

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

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

DECEMBER 31, 2013 AND 2012

**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, 2013 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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 10, 2014**

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 19,562,519	\$ 28,701,310
Current investments (<i>Note 3</i>)	110,915,845	99,156,333
MSF network receivables	2,716,111	2,113,520
Contributions receivable (<i>Note 4</i>)	21,187,373	18,718,556
Pledges receivable (<i>Note 5</i>)	4,690,878	5,368,994
Prepaid expenses and other	724,574	1,095,276
Long-term investments (<i>Note 3</i>)	16,107,957	12,409,467
Equipment, net of accumulated depreciation of \$2,238,245 in 2013 and \$2,044,106 in 2012	<u>956,681</u>	<u>1,083,775</u>
Total Assets	<u>\$ 176,861,938</u>	<u>\$ 168,647,231</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 1,530,556	\$ -
Accounts payable and accrued expenses	3,608,333	2,894,129
MSF network payables	25,629	14,138
Capitalized lease obligation (<i>Note 6</i>)	49,092	68,800
Annuity and other life income agreement obligations	<u>5,771,728</u>	<u>4,757,730</u>
Total Liabilities	<u>10,985,338</u>	<u>7,734,797</u>
NET ASSETS (<i>Note 8</i>)		
Unrestricted		
Undesignated	145,227,051	147,895,704
Reserves	<u>1,310,179</u>	<u>1,252,498</u>
Total unrestricted	146,537,230	149,148,202
Temporarily restricted	18,805,353	11,478,756
Permanently restricted	<u>534,017</u>	<u>285,476</u>
Total Net Assets	<u>165,876,600</u>	<u>160,912,434</u>
Total Liabilities and Net Assets	<u>\$ 176,861,938</u>	<u>\$ 168,647,231</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, 2013 With Summarized Information For 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
REVENUES					
Public Support					
Contributions and private grants					
Individual donors/Marketing	\$ 89,502,745	\$ 10,574,309	\$ -	\$ 100,077,054	\$ 87,027,896
Sustainer giving	19,879,895	21,162	-	19,901,057	18,223,079
Major gifts	38,494,306	3,674,409	-	42,168,715	42,236,685
Planned giving	26,964,686	1,120,893	248,541	28,334,120	24,241,761
Foundations	4,435,556	3,027,603	-	7,463,159	6,092,110
Corporations	6,933,602	2,115,463	-	9,049,065	6,325,563
Contributions pledged					
Major gifts	-	868,836	-	868,836	2,608,481
Foundations	-	1,124,511	-	1,124,511	2,549,880
Total Public Support	<u>186,210,790</u>	<u>22,527,186</u>	<u>248,541</u>	<u>208,986,517</u>	<u>189,305,455</u>
Other Revenue					
Investment income, net	89,351	267,841	-	357,192	212,526
Unrealized and realized gain on investments, net	85,503	686,761	-	772,264	605,362
Actuarial gain on annuity and trust obligations	-	136,922	-	136,922	(32,291)
Other revenue	44,940	-	-	44,940	46,164
MSF network grants	2,782,134	-	-	2,782,134	2,549,507
Seconded field staff grants	8,500,206	-	-	8,500,206	8,122,470
Total Other Revenue	<u>11,502,134</u>	<u>1,091,524</u>	<u>-</u>	<u>12,593,658</u>	<u>11,503,738</u>
Total Public Support and Other Revenue	<u>197,712,924</u>	<u>23,618,710</u>	<u>248,541</u>	<u>221,580,175</u>	<u>200,809,193</u>
Contributions of Services					
In-Kind (Note 2)	<u>1,404,695</u>	<u>-</u>	<u>-</u>	<u>1,404,695</u>	<u>2,538,868</u>
Net assets released from restrictions (Note 8)	<u>16,317,502</u>	<u>(16,317,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and In-Kind Services	<u>215,435,121</u>	<u>7,301,208</u>	<u>248,541</u>	<u>222,984,870</u>	<u>203,348,061</u>
EXPENSES					
Program Services					
Emergency and medical programs	171,134,520	-	-	171,134,520	162,566,427
Program support and development	5,915,520	-	-	5,915,520	5,363,430
Field staff	8,637,536	-	-	8,637,536	8,304,843
Communications	3,572,066	-	-	3,572,066	3,600,491
Total Program Services	<u>189,259,642</u>	<u>-</u>	<u>-</u>	<u>189,259,642</u>	<u>179,835,191</u>
Supporting Services					
Management and general	2,723,698	-	-	2,723,698	2,635,325
Fundraising	24,658,058	-	-	24,658,058	24,517,940
Total Supporting Services	<u>27,381,756</u>	<u>-</u>	<u>-</u>	<u>27,381,756</u>	<u>27,153,265</u>
Total Expenses	<u>216,641,398</u>	<u>-</u>	<u>-</u>	<u>216,641,398</u>	<u>206,988,456</u>
In-Kind Services (Note 2)					
Management	<u>1,404,695</u>	<u>-</u>	<u>-</u>	<u>1,404,695</u>	<u>2,538,868</u>
Total In-Kind Services	<u>1,404,695</u>	<u>-</u>	<u>-</u>	<u>1,404,695</u>	<u>2,538,868</u>
Total Expenses and In-Kind Services	<u>218,046,093</u>	<u>-</u>	<u>-</u>	<u>218,046,093</u>	<u>209,527,324</u>
Excess (deficit) of revenue over expenses	(2,610,972)	7,301,208	248,541	4,938,777	(6,179,263)
Other Changes					
Investment return in excess of amounts designated for operations	-	25,389	-	25,389	-
Increase (decrease) in net assets	(2,610,972)	7,326,597	248,541	4,964,166	(6,179,263)
Net Assets					
Beginning 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>
End 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>

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, 2013 And 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 4,964,166	\$ (6,179,263)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation expense	194,139	192,944
Unrealized and realized gains on long-term investments	(791,270)	(605,362)
Actuarial (gain) loss on annuity and trust obligations	(136,922)	32,291
Actuarial liability for annuities and trusts issued	1,930,520	1,272,524
(Increase) decrease in		
Current investments	(11,759,512)	27,789,268
Contributions receivable	(2,468,817)	(1,886,965)
MSF network receivables	(602,591)	1,181,156
Prepaid expenses and other	370,702	(82,347)
Pledges receivable	678,116	(2,906,970)
Increase (decrease) in		
Grants payable	1,530,556	(2,732,085)
Accounts payable and accrued expenses	714,204	211,388
MSF network payables	<u>11,491</u>	<u>1,719</u>
Net cash provided by (used for) operating activities	<u>(5,365,218)</u>	<u>16,288,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(67,045)	(252,951)
Purchases of long-term investments	(9,531,969)	(6,710,681)
Proceeds from sales of long-term investments	6,624,749	5,318,118
Annuity and trust payments	<u>(779,600)</u>	<u>(731,535)</u>
Net cash used for investing activities	<u>(3,753,865)</u>	<u>(2,377,049)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of capitalized lease obligations	<u>(19,708)</u>	<u>(18,403)</u>
Net cash provided by financing activities	<u>(19,708)</u>	<u>(18,403)</u>
Net increase (decrease) in cash	(9,138,791)	13,892,846
CASH		
Beginning of year	<u>28,701,310</u>	<u>14,808,464</u>
End of year	<u>\$ 19,562,519</u>	<u>\$ 28,701,310</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 4,466</u>	<u>\$ 5,957</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2013 With Summarized Information For 2012

	Program Services				Supporting Services			Total Expenses	
	Programs And Support (1)	Field Staff (2)	Communications	Total	Management And General	Fundraising	Total	2013	2012
Salaries and benefits	\$ 4,401,485	\$ 7,665,028	\$ 1,808,424	\$ 13,874,937	\$ 1,888,259	\$ 3,121,340	\$ 5,009,599	\$ 18,884,536	\$ 17,500,388
Grants for emergency and medical projects (Note 9)	171,134,520	-	-	171,134,520	-	-	-	171,134,520	162,566,427
Printing and publications	3,752	-	459,721	463,473	780	6,277,662	6,278,442	6,741,915	7,642,060
Rent and occupancy costs	401,799	-	276,579	678,378	172,060	467,586	639,646	1,318,024	1,223,377
Consultancy and project development	392,930	107,556	490,554	991,040	138,068	3,668,923	3,806,991	4,798,031	3,920,359
Fundraising services	887	-	573	1,460	2,422	4,731,690	4,734,112	4,735,572	4,663,998
Office expense and management	29,566	-	22,971	52,537	81,801	111,456	193,257	245,794	258,527
Office supplies	10,119	-	6,565	16,684	4,184	11,692	15,876	32,560	41,000
Insurance – office and field	-	-	2,922	2,922	44,222	12,557	56,779	59,701	57,902
Postage/freight/shipping	9,180	14,657	199,867	223,704	2,643	5,857,687	5,860,330	6,084,034	6,221,527
Professional fees	3,434	-	1,832	5,266	57,332	100,120	157,452	162,718	196,043
Travel and transportation	436,181	780,436	99,544	1,316,161	178,346	62,060	240,406	1,556,567	1,736,080
Financial services	13,497	69,859	11,697	95,053	70,013	22,496	92,509	187,562	132,509
Telecommunications	62,425	-	139,728	202,153	27,901	81,141	109,042	311,195	328,376
Dues and subscription	6,172	-	2,395	8,567	2,575	19,641	22,216	30,783	23,138
Recruiting and relocation	28,003	-	2,587	30,590	3,723	19,022	22,745	53,335	83,017
Representation/meetings	56,483	-	6,464	62,947	23,846	23,619	47,465	110,412	200,784
Total expenses before depreciation	176,990,433	8,637,536	3,532,423	189,160,392	2,698,175	24,588,692	27,286,867	216,447,259	206,795,512
Depreciation of equipment	59,607	-	39,643	99,250	25,523	69,366	94,889	194,139	192,944
Total expenses	\$ 177,050,040	\$ 8,637,536	\$ 3,572,066	\$ 189,259,642	\$ 2,723,698	\$ 24,658,058	\$ 27,381,756	\$ 216,641,398	\$ 206,988,456

(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, 2013 And 2012

(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 (2010 – 2012) or expected to be taken in MSF USA’s 2013 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, 2012 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, 2013 And 2012

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, 2013 And 2012

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 \$1,404,695 and \$2,538,868 for the years ended December 31, 2013 and 2012, 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.

(3) INVESTMENTS

The current investments at December 31, 2013 and 2012 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, 2013 and 2012 current investments consist of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Current Investments				
Certificates of Deposit	\$ 11,387,776	\$ 11,387,776	\$ 14,861,646	\$ 14,861,646
Common Stock	38,339	38,339	94,997	94,997
Money Market Funds	<u>99,489,730</u>	<u>99,489,730</u>	<u>84,199,690</u>	<u>84,199,690</u>
Total Current Investments	<u>\$ 110,915,845</u>	<u>\$ 110,915,845</u>	<u>\$ 99,156,333</u>	<u>\$ 99,156,333</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

Long-term investments include the board designated reserves, term endowments and annuity and charitable remainder trusts. At December 31, 2013 and 2012, long-term investments consisted of the following:

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

Net Assets	2013		2012	
	Cost	Market Value	Cost	Market Value
Unrestricted – Board Designated Reserves	\$ 1,281,025	\$ 1,310,179	\$ 1,125,748	\$ 1,252,498
Temporarily Restricted – Term Endowment	1,729,907	1,769,277	1,574,097	1,586,261
Permanently Restricted – Endowment	<u>434,018</u>	<u>443,895</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,444,950</u>	<u>\$ 3,523,351</u>	<u>\$ 2,699,845</u>	<u>\$ 2,838,759</u>

The components of marketable securities at December 31 are:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Board Designated/Term Endowment Investments				
Money Market	\$ 201,277	\$ 201,277	\$ 1,707,146	\$ 1,707,146
Certificates of Deposit	-	-	205,000	214,293
Common Stock	-	-	689,643	781,693
Corporate Bonds	-	-	25,000	28,002
Equities	1,732,624	1,857,885	-	-
Mutual Funds				
Equities	785,000	741,572	-	-
Fixed Income	726,049	722,617	-	-
Municipal Bonds	-	-	72,576	107,052
Mortgage and Asset Backed Securities	<u>-</u>	<u>-</u>	<u>480</u>	<u>573</u>
Total Board Designated/Term Endowment/Endowment Investments	<u>3,444,950</u>	<u>3,523,351</u>	<u>2,699,845</u>	<u>2,838,759</u>
Annuity and Charitable Remainder Trusts				
Mutual Funds				
Money Market	723,515	723,515	93,964	93,964
Fixed Income	2,022,501	1,976,093	3,040,470	3,229,601
Equity	7,594,140	8,607,231	5,099,610	5,536,486
Municipal Bonds	1,247,150	1,216,511	415,562	414,622
U.S. Government Obligations	<u>61,669</u>	<u>61,256</u>	<u>296,920</u>	<u>296,035</u>
Total annuity and charitable remainder trusts	<u>11,648,975</u>	<u>12,584,606</u>	<u>8,946,526</u>	<u>9,570,708</u>
Total Long-Term Investments	<u>\$ 15,093,925</u>	<u>\$ 16,107,957</u>	<u>\$ 11,646,371</u>	<u>\$ 12,409,467</u>

As of December 31, 2013 and 2012, unrealized gains consist of \$1,014,032 and \$763,096, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

Investment return for the years ended December 31, 2013 and 2012 is calculated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
Interest and dividends from investments	\$ 101,544	\$ 362,889	\$ 464,433	\$ 310,314
Less: Investment advisory fees	<u>(12,193)</u>	<u>(88,665)</u>	<u>(100,858)</u>	<u>(97,788)</u>
Subtotal investment income, net	<u>89,351</u>	<u>274,224</u>	<u>363,575</u>	<u>212,526</u>
Realized gains on sales of securities	108,005	432,330	540,335	43,136
Net change in unrealized gains (losses) on investments	<u>(22,502)</u>	<u>273,437</u>	<u>250,935</u>	<u>562,226</u>
Subtotal unrealized and realized gain (loss)	<u>85,503</u>	<u>705,767</u>	<u>791,270</u>	<u>605,362</u>
Total investment return	<u>\$ 174,854</u>	<u>\$ 979,991</u>	<u>\$ 1,154,845</u>	<u>\$ 817,888</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.

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

December 31, 2013 And 2012

The summary of inputs used to value MSF USA's investments as of December 31, 2013 and 2012 is as follows:

	2013			
	Total	Level 1	Level 2	Level 3
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	1,216,511	-	1,216,511	-
Totals	<u>\$ 127,023,802</u>	<u>\$ 114,358,259</u>	<u>\$ 12,665,543</u>	<u>\$ -</u>
	2012			
	Total	Level 1	Level 2	Level 3
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>

There were no transfers between Level 1 and 2 during the year ended December 31, 2013 and 2012.

(4) CONTRIBUTIONS RECEIVABLE

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

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

(5) PLEDGES RECEIVABLE

Total pledges received in 2013 and 2012 were \$1,761,000 and \$5,955,000, 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, 2013 and 2012, pledges receivable were due as follows:

	<u>2013</u>	<u>2012</u>
In less than one year	\$ 2,733,390	\$ 2,476,153
Between one and five years	2,572,000	3,634,400
More than five years	<u>330,000</u>	<u>450,000</u>
Total pledges outstanding	5,635,390	6,560,553
Less: discount to present value at 2.4%	(212,192)	(305,003)
Less: allowance for uncollectible pledges	<u>(732,320)</u>	<u>(886,556)</u>
Total pledges receivable – net	<u>\$ 4,690,878</u>	<u>\$ 5,368,994</u>

(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 2013 and 2012 was approximately \$1,091,000 and \$1,022,000, respectively.

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

2014	\$ 978,285
2015	994,455
2016	1,010,625
2017	1,026,795
2018	1,042,965
2019 and thereafter	<u>2,676,135</u>
	<u>\$ 7,729,260</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 \$60,961 at December 31, 2013. Future minimum lease payments under this capital lease together with the present value of the net minimum lease payments at December 31, 2013 are as follows:

2014	\$ 24,360
2015	17,332
2016	<u>11,940</u>
Total minimum lease payments	53,632
Less: Amounts representing interest	<u>4,540</u>
Present value of minimum lease payments	<u>\$ 49,092</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

(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, 2013 and 2012, MSF USA contributed approximately \$460,000 and \$447,000, respectively, to the headquarter employee plan and approximately \$454,000 and \$467,000, 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 \$1,310,179 and \$1,252,498 as of December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

Temporarily restricted net assets at December 31, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Emergency and medical relief	\$ 6,200,612	\$ 7,838
Annuity and charitable remainder trusts	6,199,175	4,515,673
Term endowments	1,689,299	1,586,251
Use in future periods – pledges receivable*	4,690,878	5,368,994
Accumulated endowment income	<u>25,389</u>	<u>-</u>
	<u>\$ 18,805,353</u>	<u>\$ 11,478,756</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>2013</u>
Emergency and medical relief	\$ 13,383,727
Time restrictions expired	<u>2,933,775</u>
	<u>\$ 16,317,502</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

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.

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 equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

SPENDING POLICY

In 2012, 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. No distribution was made for the year ended December 31, 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, 2013, no donor restricted endowment funds have fallen below the required level.

Endowment net asset composition by type of fund as of June 30, 2013 and 2012:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 25,389	\$ 534,017	\$ 559,406
Board-designated endowment funds	<u>1,316,179</u>	-	-	<u>1,316,179</u>
Total Funds	<u>\$ 1,316,179</u>	<u>\$ 25,389</u>	<u>\$ 534,017</u>	<u>\$ 1,875,585</u>

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ -	\$ 285,476	\$ 285,476
Board-designated endowment funds	<u>1,252,498</u>	-	-	<u>1,252,498</u>
Total Funds	<u>\$ 1,252,498</u>	<u>\$ -</u>	<u>\$ 285,476</u>	<u>\$ 1,537,974</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.

	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>63,681</u>	<u>25,389</u>	-	<u>89,070</u>
Endowment net assets, end of year	<u>\$ 1,316,179</u>	<u>\$ 25,389</u>	<u>\$ 534,017</u>	<u>\$ 1,875,585</u>

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,115,784	\$ -	\$ -	\$ 1,115,784
Contributions	-	-	285,476	285,476
Investment return	<u>136,714</u>	-	-	<u>136,714</u>
Endowment net assets, beginning of year	<u>\$ 1,252,498</u>	<u>\$ -</u>	<u>\$ 285,476</u>	<u>\$ 1,537,974</u>

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

December 31, 2013 And 2012

(9) GRANTS

During the years ended December 31, 2013 and 2012, 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>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
Afghanistan	\$ 5,500,000	\$ 5,700,000	Myanmar	\$ 3,006,820	\$ -
Armenia	517,500	835,000	Niger	3,062,591	1,800,000
Bangladesh	500,000	800,000	Nigeria	4,600,000	8,200,000
Bolivia	-	62,190	South Korea		
Burkina Faso	455,000	123,000	(North Korean Refugees)	150,000	150,000
Burundi	-	800,000	Pakistan	4,550,000	3,750,000
Cambodia	20,000	2,000	Palestinian Territories	2,200,000	2,500,000
Cameroon	1,000,000	1,000,000	Papua New Guinea	-	2,490,000
Central African Republic	8,154,480	6,139,957	Philippines	4,403,446	-
Chad	4,690,000	4,014,708	Russia (North Caucasus)	1,850,000	1,450,000
Colombia	1,000,000	2,554,746	Senegal	-	10,000
Congo (Brazzaville)	500,000	2,000,000	Sierra Leone	3,000,000	1,000,000
Congo (DRC)	21,736,220	17,098,542	Somalia	6,511,792	9,189,703
Egypt	951,440	300,000	South Africa	1,600,000	1,000,000
Ethiopia	3,257,412	2,597,556	South Sudan	11,675,207	10,422,759
Georgia	500,000	500,000	Sri Lanka	-	10,000
Guatemala	-	800,000	Sudan	1,210,896	1,030,470
Guinea	900,000	1,500,000	Swaziland	2,550,000	4,900,000
Haiti	16,650,000	13,700,000	Syria	4,670,000	3,320,658
Honduras	600,000	963,492	Turkey	961,463	-
India	500,000	800,000	Uganda	690,000	2,390,000
Iraq	1,339,493	1,100,000	Ukraine	2,000,000	1,863,800
Ivory Coast	20,000	4,900,000	USA	-	30,262
Jordan / Iraq	10,044,640	5,100,000	Uzbekistan	1,000,000	-
Kenya	4,922,500	3,369,738	Yemen	5,950,000	7,466,935
Kyrgyzstan	2,300,000	2,300,000	Zambia	-	1,990,075
Lebanon	50,000	1,900,000	Zimbabwe	4,129,238	3,150,000
Lesotho	500,000	500,000	Access Campaign	741,800	1,095,187
Liberia	-	12,000	Drugs for		
Madagascar	500,000	-	Neglected Diseases Initiative	1,445,946	1,447,842
Malawi	1,500,000	2,300,000	Epicentre	430,000	430,000
Mali	3,601,082	1,500,000	Logistique Expansion	-	1,288,201
Mauritania	688,640	5,000	MSF International Office	2,142,612	2,552,898
Mexico	-	559,708	International Innovation Fund	<u>2,004,302</u>	<u>-</u>
Mozambique	1,700,000	1,800,000	Total	<u>\$ 171,134,520</u>	<u>\$ 162,566,427</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 10, 2014, have been evaluated in the preparation of the financial statements.