

MADRE, INC.

Audited Financial Statements and Supplemental Schedule

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MADRE, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of MADRE, Inc. ("MADRE"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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

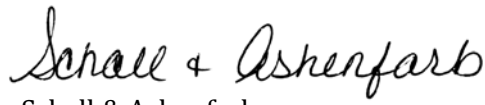
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MADRE, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the MADRE's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Grant Inflows and Outflows Related to the FIMI Project on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.


Schall & Ashenfarb
Certified Public Accountants, LLC

June 24, 2013

MADRE, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2012
(With comparative totals for December 31, 2011)

	<u>12/31/12</u>	<u>12/31/11</u>
Assets		
Cash and cash equivalents (Notes 2d and 2e)	\$158,580	\$235,760
Investments (Notes 2g and 3)	1,850,002	1,742,105
Contributions receivable (Notes 2c and 2f)	244,666	166,819
Prepaid expenses and other assets	42,245	21,342
Cash held for outside agencies (Note 5)	343,028	366,698
Agency funds receivable (Note 5)	11,238	14,879
Fixed assets, net (Notes 2h and 4)	1,319	2,655
Security deposit	23,144	22,509
	<u> </u>	<u> </u>
Total assets	<u><u>\$2,674,222</u></u>	<u><u>\$2,572,767</u></u>
 Liabilities and Net Assets 		
Liabilities:		
Accounts payable and accrued expenses	\$156,560	\$110,777
Grant advance (Note 2c)	0	67,985
Agency funds payable - Due to FIMI project (Note 5)	352,796	371,087
Agency funds payable - Due to other projects (Note 5)	1,470	10,490
	<u> </u>	<u> </u>
Total liabilities	<u>510,826</u>	<u>560,339</u>
 Net assets: (Note 2b)		
Unrestricted	2,012,082	1,818,124
Temporarily restricted (Note 6)	151,314	194,304
	<u> </u>	<u> </u>
Total net assets	<u>2,163,396</u>	<u>2,012,428</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$2,674,222</u></u>	<u><u>\$2,572,767</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

MADRE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative totals for the year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/12</u>	<u>Total 12/31/11</u>
Operating:				
Public support and revenue:				
Public support:				
Grants and contributions	\$1,499,119	\$347,851	\$1,846,970	\$1,355,112
In-kind contributions (Notes 2i and 8)	1,220,499		1,220,499	1,476,529
Total public support	<u>2,719,618</u>	<u>347,851</u>	<u>3,067,469</u>	<u>2,831,641</u>
Revenue:				
Interest and investment income	69,300		69,300	73,553
Fiscal sponsor fee income	28,045		28,045	40,775
Miscellaneous	20,821		20,821	29,929
Total revenue	<u>118,166</u>	<u>0</u>	<u>118,166</u>	<u>144,257</u>
Net assets released from restrictions (Note 6)	<u>390,841</u>	<u>(390,841)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>3,228,625</u>	<u>(42,990)</u>	<u>3,185,635</u>	<u>2,975,898</u>
Expenses:				
Program services	2,595,504		2,595,504	3,156,820
Supporting services:				
Management and general	142,149		142,149	132,144
Fundraising	360,614		360,614	293,243
Total supporting services	<u>502,763</u>	<u>0</u>	<u>502,763</u>	<u>425,387</u>
Total expenses	<u>3,098,267</u>	<u>0</u>	<u>3,098,267</u>	<u>3,582,207</u>
Change in net assets from operations	130,358	(42,990)	87,368	(606,309)
Non-operating:				
Net gain/(loss) on investments (Note 3)	<u>63,600</u>		<u>63,600</u>	<u>(5,743)</u>
Change in net assets	193,958	(42,990)	150,968	(612,052)
Net assets - beginning of year	<u>1,818,124</u>	<u>194,304</u>	<u>2,012,428</u>	<u>2,624,480</u>
Net assets - end of year	<u>\$2,012,082</u>	<u>\$151,314</u>	<u>\$2,163,396</u>	<u>\$2,012,428</u>

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MADRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative totals for the year ended December 31, 2011)

	Supporting Services			Total Supporting Services	Total 12/31/12	Total 12/31/11
	Program Services	Management and General	Fundraising			
Leased employees	\$546,215	\$46,327	\$67,150	\$113,477	\$659,692	\$666,060
Payroll taxes and benefits	134,275	11,389	16,507	27,896	162,171	161,329
Total personnel services	<u>680,490</u>	<u>57,716</u>	<u>83,657</u>	<u>141,373</u>	<u>821,863</u>	<u>827,389</u>
In-kind humanitarian aid (Notes 2i & 8)	1,015,402			0	1,015,402	1,253,429
Direct project expenses	525,739			0	525,739	505,816
Professional fees (including in-kind) (Notes 2i & 8)	61,198	67,050	6,445	73,495	134,693	295,790
Postage and mailings	46,275	279	20,364	20,643	66,918	165,332
Occupancy and space rental	124,658	10,573	15,325	25,898	150,556	146,143
Direct mail processing	1,475		65,228	65,228	66,703	111,931
Travel	48,649	586	4,763	5,349	53,998	90,029
Printing, design and publications (including in-kind) (Notes 2i & 8)	11,204	133	31,410	31,543	42,747	49,028
IT services and maintenance	11,251	954	1,383	2,337	13,588	31,311
Bank and credit card charges	16,995	1,220	4,298	5,518	22,513	25,730
Conferences	8,326	256	802	1,058	9,384	20,661
Telephone and communications	8,499	599	1,189	1,788	10,287	16,176
Equipment rental, repairs and maintenance	9,111	747	1,083	1,830	10,941	15,452
Office supplies and expenses	13,504	1,019	1,478	2,497	16,001	14,386
Miscellaneous	8,525	661	1,054	1,715	10,240	6,174
Advertising and promotion (including in-kind) (Notes 2i & 8)			121,618	121,618	121,618	1,450
Insurance	3,097	262	381	643	3,740	3,965
Depreciation	1,106	94	136	230	1,336	2,015
Total	<u><u>\$2,595,504</u></u>	<u><u>\$142,149</u></u>	<u><u>\$360,614</u></u>	<u><u>\$502,763</u></u>	<u><u>\$3,098,267</u></u>	<u><u>\$3,582,207</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

MADRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative totals for the year ended December 31, 2011)

	<u>12/31/12</u>	<u>12/31/11</u>
Cash flows from operating activities:		
Change in net assets	\$150,968	(\$612,052)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation expense	1,336	2,015
Net (gain)/loss on investments	(63,600)	5,743
Donated securities	(82,788)	(9,647)
Change in current operating items:		
Contributions receivable	(77,847)	156,894
Prepaid expenses and other assets	(20,903)	(5,200)
Security deposit	(635)	(616)
Accounts payable and accrued expenses	45,783	(683)
Grant advance	(67,985)	67,985
Total adjustments	<u>(266,639)</u>	<u>216,491</u>
Net cash used for operating activities	<u>(115,671)</u>	<u>(395,561)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	0	(3,258)
Purchases of investments	(259,373)	(394,799)
Proceeds from sale of investments	197,914	329,957
Transfers from operations to investments	0	(200,000)
Transfers from investments to operations	99,950	216,500
Net cash provided by/(used for) investing activities	<u>38,491</u>	<u>(51,600)</u>
Net decrease in cash and cash equivalents	(77,180)	(447,161)
Cash and cash equivalents - beginning of year	<u>235,760</u>	<u>682,921</u>
Cash and cash equivalents - end of year	<u>\$158,580</u>	<u>\$235,760</u>
Interest & taxes paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

MADRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1. Nature of the Organization

MADRE, Inc. ("MADRE") is an international women's human rights organization that works towards a world in which all people enjoy the fullest range of individual and collective human rights; in which resources are shared equitably and sustainably; in which women participate effectively in all aspects of society; and in which people have a meaningful say in decisions that affect their lives.

MADRE uses human rights to advance social justice and partners with women in communities worldwide to meet urgent, local needs and create long-term solutions to the problems that women face.

MADRE was incorporated in the State of New York and is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code and similar New York State statutes. MADRE has been designated as an organization which is not a private foundation.

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables, and other liabilities have been reflected.

b. Basis of Presentation

As a nonprofit organization, MADRE reports information regarding their financial position and activities in the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. There was no permanently restricted activity or net assets at December 31, 2012.

c. Revenue Recognition

Contributions are recorded as revenue upon receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily restricted class of net assets. All other contributions are recorded as unrestricted. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

Contributions expected to be received within one year are recorded at their net realizable value. Conditional contributions are recorded as liabilities and are recognized as income when the conditions have been substantially met.

Each grant is reviewed to determine if it contains traits more similar to contributions or exchange transactions. For those grants that have been determined to be exchange transactions, revenue is recognized when earned. Cash received in advance of being earned are treated as liabilities.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, MADRE considers all liquid investments available for current use and with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments which potentially subject MADRE to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with high-quality financial institutions that management deems to be creditworthy. A significant portion of the funds is not insured by the FDIC or related entity, however MADRE has not experienced any losses from these accounts due to failure of any financial institution.

f. Allowance for Doubtful Accounts

At December 31, 2012, all pledges and grants receivable are due within one year. Based on a review of specific accounts and historical trends, management has deemed that no allowance for doubtful accounts is necessary.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities as non-operating activity.

h. Fixed Assets

Fixed assets, consisting of furniture and office equipment are capitalized in the year acquired and are carried at cost, if purchased, or fair market value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets (generally five years) or life of the lease using the straight-line method. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expenses as incurred.

i. In-Kind Services and Donated Materials

In-kind donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. See Note 8 for the details of in-kind services recognized.

Board members and other individuals volunteer their time and perform a variety of tasks that assist MADRE. During the year, 44 volunteers spent over 7,400 hours of

time. These services have not been recorded in the financial statements, as they do not meet the criteria outlined above.

Donated non-cash assets that are used for humanitarian purposes to those in need in foreign countries are recorded at fair value. Inputs used to determine fair value include independent published sources where available.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MADRE.

l. Accounting for Uncertainty of Income Taxes

MADRE does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2009 and later are subject to examination by applicable taxing authorities.

m. Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 MADRE's combined financial statements for the year ended December 31, 2011, from which the summarized information was derived.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through June 24, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3. Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that MADRE has the ability to access.

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

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

The fair value of investments held is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 12/31/12</u>
Cash	\$95,252	\$0	\$95,252
Mutual Funds - Bonds	32,852	0	32,852
Mutual Funds - Equities	1,122,907	0	1,122,907
Equities	578,403	0	578,403
Bonds	<u>0</u>	<u>20,588</u>	<u>20,588</u>
	<u>\$1,829,414</u>	<u>\$20,588</u>	<u>\$1,850,002</u>

During the year ended December 31, 2012, net gain on investments consisted of the following:

Unrealized gain	\$67,871
Realized loss	<u>(4,271)</u>
Total gain	<u>\$63,600</u>

Note 4. Fixed Assets

Fixed assets consist of the following at December 31, 2012:

Furniture and fixtures	\$14,000
Office equipment	<u>14,497</u>
Total	28,497
Less: accumulated depreciation and amortization	<u>(27,178)</u>
Total fixed assets	<u>\$1,319</u>

Depreciation expense for the year ending December 31, 2012 totaled \$1,336.

Note 5. Agency Funds Payable

MADRE is the fiscal sponsor of NGO Working Group, FIMI (Foro Internacional de Mujeres Indigenas) and other projects. MADRE records the funds received as a liability and then reduces the liability as funds are disbursed on behalf of the agencies. MADRE is entitled to an administrative fee ranging from 5% to 10% on all funds received.

Note 6. Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	Balance <u>1/1/12</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/12</u>
Program restrictions:				
Haiti projects	\$60,760	\$166,636	(\$185,566)	\$41,830
Afghanistan projects	792	24,117	(17,736)	7,173
Africa Relief	20,715	3,375	(15,680)	8,410
Colombia projects	33,795	0	(33,795)	0
Guatemala projects	11,342	36,118	(26,573)	20,887
Iraqi projects	0	24,421	(14,144)	10,277
Kenya projects	1,362	28,162	(14,577)	14,947
Latin American projects	21,218	5,000	(17,982)	8,236
Mexican projects	7,678	0	(7,678)	0
Nicaragua projects	5,300	9,898	(9,110)	6,088
Pakistan projects	9,126	0	(1,266)	7,860
Palestine projects	15,727	44,387	(38,247)	21,867
Peru projects	3,893	0	(3,893)	0
Sri Lanka Disaster Relief	763	0	(500)	263
Sudan projects	1,833	3,752	(3,271)	2,314
Other projects	<u>0</u>	<u>1,985</u>	<u>(823)</u>	<u>1,162</u>
Total	<u>\$194,304</u>	<u>\$347,851</u>	<u>(\$390,841)</u>	<u>\$151,314</u>

Note 7. Commitments

MADRE is obligated under a non cancellable operating lease for office space which expires in March 2015. Minimum lease commitments are summarized as follows:

December 31, 2013	\$133,644
December 31, 2014	137,653
December 31, 2015	<u>34,666</u>
Total	<u>\$305,963</u>

Rent expense charged to operations approximated \$143,000 in 2012.

Note 8. In-Kind Services and Donated Materials

The following summarizes the in-kind services recognized this year:

	<u>Total</u>	Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>
Humanitarian aid	\$1,015,402	\$1,015,402	\$0	\$0
Legal services	84,260	40,000	44,260	0
Advertising and promotion	120,787	0	0	120,787
Printing	<u>50</u>	<u>50</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,220,499</u>	<u>\$1,055,452</u>	<u>\$44,260</u>	<u>\$120,787</u>

MADRE, INC.
SCHEDULE OF GRANT INFLOWS AND OUTFLOWS
RELATED TO THE FIMI PROJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

Grant Inflows:	
Inflows	\$497,366
Total grant inflows	<u>497,366</u>
Grant Outflows:	
Professional and consultant fees	81,523
Occupancy	915
Office supplies and expense	6,315
Postage	269
Travel and conferences	74,618
Program and grant expenses	348,273
Bank charges and processing	3,062
Miscellaneous	682
Total grant outflows	<u>515,657</u>
Grant outflows in excess of grant inflows	(18,291)
Accumulated grant funds - beginning	<u>371,087</u>
Accumulated grant funds - ending	<u><u>\$352,796</u></u>