THE MARSHALL LEGACY INSTITUTE

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

THE MARSHALL LEGACY INSTITUTE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

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Brooks, Harrison Company, L.L.C.

2275 Research Boulevard, Suite 500
Rockville, Maryland 20850

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
The Marshall Legacy Institute

We have audited the accompanying financial statements of The Marshall Legacy Institute (the Institute), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Marshall Legacy Institute as of December 31, 2016, 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.

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards 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 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 statements as a whole.

Brooks, Harrison Company

Rockville, Maryland
May 24, 2017

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	316,868
Grants and contributions receivable		351,182
Prepaid expenses		26,151
Total Current Assets		694,201
PROPERTY AND EQUIPMENT		
Furniture & equipment		17,460
Website		11,040
Leasehold improvements		7,135
Less, accumulated depreciation and amortization		(34,683)
Property and Equipment, Net		952
OTHER ASSETS		4,133
TOTAL ASSETS	$	699,286

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	126,538
Deferred rent		7,351
Total Current Liabilities		133,889
NET ASSETS		
Unrestricted net assets		450,516
Temporarily restricted net assets		114,881
Total Net Assets		565,397
TOTAL LIABILITIES AND NET ASSETS	$	699,286

The accompanying notes are an integral part of these financial statements.

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
Contributions	$ 154,146	$ 190,793	$ 344,939
Grants and contracts	846,752	215,000	1,061,752
Investments and interest	785	-	785
Other income	118	-	118
Net assets released from restrictions	373,919	(373,919)	-
Total Support and Revenue	1,375,720	31,874	1,407,594
EXPENSES			
Program Services			
K-9 Demining Corps	1,180,496	-	1,180,496
Mine Awareness and Victims Assistance	92,982	-	92,982
Total Program Services	1,273,478	-	1,273,478
Supporting Services			
Management and general	103,085	-	103,085
Fundraising	93,298	-	93,298
Total Supporting Services	196,383	-	196,383
Total Expenses	1,469,861	-	1,469,861
CHANGE IN NET ASSETS	(94,141)	31,874	(62,267)
Net Assets, Beginning of Year	544,657	83,007	627,664
NET ASSETS, END OF YEAR	$ 450,516	$ 114,881	$ 565,397

The accompanying notes are an integral part of these financial statements.

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (62,267)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	1,765
Decrease (Increase) in:	
Grants and contributions receivable	(174,469)
Prepaid expenses	18,779
Increase (Decrease) in:	
Accounts payable	55,822
Deferred rent	(114)
Net Cash Used in Operating Activities	(160,484)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	477,352
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 316,868

The accompanying notes are an integral part of these financial statements.

Note 1: Organization and Summary of Significant Accounting Policies

Organization

The Marshall Legacy Institute (the Institute) is a Virginia-based, non-profit, non-governmental, international humanitarian organization founded in 1996. The mission of the Institute is to extend the legacy of George C. Marshall into the 21st Century, to alleviate suffering, restore hope, and create the conditions that nurture stability. The Institute's vision is to be a project-oriented organization focused on building indigenous capacity in the developing world, acknowledged throughout the international community for its commitment, contacts, expertise and ability to accomplish difficult tasks. The Institute's primary sources of revenue are grants and contracts from government agencies, institutes, and corporations, and contributions from individuals.

Cash Equivalents

The Institute considers short-term certificates of deposit and money market funds to be cash equivalents.

Furniture, Equipment and Leasehold Improvements

Furniture and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of three to five years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are charged to expense when incurred.

Leasehold improvements are recorded at cost and amortized over the lease term.

Classification of Net Assets

The net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable assets that are available for support of the Institute's operations.
- Temporarily restricted net assets represent assets that are specifically restricted by donors for various programs or future periods.

Revenue Recognition

Unconditional grants and contributions are recorded as revenue in the year in which payments are received or unconditional promises are made, whichever occurs first. The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

The Institute receives grant and contract revenue from United States government agencies and as a subcontractor to federal government contractors. Revenue from these grants and contracts is recognized as costs are incurred, on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which billings have not been sent and/or collected from grantors is reported in grants and contributions receivable in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated subsequent events through May 24, 2017, the date which the financial statements were available to be issued.

Note 2: Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2016, were comprised of federal grants receivable and sub-grantee advances.

Note 3: Temporarily Restricted Net Assets

At December 31, 2016, temporarily restricted net assets were available for the following programs:

K-9 Demining Corps	$ 47,114
MDDPP	67,767
Total	$ 114,881

Note 4: Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Institute is exempt from the payment of taxes on income other than net unrelated business income. The Institute had no net unrelated business income during the year and accordingly, no provision for income tax was required.

Note 5: Lease Commitment

The Institute leases its current office space in Arlington, Virginia under a noncancelable operating lease which expires in 2018. The lease agreement contains a provision for an increase in rent of 5% per annum beginning on the first anniversary date. Total rent expense attributable to the Institute's office space for the year ended December 31, 2016 was $63,843. Rent expense is recorded on a straight-line basis over the lease term, and the accumulated difference between payments and expenses is recorded as Deferred Rent in the Statement of Financial Position. Future minimum rental payments for the years ending 2017 through 2018 are: $66,515 and $63,200 respectively.

Note 6: Retirement Plan

The Institute maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, which is available to all eligible employees. Eligible employees may contribute to the plan up to the maximum limits established by the plan. The Institute provides an employer contribution equal to 3% of each employee's salary and these contributions are immediately vested. Retirement expense for the year ended December 31, 2016 was $50,618, and is included in salaries and benefits expense in the accompanying schedule of functional expenses.

SUPPLEMENTARY INFORMATION

THE MARSHALL LEGACY INSTITUTE

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services			
	K-9 Demining Corps								
	Champs and Other K-9	MDDP	Total	Victims Assistance	Total Program Services	Fundraising	Management and General	Administrative and Overhead	Total Expenses
Dogs	$ -	199,358	$ 199,358	$ -	$ 199,358	$ -	-	-	$ 199,358
Subcontracts and consultants	166,622	96,701	263,323	39,900	303,223	-	-	-	303,223
Salaries, benefits and payroll taxes	223,960	240,702	464,662	41,017	505,679	62,989	57,836	54,643	681,147
Travel and meals	47,057	19,286	66,343	18	66,361	119		235	66,715
Meetings and conferences	18,267	26,461	44,728	1,491	46,219	15,249	27,534	-	89,002
Rent	20,149	23,033	43,182	4,036	47,218	6,179	5,223	5,223	63,843
Office and supplies expenses	7,582	2,875	10,457	-	10,457	114		9,014	19,585
Postage, printing and reproduction	3,712	3,861	7,573	-	7,573	560	-	947	9,080
Telephone, internet and website	1,320	174	1,494	2	1,496	-	2,339	2,339	6,174
Depreciation	-	-	-	-	-	-	-	1,765	1,765
Professional fees	1,750	12,525	14,275	1,250	15,525	-	2,725	2,725	20,975
Insurance	-	-	-	-	-	-	-	3,569	3,569
Ambassador vet	5,187	238	5,425	-	5,425	-	-	-	5,425
General and administrative allocation	28,763	30,913	59,676	5,268	64,944	8,088	7,428	(80,460)	-
	$ 524,369	$ 656,127	$ 1,180,496	$ 92,982	$ 1,273,478	$ 93,298	$ 103,085	$ -	$ 1,469,861

See independent auditors' report.

THE MARSHALL LEGACY INSTITUTE

SCHEDULE OF INDIRECT COSTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Administrative and Overhead	Management and General	Total
Salaries, benefits and payroll taxes	$ 54,643	$ 57,836	$ 112,479
Travel, meals and entertainment	235	-	235
Meetings and conferences	-	27,534	27,534
Rent	5,223	5,223	10,446
Office expenses and supplies	9,014	-	9,014
Postage, printing and reproduction	947	-	947
Telephone, internet and website	2,339	2,339	4,678
Depreciation	1,765	-	1,765
Professional fees	2,725	2,725	5,450
Insurance	3,569	-	3,569
	80,460	95,657	176,117
General and administrative allocation	(7,428)	7,428	-
	$ 73,032	$ 103,085	$ 176,117
Total Direct Costs	$ 1,293,744	$ 1,293,744	$ 1,293,744
Less excess subcontract amounts *	(311,242)	(311,242)	(311,242)
Total Direct Costs Base	$ 982,502	$ 982,502	$ 982,502
Indirect Cost Rate	7.43%	10.49%	17.93%

* Subcontract amounts in excess of $25,000 are not included in the direct costs base.

See independent auditors' report.

THE MARSHALL LEGACY INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor Award Title/Project Title	CFDA Number	Contract Number	Expenditures
U.S. Department of State			
Mine Detection Dog Partnership Program (MDDPP)			
Sri Lanka	19.8	S-PMWRA-16-GR-1055	56,378
Lebanon	19.8	S-PMWRA-15-GR-1032	106,866
MDDPP/Children Against Mines Program (CHAMPS)			
Bosnia	19.8	S-PMWRA-15-GR-1001	82,991
Bosnia	19.8	S-PMWRA-15-GR-1110	120,091
Kurdistan	19.8	S-PMWRA-16-GR-1066	50,000
Children Against Mines Program (CHAMPS)			
Yemen	19.8	S-PMWRA-13-GR-1053	245,612
Total Federal Programs			$ 661,938

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the The Marshall Legacy Institute and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the accompanying financial statements.

See independent auditors’ report.