

CHOICE, INC.

**FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION**

June 30, 2014

CHOICE, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities - June 30, 2014	4
June 30, 2013	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information:	
Schedule 1 - AACO Contract Number #14-20217	
Statement of Program Expenditures and Program Revenue	11
Schedule of Functional Expenses - June 30, 2014	12
Schedule of Functional Expenses - June 30, 2013	13

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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, 2014 and 2013 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, 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.

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

September 29, 2014

CHOICE, INC.

STATEMENT OF FINANCIAL POSITION
June 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 139,458	\$ 181,200
Accounts receivable	53,563	28,875
Prepaid expenses	14,436	14,427
	<hr/>	<hr/>
Total Current Assets	\$ 207,457	\$ 224,502
<u>FURNITURE AND EQUIPMENT, NET</u>	3,377	7,693
<u>OTHER ASSETS</u>		
Security deposits	4,166	4,166
	<hr/>	<hr/>
Total Assets	<u>\$ 215,000</u>	<u>\$ 236,361</u>
<u>LIABILITIES & NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 5,000	\$ 5,000
Accrued expenses	33,476	26,649
	<hr/>	<hr/>
Total Current Liabilities	<u>\$ 38,476</u>	<u>\$ 31,649</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 157,524	\$ 174,577
Temporarily restricted	19,000	30,135
	<hr/>	<hr/>
Total Net Assets	<u>\$ 176,524</u>	<u>\$ 204,712</u>
Total Liabilities & Net Assets	<u>\$ 215,000</u>	<u>\$ 236,361</u>

The accompanying notes are an integral part of this statement.

CHOICE, INC.

STATEMENT OF ACTIVITY
June 30,

	2014		
	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND SUPPORT:</u>			
Government	\$ 344,248		\$ 344,248
Community	48,329		48,329
Foundation - corporate	32,000	\$ 19,000	51,000
Other	13,284		13,284
Net assets released from restrictions	30,135	(30,135)	
 Total Revenue & Support	\$ 467,996	\$ (11,135)	\$ 456,861
<u>EXPENSES:</u>			
Salaries	\$ 262,215		\$ 262,215
Benefits	67,563		67,563
Advertising	16,867		16,867
Annual appeal	9,677		9,677
Auditing and accounting	15,812		15,812
Consultant	15,150		15,150
Depreciation	4,316		4,316
Insurance	10,739		10,739
Occupancy	47,249		47,249
Office & program supplies	8,999		8,999
Printing & postage	3,163		3,163
Repairs and maintenance	6,219		6,219
Telephone	13,418		13,418
Travel and meetings	165		165
Utilities	3,497		3,497
 Total Expenses	\$ 485,049	0	\$ 485,049
 Change in Net Assets	\$ (17,053)	\$ (11,135)	\$ (28,188)
 Net Assets - July 1, 2013	174,577	30,135	204,712
 Net Assets - June 30, 2014	\$ 157,524	19,000	\$ 176,524

The accompanying notes are an integral part of this statement.

CHOICE, INC.

STATEMENT OF ACTIVITY June 30,

	2013		
	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND SUPPORT:</u>			
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
 Total Revenue & Support	\$ 476,410	\$ (1,865)	\$ 474,545
<u>EXPENSES:</u>			
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
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
 Total Expenses	\$ 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 CASH FLOWS
June 30,

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (28,188)	\$ (21,507)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,316	5,631
(Increase) decrease in assets:		
Accounts receivable	(24,688)	11,911
Prepaid expenses and deposits	(9)	(1,107)
Unconditional promises to give		
Increase (decrease) in liabilities:		
Accounts payable	0	0
Accrued expenses	6,827	(1,184)
Rent payable	0	0
	\$ (41,742)	\$ (6,256)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
None	0	0
Net cash used by financing activities	0	0
Increase (Decrease) in Cash	\$ (41,742)	\$ (6,256)
Cash balance, beginning	181,200	187,456
Cash balance, ending	\$ 139,458	\$ 181,200
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</u>		
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, 2014

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 \$41,865 for the years ended June 30, 2014 and 2013, 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, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Date of Management's Review

Subsequent events were evaluated through September 29, 2014, 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, 2014 and 2013 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 75% and 73% of its grant and contract revenue from federal, state and city awards in 2014 and 2013 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, 2014 and June 30, 2013 legal in-kind services received amounted to \$0 and \$0, 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, 2014 and 2013, CHOICE, Inc. did not have uninsured cash balances.

CHOICE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - FIXED ASSETS

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

	<u>2014</u> <u>Cost</u>	<u>2013</u> <u>Cost</u>	<u>Depreciable</u> <u>Lives</u>
Furniture and fixtures	\$ 22,343	\$ 22,343	5 - 7 years
Telephone equipment	30,713	30,713	5 years
Computer equipment	18,151	18,151	5 years
Software	<u>10,484</u>	<u>10,484</u>	3 - 5 years
Total	\$ 81,691	\$ 81,691	
Less: Accumulated depreciation	<u>78,314</u>	<u>73,998</u>	
Net Furniture and Equipment	<u>\$ 3,377</u>	<u>\$ 7,693</u>	

Depreciation expense was \$4,316 and \$5,631 for the years ended June 30, 2014 and 2013, respectively.

NOTE 5 - RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available as follows:

	<u>2014</u>	<u>2013</u>
Time restricted to future periods	0	0
Use restricted to future periods	<u>\$ 19,000</u>	<u>\$ 30,135</u>
Total Restricted Net Assets	<u>\$ 19,000</u>	<u>\$ 30,135</u>

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions as follows:

	<u>2014</u>	<u>2013</u>
Use restrictions satisfied	\$ 30,135	\$ 36,865
Time restriction satisfied	<u>0</u>	<u>5,000</u>
Total Net Assets Released	<u>\$ 30,135</u>	<u>\$ 41,865</u>

CHOICE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 7 - FUNCTIONAL EXPENSES

Expenses incurred were for:

	<u>2014</u>	<u>2013</u>
Program:		
HIV/AIDS	\$140,097	\$138,787
Family Planning	188,184	167,876
Children, Youth and Family Health	47,522	69,070
Community Education	<u>13,707</u>	<u>16,294</u>
	\$389,510	\$392,027
Management and general	55,042	58,263
Fund development	<u>40,497</u>	<u>45,762</u>
	<u>\$485,049</u>	<u>\$496,052</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 \$47,249 and \$37,746 for the years ended June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
2014	0	\$ 47,078
2015	\$ 52,710	52,710
2016	54,012	54,012
2017	<u>55,314</u>	<u>55,314</u>
Total	<u>\$162,036</u>	<u>\$209,114</u>

CHOICE, INC.

**SCHEDULE 1 - AACO CONTRACT NUMBER #14-20217
STATEMENT OF PROGRAM EXPENDITURES AND PROGRAM REVENUE
For the Year Ended June 30, 2014**

	Award # S-4231	Total
Direct Expenditures		
Personnel:		
Salaries	\$ 84,976	\$ 84,976
Fringe benefits	21,696	21,696
Total Personnel Expenditures	\$ 106,672	\$ 106,672
Operating:		
Communications	\$ 4,859	\$ 4,859
Insurance	3,917	3,917
Occupancy	16,309	16,309
Other		
Supplies - operating	375	375
Utilities	1,262	1,262
Total Operating Expenditures	\$ 26,722	\$ 26,722
Equipment:		
Repairs	\$ 1,039	\$ 1,039
Total Equipment Expenditures	\$ 1,039	\$ 1,039
Total Direct Expenditures	\$ 134,433	\$ 134,433
Indirect Expenditures	13,731	13,731
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, 2014

PROGRAM EXPENSES

<u>Description</u>	<u>Total Expense</u>	<u>HIV/AIDS</u>	<u>Children Youth and Family Health</u>	<u>Family Planning</u>	<u>Community Education</u>	<u>Total Program Expenses</u>	<u>Public Relations & Development</u>	<u>Administration</u>
Salaries	\$ 262,215	\$ 86,660	\$ 31,755	\$ 100,197	\$ 8,672	\$ 227,284	\$ 20,115	\$ 14,816
Fringe benefits & payroll taxes	67,563	21,749	7,856	26,143	2,260	58,008	5,500	4,055
Advertising	16,867	0	0	16,867	0	16,867	0	0
Annual appeal	9,677	0	0	0	0	0	9,677	0
Auditing and accounting	15,812	0	0	0	0	0	0	15,812
Consultant	15,150	0	0	0	0	0	0	15,150
Depreciation	4,316	1,236	419	1,660	121	3,436	357	523
Insurance	10,739	3,918	882	4,611	326	9,737	576	426
Occupancy	47,249	17,337	4,097	19,965	1,424	42,823	2,544	1,882
Office and program supplies	8,999	778	707	5,820	89	7,394	351	1,254
Printing and postage	3,163	0	0	2,828	0	2,828	139	196
Repairs & maintenance	6,219	2,230	419	2,787	230	5,666	320	233
Telephone	13,418	4,926	1,117	5,736	404	12,183	708	527
Travel and meetings	165	0	0	52	72	124	15	26
Utilities	3,497	1,263	270	1,518	109	3,160	195	142
Totals	<u>\$ 485,049</u>	<u>\$ 140,097</u>	<u>\$ 47,522</u>	<u>\$ 188,184</u>	<u>\$ 13,707</u>	<u>\$ 389,510</u>	<u>\$ 40,497</u>	<u>\$ 55,042</u>

CHOICE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2013

PROGRAM EXPENSES

<u>Description</u>	<u>Total Expense</u>	<u>HIV/AIDS</u>	<u>Children Youth and Family Health</u>	<u>Family Planning</u>	<u>Community Education</u>	<u>Total Program Expenses</u>	<u>Public Relations & Development</u>	<u>Administration</u>
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
Totals	\$ 496,052	\$ 138,787	\$ 69,070	\$ 167,876	\$ 16,294	\$ 392,027	\$ 45,762	\$ 58,263