

Doctors of the World - U.S.A., Inc.

Financial Statements

December 31, 2007



Independent Auditors' Report

To the Board of Directors
Doctors of the World - U.S.A., Inc.

We have audited the accompanying statement of financial position of Doctors Of The World - USA, Inc. (DOW-USA) as of December 31, 2007 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of DOW-USA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of DOW-USA as of and for the year ended December 31, 2006 were audited by other auditors whose report dated November 14, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DOW-USA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DOW-USA as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2008 on our consideration of DOW-USA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Murino & Dobbins, LLP

New York, New York
August 27, 2008

Doctors Of The World - USA, Inc.

Statements of Financial Position

December 31,

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,510,342	\$ 1,570,194
Receivables, net	402,778	817,996
Prepaid expenses	<u>35,908</u>	<u>40,033</u>
Total Current Assets	1,949,028	2,428,223
Property and equipment, net	167,347	171,940
Security deposits	<u>58,756</u>	<u>68,696</u>
	<u>\$ 2,175,131</u>	<u>\$ 2,668,859</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 43,059	\$ 46,862
Accounts payable and accrued expenses	<u>67,366</u>	<u>94,694</u>
Total Current Liabilities	110,425	141,556
Notes payable, net of current portion	<u>-</u>	<u>47,412</u>
Total Liabilities	<u>110,425</u>	<u>188,968</u>
Net Assets		
Unrestricted	906,100	1,195,753
Temporarily restricted	<u>1,158,606</u>	<u>1,284,138</u>
Total Net Assets	<u>2,064,706</u>	<u>2,479,891</u>
	<u>\$ 2,175,131</u>	<u>\$ 2,668,859</u>

See notes to financial statements.

Doctors Of The World - USA, Inc.

Statements of Activities

Years Ended December 31,

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
United States government grants (See Note 2 on Reclassification)	\$ 1,445,115	\$ -	\$ 1,445,115	\$ 1,946,615	\$ -	\$ 1,946,615
International organizations	-	70,395	70,395	-	58,500	58,500
Foundation grants	432,482	1,555,028	1,987,510	420,424	1,502,347	1,922,771
Corporate contributions	29,167	326,559	355,726	64,011	392,879	456,890
Individual contributions	240,112	131,517	371,629	358,508	22,621	381,129
Donated services	61,760	562,808	624,568	27,474	675,021	702,495
Special events and promotions income (net of expenses of \$123,388 and \$152,936 in 2007 and 2006, respectively)	298,271	-	298,271	293,818	-	293,818
Investment and other income	45,364	-	45,364	53,516	-	53,516
	<u>2,552,271</u>	<u>2,646,307</u>	<u>5,198,578</u>	<u>3,164,366</u>	<u>2,651,368</u>	<u>5,815,734</u>
Net assets released from restrictions	2,771,839	(2,771,839)	-	2,418,261	(2,418,261)	-
Total Revenues	<u>5,324,110</u>	<u>(125,532)</u>	<u>5,198,578</u>	<u>5,582,627</u>	<u>233,107</u>	<u>5,815,734</u>
EXPENSES						
Program services	4,922,744	-	4,922,744	4,591,675	-	4,591,675
Supporting Services						-
Management and general	351,209	-	351,209	321,947	-	321,947
Fundraising	339,810	-	339,810	339,437	-	339,437
Total Expenses	<u>5,613,763</u>	<u>-</u>	<u>5,613,763</u>	<u>5,253,059</u>	<u>-</u>	<u>5,253,059</u>
Change in Net Assets	(289,653)	(125,532)	(415,185)	329,568	233,107	562,675
NET ASSETS						
Beginning of year	1,195,753	1,284,138	2,479,891	866,185	1,051,031	1,917,216
End of Year	<u>\$ 906,100</u>	<u>\$ 1,158,606</u>	<u>\$ 2,064,706</u>	<u>\$ 1,195,753</u>	<u>\$ 1,284,138</u>	<u>\$ 2,479,891</u>

See notes to financial statements.

Doctors Of The World - USA, Inc.

Statement of Functional Expenses

Year Ended December 31, 2007

EXPENSES	Program Services									Supporting Services			2007 Total
	Kosovo Projects	Russia Projects	Ukraine Projects	Kenya Projects	Romania Projects	Chiapas, Mexico Projects	Nepal, Vietnam, India & Other Projects	Human Rights Clinic and Other Domestic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 63,689	\$ 420,614	\$ 233,008	260,809	\$ 145,846	\$ 106,447	\$ 196,723	\$ 133,555	\$ 1,560,691	\$ 136,976	\$ 193,745	\$ 330,721	\$ 1,891,412
Benefits	8,170	103,124	82,979	59,095	37,716	17,687	61,619	46,608	416,998	39,087	50,110	89,197	506,195
Volunteers/program consultants	12,087	168,461	39,403	76,642	56,395	47,109	204,871	375,376	980,344	24,155	25,062	49,217	1,029,561
Professional fees	-	42	554	8,003	501	11,587	2,856	3,250	26,793	94,616	-	94,616	121,409
Rent, maintenance, security, cleaning and utilities	8,604	43,951	47,383	22,089	14,510	9,457	10,891	6,868	163,753	18,285	5,875	24,160	187,913
Materials and supplies	39,075	69,239	21,321	14,582	23,980	5,152	13,089	4,903	191,341	8,407	28,207	36,614	227,955
Furniture and equipment	15,169	8,227	58,142	67,093	1,088	10,156	4,301	567	164,743	2,681	3,893	6,574	171,317
Vehicle rental /maintenance/fuel	1,600	249	-	36,679	2,672	2,750	545	-	44,495	-	-	-	44,495
Travel	5,851	51,254	50,457	48,939	33,197	19,631	32,720	660	242,709	1,457	372	1,829	244,538
Insurance	570	4,704	3,561	2,269	1,320	703	1,825	9,007	23,959	3,602	1,157	4,759	28,718
Postage and delivery	139	1,863	1,965	1,004	964	544	8,293	1,797	16,569	2,126	9,758	11,884	28,453
Telephone	1,954	11,513	15,230	10,799	6,279	3,729	3,462	613	53,579	4,654	1,218	5,872	59,451
Internet/email	1,181	5,004	2,530	3,521	1,907	336	1,426	575	16,480	579	456	1,035	17,515
Program activities - Training and workshops	4,506	51,682	107,057	40,251	40,900	2,076	15,620	2,997	265,089	73	63	136	265,225
Staff and field management training	17	254	104	2,550	40	821	1,511	48	5,345	519	35	554	5,899
Recruiting	91	1,688	2,407	7,108	211	162	1,600	122	13,389	950	11,715	12,665	26,054
Meals and refreshments	340	5,952	6,356	2,225	1,156	1,832	1,384	534	19,779	1,184	568	1,752	21,531
Memberships and subscriptions	49	918	450	1,576	114	61	4,096	266	7,530	382	2,194	2,576	10,106
Donations/contributions	175	1,439	847	1,772	404	215	536	233	5,621	1,102	354	1,456	7,077
MDM affiliation	355	2,932	1,726	1,414	823	438	1,093	475	9,256	2,245	721	2,966	12,222
Gifts and entertainment	351	3,716	1,104	62	19	41	1,214	11	6,518	548	26	574	7,092
Interest expense	40	332	195	160	93	50	124	54	1,048	254	82	336	1,384
Subcontract grant expenses	-	441,467	116,291	-	12,756	-	62,258	-	632,772	-	-	-	632,772
Fees, charges and taxes	961	4,039	6,882	5,554	2,458	1,328	2,185	630	24,037	2,789	1,066	3,855	27,892
Other expense	1,824	(1,407)	9,973	318	675	642	483	43	12,551	328	1,780	2,108	14,659
Depreciation expense	667	5,498	3,237	2,651	1,543	821	2,047	891	17,355	4,210	1,353	5,563	22,918
Total	\$ 167,465	\$ 1,406,755	\$ 813,162	\$ 677,165	\$ 387,567	\$ 243,775	\$ 636,772	\$ 590,083	\$ 4,922,744	\$ 351,209	\$ 339,810	\$ 691,019	\$ 5,613,763

See notes to financial statements.

Doctors Of The World - USA, Inc.

Statement of Functional Expenses
Year Ended December 31, 2006

EXPENSES	Program Services								Supporting Services				2006 Total
	Services	Russia Projects	Ukraine Projects	Kenya Projects	Romania Projects	Tsunami - Sri Lanka	Human Rights Clinic and Other Domestic Projects	Chiapas, Nepal, and other Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 85,905	\$ 324,973	\$ 108,427	\$ 159,643	\$ 283,421	\$ 171,534	\$ 147,605	\$ 114,297	\$ 1,395,805	\$ 194,369	\$ 238,350	\$ 432,719	\$ 1,828,524
Benefits	15,598	69,753	42,431	43,897	100,362	34,998	34,076	17,652	358,767	43,352	39,732	83,084	441,851
Volunteers/Program Consultants	3,139	43,331	6,370	79,150	29,386	103,446	467,642	197,783	930,247	1,439	1,576	3,015	933,262
Professional Fees	23	6,276	2,924	7,318	14,290	442	6,523	12	37,808	42,997	12	43,009	80,817
Rent, Maintenance, Security, Cleaning and Utilities	18,270	59,156	31,122	33,511	54,564	15,918	23,707	6,455	242,703	7,236	3,515	10,751	253,454
Materials and Supplies	8,592	38,491	7,556	9,664	17,843	27,501	1,715	6,978	118,340	2,153	24,916	27,069	145,409
Equipment and Furniture	3,664	14,874	7,511	65,055	9,262	7,612	2,081	5,642	115,701	1,695	8,179	9,874	125,575
Vehicle Rental, Fuel and Maintenance	4,421	47	-	17,542	4,905	4,904	-	1,570	33,389	-	-	-	33,389
Travel	3,806	54,059	40,640	26,101	37,759	12,674	4,100	42,525	221,664	3,261	1,645	4,906	226,570
Insurance	738	1,599	1,063	2,459	2,828	1,476	8,983	432	19,578	738	369	1,107	20,685
Postage and Delivery	378	1,791	1,549	853	2,280	881	2,084	1,298	11,114	2,467	8,650	11,117	22,231
Telephone	3,132	7,488	11,857	10,199	13,311	3,542	2,394	2,411	54,334	2,475	3,484	5,959	60,293
Internet and Email	3,085	3,414	1,117	2,462	5,123	520	518	1,350	17,589	273	118	391	17,980
Program Activities - Training and Workshops	1,527	19,308	29,647	9,910	170,679	2,323	700	1,169	235,263	1,077	153	1,230	236,493
Staff and Field Management Training	-	1,775	997	1,185	6,024	392	55	2,844	13,272	375	-	375	13,647
Recruiting	41	1,679	345	1,212	216	319	50	822	4,684	200	2,425	2,625	7,309
Meals and Refreshments	768	5,047	3,801	851	1,720	728	307	3,240	16,462	789	476	1,265	17,727
Memberships and Subscriptions	53	414	71	979	407	223	553	527	3,227	1,627	1,104	2,731	5,958
Donations/Contributions	-	600	-	118	-	-	-	-	718	7,500	-	7,500	8,218
MDM Affiliation	496	3,700	1,357	1,538	2,604	1,268	2,261	1,391	14,615	1,027	1,080	2,107	16,722
Gifts and Entertainment	-	3,251	-	-	-	1	294	190	3,736	1,389	893	2,282	6,018
Interest Expense	-	-	-	-	-	-	-	-	-	2,383	-	2,383	2,383
Subcontract Grant expenses	-	489,196	118,150	-	45,664	-	-	24,914	677,924	-	-	-	677,924
Fees and taxes	1,231	6,023	7,061	6,796	11,090	5,646	975	1,052	39,874	1,227	922	2,149	42,023
Depreciation	843	6,294	2,308	2,615	4,430	2,158	3,847	2,366	24,861	1,898	1,838	3,736	28,597
Total	\$ 155,710	\$ 1,162,539	\$ 426,304	\$ 483,058	\$ 818,168	\$ 398,506	\$ 710,470	\$ 436,920	\$ 4,591,675	\$ 321,947	\$ 339,437	\$ 661,384	\$ 5,253,059

Doctors Of The World - USA, Inc.

Statements of Cash Flows

Years Ended December 31,

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (415,185)	\$ 562,675
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	22,917	28,597
Changes in operating assets and liabilities		
Receivables	415,218	(269,774)
Prepaid expenses	4,125	(61,874)
Security deposits	9,940	
Accounts payable and accrued expenses	<u>(27,328)</u>	<u>67,292</u>
Net Cash Provided by Operating Activities	<u>9,687</u>	<u>326,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(18,324)</u>	<u>(178,183)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	<u>(51,215)</u>	<u>(50,215)</u>
Net Change in Cash and Cash Equivalents	(59,852)	98,518
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,570,194</u>	<u>1,471,676</u>
End of year	<u>\$ 1,510,342</u>	<u>\$ 1,570,194</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 1,384	\$ 2,383

See notes to financial statements.

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

1. **Organization and Tax Status**

Doctors of the World-U.S.A., Inc. (DOW-USA) is an international health and human rights organization founded in 1990 by a group of volunteer physicians including the late Dr. Jonathan Mann, a pioneer in the field of health and human rights.

DOW-USA works within a network of 12 Medecins du Monde delegations, and combined, MDM delegations are active in over 90 countries. Working with local partners, DOW-USA projects build long-term solutions focused on ending the TB and HIV epidemics, caring for neglected and abandoned children, maternal and infant health, and assistance to torture survivors. In addition to the US, DOW-USA has operated programs in over 30 countries.

DOW-USA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of DOW-USA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

DOW-USA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are committed to the operations of the organization

Temporarily restricted net assets include contributions and other assets received with donor stipulations that limit the use of the donated asset. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

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

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

2. **Summary of Significant Accounting Policies (continued)**

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or the purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purpose of those assets expire when the asset is placed in service unless the donor stipulated otherwise.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period services are rendered.

Government grants are recognized as the related expenses are incurred. Amounts received from these grants, which have not yet been earned under the terms of the agreement are recorded as deferred revenues in the accompanying financial statements.

Functional Expenses

DOW-USA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated in accordance with grant provisions and/or other equitable bases.

Cash and Cash Equivalents

DOW-USA considers all highly liquid investments and investment instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents include demand deposits and temporary investments readily convertible to cash with high credit financial institutions.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which ranged from three to ten years.

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. The United States Government grant revenues were previously presented in the Statement of Activities as temporarily restricted revenues. Currently, the grant revenues have been reported as unrestricted revenues consistent with the grant revenue recognition policy and standards for U.S. government grants.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Domestic banks	\$ 958,874	\$ 581,819
Brokerage accounts	361,442	738,448
Foreign banks and field accounts	<u>190,026</u>	<u>249,927</u>
	<u>\$ 1,510,342</u>	<u>\$ 1,570,194</u>

DOW-USA maintains its cash balances in various domestic and foreign institutions. Those funds held by a major brokerage firm are insured by the Securities Investor Protection Corporation (SIPC). The balances held by banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, such deposits may be in excess of the FDIC insurance limits.

4. Receivables, Net

Receivables consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Grants and contributions receivable	\$ 499,778	\$ 914,996
Less refundable advances	<u>97,000</u>	<u>97,000</u>
	<u>\$ 402,778</u>	<u>\$ 817,996</u>

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

5. Property and Equipment

As of December 31, property and equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 110,315	\$ 110,315
Furniture and fixtures	45,131	37,617
Equipment	<u>41,060</u>	<u>30,250</u>
	196,506	178,182
Less accumulated depreciation	<u>(29,157)</u>	<u>(6,242)</u>
	<u>\$ 167,349</u>	<u>\$ 171,940</u>

6. Notes Payable

DOW-USA has a \$250,000 unsecured note, payable in monthly installments of \$4,382, including principal and interest at 2% per annum due in October 2008. Notes payable consisted of the following at December 31,

	<u>2007</u>	<u>2006</u>
Notes Payable	\$ 43,059	\$ 94,274
Less current maturities	<u>(43,059)</u>	<u>(46,862)</u>
Long-Term Portion	<u>\$ -</u>	<u>\$ 47,412</u>

7. Donated Services

DOW-USA received legal services approximating \$61,760 and \$27,474 for the years ended December 31, 2007 and 2006, which have been reflected as donated services and legal expenses in the accompanying financial statements. The value of these services rendered was supplied by the donor. DOW-USA also received medical services approximating \$562,808 and \$ 675,021 for the years ended December 31, 2007 and 2006, which have also been reflected as donated services and program consultants/volunteer stipend expense in the accompanying financial statements.

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31:

Project/Program	2007	2006
General Operations	\$ 23,340	\$ 23,340
Russia	592,392	386,310
Kenya	308,927	330,000
Chiapas	112,368	142,038
Nepal	38,968	-
International Action Network on Small Arms	30,500	30,500
Tsunami - Sri Lanka	-	28,430
Ukraine	27,111	156,880
Kosovo	-	122,382
Romania/Bulgaria	-	64,258
India	25,000	-
	<u>\$ 1,158,606</u>	<u>\$ 1,284,138</u>

Net assets released from restrictions after satisfying purpose and time restrictions were \$2,771,839 and \$2,418,261 for the years ended December 31, 2007 and 2006, respectively.

9. Operating Leases

DOW-USA leased office space in New York City under an operating lease which expired in July 2006. In May 2006, DOW-USA entered into a 10 ½ year operating lease agreement for a new office space for its New York City head office operations with a lease commencement date of October 1, 2006.

Rent expenses for the years ended December 31, 2007 and 2006 were \$138,408 and \$165,335, respectively.

Doctors of the World - U.S.A., Inc.

Notes to Financial Statements

9. Operating Leases (*continued*)

Future minimum lease payments are as follows:

	<u>2007</u>	<u>2006</u>
2008	\$ 160,119	\$ 155,456
2009	164,923	160,119
2010	169,871	164,923
2011	174,967	169,871
2012	180,216	174,967
Thereafter	<u>828,415</u>	<u>1,008,630</u>
	<u>\$ 1,678,511</u>	<u>\$ 1,833,966</u>

Additionally, DOW-USA leases office space in all its program countries.

10. Retirement Plan

Effective January 2000, DOW-USA sponsors a 403(b) retirement savings plan for all eligible employees. Retirement plan expenses were approximately \$47,580 and \$43,111 for the years ended December 31, 2007 and 2006, respectively.