THE MARSHALL LEGACY INSTITUTE

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

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, 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.

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 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 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, 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.

Member of the Private Companies Practice Section of the Division for CPA Firms of the American Institute of Certified Public Accountants

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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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2019 on our consideration of the Institute's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Institute's internal control over financial reporting and compliance.

Brooks, Harrison Company

Rockville, Maryland
December 26, 2019

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	334,217
Grants and contributions receivable		334,804
Prepaid expenses		4,913
Total Current Assets		673,934
PROPERTY AND EQUIPMENT		
Furniture & equipment		12,661
Website		11,040
Leasehold improvements		7,135
Less, accumulated depreciation and amortization		(29,095)
Property and Equipment, Net		1,741
OTHER ASSETS		4,133
TOTAL ASSETS	$	679,808

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	230,665
NET ASSETS		
Unrestricted net assets		380,205
Donor restricted net assets		68,938
Total Net Assets		449,143
TOTAL LIABILITIES AND NET ASSETS	$	679,808

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

SUPPORT AND REVENUE	Unrestricted	Donor Restricted	Total
Contributions	$ 134,672	$ 117,164	$ 251,836
Grants and contracts	1,379,870	177,500	1,557,370
Inkind contributions	875	-	875
Dividends and Interest	472		472
Investments loss	(1,579)	-	(1,579)
Net assets released from restrictions	375,787	(375,787)	-
Total Support and Revenue	1,890,097	(81,123)	1,808,974
EXPENSES			
Program Services			
K-9 Demining Corps	1,401,746	-	1,401,746
Mine Awareness and Victims Assistance	263,483	-	263,483
Total Program Services	1,665,229	-	1,665,229
Supporting Services			
Management and general	95,869	-	95,869
Fundraising	150,548	-	150,548
Total Supporting Services	246,417	-	246,417
Total Expenses	1,911,646	-	1,911,646
CHANGE IN NET ASSETS	(21,549)	(81,123)	(102,672)
Net Assets, Beginning of Year	401,754	150,061	551,815
NET ASSETS, END OF YEAR	$ 380,205	$ 68,938	$ 449,143

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	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	$ -	157,799	$ 157,799	$ -	$ 157,799	$ -	-	-	$ 157,799
Subcontracts and consultants	224,210	434,916	659,126	145,150	804,276	500	1,450	-	806,226
Salaries, benefits and payroll taxes	243,953	155,773	399,726	85,598	485,324	71,191	65,511	68,634	690,660
Travel and meals	20,036	21,429	41,465	2,893	44,358	375	5,305	-	50,038
Meetings and conferences	4,277	8,634	12,911	2,347	15,258	54,378	5,986	5,986	81,608
Rent	23,784	15,296	39,080	8,403	47,483	6,992	3,217	7,351	65,043
Office and supplies expenses	2,443	1,284	3,727	462	4,189	1,518	25	11,876	17,608
Postage, printing and reproduction	1,361	1,860	3,221	231	3,452	2,388	-	5,446	11,286
Telephone, internet and website	1,480	585	2,065	301	2,366	25	2,204	2,205	6,800
Depreciation	-	-	-	-	-	-	-	1,441	1,441
Professional fees	2,500	3,635	6,135	2,250	8,385	-	-	6,850	15,235
Insurance	-	-	-	-	-	-	-	5,379	5,379
Ambassador vet	2,481	-	2,481		2,481	-	42	-	2,523
General and administrative allocation	45,168	28,842	74,010	15,848	89,858	13,181	12,129	(115,168)	-
	$ 571,693	$ 830,053	$ 1,401,746	$ 263,483	$ 1,665,229	$ 150,548	$ 95,869	$ -	$ 1,911,646

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(102,672)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense		1,441
Decrease (Increase) in:		
Grants and contributions receivable		(106,761)
Prepaid expenses		6,122
Increase (Decrease) in:		
Accounts payable		177,019
Deferred rent		(4,678)
Net Cash Used In Operating Activities		(29,529)
NETDECREASE IN CASH AND CASH EQUIVALENTS	$	(29,529)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		363,746
CASH AND CASH EQUIVALENTS, END OF YEAR	$	334,217

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 classified as follows:

> Unrestricted net assets represent the portion of expendable assets that are available for support of the Institute's operations.
>
> Donor restricted net assets represent temporarily restricted net 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 Institute has evaluated subsequent events through December 26, 2019, the date which the financial statements were available to be issued.

Note 2: Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2018, were comprised of federal grants receivable and sub-grantee advances.

Note 3: Temporarily Restricted Net Assets

At December 31, 2018, temporarily restricted net assets were available for the following programs:

K-9 Demining Corps	$ 23,045
MDDPP	3,410
Victim Assistance	42,483
Total	$ 68,938

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 month-to-month operating lease agreement. The Institute is in the process of negotiating a new long-term operating lease for the same office space. Total rent expense attributable to the Institute's office space for the year ended December 31, 2018 was $63,043.

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, 2018 was $52,044, and is included in salaries and benefits expense in the accompanying schedule of functional expenses.

SUPPLEMENTARY INFORMATION

THE MARSHALL LEGACY INSTITUTE

SCHEDULE OF INDIRECT COSTS

YEAR ENDED DECEMBER 31, 2018

	Administrative and Overhead	Management and General	Total
Salaries, benefits and payroll taxes	$ 68,634	$ 65,511	$ 134,145
Travel, meals and entertainment	-	5,305	5,305
Meetings and conferences	5,986	5,986	11,972
Rent	7,351	3,217	10,568
Office expenses and supplies	11,876	25	11,901
Postage, printing and reproduction	5,446	-	5,446
Telephone, internet and website	2,205	2,204	4,409
Depreciation	1,441	-	1,441
Professional fees	6,850	-	6,850
Insurance	5,379	-	5,379
Ambassador vet	-	42	42
	115,168	82,290	197,458
General and administrative allocation	(12,129)	12,129	-
	$ 103,039	$ 94,419	$ 197,458
Total Direct Costs	$ 1,714,188	$ 1,714,188	$ 1,714,188
Less excess subcontract amounts *	(815,399)	(815,399)	(815,399)
Total Direct Costs Base	$ 898,789	$ 898,789	$ 898,789
Indirect Cost Rate	11.46%	10.51%	21.97%

* 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, 2018

Federal Grantor Award Title/Project Title	CFDA Number	Contract Number		Expenditures
U.S. Department of State				
Mine Detection Dog Partnership Program (MDDPP)				
Lebanon	19.8	S-PMWRA-17-GR-1043	$	260,980
Kurdistan	19.8	W56KGZ-17-6086		438,903
MDDPP/Children Against Mines Program (CHAMPS)				
Busovača Demining	19.8	S-PMWRA-18 GR-0004		85,000
Bosnia	19.8	S-PMWRA-18-GR-0038		68,532
Bosnia	19.8	S-PMWRA-15-GR-1110		67,930
Children Against Mines Program (CHAMPS)				
Yemen	19.8	S-PMWRA-17-GR-1028		266,955
Total Federal Programs			$	1,188,300

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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the accompanying financial statements. The Institute has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report.

Brooks, Harrison Company, L.L.C.

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Rockville, Maryland 20850

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Marshall Legacy Institute

We have audited, in accordance with the 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, the financial statements of The Marshall Legacy Institute (the Institute), (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Rockville, Maryland
December 26, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Marshall Legacy Institute

Report on Compliance for Each Major Federal Program

We have audited the compliance of The Marshall Legacy Institute (the Institute) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2018. The Institute's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brooks, Harrison Company

Rockville, Maryland
December 26, 2019

THE MARSHALL LEGACY INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

1.	Type of auditors' report issued	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	No
	c. Noncompliance material to the financial statements noted?	No

Federal Awards

1.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	No
2.	Type of auditors' report issued on compliance for major programs.	Unqualified
3.	Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 5010 (a)?	No
4.	Identification of major program: U.S. Department of State Mine Detection Dog Partnership Program (MDDPP)	
5.	Dollar threshold used to distinguish between Type A and Type B programs	$750,000
6.	Auditee qualified as a low-risk auditee under the Uniform Guidance?	Yes

See independent auditors' report.

SECTION B - FINANCIAL STATEMENT FINDINGS

No matters involving instances of noncompliance or internal control, that are required to be reported under Government Auditing Standards were reported.

SECTION C - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters involving instances of noncompliance or internal control, that are required to be reported under Section 510(a) of Circular A-133 were reported.