



**WithumSmith+Brown**  
**A Professional Corporation**  
**Certified Public Accountants and Consultants**

# **PHYSICIANS** **FOR REPRODUCTIVE** **HEALTH**

**Financial Statements**

**September 30, 2014 and 2013**

**With Independent Auditors' Report**

**Physicians For Reproductive Health  
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September 30, 2014 and 2013**

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## Independent Auditors' Report

To The Board of Directors,  
Physicians for Reproductive Health:

### Report on the Financial Statements

We have audited the accompanying financial statements of Physicians For Reproductive Health, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Physicians For Reproductive Health'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 Physicians For Reproductive Health'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 Physicians For Reproductive Health as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years 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 schedule of functional expenses 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.

February 18, 2015

**Physicians For Reproductive Health  
Statements of Financial Position  
September 30, 2014 and 2013**

	2014	2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,029,533	\$ 2,765,204
Investments	1,813,724	1,348,550
Unconditional promises to give, current portion	2,308,265	2,706,892
Accounts receivable	--	63,393
Prepaid expenses and other current assets	29,471	75,409
Total current assets	<u>6,180,993</u>	<u>6,959,448</u>
Property and equipment, net	82,940	117,450
Other assets		
Unconditional promises to give, non-current portion	35,115	1,515,633
Restricted cash - security deposit	74,100	74,880
Other assets	15,947	18,353
Total other assets	<u>125,162</u>	<u>1,608,866</u>
	<u>\$ 6,389,095</u>	<u>\$ 8,685,764</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 166,386	\$ 244,973
Long-term liabilities		
Security deposits payable	20,960	19,550
Total liabilities	<u>187,346</u>	<u>264,523</u>
Net assets		
Unrestricted	2,011,857	1,944,404
Temporarily restricted	4,189,892	6,476,837
Total net assets	<u>6,201,749</u>	<u>8,421,241</u>
	<u>\$ 6,389,095</u>	<u>\$ 8,685,764</u>

The Notes to Financial Statements are an integral part of these statements.

**Physicians For Reproductive Health**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended September 30, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenues						
Contributions						
Foundations	\$ 35,373	\$ 1,138,365	\$ 1,173,738	\$ 129,916	\$ 7,807,359	\$ 7,937,275
Individuals	431,631	296,630	728,261	366,730	10,000	376,730
In-kind	522,971	--	522,971	375,283	--	375,283
Service fees	106,397	--	106,397	87,132	--	87,132
Rental income	107,277	--	107,277	92,869	--	92,869
Interest and dividend income	42,446	--	42,446	25,299	--	25,299
Investment income	111,070	--	111,070	91,643	--	91,643
Miscellaneous income	24,139	--	24,139	18	--	18
	<u>1,381,304</u>	<u>1,434,995</u>	<u>2,816,299</u>	<u>1,168,890</u>	<u>7,817,359</u>	<u>8,986,249</u>
Net assets released from restrictions due to satisfaction of time and purpose restrictions	<u>3,721,940</u>	<u>(3,721,940)</u>	<u>--</u>	<u>3,216,973</u>	<u>(3,216,973)</u>	<u>--</u>
	<u>5,103,244</u>	<u>(2,286,945)</u>	<u>2,816,299</u>	<u>4,385,863</u>	<u>4,600,386</u>	<u>8,986,249</u>
Expenses						
Program services	4,447,195	--	4,447,195	3,326,928	--	3,326,928
Supporting services	588,596	--	588,596	542,431	--	542,431
	<u>5,035,791</u>	<u>--</u>	<u>5,035,791</u>	<u>3,869,359</u>	<u>--</u>	<u>3,869,359</u>
Changes in net assets	67,453	(2,286,945)	(2,219,492)	516,504	4,600,386	5,116,890
Net assets, beginning of year	<u>1,944,404</u>	<u>6,476,837</u>	<u>8,421,241</u>	<u>1,427,900</u>	<u>1,876,451</u>	<u>3,304,351</u>
Net assets, end of year	<u>\$ 2,011,857</u>	<u>\$ 4,189,892</u>	<u>\$ 6,201,749</u>	<u>\$ 1,944,404</u>	<u>\$ 6,476,837</u>	<u>\$ 8,421,241</u>

The Notes to Financial Statements are an integral part of these statements.

**Physicians For Reproductive Health**  
**Statements of Cash Flows**  
**Years Ended September 30, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (2,219,492)	\$ 5,116,890
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	50,707	55,388
Realized gain on investment	(1,974)	(1,318)
Unrealized gain on investment	(119,510)	(94,846)
Changes in assets and liabilities		
Unconditional promises to give	1,879,145	(4,210,445)
Accounts receivable	63,393	(34,662)
Prepaid expenses and other current assets	45,938	2,069
Other assets	2,406	2,395
Accounts payable and accrued expenses	(78,587)	104,327
Restricted cash - security deposit	780	(221)
Security deposits payable	1,410	6,500
Net cash (used) provided by operating activities	<u>(375,784)</u>	<u>946,077</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(16,197)	(77,942)
Net proceeds from sales/(purchase) of investments	<u>(343,690)</u>	<u>(1,252,386)</u>
Net cash used by investing activities	<u>(359,887)</u>	<u>(1,330,328)</u>
Net change in cash and cash equivalents	(735,671)	(384,251)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,765,204</u>	<u>3,149,455</u>
End of year	<u>\$ 2,029,533</u>	<u>\$ 2,765,204</u>
<b>Supplemental disclosure of cash flow information</b>		
There were no amounts paid for interest or income taxes during the years ended September 30, 2014 or 2013		

The Notes to Financial Statements are an integral part of these statements.

**Physicians For Reproductive Health  
Notes to Financial Statements  
September 30, 2014 and 2013**

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**1. Organization and Summary of Significant Accounting Policies**

**Organization**

Physicians For Reproductive Health (the "Organization") unites the medical community and concerned supporters. Together, the Organization works to improve access to comprehensive reproductive health care, including contraception and abortion, especially to meet the health care needs of economically disadvantaged patients.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments, purchased with an initial maturity of three months or less, to be cash equivalents.

**Investments**

Investments in money market and equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law.

**Unconditional Promises to Give and Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Property and Equipment**

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the asset as follows:

<b>Description</b>	<b>Estimated Life (Years)</b>
Office furniture and equipment	5
Computer equipment and website development	3
Leasehold improvements	Life of lease

**Income Taxes**

Physicians For Reproductive Health is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code and has been designated as an organization which is not a private foundation. Management has determined that there were no uncertain tax positions at September 30, 2014 and 2013. There are no open tax years prior to 2011. In addition, there was no interest or penalties related to income taxes included in the financial statements presented.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.



**Physicians For Reproductive Health**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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**Financial Statement Presentation**

The financial statements are presented in accordance with FASB ASC Topic 958 "Not-for-Profit Entities." The Organization 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.

**Concentration of Credit Risk**

The Organization maintains cash amounts with two financial institutions. In an attempt to limit the credit risk, the Organization places all funds with high quality financial institutions. At various times throughout the year, the Organization had cash balances in excess of FDIC insurance coverage. The Organization has not experienced any losses resulting from credit risk.

**Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and support services in ratios determined by management.

**2. Unconditional Promises to Give**

Unconditional promises to give consist of funds pledged for various programs and general operating support. These pledges are payable through the Organization's fiscal year ended 2015 and are recorded at their net present value, using a discount rate of 3 percent per annum. These pledges are offset by an allowance for uncollectible amounts of \$8,983 and \$-0- as of each of the years ended September 30, 2014 and 2013, respectively. Maturity of pledges receivable are as follows at September 30:

	2014	2013
Less than one year	\$ 2,127,138	\$ 2,706,892
Two to five years	37,500	1,561,254
Thereafter	--	--
Total unconditional promises to give	2,164,638	4,268,146
Less: Unamortized discount	(2,385)	(45,621)
Less: Allowance for uncollectible pledges	(8,983)	--
Net unconditional promises to give	2,153,270	4,222,525
Less: Current portion of unconditional promises to give	2,118,155	2,706,892
Non-current portion of unconditional promises to give	<u>\$ 35,115</u>	<u>\$ 1,515,633</u>

**3. Investments**

At September 30, 2014, investments consist of:

	Fair Value	Cost	Fair Value in Excess of Cost
Equity securities	\$ 1,100,447	\$ 905,159	\$ 195,288
Debt securities	713,277	721,131	(7,854)
	<u>\$ 1,813,724</u>	<u>\$ 1,626,290</u>	<u>\$ 187,434</u>

**Physicians For Reproductive Health**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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At September 30, 2013, investments consist of:

	Fair Value	Cost	Fair Value in Excess of Cost
Equity securities	\$ 845,641	\$ 742,274	\$ 103,367
Debt securities	502,909	524,295	(21,386)
	<u>\$ 1,348,550</u>	<u>\$ 1,266,569</u>	<u>\$ 81,981</u>

Investment income for the years ended September 30, 2014 and 2013 is summarized as follows:

	2014	2013
Interest and dividend income	\$ 42,446	\$ 25,299
Realized gain on sale of securities	1,974	1,318
Unrealized gain	119,510	94,846
Investment expenses	(10,414)	(4,521)
	<u>\$ 153,516</u>	<u>\$ 116,942</u>

**Fair Value Accounting**

Pursuant to the requirements of the accounting pronouncement on fair value measurements, the Organization has provided fair value disclosure information for relevant assets and liabilities in the financial statements. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, this pronouncement establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1:** Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3:** In the event little or no market data is available, the Organization develops measurement criteria based on the best information available. This measurement reflects management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

**Physicians For Reproductive Health**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of September 30, 2014, along with the basis of determination of fair value:

		Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
	Total			
Equity securities	\$ 1,100,447	\$ 1,100,447	\$ --	\$ --
Debt securities	713,277	713,277	--	--
	<u>\$ 1,813,724</u>	<u>\$ 1,813,724</u>	<u>\$ --</u>	<u>\$ --</u>

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of September 30, 2013, along with the basis of determination of fair value:

		Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
	Total			
Equity securities	\$ 845,641	\$ 845,641	\$ --	\$ --
Debt securities	502,909	502,909	--	--
	<u>\$ 1,348,550</u>	<u>\$ 1,348,550</u>	<u>\$ --</u>	<u>\$ --</u>

**4. Property and Equipment**

Property and equipment consists of the following:

	2014	2013
Office furniture and equipment	\$ 33,069	\$ 34,283
Computer equipment and website development	176,666	201,448
Leasehold improvements	126,110	116,710
	<u>335,845</u>	<u>352,441</u>
Less: Accumulated depreciation	<u>(252,905)</u>	<u>(234,991)</u>
	<u>\$ 82,940</u>	<u>\$ 117,450</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$50,707 and \$55,388, respectively.

**5. Lines of Credit**

In 2001, the Organization opened an irrevocable standby letter of credit up to \$74,100 as part of the lease agreement for the office in New York City, which expires July 31, 2017. In addition, the Organization secured a revolving bank line of credit with a limit of up to \$250,000. The Organization had not drawn any money from this line of credit as of September 30, 2014 and 2013.

**Physicians For Reproductive Health  
Notes to Financial Statements  
September 30, 2014 and 2013**

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for future periods and programs as follows:

	<b>2014</b>	<b>2013</b>
Restricted by program	\$ 1,601,003	\$ 2,292,252
Designated for future periods	<u>2,588,889</u>	<u>4,184,585</u>
	<u>\$ 4,189,892</u>	<u>\$ 6,476,837</u>

Temporarily restricted net assets at September 30, 2014 are expected to be released from restrictions as follows:

	<b>Amount</b>
Year ending September 30, 2015	\$ 3,041,419
Year ending September 30, 2016	1,148,473
Thereafter	<u>--</u>
	<u>\$ 4,189,892</u>

**7. Retirement Plan**

During the years ended September 30, 2014 and 2013, the Organization had a tax deferred retirement plan for the benefit of all qualifying employees under section 401(k) of the Internal Revenue Code. Qualifying participants may defer up to 90 percent of their annual base compensation, up to the Internal Revenue Service maximum limitations. Employer matching contributions are discretionary and the maximum allowable amount is 4 percent of each non-Highly Compensated Employee Participant's compensation for the plan year. For the years ended September 30, 2014 and 2013, contributions from the Organization to the plan amounted to \$114,909 and \$103,747, respectively.

**8. Commitments**

**Lease Commitments as Lessee**

The Organization occupies office space in New York City under two lease agreements which provide for minimum annual payments for the years ended September 30 as follows:

<b>Year</b>	<b>Amount</b>
2015	\$ 249,570
2016	299,570
2017	224,678
Thereafter	<u>--</u>
	<u>\$ 773,818</u>

The leases also require the Organization to provide a security deposit to the landlord. For one office lease, a certificate of deposit has been acquired to satisfy the security deposit requirement.

The Organization also leased office space in Washington, D.C. on a month to month basis during the years ended September 30, 2014 and 2013.

**Physicians For Reproductive Health**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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Rent expense for the years ended September 30, 2014 and 2013 was approximately \$255,000 and \$256,000, respectively. The NY landlord provided the Organization with an 18 percent rent concession throughout the fiscal year with written concession agreements effective March 2012 through September 2015.

**Licensing Agreements**

The Organization licenses office space on an annual basis. The minimum future rentals for existing non-cancelable licensing arrangements at September 30, 2014, assuming renewals, are approximately \$203,000.

**9. Significant Grants and Concentration Risk**

During the years ended September 30, 2014 and 2013, the Organization received approximately 14 and 78 percent, respectively, of its contributions from one contributor. These contributions have time restrictions requiring them to be allocated through the years ended September 30, 2013 through 2016.

**10. Subsequent Events**

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 18, 2015 which is the date the financial statements were available to be issued. Based on the evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.

**SUPPLEMENTARY INFORMATION**

**Physicians For Reproductive Health  
Schedule of Functional Expenses  
Year Ended September 30, 2014  
(With Summarized Financial Information for 2013)**

	2014								2013
	Program Services				Supporting Services				Summarized Information
	Education Research & Training	Global Doctors for Choice	External Affairs	Program Total	Management & General	Development	Support Total	Total	
	Salaries and benefits	\$ 761,766	\$ 207,818	\$ 1,174,480	\$ 2,144,064	\$ 157,235	\$ 167,801	\$ 325,036	
Professional fees	162,462	295,867	482,994	941,323	335,076	25,375	360,451	1,301,774	1,014,085
Printing and publications	2,021	47,102	4,319	53,442	2,693	28,111	30,804	84,246	45,570
Communication	2,690	1,774	1,403	5,867	79,016	114	79,130	84,997	37,515
Postage and delivery	2,751	90	69	2,910	3,486	6,833	10,319	13,229	11,981
Travel	230,163	72,251	36,048	338,462	19,393	2,778	22,171	360,633	231,651
Conferences and conventions	133,309	25,128	27,499	185,936	5,251	82	5,333	191,269	173,175
Office supplies	650	--	270	920	11,940	327	12,267	13,187	12,185
Dues and subscriptions	14,089	875	19,636	34,600	2,238	1,683	3,921	38,521	18,562
Outreach and public education	--	--	500	500	300	8,629	8,929	9,429	10,365
Bank charges	--	--	--	--	10,330	--	10,330	10,330	14,825
Other operating costs	1,203	1,345	100	2,648	72,066	444	72,510	75,158	20,889
Occupancy	--	--	5,798	5,798	314,637	--	314,637	320,435	316,449
Insurance	--	--	--	--	7,140	--	7,140	7,140	5,081
Equipment	--	1,608	--	1,608	4,028	--	4,028	5,636	75,054
Depreciation expense	--	--	--	--	50,707	--	50,707	50,707	55,388
Overhead allocation	260,959	69,010	399,148	729,117	(785,810)	56,693	(729,117)	--	--
	<u>\$ 1,572,063</u>	<u>\$ 722,868</u>	<u>\$ 2,152,264</u>	<u>\$ 4,447,195</u>	<u>\$ 289,726</u>	<u>\$ 298,870</u>	<u>\$ 588,596</u>	<u>\$ 5,035,791</u>	<u>\$ 3,869,359</u>

See Independent Auditors' Report.