

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

Financial Statements
Years Ended December 31, 2016 and 2015

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Contents

Independent Auditor's Report	3-4
Financial Statements:	
Statements of Financial Position as of December 31, 2016 and 2015	5
Statements of Activities for the Year Ended December 31, 2016 and 2015	6
Statements of Functional Expenses for the Year Ended December 31, 2016 and 2015	7
Statements of Cash Flows for the Year Ended December 31, 2016 and 2015	8
Notes to Financial Statements	9-23



Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. ("MSF USA"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Médecins Sans Frontières USA, Inc. d/b/a Doctors Without Borders USA, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

May 8, 2017

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

Statements of Financial Position

<i>December 31,</i>	2016	2015
Assets		
Cash and cash equivalents (Notes 2 and 15)	\$ 58,486,629	\$ 59,303,879
Short-term investments, at fair value (Notes 2 and 3)	161,273,057	163,850,715
MSF USA network receivables	3,502,632	4,193,819
Contributions receivable (Notes 2 and 4)	34,027,195	30,699,244
Pledges receivable, net (Notes 2 and 5)	9,409,563	9,920,205
Prepaid expenses and other assets	6,681,925	1,872,445
Long-term investments, at fair value (Notes 2 and 3)	28,319,769	22,527,171
Fixed assets, net (Notes 2 and 7)	44,688,872	1,860,356
Total Assets	\$346,389,642	\$294,227,834
Liabilities and Net Assets		
Liabilities:		
Grants payable (Note 2)	\$ 26,380,000	\$ 450,630
Accounts payable and accrued expenses	7,221,595	4,229,965
MSF USA network payables	116,186	7,140
Capitalized lease obligation	46,889	46,996
Revocable endowment (Note 2)	3,000,000	2,000,000
Annuity and other life income agreement obligations (Note 6)	11,390,111	9,573,021
Mortgage payable (Note 13)	11,006,448	-
Total Liabilities	59,161,229	16,307,752
Commitments and Contingencies (Notes 2, 6, 8, 9, 10, 11, 12, 13, 14 and 15)		
Net Assets (Notes 2, 3, 10, 11 and 12):		
Unrestricted:		
Undesignated	264,681,774	258,164,131
Board designated for reserves	1,472,063	1,388,265
Total Unrestricted	266,153,837	259,552,396
Temporarily restricted	20,340,846	17,694,964
Permanently restricted	733,730	672,722
Total Net Assets	287,228,413	277,920,082
Total Liabilities and Net Assets	\$346,389,642	\$294,227,834

See accompanying notes to financial statements.

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

Statements of Activities

Year ended December 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Revenues:					
Public support:					
Contributions and private grants:					
Individual donors/marketing	\$129,208,212	\$ 2,278,831	\$ -	\$131,487,043	\$126,636,848
Sustainer giving	30,345,805	4,175	-	30,349,980	26,912,181
Major gifts	85,327,564	3,124,479	-	88,452,043	83,808,747
Planned giving	67,235,708	2,274,914	24,521	69,535,143	48,888,291
Foundations	7,256,038	3,146,000	-	10,402,038	14,902,347
Corporations	19,576,654	1,340,843	-	20,917,497	21,559,457
Multi-year grants and contributions pledged	-	6,295,000	-	6,295,000	13,072,866
Total Public Support	338,949,981	18,464,242	24,521	357,438,744	335,780,737
Other Revenues:					
Investment income (loss), net (Notes 2 and 3)	(85,172)	1,382,734	36,487	1,334,049	(2,284,658)
Actuarial (loss) gain on annuity and trust obligations (Note 6)	-	(465,346)	-	(465,346)	(1,541,402)
Other revenues	111,690	-	-	111,690	223,292
Rental income, net	204,697	-	-	204,697	-
MSF network grants	4,585,569	-	-	4,585,569	3,814,732
Seconded field staff grants	9,792,654	-	-	9,792,654	8,998,978
Total Other Revenues	14,609,438	917,388	36,487	15,563,313	9,210,942
Total Public Support and Other Revenues	353,559,419	19,381,630	61,008	373,002,057	344,991,679
Contributions of In-kind Services (Note 2)	1,214,948	-	-	1,214,948	2,552,830
Net Assets Released From Restrictions (Note 11)	16,735,748	(16,735,748)	-	-	-
Total Revenues and In-Kind Services	371,510,115	2,645,882	61,008	374,217,005	347,544,509
Expenses:					
Program services:					
Emergency and medical programs	300,119,963	-	-	300,119,963	242,155,556
Program support and development	10,335,161	-	-	10,335,161	7,650,226
Field staff	9,655,651	-	-	9,655,651	9,078,997
Communications	5,485,291	-	-	5,485,291	3,663,141
Total Program Services	325,596,066	-	-	325,596,066	262,547,920
Supporting services:					
Management and general	5,099,917	-	-	5,099,917	3,196,661
Fundraising	32,608,630	-	-	32,608,630	29,774,314
Total Supporting Services	37,708,547	-	-	37,708,547	32,970,975
Total Expenses	363,304,613	-	-	363,304,613	295,518,895
In-kind Services (Note 2):					
Program	389,130	-	-	389,130	1,155,990
Management	1,214,931	-	-	1,214,931	1,057,830
Total In-kind Services	1,604,061	-	-	1,604,061	2,213,820
Total Expenses and In-kind Services	364,908,674	-	-	364,908,674	297,732,715
Change in Net Assets	6,601,441	2,645,882	61,008	9,308,331	49,811,794
Net Assets, Beginning of Year	259,552,396	17,694,964	672,722	277,920,082	228,108,288
Net Assets, End of Year	\$266,153,837	\$ 20,340,846	\$733,730	\$287,228,413	\$277,920,082

See accompanying notes to financial statements.

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

Statements of Functional Expenses

Year ended December 31,

	Program Services				Supporting Services			Total	
	Program and Support ⁽¹⁾	Field Staff ⁽²⁾	Communications	Total	Management and General	Fundraising	Total	2016	2015
Salaries and benefits	\$ 7,598,898	\$8,266,885	\$2,553,435	\$ 18,419,218	\$2,814,927	\$ 5,156,542	\$ 7,971,469	\$ 26,390,687	\$ 22,722,738
Grants for emergency and medical projects (Note 13)	300,119,963	-	-	300,119,963	-	-	-	300,119,963	242,155,556
Printing and publications	7,895	-	461,722	469,617	436	6,776,457	6,776,893	7,246,510	7,179,964
Rent and occupancy costs	371,672	-	259,809	631,481	233,499	565,661	799,160	1,430,641	1,310,153
Consultancy and project development	568,482	163,414	1,052,282	1,784,178	848,886	8,388,688	9,237,574	11,021,752	7,355,638
Fundraising services	1,722	-	3,053	4,775	62,866	5,326,888	5,389,754	5,394,529	5,290,624
Office expense and management	130,498	-	96,294	226,792	239,633	166,683	406,316	633,108	365,047
Office supplies	20,192	-	17,600	37,792	15,341	23,007	38,348	76,140	57,452
Insurance - office and field	186,553	357,300	86,203	630,056	299,206	174,220	473,426	1,103,482	116,584
Postage/freight/shipping	12,040	23,625	16,374	52,039	3,736	5,329,004	5,332,740	5,384,779	5,859,810
Professional fees	18,333	-	11,852	30,185	101,668	59,080	160,748	190,933	190,268
Travel and transportation	626,490	787,959	534,815	1,949,264	211,627	194,341	405,968	2,355,232	1,717,760
Bank charges and other fees	21,512	41,251	14,293	77,056	43,821	32,647	76,468	153,524	185,639
Interest expense	7,689	15,217	5,273	28,179	16,165	12,044	28,209	56,388	1,298
Telecommunications	76,000	-	46,879	122,879	25,951	107,194	133,145	256,024	161,135
Dues and subscriptions	55,475	-	19,096	74,571	74,905	82,907	157,812	232,383	231,647
Recruiting and relocation	112,431	-	16,162	128,593	53,836	37,599	91,435	220,028	165,338
Representation/meetings	24,600	-	11,767	36,367	10,316	70,002	80,318	116,685	112,857
Depreciation	494,679	-	278,382	773,061	43,098	105,666	148,764	921,825	339,387
Total Expenses	\$310,455,124	\$9,655,651	\$5,485,291	\$325,596,066	\$5,099,917	\$32,608,630	\$37,708,547	\$363,304,613	\$295,518,895

See accompanying notes to financial statements.

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

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

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

Statements of Cash Flows

<i>Year ended December 31,</i>	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 9,308,331	\$ 49,811,794
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,190,715	339,387
Contributions restricted for long-term purposes	(24,521)	(50,000)
Unrealized losses on investments	735,703	4,237,899
Realized losses (gains) on investments	726,559	(171,647)
Donated stock	(18,975,610)	(16,988,073)
Actuarial losses on annuity and trust obligations	465,346	1,541,402
Actuarial liability for annuities and trusts issued	2,089,921	2,256,152
(Increase) decrease in:		
MSF network receivables	691,187	(367,997)
Contributions receivable	(3,327,951)	(1,383,298)
Pledges receivable	510,642	(7,727,748)
Prepaid expenses and other assets	(4,809,480)	(18,379)
Increase (decrease) in:		
Grants payable	25,929,370	(53,407,372)
Accounts payable and accrued expenses	2,991,630	(141,184)
MSF network payables	109,046	(126,984)
Revocable endowment	1,000,000	-
Net Cash Provided By (Used In) Operating Activities	18,610,888	(22,196,048)
Cash Flows From Investing Activities:		
Purchases of fixed assets	(44,019,231)	(636,742)
Purchases of investments	(118,464,183)	(78,719,380)
Proceeds from sale of investments	132,762,591	8,434,140
Annuity and trust payments	(738,177)	(1,048,306)
Net Cash Used In Investing Activities	(30,459,000)	(71,970,288)
Cash Flows From Financing Activities:		
Capital lease obligations	(107)	21,258
Proceeds from mortgage payable	11,165,232	-
Principal payments on mortgage payable	(158,784)	-
Proceeds from contributions restricted for the Endowment Fund	24,521	50,000
Net Cash Provided By Financing Activities	11,030,862	71,258
Net Decrease in Cash and Cash Equivalents	(817,250)	(94,095,078)
Cash and Cash Equivalents, Beginning of Year	59,303,879	153,398,957
Cash and Cash Equivalents, End of Year	\$ 58,486,629	\$ 59,303,879
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 56,388	\$ 1,298

See accompanying notes to financial statements.

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

Notes to Financial Statements

1. Description of Organization

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

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

- to support 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.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Financial Statement Presentation

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

These classes are defined as follows:

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

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

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

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

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

Notes to Financial Statements

(c) Cash and Cash Equivalents

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

(d) Provision for Doubtful Accounts

MSF USA provides an allowance for doubtful accounts for pledges and contributions receivable which are specifically identified by management as to their uncertainty in regards to collectibility. Allowance for doubtful pledges receivable accounts was \$242,217 and \$ 244,717 at December 31, 2016 and 2015, respectively. There was no allowance for contributions receivable accounts for both years.

(e) Contributions and Promises to Give

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

(f) Fixed Assets

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

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

(g) Impairment of Long-Lived Assets

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, "Property, Plant and Equipment," requires MSF USA to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2016 and 2015.

(h) Contributed Services

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

(i) Grants Payable

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

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

Notes to Financial Statements

(j) Income Taxes

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

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on MSF USA's financial statements. MSF USA does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. MSF USA has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, MSF USA has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required to do so. For the years ended December 31, 2016 and 2015, there were no interest or penalties recorded or included in the statements of activities. As of December 31, 2016 and 2015, the years still subject to examination by a taxing authority are 2013 through 2016.

(k) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statements of activities, the prior year information is presented in total, not by net asset class. With respect to the statements of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSF USA's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(l) Use of Estimates

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

(m) Allocation Methodology

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

(n) Net Asset Classification

On September 17, 2010, New York State enacted New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designated to allow organizations to cope more easily with fluctuations in the value of their endowment and to afford them greater access to funds needed to support their programs and services in difficult financial times. This law should provide some relief to organizations that have found themselves with underwater endowments. It also expands the options available to

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

Notes to Financial Statements

organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes and certain trusts.

(o) Fair Value Measurements

ASC 820, "Fair Value Measurement," establishes a framework for measuring fair value, expands the disclosures about fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. MSF USA classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

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

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

(p) Revocable Endowment

Revocable endowment includes gifts which require by donor stipulation that the total donation be invested and only the income made available for program operations. The original donation total may be due back to the donor at the end of the term. The balance at December 31, 2016 and 2015 was \$3,000,000 and \$2,000,000, respectively.

(q) Risks and Uncertainties

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

(r) New Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets

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

Notes to Financial Statements

with donor restrictions," (b) modifying the presentation of endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for MSF USA's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

Accounting for Leases

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

Revenue From Contracts With Customers (Topic 606)

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

Investments Measured at Net Asset Value

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 was issued to address diversity in practice related to how certain investments measured at net asset value ("NAV") with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. The amendments eliminate the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. As such, certain fair value levelling disclosures are no longer required, although information must be disclosed so that users can reconcile amounts reported in the fair value hierarchy to the statement of financial position. The amendments are effective retrospectively for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. MSF USA has elected to early adopt ASU 2015-07.

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

Notes to Financial Statements

(s) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

3. Investments and Fair Value Measurements

At December 31, 2016 and 2015, short-term investments consist of the following:

December 31,

	2016		2015	
	Cost	Market	Cost	Market
Short-term Investments:				
Common stock	\$ 20,213	\$ 60,900	\$ 35,978	\$ 35,978
Equity securities - domestic	-	-	10,348,850	10,073,279
Exchange-traded funds and close-end funds	-	-	20,692,903	20,576,301
Corporate fixed income	54,177,549	52,641,523	12,920,895	12,977,675
Fixed income	72,705,546	71,720,841	32,502,890	32,097,761
Mutual funds - fixed income	4,955	4,955	30,713,477	30,713,476
Government securities	20,413,628	20,174,021	5,416,211	5,378,953
Municipal bonds	1,551,712	1,522,625	-	-
Money market funds	15,148,192	15,148,192	51,992,832	51,997,292
Total short-term investments	\$164,021,795	\$161,273,057	\$164,624,036	\$163,850,715

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

Money Market Funds

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

Equities

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

Mutual Funds

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

Fixed Income, Government Securities and Municipal Bonds

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

Certificates of Deposit

Certificates of deposit are valued at the last reported value by the banking institution and are classified at Level 1.

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

Notes to Financial Statements

MSF USA had no financial assets and liabilities that were measured at fair value on a non-recurring basis during the years ended December 31, 2016 and 2015. In addition, there were no transfers between levels during the years ended December 31, 2016 and 2015.

Long-term investments include the board-designated reserves, term endowments and annuity and charitable remainder trusts. At December 31, 2016 and 2015, long-term investments consisted of the following:

December 31,

	2016		2015	
	Cost	Market Value	Cost	Market Value
Board-designated/revocable endowment/term endowment/endowment:				
Money market funds	\$ 1,324,588	\$ 1,324,588	\$ 188,126	\$ 188,136
Equities	2,685,969	2,724,591	3,009,532	2,780,105
Fixed income	2,422,000	2,327,823	1,209,468	1,168,587
Hedge funds	-	-	568,971	544,747
Real estate	-	-	262,560	253,756
Tangible assets	-	-	107,300	81,606
Total board-designated/term endowment/endowment investments	6,432,557	6,377,002	5,345,957	5,016,937
Annuity and charitable remainder trusts:				
Money market funds	1,679,412	1,679,412	1,740,391	1,740,391
Mutual funds	6,070,189	5,984,456	-	-
Fixed income	-	-	4,078,189	3,894,558
Equities	12,071,392	12,453,405	10,907,985	10,487,175
Municipal bonds	1,656,862	1,648,305	1,335,873	1,337,582
U.S. government obligations	178,146	177,189	51,035	50,528
Total annuity and charitable remainder trusts	21,656,001	21,942,767	18,113,473	17,510,234
Total long-term investments	\$28,088,558	\$28,319,769	\$23,459,430	\$22,527,171

Net investment income (loss) consisted of the following:

<i>Year ended December 31,</i>	2016	2015
Interest and dividend income, net	\$2,796,311	\$ 1,781,594
Net realized (loss) gain on investments	(726,559)	171,647
Net unrealized loss on investments	(735,703)	(4,237,899)
	\$1,334,049	\$(2,284,658)

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

Notes to Financial Statements

The following tables show, by level within the fair value hierarchy, MSF USA's financial assets that are accounted for at fair value on a recurring basis as of December 31, 2016 and 2015. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. MSF USA's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

December 31, 2016

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

December 31, 2015

	Level 1	Level 2	Total
Money market funds	\$ 53,856,484	\$-	\$ 53,856,484
Equities	23,340,558	-	23,340,558
Mutual funds - fixed income*	-	-	30,713,476
Corporate bonds	12,977,675	-	12,977,675
Government bonds	5,429,481	-	5,429,481
Common stock	35,978	-	35,978
Fixed income	37,230,242	-	37,230,242
Non-traditional mutual funds	544,747	-	544,747
Real estate	253,756	-	253,756
Tangible assets	81,606	-	81,606
Municipal bonds	1,337,582	-	1,337,582
Certificates of deposit	20,576,301	-	20,576,301
	\$155,664,410	\$-	\$186,377,886

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

4. Contributions Receivable

Contributions receivable represents contributions received by MSF USA as of year-end, but deposited in the following month of January. The contributions receivable balance was \$34,027,195 and \$30,699,244 at December 31, 2016 and 2015, respectively.

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

Notes to Financial Statements

5. Pledges Receivable, Net

As of December 31, 2016 and 2015, MSF USA had pledges receivable of \$9,755,246 and \$10,268,388, respectively.

As of December 31, 2016 and 2015, the net present value of pledges receivable was calculated at 1.06% and 1.00% discount rates, respectively. These rates are equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time the contributions are made and equal in duration to the length of time that contribution is expected to be paid over.

The following represents future payments due:

Amount due in:	
2017	\$6,626,246
2 - 5 years	3,129,000
<hr/>	
Contributions pledged	9,755,246
Pledge bad debt allowance	(242,217)
Net present value discount	(103,466)
<hr/>	
Net present value	\$9,409,563

6. Charitable Gift Annuities Payable

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of the donor or beneficiary. During the term of the agreement, MSF USA acts as custodian of these funds, whereby the asset and the net present value of the related liability are reflected in the statements of financial position. After the term of the agreement, the remaining assets belong to MSF USA. At December 31, 2016 and 2015, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of \$21,942,767 and \$17,510,234 and the related liability amounted to \$11,390,111 and \$9,573,021, respectively.

The actuarial loss on annuity and trust obligations amounted \$465,346 and \$1,541,402 for 2016 and 2015, respectively.

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

Notes to Financial Statements

7. Fixed Assets, Net

Fixed assets, net consists of the following:

<i>December 31,</i>	2016	2015
Furniture, fixtures and equipment	\$ 2,262,792	\$ 1,500,280
Intangible assets	2,291,373	1,240,920
Leasehold improvements	1,190,225	1,175,675
Building	41,946,937	-
Construction-in-progress	244,780	-
Total fixed assets	47,936,107	3,916,875
Less: Accumulated depreciation and amortization	(3,247,235)	(2,056,519)
Fixed assets, net	\$44,688,872	\$ 1,860,356

Total depreciation expense for 2016 amounted to \$921,825.

On October 7, 2016, MSF USA acquired two floors of an office building located in downtown Manhattan for \$40,909,480. The acquisition was partially financed with an \$11,165,232 fixed rate mortgage (Note 13).

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

The estimated cost to complete the construction-in-progress at December 31, 2016 was approximately \$15,000,000.

8. Pension Plans

MSF USA formerly had two 401(k) defined contribution plans covering all headquarter employees and field employees. These plans were merged effective January 1, 2014. Under the merged plan, employees may contribute the lesser of 85% of their salaries or IRS contribution limit. In addition to the IRS contribution limit, there is a catch-up provision of an additional \$6,000 per year for all employees who have reached the age of 50 and elect to contribute the additional funds into their 401(k) account. For all employees, MSF USA matches each contribution up to \$1,200 per year and provides a yearly safe harbor distribution of not less than 3%. Employer contributions under the merged plan vest over a two-year period. During the years ended December 31, 2016 and 2015, MSF USA contributed \$1,116,411 and \$953,159, respectively.

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

Notes to Financial Statements

9. Lease Commitments

MSF USA has a noncancellable operating lease for its office space with an expiration date of June 2021. Rental payments required under the lease are reported as expense on a straight-line basis over the term of the lease. At December 31, 2016, future minimum rental payments under this operating lease are as follows:

<i>Fiscal year ending</i>	Amount
2017	\$1,026,795
2018	1,042,965
2019	1,059,135
2020	1,075,305
2021	541,695
Total	\$4,745,895

Rent expense was \$947,055 for both 2016 and 2015.

10. Board-Designated Fund

The Board of Directors designated a bequest received in prior years as a reserve balance. The balance in this reserve fund was \$1,472,063 and \$1,388,265 as of December 31, 2016 and 2015, respectively. As of December 31, 2016, MSF USA had adequate reserves among its assets for its charitable gift annuity program.

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

Temporarily restricted net assets at December 31, 2016 and 2015 consisted of the following:

<i>December 31,</i>	2016	2015
Emergency and medical relief	\$ 409,039	\$ 383,921
Annuity and charitable remainder trusts	9,492,328	6,693,377
Term endowments	991,307	658,852
Use in future periods - pledge receivables	9,409,563	9,920,205
Accumulated endowment income	38,609	38,609
Total	\$20,340,846	\$17,694,964

Net assets were released from donor restrictions at December 31, 2016 and 2015 by incurring expenses satisfying the restricted purposes specified by donors:

<i>December 31,</i>	2016	2015
Emergency and medical relief	\$ 9,930,106	\$33,118,266
Time restrictions expired	6,805,642	5,345,118
Total	\$16,735,748	\$38,463,384

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

Notes to Financial Statements

12. Endowment Fund

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

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

MSF USA did not spend any of the endowment investment during 2016.

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state standards require MSF USA to retain as a fund of perpetual duration. At December 31, 2016, no donor-restricted endowment funds have fallen below the required level.

The following table represents the endowment net asset composition by type of fund as of December 31, 2016 and 2015:

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$25,389	\$733,730	\$ 759,119	\$ -	\$25,389	\$672,722	\$ 698,111
Board-designated endowment funds	1,472,063	-	-	1,472,063	1,388,265	-	-	1,388,265
Total funds	\$1,472,063	\$25,389	\$733,730	\$2,231,182	\$1,388,265	\$25,389	\$672,722	\$2,086,376

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.

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

Notes to Financial Statements

The following table represents the reconciliation of changes in endowment net assets for the years ended December 31, 2016 and 2015:

<i>Year ended December 31,</i>	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Endowment net assets, beginning of year	\$1,388,265	\$25,389	\$672,722	\$2,086,376	\$1,416,944	\$25,389	\$634,019
Contributions	-	-	24,521	24,521	-	-	50,000	50,000
Investment return	83,798	-	36,487	120,285	(28,679)	-	(11,297)	(39,976)
Endowment income designated for current operation	-	-	-	-	-	-	-	-
Endowment net assets, end of year	\$1,472,063	\$25,389	\$733,730	\$2,231,182	\$1,388,265	\$25,389	\$672,722	\$2,086,376

13. Mortgage Payable

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

Balance of mortgage payable was \$11,006,448 at December 31, 2016.

The future required minimum payments are as follows:

<i>Year ending December 31,</i>	
2017	\$ 642,637
2018	655,789
2019	669,212
2020	682,401
2021	696,876
2022 and thereafter	7,659,533
	\$11,006,448

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

Notes to Financial Statements

14. Grants

During the years ended December 31, 2016 and 2015, MSF USA awarded grants for emergency and medical relief projects to Médecins Sans Frontières international members for overseas operations and to the Drugs for Neglected Diseases Initiative, a not-for-profit organization, of which MSF USA is a founding member, as follows:

<i>Year ended December 31,</i>	2016	2015
Afghanistan	\$ 4,615,780	\$ 7,629,552
Armenia	430,000	1,270,270
Bangladesh	800,000	250,000
Belgium	226,553	-
Bolivia	-	150,000
Burundi	5,385,538	-
Cambodia	860,000	1,227,015
Cameroon	6,300,000	4,500,000
Central African Republic	26,599,672	21,603,056
Chad	6,610,951	3,258,719
Colombia	-	2,100,000
DRC	44,372,856	23,425,859
Egypt	1,617,626	-
Ethiopia	9,299,000	6,193,621
France	2,700,000	-
Georgia	550,000	497,426
Greece	4,298,725	531,250
Guinea	3,703,806	9,024,895
Haiti	16,656,009	10,286,724
Honduras	200,000	-
India	1,641,265	2,030,000
Iraq	6,420,000	2,117,660
Italy	784,883	1,425,000
Ivory Coast	2,160,000	2,293,643
Jordan	14,200,000	12,403,101
Kenya	5,965,604	7,286,098
Kyrgyzstan	400,000	700,000
Lebanon	2,500,000	800,000
Lesotho	-	807,607
Liberia	2,780,000	2,494,811
Libya	4,320,000	1,893,620
Malawi	460,000	2,333,794
Mali	6,120,000	7,342,078
Mexico	1,800,000	1,978,500
Mozambique	320,000	700,000
Myanmar	2,600,000	3,100,000
Nepal	-	1,653,720
Niger	9,655,310	7,012,656
Nigeria	13,377,303	7,240,120
Occupied Palestinian Territories (OPT)	2,160,000	2,297,015

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

Notes to Financial Statements

<i>Year ended December 31,</i>	2016	2015
Pakistan	\$ 4,710,000	\$ 5,060,273
Papua New Guinea	2,160,000	2,575,943
Philippines	-	1,511,807
Russia	2,260,000	1,785,337
Sierra Leone	1,706,791	1,978,478
South Africa	719,565	2,459,204
South Korea	-	150,000
South Sudan	25,344,439	26,410,137
Sudan	6,280,376	2,200,000
Swaziland	3,000,000	1,350,000
Syria	4,950,000	2,980,308
Tajikistan	684,550	400,000
Tanzania	3,100,000	800,000
Uganda	3,160,000	1,618,536
Ukraine	500,000	6,476,961
Uzbekistan	2,500,000	1,110,000
Yemen	19,831,250	18,425,720
Zimbabwe	500,000	60,000
Epicentre	60,000	-
International Office	3,644,648	2,811,003
Access Campaign	1,254,178	1,060,913
Drugs for Neglected Diseases initiative	987,912	950,484
International Innovation Fund - prior years grant write-off	(124,627)	122,642
	\$300,119,963	\$242,155,556

15. Concentration of Credit Risk

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

16. Subsequent Events

MSF USA's management has performed subsequent events procedures through May 8, 2017, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.