

THE MARSHALL LEGACY INSTITUTE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

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

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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, 2019, 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, 2019, 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.

Other Matters

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

Brooks, Harrison Company

Rockville, Maryland
November 24, 2020

THE MARSHALL LEGACY INSTITUTE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	244,216
Grants and contributions receivable		131,863
Prepaid expenses		<u>10,985</u>
Total Current Assets		<u>387,064</u>

PROPERTY AND EQUIPMENT

Furniture & equipment		10,422
Website		11,040
Leasehold improvements		7,135
Less, accumulated depreciation and amortization		<u>(28,018)</u>
Property and Equipment, Net		<u>579</u>

OTHER ASSETS

4,133

TOTAL ASSETS

\$ 391,776

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	<u>32,508</u>
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NET ASSETS

Unrestricted net assets		285,424
Donor restricted net assets		<u>73,844</u>
Total Net Assets		<u>359,268</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 391,776

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Total</u>
Contributions	\$ 165,810	\$ 131,625	\$ 297,435
Grants and contracts	623,008	200,000	823,008
In-kind contributions	131,250	-	131,250
Investment income	2,869	-	2,869
Net assets released from restrictions	<u>326,719</u>	<u>(326,719)</u>	<u>-</u>
Total Support and Revenue	<u>1,249,656</u>	<u>4,906</u>	<u>1,254,562</u>
 EXPENSES			
Program Services			
K-9 Demining Corps	972,382	-	972,382
Mine Awareness and Victims Assistance	<u>107,104</u>	<u>-</u>	<u>107,104</u>
Total Program Services	<u>1,079,486</u>	<u>-</u>	<u>1,079,486</u>
Supporting Services			
Management and general	127,927	-	127,927
Fundraising	<u>137,024</u>	<u>-</u>	<u>137,024</u>
Total Supporting Services	<u>264,951</u>	<u>-</u>	<u>264,951</u>
Total Expenses	<u>1,344,437</u>	<u>-</u>	<u>1,344,437</u>
CHANGE IN NET ASSETS	(94,781)	4,906	(89,875)
Net Assets, Beginning of Year	<u>380,205</u>	<u>68,938</u>	<u>449,143</u>
NET ASSETS, END OF YEAR	<u>\$ 285,424</u>	<u>\$ 73,844</u>	<u>\$ 359,268</u>

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

THE MARSHALL LEGACY INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services				Total Expenses
	K-9 Demining Corps			Victims Assistance	Total Program Services	Fundraising	Management and General	Administrative and Overhead	
	Champs and Other K-9	MDDP	Total						
Dogs	\$ -	162,858	\$ 162,858	\$ -	\$ 162,858	\$ -	\$ -	\$ -	\$ 162,858
Subcontracts and consultants	234,438	35,732	270,170	-	270,170	7,748	-	-	277,918
Salaries, benefits and payroll taxes	245,728	109,473	355,201	71,384	426,585	85,020	82,643	56,153	650,401
Travel and meals	24,868	7,188	32,056	5,048	37,104	5,084	2,043	-	44,231
Meetings and conferences	29,721	12,758	42,479	8,482	50,961	9,742	9,757	6,722	77,182
Rent	25,963	11,567	37,530	7,542	45,072	8,983	8,732	5,933	68,720
Office and supplies expenses	1,880	858	2,738	116	2,854	3,936	-	10,738	17,528
Postage, printing and reproduction	1,465	1,221	2,686	1,049	3,735	3,084	1,373	1,373	9,565
Telephone, internet and website	1,305	-	1,305	638	1,943	-	2,282	2,282	6,507
Depreciation	-	-	-	-	-	-	-	1,162	1,162
Professional fees	3,220	4,190	7,410	1,720	9,130	-	5,445	5,445	20,020
Insurance	-	-	-	-	-	-	2,773	2,773	5,546
Ambassador vet	2,590	-	2,590	-	2,590	177	-	32	2,799
General and administrative allocation	38,297	17,062	55,359	11,125	66,484	13,250	12,879	(92,613)	-
	<u>\$ 609,475</u>	<u>\$ 362,907</u>	<u>\$ 972,382</u>	<u>\$ 107,104</u>	<u>\$ 1,079,486</u>	<u>\$ 137,024</u>	<u>\$ 127,927</u>	<u>\$ -</u>	<u>\$ 1,344,437</u>

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

THE MARSHALL LEGACY INSTITUTE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (89,875)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	1,162
Decrease (Increase) in:	
Grants and contributions receivable	202,941
Prepaid expenses	(6,072)
Increase (Decrease) in:	
Accounts payable	<u>(198,157)</u>
Net Cash Used In Operating Activities	<u>(90,001)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 \$ (90,001)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>334,217</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 244,216</u></u>

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

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 November 24, 2020, the date which the financial statements were available to be issued.

Note 2: Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2019, were comprised of federal grants receivable and sub-grantee advances.

THE MARSHALL LEGACY INSTITUTE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 3: Temporarily Restricted Net Assets

At December 31, 2019, temporarily restricted net assets were available for the following program:

K-9 Demining Corps	\$	73,844
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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 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, 2019 was \$68,720. Future minimum annual payments under the lease total \$68,953 in 2020 and 2021, and \$28,730 in 2022.

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, 2019 was \$47,156, 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, 2019

	<u>Administrative and Overhead</u>	<u>Management and General</u>	<u>Total</u>
Salaries, benefits and payroll taxes	\$ 56,153	\$ 82,643	\$ 138,796
Travel, meals and entertainment	-	2,043	2,043
Meetings and conferences	6,722	9,757	16,479
Rent	5,933	8,732	14,665
Office expenses and supplies	10,738	-	10,738
Postage, printing and reproduction	1,373	1,373	2,746
Telephone, internet and website	2,282	2,282	4,564
Depreciation	1,162	-	1,162
Professional fees	5,445	5,445	10,890
Insurance	2,773	2,773	5,546
Ambassador vet	32	-	32
	<u>92,613</u>	<u>115,048</u>	<u>207,661</u>
General and administrative allocation	<u>(12,879)</u>	<u>12,879</u>	<u>-</u>
	<u>\$ 79,734</u>	<u>\$ 127,927</u>	<u>\$ 207,661</u>
Total Direct Costs	\$ 1,136,776	\$ 1,136,776	\$ 1,136,776
Less excess subcontract amounts *	<u>(250,664)</u>	<u>(250,664)</u>	<u>(250,664)</u>
Total Direct Costs Base	<u>\$ 886,112</u>	<u>\$ 886,112</u>	<u>\$ 886,112</u>
Indirect Cost Rate	<u>9.00%</u>	<u>14.44%</u>	<u>23.44%</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, 2019

<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			
Mine Detection Dog Partnership Program (MDDPP)			
Bosnia and Herzegovina - Sub-award	19.8	S-PMWRA-19-GR-0008043	\$ 54,524
Kurdistan	19.8	W56KGZ-17-6086	7,018
MDDPP/Children Against Mines Program (CHAMPS)			
Bosnia	19.8	S-PMWRA-18-GR-0038	140,613
Children Against Mines Program (CHAMPS)			
Yemen	19.8	S-PMWRA-17-GR-1028	280,852
Total Federal Programs			<u>\$ 483,007</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.