

THE MARSHALL LEGACY INSTITUTE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

THE MARSHALL LEGACY INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
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Brooks, Harrison Company, L.L.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
The Marshall Legacy Institute

Opinion

We have audited the accompanying financial statements of The Marshall Legacy Institute, Inc. (the Institute) (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Marshall Legacy Institute, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of indirect costs and expenditures of federal awards are presented for the purpose of additional analysis and are 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.



Bethesda, Maryland
August 26, 2022

THE MARSHALL LEGACY INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	334,831
Grants and contributions receivable		186,010
Prepaid expenses		<u>113,727</u>
Total Current Assets		<u>634,568</u>

PROPERTY AND EQUIPMENT

Furniture & equipment		16,049
Website		11,040
Leasehold improvements		7,135
Less, accumulated depreciation and amortization		<u>(26,336)</u>
Property and Equipment, Net		<u>7,888</u>

OTHER ASSETS

4,133

TOTAL ASSETS

\$ 646,589

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	<u>39,570</u>
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NET ASSETS

Unrestricted net assets		479,234
Donor restricted net assets		<u>127,785</u>
Total Net Assets		<u>607,019</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 646,589

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

SUPPORT AND REVENUE	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>	<u>Total</u>
Contributions	\$ 200,053	\$ 351,771	\$ 551,824
Grants and contracts	558,572	245,338	803,910
In-kind contributions	-	-	-
Investment income	218,478	-	218,478
Net assets released from restrictions	<u>663,242</u>	<u>(663,242)</u>	<u>-</u>
Total Support and Revenue	<u>1,640,345</u>	<u>(66,133)</u>	<u>1,574,212</u>
 EXPENSES			
Program Services			
K-9 Demining Corps	942,642	-	942,642
Mine Awareness and Victims Assistance	<u>125,136</u>	<u>-</u>	<u>125,136</u>
Total Program Services	<u>1,067,778</u>	<u>-</u>	<u>1,067,778</u>
Supporting Services			
Management and general	122,570	-	122,570
Fundraising	<u>164,243</u>	<u>-</u>	<u>164,243</u>
Total Supporting Services	<u>286,813</u>	<u>-</u>	<u>286,813</u>
Total Expenses	<u>1,354,591</u>	<u>-</u>	<u>1,354,591</u>
CHANGE IN NET ASSETS	285,754	(66,133)	219,621
Net Assets, Beginning of Year	<u>193,480</u>	<u>193,918</u>	<u>387,398</u>
NET ASSETS, END OF YEAR	<u><u>\$ 479,234</u></u>	<u><u>\$ 127,785</u></u>	<u><u>\$ 607,019</u></u>

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

THE MARSHALL LEGACY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services				Total Expenses
	K-9 Demining Corps					Total Program Services	Fundraising	Management and General	Administrative and Overhead	
	PMPS	Champs and Other K-9	MDDP	Total	Victims Assistance					
Mine Detection Dogs	\$ -	\$ -	\$ 277,408	\$ 277,408	\$ -	\$ 277,408	\$ -	\$ -	\$ -	\$ 277,408
Subcontracts and consultants	33,661	231,865	15,962	281,488	39,764	321,252	1,071	-	-	322,323
Salaries, benefits and payroll taxes	39,279	159,535	95,107	293,921	53,044	346,965	83,678	58,751	59,230	548,624
Travel and meals	-	4,947	7,088	12,035	5,363	17,398	5,395	-	78	22,871
Meetings and conferences	84	84	617	785	11,864	12,649	48,360	6,784	6,784	74,577
Rent	-	-	-	-	-	-	-	31,891	31,891	63,782
Office and supplies expenses	727	3,101	1,167	4,995	681	5,676	3,045	3,135	3,135	14,991
Postage, printing and reproduction	224	1,199	369	1,792	680	2,472	3,751	-	52	6,275
Telephone, internet and website	329	1,057	92	1,478	1,731	3,209	-	675	675	4,559
Depreciation	-	-	-	-	-	-	-	-	849	849
Professional fees	300	1,900	-	2,200	-	2,200	-	5,288	5,288	12,776
Insurance	-	-	-	-	-	-	-	2,746	2,746	5,492
Ambassador vet	-	-	-	-	-	-	-	-	64	64
General and administrative allocation	8,893	36,116	21,531	66,540	12,009	78,549	18,943	13,300	(110,792)	-
	<u>\$ 83,497</u>	<u>\$ 439,804</u>	<u>\$ 419,341</u>	<u>\$ 942,642</u>	<u>\$ 125,136</u>	<u>\$ 1,067,778</u>	<u>\$ 164,243</u>	<u>\$ 122,570</u>	<u>\$ -</u>	<u>\$ 1,354,591</u>

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 219,621
Adjustments to reconcile change in net assets to net cash used in operating activities:	
SBA Payroll Protection Loan forgiveness	(117,434)
Depreciation expense	849
Decrease (Increase) in:	
Grants and contributions receivable	(79,077)
Prepaid expenses	(103,718)
Increase (Decrease) in:	
Accounts payable	<u>11,854</u>
Net cash used in operating activities	<u>(67,905)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(8,737)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

\$ (76,642)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

411,473

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 334,831

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

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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:

Net assets without donor restrictions, or unrestricted net assets, represent the portion of expendable assets that are available for support of the Institute's operations.

Donor restricted net assets represent assets that are specifically restricted by donors for various programs or future periods.

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, donor restricted net assets are reclassified to net assets without donor restrictions 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 August 22, 2022, the date which the financial statements were available to be issued.

Note 2: Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2021, were comprised of federal grants receivable and sub-grantee advances.

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 3: Liquidity and Availability of Financial Assets

The accompanying statement of financial position identifies financial assets totaling \$503,730, \$127,785 of which are donor restricted for specific programs, and therefore not available for general expenditures. Management structures its financial assets to be available as its expenditures, liabilities, and other obligations become due.

Note 4: Net Assets With Donor Restrictions

At December 31, 2021, net assets with donor restrictions were available for the following programs:

K-9 Demining Corps	\$	68,378
Children Against Mines		<u>59,407</u>
Total	\$	<u><u>127,785</u></u>

Note 5: 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 6: Lease Commitment

The Institute leases its current office space in Arlington, Virginia under an operating lease agreement that was originally executed on December 18, 2002, and subsequently extended through May 31, 2022, through amendment. Total rent expense attributable to the Institute's office space for the year ended December 31, 2021 was \$63,781. Future minimum annual payments under the lease total \$28,730 in 2022.

Note 7: 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, 2021 was \$36,479, 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, 2021

	<u>Administrative and Overhead</u>	<u>Management and General</u>	<u>Total</u>
Dogs	\$ -	\$ -	\$ -
Subcontracts and consultants	-	-	-
Salaries, benefits and payroll taxes	59,230	58,751	117,981
Travel, meals and entertainment	78	-	78
Meetings and conferences	6,784	6,784	13,568
Rent	31,891	31,891	63,782
Office expenses and supplies	3,135	3,135	6,270
Postage, printing and reproduction	52	-	52
Telephone, internet and website	675	675	1,350
Depreciation	849	-	849
Professional fees	5,288	5,288	10,576
Insurance	2,746	2,746	5,492
Ambassador vet	64	-	64
	<u>110,792</u>	<u>109,270</u>	<u>220,062</u>
General and administrative allocation	<u>(13,300)</u>	<u>13,300</u>	<u>-</u>
	<u>\$ 97,492</u>	<u>\$ 122,570</u>	<u>\$ 220,062</u>
Total Direct Costs	\$ 1,134,529	\$ 1,134,529	\$ 1,134,529
Less excess subcontract amounts *	<u>(503,806)</u>	<u>(503,806)</u>	<u>(503,806)</u>
Total Direct Costs Base	<u>\$ 630,723</u>	<u>\$ 630,723</u>	<u>\$ 630,723</u>
Indirect Cost Rate	<u>15.46%</u>	<u>19.43%</u>	<u>34.89%</u>

* 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, 2021

<u>Federal Grantor</u> <u>Award Title/Project Title</u>	<u>CFDA</u> <u>Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of State			
MDDPP/Children Against Mines Program (CHAMPS)			
Bosnia	19.800	S-PMWRA-18-GR-0038	\$ 131,055
Mine Free Sarajevo	19.800	S-PMWRA-19-GR-0008	15,337
Children Against Mines Program (CHAMPS)			
Yemen	19.800	S-PMWRA-17-GR-1028	238,623
Restoring Life in Iraq	19.016	SLMAQM 21-GR-3490	56,041
Peace Through Sport	19.040	SLE200 21-GR-3030	<u>22,854</u>
Total Federal Programs			<u>\$ 463,910</u>

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.