



**INTERNATIONAL PLANNED PARENTHOOD FEDERATION –
WESTERN HEMISPHERE REGION, INC.**

Financial Statements

December 31, 2017

(with summarized comparative financial information as of and
for the year ended December 31, 2016)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
International Planned Parenthood Federation –
Western Hemisphere Region, Inc.:

We have audited the accompanying financial statements of International Planned Parenthood Federation – Western Hemisphere Region, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 U.S. generally accepted accounting principles; 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 International Planned Parenthood Federation – Western Hemisphere Region, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited International Planned Parenthood Federation – Western Hemisphere Region, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

March 21, 2018

**INTERNATIONAL PLANNED PARENTHOOD FEDERATION -
WESTERN HEMISPHERE REGION, INC.**

Statement of Financial Position

December 31, 2017

(with summarized comparative financial information as of December 31, 2016)

Assets	2017			2016
	Unrestricted	Temporarily restricted	Total	Total
Cash and cash equivalents	\$ 6,583,567	13,748,995	20,332,562	18,704,909
Grants and contributions receivable, net (note 5)	1,128,864	5,258,128	6,386,992	11,222,091
Loans receivable and other assets (note 8)	115,679	546,981	662,660	1,194,313
Investments (notes 3 and 7)	30,439,347	5,198,095	35,637,442	31,417,981
Interest in The IPPF WHR Fund (notes 8, 9, and 10)	—	21,782,098	21,782,098	20,098,423
Property, plant, and equipment, net (note 4)	11,105,347	—	11,105,347	11,516,965
Total assets	\$ 49,372,804	46,534,297	95,907,101	94,154,682
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 865,307	407,372	1,272,679	1,147,073
Grants payable	532,572	4,441,968	4,974,540	5,476,668
Deferred revenue	—	199,754	199,754	—
Charitable gift annuities payable	1,275,303	—	1,275,303	1,316,474
Amounts held for IPPF/London for Cape Verde and APROFAM Guatemala MA (notes 3 and 7)	17,989,601	—	17,989,601	15,975,437
Total liabilities	20,662,783	5,049,094	25,711,877	23,915,652
Net assets:				
Unrestricted:				
Board designated	2,503,416	—	2,503,416	1,795,538
Board endowment fund (note 8)	8,390,633	—	8,390,633	4,061,578
Invested in fixed assets	11,105,347	—	11,105,347	11,516,965
Reserve for charitable gift annuities	1,316,255	—	1,316,255	1,356,332
Undesignated	5,394,370	—	5,394,370	6,194,737
Temporarily restricted (note 9):				
Interest in The IPPF WHR Fund (notes 8 and 10)	—	21,782,098	21,782,098	20,098,423
Endowment fund for sustainability (note 8)	—	1,881,832	1,881,832	1,729,481
Other	—	17,821,273	17,821,273	23,485,976
Total net assets	28,710,021	41,485,203	70,195,224	70,239,030
Total liabilities and net assets	\$ 49,372,804	46,534,297	95,907,101	94,154,682

See accompanying notes to financial statements.

**INTERNATIONAL PLANNED PARENTHOOD FEDERATION –
WESTERN HEMISPHERE REGION, INC.**

Statement of Activities

Year ended December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	Total
Operating activities:				
Operating support and revenue:				
Operating contributions and grants:				
IPPF/London	\$ 7,499,590	523,284	8,022,874	8,314,697
Foundations	474,243	7,222,315	7,696,558	28,036,786
Government and inter-government grants	—	209,624	209,624	753,718
Support from Member Association	—	985,456	985,456	—
Bequests	2,169,771	205,474	2,375,245	3,999,907
Private contributions	5,390,557	794,808	6,185,365	4,526,852
Total operating contributions and grants	15,534,161	9,940,961	25,475,122	45,631,960
Interest and dividends, net of management fees unrestricted				
\$28,844 and \$29,373 in 2017 and 2016, respectively	54,271	107,337	161,608	168,768
Net appreciation in fair value of investments	156,165	103,972	260,137	127,652
Other	181,820	—	181,820	167,388
Endowment fund investment return used in operations (notes 3 and 8)	206,688	—	206,688	167,035
Distributions from The IPPF WHR Fund (note 10)	—	869,274	869,274	913,173
Net assets released from restrictions	16,549,276	(16,549,276)	—	—
Total operating support and revenue	32,682,381	(5,527,732)	27,154,649	47,175,976
Expenses:				
Program services:				
Advocacy	2,795,538	—	2,795,538	2,661,833
Engage leaders	400,791	—	400,791	812,538
Comprehensive sexuality education	3,144,252	—	3,144,252	1,834,710
Media and public opinion	1,132,375	—	1,132,375	1,189,579
Deliver services directly	7,496,948	—	7,496,948	11,967,903
Enable services	2,336,101	—	2,336,101	3,172,775
Institutional development	7,887,860	—	7,887,860	6,600,159
Volunteers and supporters	865,409	—	865,409	1,069,192
Total program services	26,059,274	—	26,059,274	29,308,689
Supporting services:				
Resource development	2,786,561	—	2,786,561	2,764,780
Management and general	518,250	—	518,250	1,084,980
Total supporting services	3,304,811	—	3,304,811	3,849,760
Total expenses	29,364,085	—	29,364,085	33,158,449
Excess of (deficiency) operating revenues over expenses	3,318,296	(5,527,732)	(2,209,436)	14,017,527
Nonoperating activities:				
Change in interest in the net assets of The IPPF WHR Fund	—	1,683,675	1,683,675	(15,751)
Change in value for charitable gift annuities	(109,626)	—	(109,626)	(87,511)
Endowment fund investment return in excess of spending rate (notes 3 and 8)	576,201	—	576,201	59,096
Gain on foreign currency translation	—	15,380	15,380	90,965
Increase (decrease) in net assets	3,784,871	(3,828,677)	(43,806)	14,064,326
Net assets, beginning of year	24,925,150	45,313,880	70,239,030	56,174,704
Net assets, end of year	\$ 28,710,021	41,485,203	70,195,224	70,239,030

See accompanying notes to financial statements.

**INTERNATIONAL PLANNED PARENTHOOD FEDERATION –
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Statement of Functional Expenses

Year ended December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	Program services								Supporting services			Total		
	Advocacy	Engage leaders	Comprehensive sexuality education	Media and public opinion	Deliver services directly	Enable services	Institutional development	Volunteers and supporters	Total	Resource development	Management and general	Total	2017	2016
Grants, primarily to MAs	\$ 1,279,229	113,367	2,329,926	274,874	4,761,964	1,494,279	4,713,062	512,815	15,479,516	1,728	—	1,728	15,481,244	19,033,475
Salaries and employee benefits	783,957	137,946	374,205	448,646	1,475,139	383,104	2,142,894	217,838	5,963,729	1,240,885	1,267,352	2,508,237	8,471,966	8,726,722
Travel and per diem	221,962	46,820	75,072	39,287	244,076	99,577	184,119	66,787	977,700	104,702	39,743	144,445	1,122,145	1,258,239
Condo fees and office expenses	77,682	19,352	36,898	96,271	181,898	30,583	280,408	10,571	733,663	138,965	89,235	228,200	961,863	833,157
Mailing list rental	—	—	—	—	—	—	—	—	—	76,472	—	76,472	76,472	78,655
Printed and audiovisual materials	1,341	7,969	2,834	63,394	12,938	1,254	387	847	90,964	672,372	455	672,827	763,791	662,883
Telecommunications	5,998	1,463	1,670	1,693	9,959	1,726	13,004	1,073	36,586	4,551	4,220	8,771	45,357	63,517
Postage and shipping	1,975	2,068	2,267	12,508	5,249	613	2,684	584	27,948	225,076	925	226,001	253,949	228,285
Professional services	153,965	48,037	74,713	149,085	155,528	67,752	329,777	41,317	1,020,174	182,796	345,103	527,899	1,548,073	1,619,791
Fellowship and awards	3,807	1,616	5,872	3,623	7,349	3,129	12,991	3,125	41,512	29,078	15,677	44,755	86,267	52,232
Other	5,410	1,806	3,684	2,411	12,742	2,191	1,627	4,086	33,957	48,395	46,188	94,583	128,540	135,284
Depreciation and amortization	38,380	6,912	19,402	27,223	83,489	16,977	94,827	6,366	293,576	61,541	69,301	130,842	424,418	466,209
Overhead allocated for restricted projects	221,832	13,435	217,709	13,360	546,617	234,916	112,080	—	1,359,949	—	(1,359,949)	(1,359,949)	—	—
Total operating expenses 2017	\$ 2,795,538	400,791	3,144,252	1,132,375	7,496,948	2,336,101	7,887,860	865,409	26,059,274	2,786,561	518,250	3,304,811	29,364,085	33,158,449
Total operating expenses 2016	\$ 2,661,833	812,538	1,834,710	1,189,579	11,967,903	3,172,775	6,600,159	1,069,192	29,308,689	2,764,780	1,084,980	3,849,760		

See accompanying notes to financial statements.

**INTERNATIONAL PLANNED PARENTHOOD FEDERATION –
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Statement of Cash Flows

Year ended December 31, 2017

(with comparative financial information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (43,806)	14,064,326
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	424,418	466,209
Gain on foreign currency translation	(15,380)	(90,965)
Net appreciation in fair value of investments	(1,043,026)	(353,783)
Change in interest in the net assets of The IPPF WHR Fund	(1,683,675)	15,751
Changes in assets and liabilities:		
Grants and contributions receivable	4,850,479	(5,604,950)
Accounts payable and accrued expenses	125,606	36,144
Grants payable	(502,128)	2,411,930
Charitable gift annuities payable	(41,171)	(135,001)
Deferred revenue	199,754	(228,865)
Net cash provided by operating activities	2,271,071	10,580,796
Cash flows from investing activities:		
Purchases of fixed assets	(12,800)	(71,941)
Proceeds from sale of investments	14,387,352	1,393,355
Purchases of investments	(15,549,623)	(698,224)
Loans receivable and other assets	531,653	(163,484)
Net cash (used in) provided by investing activities	(643,418)	459,706
Net increase in cash and cash equivalents	1,627,653	11,040,502
Cash and cash equivalents, beginning of year	18,704,909	7,664,407
Cash and cash equivalents, end of year	\$ 20,332,562	18,704,909
Supplemental disclosure of cash flow information:		
Net appreciation of fair value of investments of amounts held for IPPF/London for Cape Verde funds and APROFAM Guatemala funds	\$ 2,014,164	853,069

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2017

(with comparative financial information as of and
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(1) Organizational Structure and Activities

International Planned Parenthood Federation – Western Hemisphere Region, Inc. (IPPF/WHR), a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, was established to promote sexual and reproductive health, including family planning, in the Western Hemisphere. While IPPF/WHR is an independent legal entity, it also functions as a regional partner of International Planned Parenthood Federation, headquartered in London, England (IPPF/London). IPPF/WHR supports and coordinates sexual and reproductive health, including family planning activities carried out by 39 autonomous national member associations (MAs) in the Western Hemisphere, six collaborative partners, and a number of other nonprofit organizations; including Federacion Internacional de la Planeacion Familiar - Mexico, A.C., a Mexican entity formed in 2017. IPPF/WHR also provides financial and technical assistance and advisory services to these organizations. Such amounts from IPPF/London represented 30% and 18% of total operating support and revenue for the years ended December 31, 2017 and 2016, respectively.

Unrestricted support received from IPPF/London is used for both program and supporting services. Other unrestricted support received by IPPF/WHR is allocated in amounts determined by the IPPF/WHR Allocations Committee of the board of directors to projects, the purpose of which is to advance the cause of sexual and reproductive health, including family planning. In 2017 and 2016, IPPF/London has made grants directly to IPPF/WHR for its use in the region, and accordingly, IPPF/WHR has included such support in the accompanying statement of activities.

The IPPF/WHR activities respond and contribute to the Global Strategic Framework of IPPF/London. The Strategic Framework 2015–2022 is a bold and aspirational vision of what IPPF/London plans to achieve and how IPPF/WHR will achieve it, over the next seven years. It is the culmination of an extensive global consultative process involving MAs, partners, and donors, and was approved by IPPF/London's highest decision-making body, the Governing Council, in November 2014.

The Global Strategic Framework sets the priorities that will allow IPPF/London to deliver impact as a sexual and reproductive health and rights (SRHR) movement over the next seven years. It will guide national MAs and partners in formulating their own country-specific strategies, based on their resources, and is tailored to serve the most marginalized groups in local contexts. It also provides focus to the Secretariat in its international influence and in its support to MAs.

IPPF/WHR's strategy responds to social, political, and demographic global trends. These include the expectations and potential of the largest ever generation of young people; ongoing, significant social and economic inequalities, including discrimination against girls and women; and opposition that threatens gains in human rights. It is also guided by evaluations and analyses of IPPF/WHR's work – strengths, weaknesses, capacities, resources, and networks.

The IPPF/WHR implementation plan covers the first four years of the new Strategic Framework (2016–2019). The mid-term review of the strategy will occur in 2019. The outcome from that review will inform the second implementation plan (2020–2022). These dates also align with many government donors

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who will update their five-year strategies in 2019 and with the completion of the IPPF Vision 2020 and commitments made to Family Planning 2020 (FP2020).

The resource allocation will respond to the priority objectives of the IPPF/WHR implementation plan.

Advocacy is priority objective one: Galvanize commitment and secure legislative, policy, and regulatory improvements. Although many governments have made public statements in support of sexual and reproductive health and rights, and gender equality, many of them have failed to realize their commitments through supportive legislation, policy, and funding. IPPF/WHR will further invest in political advocacy at all levels, including supporting MAs with capacity building, funding, and monitoring. IPPF/WHR will target key institutions, support and foster interested parliamentarians, engage with community and faith networks, and influence local regional and international processes.

Engage leaders is priority objective two: Engage women and youth leaders as advocates for change. The denial of sexual and reproductive health and rights affects women and young people disproportionately, so it is important they have the opportunity to be at the forefront of efforts to secure policy and practice change from governments. IPPF/WHR will strengthen its links with youth and women's organizations and provide pathways for women and young leaders—particularly girls—within IPPF/London. These programs will be designed in-country and will aim to engage socially excluded individuals, who may not typically be involved. Programs will promote male involvement in SRHR, and address issues related to masculinity, gender, and sexuality. IPPF/WHR will further provide resources to its youth networks to ensure greater coordination and collaboration.

Comprehensive sexuality education is priority objective three: Enable young people to access comprehensive sexuality education and realize their sexual rights. Data show that demand for sexual and reproductive health services and information among young people—the largest generation of young people ever—is already outstripping supply. IPPF/WHR knows that young people who are able to exercise their sexual rights, including by accessing services, have the potential to be agents of change by challenging prejudices and social norms, contributing to public health and development. IPPF/WHR will transition from a youth-friendly to a youth-centered organization by prioritizing and scaling up comprehensive sexuality education, which seeks to equip young people with skills, knowledge, and values to determine and enjoy their sexuality and protect their health; and focusing on interventions for the most marginalized youth, in and out of school.

Media and public opinion is priority objective four: Engage champions, opinion formers, and the media to promote health, choice, and rights. The impetus for major change in favor of sexual and reproductive health and rights often stems from changes in public attitudes and opinions. Mechanisms such as public campaigns are instrumental for raising awareness, promoting understanding, and mobilizing public support. IPPF/WHR will implement public campaigns to raise awareness of sexual and reproductive health and rights issues and generate support, with integrated communications strategies and the involvement of public-facing champions, opinion formers, and media outlets. IPPF/WHR will develop adaptable content, featuring personal testimonies, and deliver it through a variety of formats, including traditional and social media. This work will be embedded as a core part of what IPPF/WHR does.

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Deliver services directly is priority objective five: Deliver rights-based services, including safe and legal abortion and HIV services. Millions of women, men, and young people around the world still lack access to high-quality, rights-based sexual and reproductive health services, including safe and legal abortion and HIV services. Poor quality of care contributes to low utilization of services, which exacerbates poor health and mortality related to sex, reproduction, HIV, and reproductive cancers. People in humanitarian settings also face serious barriers to services. IPPF/WHR will ensure that all its service outlets provide high-quality services: they must not only provide a minimum, integrated package, but must also be client-centered, rights-based, youth friendly, and gender sensitive.

Enable services is priority objective six: Enable services through public and private health providers. With an increasing number of health providers offering sexual and reproductive health services, IPPF/WHR MAs have a distinct role in providing technical assistance. IPPF/WHR can ensure that services are responsive to the local community, are client-centered, and provide rights-based, supportive care to all. IPPF/WHR will develop new formal partnerships with public and private providers. IPPF/WHR will deliver pre- and in-service training for medical personnel and integrated sexual and reproductive health services in partner facilities and strengthen supply chain management and quality of care.

Institutional development is priority objective seven: Enhance operational effectiveness and double national and global income. IPPF/WHR is committed and has an ethical obligation to make the most of its resources and to be flexible and responsive to changing political and economic contexts. To maximize the number of people IPPF/WHR can serve, it needs to increase its operational effectiveness. IPPF/WHR must remain relevant, responsible, and efficient in how it seeks funding, translates it into development outcomes, and sustains services to meet demand. IPPF/WHR is evolving its operations and financial structures to incorporate diverse business models that are fit for purpose in each of the specific contexts IPPF/WHR works. IPPF/WHR will ensure ongoing funding for its services by supporting MAs to develop social enterprises; recruiting and retaining staff and volunteers that bring business planning, market analysis, communications, and performance management skills; and strengthening financial and performance management at all levels.

Volunteers and supporters is priority objective eight: Grow IPPF/WHR's volunteer and activist supporter base. IPPF/WHR's work is demanded and delivered by communities: This groundswell of grassroots support gives legitimacy and is the foundation of IPPF/WHR's political advocacy. Opposition groups, a vocal minority in many places, threaten the gains that the sexual and reproductive health and rights movement has achieved, and there is now a need to grow and lead the volunteer and activist supporter base for sexual and reproductive health and rights at local levels to present a clear, alternative voice to groups that do not support sexual and reproductive rights.

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(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements of IPPF/WHR are prepared on the accrual basis of accounting.

Unrestricted net assets represent resources over which IPPF/WHR has full discretion with respect to use. Certain unrestricted net assets are designated by the board of directors for specified purposes. Temporarily restricted net assets represent expendable resources, which have been time or purpose restricted by the donor. Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law. Expenses are reported as decreases in unrestricted net assets. When a donor restriction is accomplished by satisfying the restricted purpose or time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(b) Operations

IPPF/WHR excludes from operating activities endowment fund investment return in excess of spending rate (note 8), change in interest in the net assets of The IPPF WHR Fund (note 10), change in value for charitable gift annuities, bequests designated by the Allocations Committee of the board of directors, gain on foreign currency translation and nonrecurring gains and losses. All other revenue and all expenses are included in operating activities.

(c) Grants and Contributions

Grants and contributions, including unconditional promises to give, are recognized as revenue in the period received at the estimated present value of future cash flows. Amortization of the present value discount is recorded as additional contribution revenue in the appropriate net asset class. Contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions received in securities or property are recorded at estimated fair value at the date of the gift. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Bequest income is recorded when the will is declared valid and amounts can be reasonably determined.

Grants and contributions that specify a member association as the ultimate beneficiary are recognized as revenue in the period received. The related grant expense is recorded upon the signing of the subgrant agreement. Grants and contributions received on behalf of a specified nonmember organization as beneficiary are recorded as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

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IPPF/WHR enters into agreements with donors to accept and administer charitable gift annuities. Such agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or specified annuity amounts. Assets held under charitable gift annuities are included in investments. Contribution revenue is recognized at the date the annuity contract is established after recording liabilities for the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the beneficiary, amortization of the discount, and other changes in the estimates of future payments.

(d) Cash and Cash Equivalents

IPPF/WHR generally considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, except those held by its investment managers as part of their investment portfolio.

(e) Investments

Investments are reported at fair value based upon quoted market prices, except for the estimated fair value of the alternative investment which, as a practical expedient, is based on the Net Asset Value (NAV) provided by the fund manager. This value is reviewed and evaluated by Fund management and agrees with the valuation methods and assumptions used in determining the NAV of this investment. The reported value may differ significantly from the value that would have been used had a ready market for this investment existed.

(f) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about IPPF/WHR's business, its value, or financial position, based on the fair value information of financial assets presented below.

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Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(g) Fixed Assets

Office furniture, equipment, and leasehold improvements are carried at cost. Depreciation and amortization are provided on the straight-line method over 3 to 10 years for office furniture and equipment and the lesser of the lease term or estimated useful life for leasehold improvements. During 2010, IPPF/WHR purchased a floor in a building and depreciation began upon occupancy in August 2011 and is provided on the straight-line method over 39.5 years.

(h) Expenses

The costs of the various programs and other activities have been classified on a functional basis in the statements of activities and functional expenses. Expenses that can be directly identified with a program or supporting service are charged accordingly. Other costs, including condo fees, telephone, and postage, are allocated among the programs and supporting services benefited based upon salary expense. Depreciation expense is allocated among the programs and supporting services benefited based on number of employees within department.

Grants made are recognized as expenses and liabilities in the period in which they are formally approved and communicated to the grantee.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

(j) Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with prior year summarized financial information in total, but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IPPF/WHR's December 31, 2016 financial statements from which the summarized information was derived.

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(k) Income Taxes

IPPF/WHR is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. IPPF/WHR recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for fiscal 2017 or 2016.

(l) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Investments

IPPF/WHR invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The following table presents IPPF/WHR's fair value hierarchy for those assets measured at fair value as of December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Fair value</u>	<u>Level 1</u>	<u>Fair value</u>	<u>Level 1</u>
Financial assets:				
Investments:				
Mutual fund	\$ 18,767,981	18,767,981	28,672,791	28,672,791
Short-term investments	1,405,630	1,405,630	1,133,568	1,133,568
Fixed income:				
U.S. Treasury bonds	1,253,462	1,253,462	378,395	378,395
Corporate bonds – domestic	4,251,183	4,251,183	324,973	324,973
International bonds	69,602	69,602	64,047	64,047
Equities:				
Domestic mutual funds	9,629,010	9,629,010	710,672	710,672
International mutual funds	147,030	147,030	133,535	133,535
	<u>35,523,898</u>	<u>35,523,898</u>	<u>31,417,981</u>	<u>31,417,981</u>
Investments reported at net asset value	<u>113,544</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 35,637,442</u>	<u>35,523,898</u>	<u>31,417,981</u>	<u>31,417,981</u>

The mutual funds are invested in U.S. equities, international equities, and fixed income securities.

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Endowment fund investment return consists entirely of net appreciation in fair value of investments in both 2017 and 2016 of \$782,889 and \$226,131, respectively.

At December 31, 2017 and 2016, \$17,989,601 and \$15,975,437, respectively, of the above assets are held for IPPF/London for Cape Verde and APROFAM Guatemala MA (note 7).

(4) Property and Equipment

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Building	\$ 12,966,075	12,966,075
Office furniture and equipment	1,323,114	1,310,314
Tenant improvement	26,114	26,114
	14,315,303	14,302,503
Less accumulated depreciation and amortization	(3,209,956)	(2,785,538)
	\$ 11,105,347	11,516,965

Total rental income under operating leases approximated \$142,600 for the year ended December 31, 2017. Future minimum rental receipts under these leases are approximately \$348,900 in 2018, \$210,300 in 2019, and \$162,000 in 2020.

(5) Grants and Contributions Receivable

Grants and contributions receivable as of December 31, 2017 and 2016 are primarily expected to be received as follows:

	2017	2016
Amounts due to be collected:		
Less than one year	\$ 5,995,440	6,964,145
One to two years	391,552	4,257,946
	\$ 6,386,992	11,222,091

Grants and contributions receivable as of December 31, 2017 and 2016 include \$328,241 and \$422,175, respectively, due from IPPF/London.

One donor represents approximately 61% of grants and contributions receivable at December 31, 2017. Two donors represent approximately 16% of operating contributions and grants revenue for the year ended December 31, 2017.

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(6) Pension Plan

IPPF/WHR has a noncontributory defined-contribution plan covering substantially all employees. Contributions are determined based on 11.37% of eligible total employee compensation. Pension expense for the years ended December 31, 2017 and 2016 was \$630,699 and \$623,155, respectively. Additionally, IPPF/WHR offers employees the option to contribute to a 403(b) plan; however, IPPF/WHR does not match any percentage of the contributions.

(7) Amounts Held for IPPF/London for Cape Verde Funds and for APROFAM Association Pro-Bienestar de la Familia de Guatemala

At December 31, 2017 and 2016, IPPF/WHR held \$1,448,241 and \$1,286,081, respectively, on behalf of IPPF/London. These funds, originally received by IPPF/London from the United States Agency for International Development (USAID), are to be used as a quasi-endowment fund to provide a permanent source of financial support for family planning and sexual and reproductive health programs in Cape Verde, Africa. IPPF/WHR has invested these funds on behalf of IPPF/London.

In April 2005, APROFAM Association Pro-Bienestar de la Familia de Guatemala, member association of IPPF in the Western Hemisphere Region, designated IPPF/WHR as its agent for the purpose of investing the APROFAM sustainability funds for its mission of providing quality family planning and reproductive and child health services to lower-income families in Guatemala. As agent, IPPF/WHR shall have no liability to APROFAM for any actions or failure to act under the custodian agreement. IPPF/WHR invested the APROFAM funds of \$7,593,524 in April 2005. At December 31, 2017 and 2016, these funds were valued at \$16,541,360 and \$14,689,356, respectively. No distributions were made during 2017 or 2016.

(8) Endowment Funds

IPPF/WHR has a temporarily restricted and a board-designated endowment fund: The Endowment Fund for Sustainability (EFS) and the IPPF/WHR Board Endowment Fund (the Fund).

The EFS is a temporarily restricted fund created in 1998 by IPPF/WHR and USAID as a source of low-interest loans and grants for income-generating and sustainability efforts of IPPF/WHR associations. Loans receivable and other assets at December 31, 2017 and 2016 include \$487,795 and \$997,130, respectively, of loans receivable from affiliated MAs. The loans bear interest at rates ranging from the London Interbank Offered Rate plus 0.38% to 6.5% and are due through 2027. This fund's net asset at December 31, 2017 and 2016 totaled \$1,881,832 and \$1,729,481, respectively.

The Fund was established by IPPF/WHR's board of directors in 1999 as a means to enhance the sustainability of the Regional Office (IPPF/WHR). In 2002, IPPF/WHR designated approximately \$18 million from a single bequest to be added to the Fund. At its meeting in June 2002, the board of directors agreed not to use this Fund for a period of two years in order to restore some of the Fund's value, which had been reduced by investment losses. In 2005, the board of directors approved an annual spending rate of 4% of the three-year rolling average for this Fund. In April 2006, IPPF/WHR's board of directors approved a transfer of \$18 million to The IPPF WHR Fund, a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, established to promote sexual and reproductive health, including family planning in the Western Hemisphere Region (note 10). It is a

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temporarily restricted fund with net assets of \$21,782,098 and \$20,098,423 at December 31, 2017 and 2016, respectively.

IPPF/WHR had the following unrestricted endowment-related activities at December 31, 2017 and 2016:

	2017	2016
	Board- designated endowment funds	Board- designated endowment funds
Endowment net assets, beginning of year	\$ 4,061,578	4,002,482
Addition	3,752,854	—
Net appreciation	782,889	226,131
Amounts appropriated per spending policy	(206,688)	(167,035)
Endowment net assets, end of year	<u>\$ 8,390,633</u>	<u>4,061,578</u>

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available subject to time and purpose restrictions as follows:

	2017	2016
Interest in The IPPF WHR Fund – time restricted	\$ 21,782,098	20,098,423
Endowment fund for sustainability	1,881,832	1,729,481
Programs – ZIKA related	8,136,358	10,373,802
Programs in Mexico and for Adolescents	2,876,904	4,692,586
Other	6,808,011	8,419,588
	<u>\$ 41,485,203</u>	<u>45,313,880</u>

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(10) Interest in The IPPF WHR Fund

IPPF/WHR follows the provisions of Accounting Standards Codification Topic 958 (ASC 958), *Not-for-Profit Entities*. ASC 958 establishes standards for transactions that are not contributions because the transfers are revocable, repayable, or reciprocal. A transfer of assets to a recipient organization is an equity transfer if (i) the resource provider specifies itself or its affiliates as the beneficiary, (ii) the resource provider and the recipient organization are financially interrelated organizations, and (iii) neither the resource provider nor its affiliate expects payment of the transferred assets, although payment of investment return on the transferred assets may be expected. In accordance with ASC 958, at December 31, 2017 and 2016, IPPF/WHR has recorded its interest of \$21,782,098 and \$20,098,423, respectively, in The IPPF WHR Fund. The change in its interest in the net assets of The IPPF WHR Fund of \$1,683,675 and \$(15,751) was recorded in the statements of activities for the years ended December 31, 2017 and 2016, respectively.

(11) Subsequent Events

IPPF/WHR evaluated events subsequent to December 31, 2017 through March 21, 2018, the date on which the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure.