

# MADRE



Audited Financial Statements  
September 30, 2017

## **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, 2017, and the related statements of activities, functional expenses, and cash flows for the nine-month period 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***

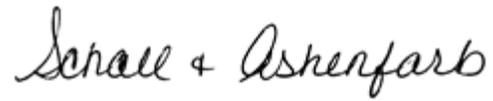
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017, and the changes in its net assets and its cash flows for the nine-month period 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". The signature is enclosed within a thin rectangular border.

Schall & Ashenfarb  
Certified Public Accountants, LLC

March 23, 2018

**MADRE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT SEPTEMBER 30, 2017**

**Assets**

Cash and cash equivalents	\$1,392,352
Investments (Note 3)	2,359,971
Grants receivable	100,849
Contributions receivable, net (Note 4)	4,455,130
Prepaid expenses and other assets	120,361
Fixed assets, net (Note 5)	158,880
Security deposit	24,470
	<u>8,612,013</u>
Total assets	<u>\$8,612,013</u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$91,824
Grant advance	79,795
Deferred rent	97,184
Agency funds payable - Due to other projects (Note 6)	6,187
	<u>274,990</u>
Total liabilities	<u>274,990</u>

Net assets:

Unrestricted	3,055,586
Temporarily restricted (Note 7)	5,281,437
	<u>8,337,023</u>
Total net assets	<u>8,337,023</u>
Total liabilities and net assets	<u>\$8,612,013</u>

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

**MADRE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating:			
Public support and revenue:			
Public support:			
Contributions	\$618,481	\$3,963,868	\$4,582,349
Grants	182,185		182,185
In-kind contributions (Note 9)	1,476,841		1,476,841
Total public support	<u>2,277,507</u>	<u>3,963,868</u>	<u>6,241,375</u>
Revenue:			
Interest and investment income	34,414		34,414
Fiscal sponsor fee income	2,643		2,643
Miscellaneous	943		943
Total revenue	<u>38,000</u>	<u>0</u>	<u>38,000</u>
Net assets released from restrictions (Note 7)	<u>1,733,938</u>	<u>(1,733,938)</u>	<u>0</u>
Total public support and revenue	<u>4,049,445</u>	<u>2,229,930</u>	<u>6,279,375</u>
Expenses:			
Program services	<u>3,227,120</u>		<u>3,227,120</u>
Supporting services:			
Management and general	286,420		286,420
Fundraising	361,014		361,014
Total supporting services	<u>647,434</u>	<u>0</u>	<u>647,434</u>
Total expenses	<u>3,874,554</u>	<u>0</u>	<u>3,874,554</u>
Change in net assets from operations	174,891	2,229,930	2,404,821
Non-operating:			
Net gain on investments (Note 3)	<u>69,590</u>		<u>69,590</u>
Change in net assets	244,481	2,229,930	2,474,411
Net assets - beginning of year	<u>2,811,105</u>	<u>3,051,507</u>	<u>5,862,612</u>
Net assets - end of year	<u>\$3,055,586</u>	<u>\$5,281,437</u>	<u>\$8,337,023</u>

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

**MADRE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and wages	\$621,279	\$52,978	\$146,410	\$199,388	\$820,667
Payroll taxes and benefits	164,350	14,014	38,731	52,745	217,095
Total personnel services	<u>785,629</u>	<u>66,992</u>	<u>185,141</u>	<u>252,133</u>	<u>1,037,762</u>
In-kind humanitarian aid (Note 9)	1,022,247			0	1,022,247
Direct project expenses	499,313			0	499,313
Professional fees (including in-kind) (Note 9)	553,585	175,391	3,527	178,918	732,503
Postage and mailings	11,924	8,672	20,702	29,374	41,298
Occupancy and space rental	140,079	11,372	31,429	42,801	182,880
Direct mail processing			41,632	41,632	41,632
Travel	88,243			0	88,243
Printing, design and publications	8,347	39	48,566	48,605	56,952
IT services and maintenance	17,083	1,456	4,025	5,481	22,564
Bank and credit card charges		15,613	5,853	21,466	21,466
Conferences	26,582	680	1,880	2,560	29,142
Telephone and communications	12,922	1,101	3,045	4,146	17,068
Equipment rental, repairs and maintenance	10,361	883	2,442	3,325	13,686
Office supplies and expenses	12,547	1,070	2,957	4,027	16,574
Miscellaneous	14,360	1,113	4,181	5,294	19,654
Insurance	5,041	430	1,189	1,619	6,660
Depreciation	18,857	1,608	4,445	6,053	24,910
	<u>\$3,227,120</u>	<u>\$286,420</u>	<u>\$361,014</u>	<u>\$647,434</u>	<u>\$3,874,554</u>
Total	<u>\$3,227,120</u>	<u>\$286,420</u>	<u>\$361,014</u>	<u>\$647,434</u>	<u>\$3,874,554</u>

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

**MADRE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$2,474,411
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	24,910
Net gain on investments	(69,590)
Donated securities	(43,108)
Changes in assets and liabilities:	
Grants receivable	(61,737)
Contributions receivable	(1,895,251)
Prepaid expenses and other assets	(45,440)
Accounts payable and accrued expenses	26,918
Grant advance	53,472
Deferred rent	10,465
Agency funds payable - Due to other projects	(9,719)
Total adjustments	<u>(2,009,080)</u>
Net cash provided by operating activities	<u>465,331</u>
Cash flows from investing activities:	
Purchases of investments (including reinvestments of interest income)	(493,541)
Proceeds from sale of investments	471,152
Net cash used for investing activities	<u>(22,389)</u>
Net increase in cash and cash equivalents	442,942
Cash and cash equivalents - beginning of year	<u>949,410</u>
Cash and cash equivalents - end of year	<u><u>\$1,392,352</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, 2017**

**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).

In 2017, MADRE changed its year end from a calendar year to a fiscal year end September 30. The attached financial statements represent activity for the nine-month period from January 1, 2017 through September 30, 2017.

**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* – represents 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, 2017.

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 nine-month period ending September 30, 2017, approximately 56% of support was received from contributions from one foundation. In addition, the same foundation had a receivable balance that consisted of 84% 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 period ended September 30, 2017.

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 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. Sixteen volunteers spent over 2,600 hours during the nine-month period ended September 30, 2017. 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. As described in Note 1, MADRE changed its year end to September 30, 2017 and will file 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, 2014 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 23, 2018, 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

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the September 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, 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 the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

MADRE has not yet evaluated 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, 2017 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash	\$540,302		\$540,302
Bond Funds:			
US Short Term Government	201,130		201,130
Global Bond	50,938		50,938
Equity Funds:			
US Small Blend	31,999		31,999
US Mid-Cap Blend	125,209		125,209
US Large Blend	126,746		126,746
Global Small/Mid Stock	27,590		27,590
Foreign Large Blend	71,839		71,839
Foreign Large Value	109,039		109,039
Diversified Emerging Markets	30,388		30,388
Real Estate	61,022		61,022
Bonds:			
Canadian Corporate		\$10,077	10,077
US Corporate		202,891	202,891
US Municipal		167,238	167,238
US Treasury		129,561	129,561
Equities:			
US Common Stock	85,880		85,880
US Exchange Traded Funds	271,022		271,022
Real Estate Investment Trusts	<u>117,100</u>		<u>117,100</u>
Total	<u>\$1,850,204</u>	<u>\$509,767</u>	<u>\$2,359,971</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 of certain financial instruments could result in different fair value measurements.

Net gain on investments consisted of the following:

Unrealized gain	\$66,389
Realized gain	<u>3,201</u>
Total gain	<u>\$69,590</u>

#### **Note 4. Contributions Receivable**

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

Year ending:	September 30, 2018	\$2,157,130
	September 30, 2019	1,530,000
	September 30, 2020	<u>1,010,000</u>
		4,697,130
Discount at 4.25%		<u>(242,000)</u>
Total		<u>\$4,455,130</u>

**Note 5. Fixed Assets**

Fixed assets consist of the following as of September 30, 2017:

Furniture and fixtures	\$14,000
Office equipment	68,579
Leasehold improvements	<u>186,878</u>
	269,457
Less: accumulated depreciation	<u>(110,577)</u>
Total fixed assets	<u>\$158,880</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 for the nine-months ended September 30, 2017:

	Balance <u>1/1/17</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>9/30/17</u>
Program restrictions:				
Colombia projects	\$22,100	\$163	(\$21,750)	\$513
Guatemala projects	14,672	76	(10,000)	4,748
Iraqi projects	707,875	4,242	(262,378)	449,739
Kenya projects	40,000	984	(40,000)	984
Nicaragua projects	41,237	45,622	0	86,859
Palestine projects	14,104	425	(2,500)	12,029
Syria projects	35,835	65,130	(10,000)	90,965
Emergency funds	100,374	17,195	0	117,569
Other programs and initiatives	0	1,816	0	1,816
Fighting for Feminist Futures	0	75,000	0	75,000
Ending Rape as a Weapon of War	0	57,215	(1,000)	56,215
Women climate defenders	<u>38,310</u>	<u>1,675,000</u>	<u>(288,310)</u>	<u>1,425,000</u>
Total program restrictions	1,014,507	1,942,868	(635,938)	2,321,437
Time restricted	<u>2,037,000</u>	<u>2,021,000</u>	<u>(1,098,000)</u>	<u>2,960,000</u>
Total	<u>\$3,051,507</u>	<u>\$3,963,868</u>	<u>(\$1,733,938)</u>	<u>\$5,281,437</u>

**Note 8. Commitments**

MADRE has an operating lease for office space which expires in March 2025. Rent expense charged to operations was approximately \$182,880 in the period ended September 30, 2017.

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

Year ending:	September 30, 2018	\$218,629
	September 30, 2019	225,188
	September 30, 2020	231,944
	September 30, 2021	238,902
	September 30, 2022	246,069
	Thereafter	<u>382,050</u>
Total		<u>\$1,542,782</u>

**Note 9. In-Kind Services and Donated Materials**

The following summarizes in-kind services and donated materials for the nine-months ended September 30, 2017:

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Humanitarian aid	\$1,022,247	\$1,022,247	\$0	\$0
Legal – Human Rights Advocacy	<u>454,594</u>	<u>454,594</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,476,841</u>	<u>\$1,476,841</u>	<u>\$0</u>	<u>\$0</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. 403(b) Plan**

MADRE has a retirement plan under IRS Section 403(b). 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 \$15,840 to the 403(b) plan during the nine month period ended September 30, 2017.