

**CHOICE, INC.**

**FINANCIAL STATEMENT AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2013**

# CHOICE, INC.

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DENNIS NATALI, CPA  
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Independent Auditor's Report

Board of Directors  
CHOICE, Inc.  
Philadelphia, PA

We have audited the accompanying financial statements of CHOICE, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012 and the related statements of activities 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.

**Auditor's 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 auditor's 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 CHOICE, Inc. as of June 30, 2013 and 2012 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.

## Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information (shown on pages 11 to 13) is presented for the 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.

*Snyder, Daitz, & Company*

SNYDER, DAITZ & COMPANY

August 27, 2013

**CHOICE, INC.**

STATEMENT OF FINANCIAL POSITION  
June 30,

	2013	2012
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 181,200	\$ 187,456
Accounts receivable	28,875	40,786
Prepaid expenses	14,427	13,320
	\$ 224,502	\$ 241,562
<u>FURNITURE AND EQUIPMENT, NET</u>	7,693	13,324
<u>OTHER ASSETS</u>		
Security deposits	4,166	4,166
	\$ 236,361	\$ 259,052
<u>LIABILITIES &amp; NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 5,000	\$ 5,000
Accrued expenses	26,649	27,833
	\$ 31,649	\$ 32,833
<u>NET ASSETS</u>		
Unrestricted	\$ 174,577	\$ 194,219
Temporarily restricted	30,135	32,000
	\$ 204,712	\$ 226,219
Total Liabilities & Net Assets	\$ 236,361	\$ 259,052

The accompanying notes are an integral part of this statement.

## CHOICE, INC.

### STATEMENT OF ACTIVITY June 30,

	2013		
	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES AND SUPPORT:</u></b>			
Government	\$ 344,547		\$ 344,547
Community	56,471		56,471
Foundation - corporate	15,289	\$ 40,000	55,289
Other	18,238		18,238
Net assets released from restrictions	41,865	(41,865)	0
	\$ 476,410	\$ (1,865)	\$ 474,545
<b><u>EXPENSES:</u></b>			
Salaries	\$ 278,658		\$ 278,658
Benefits	81,440		81,440
Advertising	2,370		2,370
Annual appeal	8,346		8,346
Auditing and accounting	16,539		16,539
Consultant	14,865		14,865
Depreciation	5,631		5,631
Insurance	9,760		9,760
Legal	0		0
Occupancy	37,746		37,746
Office & program supplies	8,463		8,463
Printing & postage	4,217		4,217
Repairs and maintenance	8,538		8,538
Telephone	14,536		14,536
Travel and meetings	1,235		1,235
Utilities	3,708		3,708
	\$ 496,052	0	\$ 496,052
Change in Net Assets	\$ (19,642)	\$ (1,865)	\$ (21,507)
Net Assets - July 1, 2012	194,219	32,000	226,219
Net Assets - June 30, 2013	\$ 174,577	\$ 30,135	\$ 204,712

The accompanying notes are an integral part of this statement.

## CHOICE, INC.

### STATEMENT OF ACTIVITY June 30,

	2012		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT:</b>			
Government	\$ 334,523		\$ 334,523
Community	77,175		77,175
Foundation - corporate	11,183	\$ 32,000	43,183
Other	3,132		3,132
Net assets released from restrictions	12,000	\$ (12,000)	
 Total Revenue & Support	 \$ 438,013	 \$ 20,000	 \$ 458,013
<b>EXPENSES:</b>			
Salaries	\$ 255,874		\$ 255,874
Benefits	76,911		76,911
Advertising	10,434		10,434
Annual appeal	6,409		6,409
Auditing and accounting	16,959		16,959
Depreciation	6,610		6,610
Insurance	11,662		11,662
Legal	3,537		3,537
Occupancy	58,966		58,966
Office & program supplies	8,012		8,012
Printing & postage	3,590		3,590
Repairs and maintenance	9,144		9,144
Telephone	15,367		15,367
Travel and meetings	503		503
Utilities	4,603		4,603
 Total Expenses	 \$ 488,581	 0	 \$ 488,581
 Change in Net Assets	 \$ (50,568)	 \$ 20,000	 \$ (30,568)
 Net Assets - July 1, 2011	 244,787	 12,000	 256,787
 Net Assets - June 30, 2012	 \$ 194,219	 32,000	 \$ 226,219

The accompanying notes are an integral part of this statement.

## CHOICE, INC.

### STATEMENT OF CASH FLOWS June 30,

	2013	2012
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (21,507)	\$ (30,568)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,631	6,610
(Increase) decrease in assets:		
Accounts receivable	11,911	15,510
Prepaid expenses and deposits	(1,107)	17,749
Unconditional promises to give		
Increase (decrease) in liabilities:		
Accounts payable	0	(1,549)
Accrued expenses	(1,184)	(13,166)
Rent payable	0	(336)
	\$ (6,256)	\$ (5,750)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
None	0	0
	0	0
Net cash used by financing activities		
Increase (Decrease) in Cash	\$ (6,256)	\$ (5,750)
Cash balance, beginning	187,456	193,206
Cash balance, ending	\$ 181,200	\$ 187,456
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</u></b>		
Cash paid during the year for:		
Interest	0	0

The accompanying notes are an integral part of this statement.

# CHOICE, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2013

### NOTE 1 - ORGANIZATION

CHOICE, Inc. Concern for Health Options: Information, Care and Education (the "Organization") was incorporated in 1972 exclusively for charitable purposes. CHOICE - increases access to accurate information and essential services concerning reproductive, sexual, and family health, empowers people through education and counseling, and provides these services with empathy and respect. CHOICE works to overcome and eliminate barriers that impede access to quality health care and information for all individuals - regardless of economic status, gender, age, race, religion, culture, or sexual orientation.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements are presented in accordance with FASB ASC 598 (formerly SFAS No. 117, Financial Statements of Not-for-Profit Organizations), which requires the Organization 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.

#### Recognition of Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions. Amounts released from restriction totaled \$30,135 and \$32,000 for the years ended June 30, 2013 and 2012, respectively.

When the organization receives contributions to be used for long-lived capital assets, the release of such restriction is recognized over the life of the asset.

Unconditional promises to give are recognized as revenues or gains to the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### Accounts Receivable

Accounts receivable are recorded at net realizable value and are recorded in revenue as earned. As a result, CHOICE, Inc. does not normally incur any bad debts; therefore, an allowance for doubtful accounts is not included in the accompanying financial statements.

#### Fixed Assets

Fixed asset expenditures are capitalized and depreciated over their estimated useful lives using both straight-line and accelerated depreciation methods. Contributed assets are valued at the fair market value at the date of donation.

Fixed assets acquired by CHOICE, Inc. are considered to be owned by CHOICE, Inc., except for certain property acquired with funds received from certain government sources. Title for that property remains with the government funder.

## CHOICE, INC.

### NOTES TO FINANCIAL STATEMENTS June 30, 2013

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Date of Management's Review

Subsequent events were evaluated through August 27, 2013, which is the date the financial statements were available to be issued.

##### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Grants and Contracts

The contracts and grants under which CHOICE, Inc. conducts its programs contain provisions defining costs, which are allowable and reimbursable within the program. All program billings for the year ended June 30, 2013 and 2012 are subject to audit by various governmental funding sources. The audit of these billings may result in adjustments for expense disallowance. It is CHOICE, Inc.'s practice to provide for such adjustments at the time they are reasonably estimable.

CHOICE, Inc. received approximately 73% and 77% of its grant and contract revenue from federal, state and city awards in 2013 and 2012 respectively. A reduction in the level of government support could have an effect on CHOICE, Inc.'s programs and activities.

##### In-Kind Contributions

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2013 and June 30, 2012 legal in-kind services received amounted to \$0 and \$3,537, respectively, and are included in community support and legal expense on the Statement of Activities. In addition, volunteers have donated their time to assist the Organization.

##### Tax Status

CHOICE, Inc. is a nonprofit Organization exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, CHOICE, Inc. is exempt from state income tax as determined by the Pennsylvania Bureau of Charitable Organizations. Accordingly, no provision for federal and state income tax is included in the accompanying financial statements.

#### NOTE 3 - CONCENTRATION OF CREDIT RISK INVOLVING CASH

CHOICE, Inc. maintains its cash balances at a financial institution located in Philadelphia, Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013 and 2012, CHOICE, Inc. did not have uninsured cash balances.

## CHOICE, INC.

### NOTES TO FINANCIAL STATEMENTS June 30, 2013

#### NOTE 4 - FIXED ASSETS

Major classifications of furniture and equipment and their respective depreciable lives are summarized below:

	2013 Cost	2012 Cost	Depreciable Lives
Furniture and fixtures	\$ 22,343	\$ 22,343	5 - 7 years
Telephone equipment	30,713	30,713	5 years
Computer equipment	18,151	27,196	5 years
Software	10,484	10,484	3 - 5 years
Total	\$ 81,691	\$ 90,736	
Less: Accumulated depreciation	73,998	77,412	
Net Furniture and Equipment	\$ 7,693	\$ 13,324	

Depreciation expense was \$5,631 and \$6,610 for the years ended June 30, 2013 and 2012, respectively.

#### NOTE 5 - RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available as follows:

	2013	2012
Time restricted to future periods	0	\$ 5,000
Use restricted to future periods	\$ 30,135	27,000
Total Restricted Net Assets	\$ 30,135	\$ 32,000

#### NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows:

	2013	2012
Use restrictions satisfied	\$ 36,865	0
Time restriction satisfied	5,000	\$ 12,000
Total Net Assets Released	\$ 41,865	\$ 12,000

## CHOICE, INC.

### NOTES TO FINANCIAL STATEMENTS June 30, 2013

#### NOTE 7 - FUNCTIONAL EXPENSES

Expenses incurred were for:

	<u>2013</u>	<u>2012</u>
Program:		
HIV/AIDS	\$138,787	\$143,151
Family Planning	167,876	190,732
Children, Youth and Family Health	69,070	51,141
Community Education	<u>16,294</u>	<u>24,536</u>
	\$392,027	\$409,560
Management and general	58,263	43,877
Fund development	<u>45,762</u>	<u>35,144</u>
	<u>\$496,052</u>	<u>\$488,581</u>

#### NOTE 8 - COMMITMENT

In October 2011, CHOICE, Inc. negotiated the terms of their lease agreement for office facilities. The lease expires June 30, 2017 and contains operating expense and real estate tax escalation clauses. Rent expense was \$37,746 and \$39,858 for the years ended June 30, 2013 and 2012, respectively. CHOICE, Inc. was obligated under a noncancellable operating lease arrangement as follows:

<u>Years Ending June 30,</u>	<u>Minimum Rental Payment</u>	
	<u>2013</u>	<u>2012</u>
2013	0	\$ 37,746
2014	\$ 47,078	47,078
2015	52,710	52,710
2016	54,012	54,012
2017	<u>55,314</u>	<u>55,314</u>
Total	<u>\$209,114</u>	<u>\$246,860</u>

## CHOICE, INC.

SCHEDULE 1 - AACO CONTRACT NUMBER 1020107-03  
 STATEMENT OF PROGRAM EXPENDITURES AND PROGRAM REVENUE  
 For the Year Ended June 30, 2013

	Award # S-3231	Total
Direct Expenditures		
Personnel:		
Salaries	\$ 83,525	\$ 83,525
Fringe benefits	24,586	24,586
Total Personnel Expenditures	\$ 108,111	\$ 108,111
Operating:		
Communications	\$ 5,384	\$ 5,384
Insurance	3,666	3,666
Occupancy	13,838	13,838
Other		
Supplies - operating	448	448
Utilities	1,380	1,380
Total Operating Expenditures	\$ 24,716	\$ 24,716
Equipment:		
Repairs	1,744	1,744
Total Equipment Expenditures	\$ 1,744	\$ 1,744
Total Direct Expenditures	\$ 134,571	\$ 134,571
Indirect Expenditures	13,593	13,593
Total Direct and Indirect Expenditures	\$ 148,164	\$ 148,164
Program Revenue	0	0
NET AACO FUNDED EXPENDITURES	\$ 148,164	\$ 148,164

**CHOICE, INC.**

SCHEDULE OF FUNCTIONAL EXPENSES  
June 30, 2013

**PROGRAM EXPENSES**

Description	Total Expense	HIV/AIDS	Children and Family Health	Family Planning	Community Education	Total Program Expenses	Public Relations & Development	Administration
Salaries	\$ 278,658	\$ 84,028	\$ 43,271	\$ 100,360	\$ 9,391	\$ 237,050	\$ 24,913	\$ 16,695
Fringe benefits and payroll taxes	81,440	24,587	12,675	29,284	2,746	69,292	7,274	4,874
Advertising	2,370	0	0	2,370	0	2,370	0	0
Annual appeal	8,346	0	0	0	0	0	8,346	0
Auditing and accounting	16,539	0	0	0	0	0	0	16,539
Consultant	14,865	0	0	0	0	0	0	14,865
Depreciation	5,631	1,558	775	1,884	183	4,400	514	717
Insurance	9,760	3,666	1,753	3,132	416	8,967	471	322
Occupancy	37,746	14,266	2,161	16,237	1,793	34,457	1,965	1,324
Office and program supplies	8,463	839	3,416	2,370	101	6,726	561	1,176
Printing and postage	4,217	0	822	1,721	372	2,915	427	875
Repairs & maintenance	8,538	3,075	558	3,923	330	7,886	388	264
Telephone	14,536	5,385	2,436	4,911	598	13,330	718	488
Travel and meetings	1,235	0	999	26	210	1,235	0	0
Utilities	3,708	1,383	204	1,658	154	3,399	185	124
<b>Totals</b>	<b>\$ 496,052</b>	<b>\$ 138,787</b>	<b>\$ 69,070</b>	<b>\$ 167,876</b>	<b>\$ 16,294</b>	<b>\$ 392,027</b>	<b>\$ 45,762</b>	<b>\$ 58,263</b>

**CHOICE, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
June 30, 2012

**PROGRAM EXPENSES**

Description	Total Expense	Children Youth and Family and Health					Total Program Expenses	Public Relations & Development	Administration
		HIV/AIDS	Family Planning	Community Education					
Salaries	\$ 255,874	\$ 79,494	\$ 102,853	\$ 14,148	\$ 16,956	\$ 226,265	\$ 16,956	\$ 12,653	
Fringe benefits & payroll taxes	76,911	24,387	31,264	4,281	5,227	67,782	5,227	3,902	
Advertising	10,434	0	10,434	0	0	10,434	0	0	
Annual appeal	6,409	0	0	0	6,409	0	6,409	0	
Auditing and accounting	16,959	0	0	0	0	0	0	16,959	
Depreciation	6,610	1,925	2,564	330	472	5,507	472	631	
Insurance	11,662	4,264	4,879	558	437	10,898	437	327	
Legal	3,537	0	0	0	0	0	0	3,537	
Occupancy	58,966	21,683	21,622	3,539	2,326	54,941	2,326	1,699	
Office and program supplies	8,012	819	3,771	182	706	4,911	706	2,395	
Printing and postage	3,590	3	973	37	1,517	1,103	1,517	970	
Repairs & maintenance	9,144	3,297	3,895	411	323	8,588	323	233	
Telephone	15,367	5,650	6,398	741	578	14,358	578	431	
Travel and meetings	503	0	268	30	0	503	0	0	
Utilities	4,603	1,629	1,811	279	193	4,270	193	140	
<b>Totals</b>	<b>\$488,581</b>	<b>\$143,151</b>	<b>\$190,732</b>	<b>\$24,536</b>	<b>\$35,144</b>	<b>\$409,560</b>	<b>\$35,144</b>	<b>\$43,877</b>	