

MADRE



Audited Financial Statements
September 30, 2018

Independent Auditor's 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 September 30, 2018, 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 September 30, 2018, 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.

A handwritten signature in cursive script that reads "Schall & Ashenfarb".

Schall & Ashenfarb
Certified Public Accountants, LLC

March 21, 2019

MADRE, INC.
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2018

Assets

Cash and cash equivalents	\$3,702,537
Investments (Note 3)	2,481,233
Grants receivable	65,446
Contributions receivable, net (Note 4)	6,494,160
Prepaid expenses and other assets	333,641
Fixed assets, net (Note 5)	139,108
Security deposit	24,470
	<u> </u>
Total assets	<u><u>\$13,240,595</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$141,961
Grant advance	261,765
Deferred rent	105,971
Agency funds payable - Due to other projects (Note 6)	3,094
	<u> </u>
Total liabilities	<u>512,791</u>

Net assets:

Unrestricted	3,540,140
Temporarily restricted (Note 7)	9,187,664
	<u> </u>
Total net assets	<u>12,727,804</u>
Total liabilities and net assets	<u><u>\$13,240,595</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

MADRE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating:			
Public support and revenue:			
Public support:			
Contributions	\$1,472,270	\$6,261,348	\$7,733,618
Grants	515,579		515,579
In-kind contributions (Note 9)	1,278,047		1,278,047
Total public support	<u>3,265,896</u>	<u>6,261,348</u>	<u>9,527,244</u>
Revenue:			
Interest and investment income	69,571		69,571
Fiscal sponsor fee income	20,587		20,587
Miscellaneous	242		242
Total revenue	<u>90,400</u>	<u>0</u>	<u>90,400</u>
Net assets released from restrictions (Note 7)	<u>2,355,121</u>	<u>(2,355,121)</u>	<u>0</u>
Total public support and revenue	<u>5,711,417</u>	<u>3,906,227</u>	<u>9,617,644</u>
Expenses:			
Program services	<u>4,221,131</u>		<u>4,221,131</u>
Supporting services:			
Management and general	539,926		539,926
Fundraising	462,852		462,852
Total supporting services	<u>1,002,778</u>	<u>0</u>	<u>1,002,778</u>
Total expenses	<u>5,223,909</u>	<u>0</u>	<u>5,223,909</u>
Change in net assets from operations	487,508	3,906,227	4,393,735
Non-operating:			
Net loss on investments (Note 3)	<u>(2,954)</u>		<u>(2,954)</u>
Change in net assets	484,554	3,906,227	4,390,781
Net assets - beginning of year	<u>3,055,586</u>	<u>5,281,437</u>	<u>8,337,023</u>
Net assets - end of year	<u>\$3,540,140</u>	<u>\$9,187,664</u>	<u>\$12,727,804</u>

The attached notes and auditor's report are an integral part of these financial statements.

MADRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and wages	\$1,010,906	\$126,559	\$153,466	\$280,025	\$1,290,931
Payroll taxes and benefits	289,055	36,187	43,882	80,069	369,124
Total personnel services	<u>1,299,961</u>	<u>162,746</u>	<u>197,348</u>	<u>360,094</u>	<u>1,660,055</u>
In-kind humanitarian aid (Note 9)	1,216,364			0	1,216,364
Direct project expenses	678,432			0	678,432
Professional fees (including in-kind) (Note 9)	342,894	318,827	19,749	338,576	681,470
Postage and mailings	12,865	9,357	22,337	31,694	44,559
Occupancy and space rental	186,494	23,349	28,311	51,660	238,154
Direct mail processing			76,259	76,259	76,259
Travel	276,493			0	276,493
Printing, design and publications	13,876	65	80,729	80,794	94,670
IT services and maintenance	22,132	2,770	3,360	6,130	28,262
Bank and credit card charges		4,935	10,258	15,193	15,193
Conferences	32,995	1,892	2,295	4,187	37,182
Telephone and communications	28,368	3,552	4,306	7,858	36,226
Equipment rental, repairs and maintenance	17,658	1,329	1,611	2,940	20,598
Office supplies and expenses	35,039	4,386	5,320	9,706	44,745
Miscellaneous	16,686	1,599	4,763	6,362	23,048
Insurance	13,350	1,672	2,027	3,699	17,049
Depreciation	27,524	3,447	4,179	7,626	35,150
Total	<u>\$4,221,131</u>	<u>\$539,926</u>	<u>\$462,852</u>	<u>\$1,002,778</u>	<u>\$5,223,909</u>

The attached notes and auditor's report are an integral part of these financial statements.

MADRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash flows from operating activities:	
Change in net assets	\$4,390,781
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	35,150
Net gain on investments	2,954
Donated securities	(54,676)
Changes in assets and liabilities:	
Grants receivable	35,403
Contributions receivable	(2,039,030)
Prepaid expenses and other assets	(213,280)
Accounts payable and accrued expenses	50,137
Grant advance	181,970
Deferred rent	8,787
Agency funds payable - Due to other projects	(3,093)
Total adjustments	<u>(1,995,678)</u>
Net cash provided by operating activities	<u>2,395,103</u>
Cash flows from investing activities:	
Purchases of fixed assets	(15,378)
Purchases of investments (including reinvestments of interest income)	(1,212,749)
Proceeds from sale of investments	1,143,209
Net cash used for investing activities	<u>(84,918)</u>
Net increase in cash and cash equivalents	2,310,185
Cash and cash equivalents - beginning of year	<u>1,392,352</u>
Cash and cash equivalents - end of year	<u><u>\$3,702,537</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

MADRE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 has been notified by the Internal Revenue Service that they are exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code and similar New York State statutes. MADRE has not been determined to be a private foundation as defined in section 509(a).

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 received or paid.

b. Basis of Presentation

MADRE reports information regarding their financial position and activities in the following classes of net assets:

- *Unrestricted* – relates to all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions that expire within the same period.
- *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 the 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 September 30, 2018.

c. Revenue Recognition

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

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable advances.

d. Cash and Cash Equivalents

MADRE considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Significant Concentration

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 a related entity; however, MADRE has not experienced any losses from these accounts due to failure of any financial institution.

The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long term welfare of MADRE.

During the year ending September 30, 2018, approximately 60% of support was received from contributions from one foundation. In addition, the same foundation had a receivable balance that consisted of 94% of contributions receivable. Any reduction in future support could have a material effect on MADRE's programs.

f. Contributions Receivable

Contributions that are expected to be received in less than one year are recorded at net realizable value. Those pledges that are due in greater than one year are recorded at fair value which is calculated using a risk-adjusted rate of return. Long-term pledges are treated as time restricted until the period they are due, at which time they will be released from restriction and transferred to the unrestricted class of net assets.

g. Allowance for Doubtful Accounts

Management reviews receivables for collectability based on various factors such as historical trends and subsequent collections. Based on this review, management has deemed that no allowance for doubtful accounts is necessary for the year ended September 30, 2018.

h. 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, and investment fees are recognized in the statement of activities as non-operating activity.

i. 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 value, if donated. Depreciation and amortization are computed over the estimated useful lives of the assets (generally 3 years) or the 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.

j. 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 9 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. Twelve volunteers spent over 2,700 hours during the year ended September 30, 2018. These services have not been recorded in the financial statements as they do not meet the criteria outlined above.

k. 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.

l. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. 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.

m. Accounting for Uncertainty of Income Taxes

MADRE does not believe its financial statements include any material, uncertain tax positions. Last year, MADRE changed its year-end to September 30, 2017 and filed a tax return for the nine-month period then ended.

MADRE had previously filed tax returns on a December year end. Tax filings for periods ended December 31, 2015 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through March 21, 2019, the date the financial statements were available to be issued. All events that 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 have been made.

o. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Consolidated Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the September 30, 2019 year, focuses on improving the current net asset classification requirements and information presented in the consolidated financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the September 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-

party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the September 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the September 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

MADRE is in the process of evaluating the impact these standards will have on future 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 as of September 30, 2018 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash	\$473,287		\$473,287
Bond Funds:			
US Short Term Government	200,678		200,678
Global Bond	99,802		99,802
Bonds:			
Canadian Corporate		\$9,932	9,932
US Corporate		177,344	177,344
US Municipal		147,855	147,855
US Treasury		163,400	163,400
Equities:			
US Common Stock	707,088		707,088
Foreign Common Stock	246,707		246,707
Foreign Preferred Stock	772		772
US Exchange Traded Funds	106,790		106,790
Real Estate Investment Trusts	147,578		147,578
Total	<u>\$1,982,702</u>	<u>\$498,531</u>	<u>\$2,481,233</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value or certain financial instruments could result in different fair value measurements.

Net loss on investments consist of the following:

Unrealized loss	(\$6,537)
Realized gain	25,470
Investment fees	<u>(21,887)</u>
Total loss	<u>(\$2,954)</u>

Note 4. Contributions Receivable

Contributions receivable at year end are due in the following periods:

Year ending:	September 30, 2019	3,510,503
	September 30, 2020	3,258,657
	September 30, 2021	<u>50,000</u>
		6,819,160
Discount at 5.25%		<u>(325,000)</u>
Total		<u>\$6,494,160</u>

Note 5. Fixed Assets

Fixed assets consist of the following as of September 30, 2018:

Furniture and fixtures	\$14,000
Office equipment	83,956
Leasehold improvements	<u>186,878</u>
	284,834
Less: accumulated depreciation	<u>(145,726)</u>
Total fixed assets	<u>\$139,108</u>

Note 6. Agency Funds Receivable and Payable

MADRE is the fiscal sponsor of other projects that support human rights of women across the globe. 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 7. Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	<u>Balance</u> <u>9/30/17</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	<u>Balance</u> <u>9/30/18</u>
Program restrictions:				
Colombia projects	\$513	\$1,403	(\$1,916)	\$0
Guatemala projects	4,748	0	0	4,748
Iraq projects	449,739	915	(418,126)	32,528
Kenya projects	984	89	(1,073)	0
Nicaragua projects	86,859	1,299	(15,068)	73,090
Palestine projects	12,029	698,926	(4,184)	706,771
Syria projects	90,965	29,006	(15,060)	104,911
Emergency funds	117,569	11,515	(48,521)	80,563
Other programs and initiatives	1,816	0	(946)	870
No Borders on Gender Justice	75,000	20,100	(75,000)	20,100
Adolescent Girls Fund	0	4,974,595	(19,000)	4,955,595
Ending Gender Violence	56,215	15,500	(16,085)	55,630
Women climate defenders	<u>1,425,000</u>	<u>124,000</u>	<u>(610,142)</u>	<u>938,858</u>
Total program restrictions	2,321,437	5,877,348	(1,225,121)	6,973,664
Time restricted	<u>2,960,000</u>	<u>384,000</u>	<u>(1,130,000)</u>	<u>2,214,000</u>
Total	<u>\$5,281,437</u>	<u>\$6,261,348</u>	<u>(\$2,355,121)</u>	<u>\$9,187,664</u>

Note 8. Commitments

MADRE has an operating lease for office space which expires in March 2025. On November 9, 2018, MADRE entered into an expansion agreement with its current landlord for additional office space that commences December 2018 and expires November 2023. Rent expense charged to operations was approximately \$238,000 for the year ended September 30, 2018.

Minimum lease commitments, net of rental income, are summarized as follows:

Year ending:	September 30, 2019	313,275
	September 30, 2020	341,129
	September 30, 2021	350,784
	September 30, 2022	352,379
	September 30, 2023	369,258
	Thereafter	<u>402,943</u>
Total		<u>\$2,129,768</u>

Note 9. In-Kind Services and Donated Materials

The following summarizes in-kind services and donated materials, which have been charged to program services:

Humanitarian aid	\$1,216,364
Legal – Human Rights Advocacy	<u>61,683</u>
Total	<u>\$1,278,047</u>

Donated non-cash assets that are used for humanitarian purposes for those in need in foreign countries are recorded at fair value. Inputs used to determine fair value include independent published sources where available, which is considered level 2 on the fair value hierarchy.

Note 10. 401(k) Plan

MADRE has a retirement plan under IRS Section 401(k). All eligible employees (as defined by the plan) may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. MADRE can provide a discretionary match to eligible employees. MADRE contributed \$15,212 to the 401(k) plan during the year ended September 30, 2018.