142</u>	<u>\$ 150,443,142</u>	<u>\$ 110,915,845</u>	<u>\$ 110,915,845</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

Long-term investments include the board designated reserves, term endowments and annuity and charitable remainder trusts. At December 31, 2014 and 2013, long-term investments consisted of the following:

Cost and market values at December 31 are summarized as follows:

<u>Net Assets</u>	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Unrestricted – Board Designated Reserves	\$ 1,434,701	\$ 1,442,024	\$ 1,281,025	\$ 1,310,179
Unrestricted – Revocable Endowment	2,097,983	2,159,461	-	-
Temporarily Restricted – Term Endowment	1,063,231	1,063,231	1,729,907	1,769,277
Permanently Restricted – Endowment	<u>557,939</u>	<u>574,444</u>	<u>434,018</u>	<u>443,895</u>
Total	<u>\$ 5,153,854</u>	<u>\$ 5,239,160</u>	<u>\$ 3,444,950</u>	<u>\$ 3,523,351</u>

The components of marketable securities at December 31 are:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Board Designated/Revocable Endowment/ Term Endowment/Endowment				
Money Market	\$ 1,163,060	\$ 1,163,060	\$ 201,277	\$ 201,277
Equities	-	-	1,732,624	1,857,885
Mutual Funds				
Equities	2,671,360	2,779,891	785,000	741,572
Fixed Income	<u>1,319,434</u>	<u>1,296,209</u>	<u>726,049</u>	<u>722,617</u>
Total Board Designated/Term Endowment/Endowment Investments	<u>5,153,854</u>	<u>5,239,160</u>	<u>3,444,950</u>	<u>3,523,351</u>
Annuity and Charitable Remainder Trusts				
Equities	112,927	113,160	-	-
Mutual Funds				
Money Market	2,107,846	2,107,846	723,515	723,515
Fixed Income	2,811,903	2,721,665	2,022,501	1,976,093
Equity	7,895,159	8,711,482	7,594,140	8,607,231
Municipal Bonds	1,217,873	1,220,950	1,247,150	1,216,511
U.S. Government Obligations	<u>51,682</u>	<u>50,782</u>	<u>61,669</u>	<u>61,256</u>
Total annuity and charitable remainder trusts	<u>14,197,390</u>	<u>14,925,885</u>	<u>11,648,975</u>	<u>12,584,606</u>
Total Long-Term Investments	<u>\$ 19,351,244</u>	<u>\$ 20,165,045</u>	<u>\$ 15,093,925</u>	<u>\$ 16,107,957</u>

As of December 31, 2014 and 2013, unrealized gains consist of \$813,801 and \$1,014,032, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

Investment return for the years ended December 31, 2014 and 2013 is calculated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
Interest and dividends from investments	\$ 176,333	\$ 310,890	\$ 487,223	\$ 464,433
Less: Investment advisory fees	<u>(19,075)</u>	<u>(90,803)</u>	<u>(109,878)</u>	<u>(100,858)</u>
Subtotal investment income, net	<u>157,258</u>	<u>220,087</u>	<u>377,345</u>	<u>363,575</u>
Realized gains (losses) on sales of securities	(42,840)	105,171	62,331	540,335
Net change in unrealized gains (losses) on investments	<u>40,627</u>	<u>(240,857)</u>	<u>(200,230)</u>	<u>250,935</u>
Subtotal unrealized and realized gain (loss)	<u>(2,213)</u>	<u>(135,686)</u>	<u>(137,899)</u>	<u>791,270</u>
Total investment return	<u>\$ 155,045</u>	<u>\$ 84,401</u>	<u>\$ 239,446</u>	<u>\$ 1,154,845</u>

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, 2014 and 2013 is as follows:

	<u>2014</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Current Investments				
Common Stock	\$ 35,800	\$ 35,800	\$ -	\$ -
Money Market Funds	142,438,720	142,438,720	-	-
Certificates of Deposit	7,968,622	-	7,968,622	-
Long-Term Investments				
Equities	113,160	113,160	-	-
Money Market Funds	3,270,906	3,270,906	-	-
Fixed Income Mutual Funds	4,017,874	4,017,874	-	-
Equity Mutual Funds	11,491,373	11,491,373	-	-
U.S. Government Obligations	50,782	-	50,782	-
Municipal Bonds	<u>1,220,950</u>	<u>-</u>	<u>1,220,950</u>	<u>-</u>
Totals	<u>\$ 170,608,187</u>	<u>\$ 161,367,833</u>	<u>\$ 9,240,354</u>	<u>\$ -</u>

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

December 31, 2014 And 2013

	2013			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Current Investments				
Common Stock	\$ 38,339	\$ 38,339	\$ -	\$ -
Money Market Funds	99,489,730	99,489,730	-	-
Certificates of Deposit	11,387,776	-	11,387,776	-
Long-Term Investments				
Equities	1,857,885	1,857,885	-	-
Money Market Funds	924,792	924,792	-	-
Fixed Income Mutual Funds	2,698,710	2,698,710	-	-
Equity Mutual Funds	9,348,803	9,348,803	-	-
U.S. Government Obligations	61,256	-	61,256	-
Municipal Bonds	<u>1,216,511</u>	<u>-</u>	<u>1,216,511</u>	<u>-</u>
Totals	<u>\$ 127,023,802</u>	<u>\$ 114,358,259</u>	<u>\$ 12,665,543</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the year ended December 31, 2014 and 2013.

(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 2014 and 2013 were \$350,000 and \$1,761,000, respectively, (before discount and allowance adjustments) and are recorded as pledged contributions in the statement of activities and changes in net assets. Based on a modification of pledge intention letters, a total of approximately \$695,000 relating to fiscal 2013 and prior years outstanding pledges were adjusted during the year ended December 31, 2014. At December 31, 2014 and 2013, pledges receivable were due as follows:

	<u>2014</u>	<u>2013</u>
In less than one year	\$ 1,360,640	\$ 2,733,390
Between one and five years	960,000	2,572,000
More than five years	<u>220,000</u>	<u>330,000</u>
Total pledges outstanding	2,540,640	5,635,390
Less: discount to present value at 2.7% and 2.4%	(103,466)	(212,192)
Less: allowance for uncollectible pledges	<u>(244,717)</u>	<u>(732,320)</u>
Total pledges receivable – net	<u>\$ 2,192,457</u>	<u>\$ 4,690,878</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

(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 2014 and 2013 was approximately \$1,079,000 and \$1,091,000, respectively.

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

2015	\$ 994,455
2016	1,010,625
2017	1,026,795
2018	1,042,965
2019	1,059,135
2020 and thereafter	<u>1,617,000</u>
	<u>\$ 6,750,975</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 \$82,073 at December 31, 2014. Future minimum lease payments under this capital lease together with the present value of the net minimum lease payments at December 31, 2014 are as follows:

2015	\$ 15,301
2016	<u>11,940</u>
Total minimum lease payments	27,241
Less: Amounts representing interest	<u>1,503</u>
Present value of minimum lease payments	<u>\$ 25,738</u>

(7) PENSION PLAN

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 \$5,500 per year for all employees who have reached the age of 50 and elect to contribute the additional funds into their 401k 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, 2014 and 2013, MSF USA contributed approximately \$961,000 and \$914,000, to the plan.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

(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 \$1,416,944 and \$1,373,517 as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

Temporarily restricted net assets at December 31, 2014 and 2013 consist of:

	<u>2014</u>	<u>2013</u>
Emergency and medical relief	\$ 16,105,984	\$ 6,200,612
Annuity and charitable remainder trusts	6,943,254	6,199,175
Term endowments	924,059	1,689,299
Use in future periods – pledges receivable*	2,192,457	4,690,878
Accumulated endowment income	<u>38,609</u>	<u>25,389</u>
	<u>\$ 26,204,363</u>	<u>\$ 18,805,353</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>2014</u>
Emergency and medical relief	\$ 27,391,712
Endowment income	17,613
Time restrictions expired	<u>3,300,016</u>
	<u>\$ 30,709,341</u>

ENDOWMENT FUNDS

MSF USA's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by MSF USA to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 And 2013

INTERPRETATION OF RELEVANT LAW

MSF USA is incorporated in the state of New York, which has enacted a version of the Uniform Prudent Management of Institutional Funds Act (“*UPMIFA*”). UPMIFA governs donor institutional funds for not-for-profit corporations, including endowment funds. MSF USA has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring a prudent appropriation of the endowment fund’s assets, taking into account any explicit donor stipulations or restrictions on the appropriation or expenditure of assets. As a result, MSF USA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MSF USA. MSF USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of MSF USA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of MSF USA
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
- (8) The investment policies of MSF USA

RETURN OBJECTIVES AND RISK PARAMETERS

The total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, MSF USA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MSF USA targets a diversified asset allocation that places a greater emphasis on socially responsible, equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY

MSF USA adopted a spending policy of appropriating a 4% distribution per year using a twelve-quarter rolling average of its endowment funds’ fair value. For the year ended December 31, 2014, a distribution of \$59,865 was made.

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

December 31, 2014 And 2013

FUNDS WITH DEFICIENCIES

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, 2014, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2014 and 2013:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 38,609	\$ 634,017	\$ 672,626
Board-designated endowment funds	<u>1,416,944</u>	-	-	<u>1,416,944</u>
Total Funds	<u>\$ 1,416,944</u>	<u>\$ 38,609</u>	<u>\$ 634,017</u>	<u>\$ 2,089,570</u>

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 25,389	\$ 534,017	\$ 559,406
Board-designated endowment funds	<u>1,373,517</u>	-	-	<u>1,373,517</u>
Total Funds	<u>\$ 1,373,517</u>	<u>\$ 25,389</u>	<u>\$ 534,017</u>	<u>\$ 1,932,923</u>

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.

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,373,517	\$ 25,389	\$ 534,017	\$ 1,932,923
Contributions	-	-	100,000	100,000
Investment return	85,679	30,833	-	116,512
Endowment income designated for current operations	<u>(42,252)</u>	<u>(17,613)</u>	-	<u>(59,865)</u>
Endowment net assets, end of year	<u>\$ 1,416,944</u>	<u>\$ 38,609</u>	<u>\$ 634,017</u>	<u>\$ 2,089,570</u>

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,252,498	\$ -	\$ 285,476	\$ 1,537,974
Contributions	-	-	248,541	248,541
Investment return	<u>121,019</u>	<u>25,389</u>	-	<u>146,408</u>
Endowment net assets, end of year	<u>\$ 1,373,517</u>	<u>\$ 25,389</u>	<u>\$ 534,017</u>	<u>\$ 1,932,923</u>

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

December 31, 2014 And 2013

(9) GRANTS

During the years ended December 31, 2014 and 2013, 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>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
Afghanistan	\$ 8,057,012	\$ 5,500,000	Mexico	\$ 2,435,420	\$ -
Armenia	1,442,713	517,500	Mozambique	1,200,000	1,700,000
Bangladesh	100,000	500,000	Myanmar	785,000	3,006,820
Bolivia	270,000	-	Niger	8,190,209	3,062,591
Burkina Faso	771,341	455,000	Nigeria	5,178,323	4,600,000
Cambodia	885,579	20,000	Pakistan	9,422,598	4,550,000
Cameroon	600,000	1,000,000	Palestinian Territories	2,130,000	2,200,000
Central African Republic	9,096,502	8,154,480	Papua New Guinea	1,507,500	-
Chad	5,861,935	4,690,000	Philippines	1,335,000	4,403,446
Colombia	4,218,800	1,000,000	Russia (North Caucasus)	2,458,506	1,850,000
Congo (Brazzaville)	-	500,000	Sierra Leone	5,808,383	3,000,000
Congo (DRC)	23,803,135	21,736,220	Somalia	-	6,511,792
Egypt	600,000	951,440	South Africa	3,600,000	1,600,000
Ethiopia	8,310,640	3,257,412	South Korea		
Georgia	1,028,491	500,000	(North Korean Refugees)	150,000	150,000
Guinea	3,526,183	900,000	South Sudan	32,472,441	11,675,207
Guinea – Bissau	935,000	-	Sudan	2,909,320	1,210,896
Haiti	15,271,326	16,650,000	Swaziland	2,300,000	2,550,000
Honduras	300,000	600,000	Syria	3,310,088	4,670,000
India	1,910,000	500,000	Turkey	-	961,463
Iraq	4,685,518	1,339,493	Uganda	3,513,977	690,000
Ivory Coast	1,564,253	20,000	Ukraine	1,800,000	2,000,000
Jordan	9,924,131	10,044,640	Uzbekistan	1,110,000	1,000,000
Kenya	5,899,878	4,922,500	Yemen	7,599,862	5,950,000
Kyrgyzstan	800,000	2,300,000	Zimbabwe	1,260,000	4,129,238
Lebanon	800,000	50,000	Access Campaign	791,748	741,800
Lesotho	-	500,000	Drugs for Neglected		
Liberia	3,000,000	-	Diseases Initiative	901,500	1,445,946
Madagascar	414,222	500,000	Epicentre	3,229,571	430,000
Malawi	785,594	1,500,000	MSF International Office	2,347,853	2,142,612
Mali	5,889,021	3,601,082	International Innovation Fund	<u>108,839</u>	<u>2,004,302</u>
Mauritania	2,400,000	688,640	Total	<u>\$ 231,007,412</u>	<u>\$ 171,134,520</u>

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 20, 2015, have been evaluated in the preparation of the financial statements.