GUTTMACHER INSTITUTE, INC.

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2013 AND 2012

GUTTMACHER INSTITUTE, INC.

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

- **A - Balance Sheet**
- **B - Statement of Activities**
- **C - Statement of Functional Expenses**
- **D - Statement of Cash Flows**

Notes to Financial Statements

LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors
Guttmacher Institute, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Guttmacher Institute, Inc., which comprise the balance sheet as of December 31, 2013 and 2012, and the related statements of activities, functional expenses 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 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 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 Guttmacher Institute, Inc. as of December 31, 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.

Loeb & Troper LLP

June 19, 2014

EXHIBIT A

GUTTMACHER INSTITUTE, INC.

BALANCE SHEET

DECEMBER 31, 2013 AND 2012

		2013		2012 (Restated)
ASSETS				
Cash and cash equivalents	$	1,932,185	$	468,739
Certificates of deposit		5,236,320		4,695,284
Investments		19,436,861		13,082,990
Grants receivable		16,660,404		17,464,078
Other receivables		220,483		109,787
Prepaid expenses and other assets		344,032		164,956
Security deposits		65,257		68,807
Deferred debt issuance costs - net		383,300		399,614
Fixed assets - net		11,134,129		11,280,446
Total assets	$	55,412,971	$	47,734,701
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	965,490	$	712,577
Postretirement benefits payable		407,431		511,069
Deferred rent payable		224,662		173,983
New York City Industrial Development Agency bonds		9,805,000		10,015,000
Total liabilities		11,402,583		11,412,629
Net assets (Exhibit B)				
Unrestricted				
Undesignated		3,087,345		2,529,379
Board-designated endowment fund		6,485,116		4,079,068
Net investment in property and equipment		1,712,429		1,665,060
Total unrestricted		11,284,890		8,273,507
Temporarily restricted		27,870,260		23,193,327
Permanently restricted		4,855,238		4,855,238
Total net assets		44,010,388		36,322,072
Total liabilities and net assets	$	55,412,971	$	47,734,701

See independent auditor's report.

The accompanying notes are an integral part of these statements.

GUTTMACHER INSTITUTE, INC. **EXHIBIT B**

STATEMENT OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (Restated)
Public support, revenues and other support								
Contributions	$ 522,335	$ 139,726		$ 662,061	$ 559,965			$ 559,965
Contributions - bequest	2,058,750			2,058,750	150,000			150,000
Grants and contracts from U.S. government agencies	1,062,276			1,062,276	1,525,996			1,525,996
Grants from U.S. private organizations		8,734,165		8,734,165		$ 13,370,030		13,370,030
Grants from global governments		8,572,726		8,572,726		6,247,282		6,247,282
Grants from global foundations		571,059		571,059		43,000		43,000
Publication income and other revenue	83,443			83,443	132,266			132,266
Investment income - operating	55,391			55,391	47,586			47,586
Net assets released from restriction	14,252,745	(14,252,745)			12,936,633	(12,936,633)		
Total public support, revenues and other support	18,034,940	3,764,931		21,799,871	15,352,446	6,723,679		22,076,125
Expenses (Exhibit C)								
Program services								
Research	7,118,661			7,118,661	6,797,527			6,797,527
Public education	3,691,835			3,691,835	3,485,310			3,485,310
Public policy	1,823,937			1,823,937	1,778,055			1,778,055
Total program services	12,634,433			12,634,433	12,060,892			12,060,892
Supporting services								
Management and general	2,955,077			2,955,077	2,581,062			2,581,062
Fund raising	653,486			653,486	658,030			658,030
Total supporting services	3,608,563			3,608,563	3,239,092			3,239,092
Total expenses	16,242,996			16,242,996	15,299,984			15,299,984
Change in net assets before investment income - endowment, and postretirement benefit plan adjustment	1,791,944	3,764,931		5,556,875	52,462	6,723,679		6,776,141
Postretirement benefit plan adjustment	172,141			172,141	(438,066)			(438,066)
Investment income - endowment	1,047,298	912,002		1,959,300	556,100	747,008		1,303,108
Change in net assets (Exhibit D)	3,011,383	4,676,933		7,688,316	170,496	7,470,687		7,641,183
Net assets - beginning of year	8,273,507	23,193,327	$ 4,855,238	36,322,072	8,103,011	15,722,640	$ 4,855,238	28,680,889
Net assets - end of year (Exhibit A)	$ 11,284,890	$ 27,870,260	$ 4,855,238	$ 44,010,388	$ 8,273,507	$ 23,193,327	$ 4,855,238	$ 36,322,072

See independent auditor's report.

The accompanying notes are an integral part of these statements.

GUTTMACHER INSTITUTE, INC.

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013								
	Program Services				Supporting Services				
	Research	Public Education	Public Policy	Total	Management and General	Fund Raising	Total	Total	2012 Total
Salaries	$ 3,371,580	$ 1,915,981	$ 1,111,647	$ 6,399,208	$ 1,366,317	$ 307,833	$ 1,674,150	$ 8,073,358	$ 7,708,374
Payroll taxes and employee benefits	937,438	532,722	309,084	1,779,244	379,892	89,490	469,382	2,248,626	2,174,853
Total salaries and related expenses	4,309,018	2,448,703	1,420,731	8,178,452	1,746,209	397,323	2,143,532	10,321,984	9,883,227
Printing and artwork	3,066	134,031	300	137,397	1,537	875	2,412	139,809	111,031
Data processing	330	10,812	14,209	25,351	25,551	2,528	28,079	53,430	46,750
Professional fees	1,403,795	300,603	100	1,704,498	348,912	126,650	475,562	2,180,060	2,022,649
Occupancy and office costs (includes interest of $571,363)	629,115	368,667	211,143	1,208,925	338,725	57,400	396,125	1,605,050	1,574,596
Information technology	114,744	58,499	28,122	201,365	58,273	13,552	71,825	273,190	240,330
Postage and shipping	3,443	90,618	628	94,689	7,471	3,629	11,100	105,789	88,064
Conferences, meetings and travel	357,059	101,853	44,176	503,088	285,783	14,260	300,043	803,131	636,750
Dues, subscriptions and publications	15,238	24,032	15,861	55,131	6,526	2,763	9,289	64,420	54,399
Miscellaneous	18,030	3,525	1,352	22,907	28,772	10,327	39,099	62,006	46,123
Total expenses before depreciation and amortization	6,853,838	3,541,343	1,736,622	12,131,803	2,847,759	629,307	3,477,066	15,608,869	14,703,919
Depreciation and amortization	264,823	150,492	87,315	502,630	107,318	24,179	131,497	634,127	596,065
Total expenses reported by function on the statement of activities (Exhibit B)	7,118,661	3,691,835	1,823,937	12,634,433	2,955,077	653,486	3,608,563	16,242,996	15,299,984
Add investment fees deducted directly from revenues on statement of activities					61,353		61,353	61,353	56,301
Total expenses	$ 7,118,661	$ 3,691,835	$ 1,823,937	$ 12,634,433	$ 3,016,430	$ 653,486	$ 3,669,916	$ 16,304,349	$ 15,356,285

-continued-

GUTTMACHER INSTITUTE, INC.

EXHIBIT C
-2-

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2012							
	Program Services				Supporting Services			
	Research	Public Education	Public Policy	Total	Management and General	Fund Raising	Total	Total
Salaries	$ 3,196,997	$ 1,892,844	$ 1,083,243	$ 6,173,084	$ 1,221,310	$ 313,980	$ 1,535,290	$ 7,708,374
Payroll taxes and employee benefits	902,006	534,050	305,628	1,741,684	344,582	88,587	433,169	2,174,853
Total salaries and related expenses	4,099,003	2,426,894	1,388,871	7,914,768	1,565,892	402,567	1,968,459	9,883,227
Printing and artwork		100,198	150	100,348		10,683	10,683	111,031
Data processing	5,351	6,743	11,862	23,956	20,778	2,016	22,794	46,750
Professional fees	1,407,472	255,786	17,203	1,680,461	212,266	129,922	342,188	2,022,649
Occupancy and office costs (includes interest of $584,758)	610,358	364,530	209,428	1,184,316	330,384	59,896	390,280	1,574,596
Information technology	102,139	61,381	25,117	188,637	44,249	7,444	51,693	240,330
Postage and shipping	12,941	54,765	365	68,071	12,340	7,653	19,993	88,064
Conferences, meetings and travel	294,364	47,191	28,735	370,290	261,688	4,772	266,460	636,750
Dues, subscriptions and publications	13,665	21,069	11,611	46,345	6,620	1,434	8,054	54,399
Miscellaneous	5,020	385	949	6,354	32,405	7,364	39,769	46,123
Total expenses before depreciation and amortization	6,550,313	3,338,942	1,694,291	11,583,546	2,486,622	633,751	3,120,373	14,703,919
Depreciation and amortization	247,214	146,368	83,764	477,346	94,440	24,279	118,719	596,065
Total expenses reported by function on the statement of activities (Exhibit B)	6,797,527	3,485,310	1,778,055	12,060,892	2,581,062	658,030	3,239,092	15,299,984
Add investment fees deducted directly from revenues on statement of activities					56,301		56,301	56,301
Total expenses	$ 6,797,527	$ 3,485,310	$ 1,778,055	$ 12,060,892	$ 2,637,363	$ 658,030	$ 3,295,393	$ 15,356,285

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

GUTTMACHER INSTITUTE, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Change in net assets (Exhibit B)	$ 7,688,316	$ 7,641,183
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	634,127	596,065
Gain on investments	(1,788,695)	(976,275)
Decrease (increase) in assets		
Grants receivable	803,674	(8,835,460)
Other receivables	(110,696)	(32,387)
Prepaid expenses and other assets	(179,076)	53,838
Security deposits	3,550	(49,644)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	252,913	104,587
Postretirement benefits payable	(103,638)	511,069
Deferred rent payable	50,679	173,983
Net cash provided (used) by operating activities	7,251,154	(813,041)
Cash flows from investing activities		
Purchase of fixed assets	(471,496)	(349,961)
Purchases of investments	(7,253,394)	(6,961,838)
Proceeds from sales of investments	2,147,182	8,393,737
Net cash provided (used) by investing activities	(5,577,708)	1,081,938
Cash flows from financing activities		
Repayment of note payable		(700,003)
Repayment of bonds	(210,000)	(195,000)
Net cash used by financing activities	(210,000)	(895,003)
Net change in cash and cash equivalents	1,463,446	(626,106)
Cash and cash equivalents - beginning of year	468,739	1,094,845
Cash and cash equivalents - end of year	$ 1,932,185	$ 468,739
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 571,363	$ 584,758

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NOTE 1 - NATURE OF ORGANIZATION

Guttmacher Institute, Inc. (the "Institute"), incorporated in New York in 1977, with offices in New York City and Washington, D.C., advances sexual and reproductive health in the United States and worldwide through an interrelated program of social science research, policy analysis and public education. The Institute conducts its activities through revenue generated from the United States and foreign government grants and contracts, private organization grants, individual contributions and the sale of publications.

The Institute is a not-for-profit tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Institute is primarily supported by grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and cash equivalents - The Institute considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents, except for cash and money market funds contained in the Institute's investment portfolio.

Certificates of deposit - The certificates of deposit have a maturity date of more than three months and are considered investments for the purpose of cash flow reporting.

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility 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, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Institute's financial statements.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable - Unconditional promises to give (pledges) are recorded as income when the Institute is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Institute does not charge interest on outstanding receivables.

Allowance for doubtful accounts - The Institute determines whether an allowance for uncollectibles should be provided for contributions and grants receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent events and historical information. Contributions and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. If no allowance is established, then it is written off directly against the receivable. As of December 31, 2013 and 2012, the Institute had no allowance for doubtful accounts.

Fixed assets - Fixed assets are recorded at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Institute capitalizes all property and equipment having a cost in excess of $500 and a useful life of greater than one year. Leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives or the term of the lease. Depreciation and amortization are provided on the straight-line basis over the following estimated useful lives of the assets:

Commercial condominium	40 years
Furniture and fixtures	3-10 years
Computer hardware and software	3-5 years
Leasehold improvements	10 years

Deferred debt issuance costs - Financing costs are amortized over the term of the related debt.

-continued-

GUTTMACHER INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Board designated net assets - Unrestricted net assets designated by the Board of Directors to function as endowments.

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Institute in perpetuity.

Measure of operations - The Institute includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for investment income (losses) earned from the board-designated endowment fund and postretirement benefit plan adjustment.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Lease - Operating lease payments are charged to rental expense. Operating lease expenses are recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 as compared to those used at December 31, 2012.

Money market funds and equities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value ("NAV") of shares held at year end.

Limited partnership and alternative investment - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The securities are valued based on the current value provided by investment managers of the underlying funds.

-continued-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 sets forth by level, within the fair value hierarchy, the assets at fair value at December 31, 2013 and 2012.

Restatement - The 2012 financial statements were restated to properly reflect the appropriation of earnings on endowments.

Reclassifications - Certain grants recorded in 2012 as grants from global organizations (now shown as grants from global governments) have been reclassified to grants from global foundations to conform to the current year's presentation.

Uncertainty in income taxes - The Institute has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through June 19, 2014, which is the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

The grants to be received after one year are discounted to fair value using interest rates ranging from 0.13% to .78% for the year ended December 31, 2013.

Grants receivable consist of the following as of December 31, 2013:

2014	$ 8,121,220
2015	5,207,098
2016	2,239,099
2017	1,174,469
	16,741,886
Less unamortized discount to present value	(81,482)
	$ 16,660,404

-continued-

GUTTMACHER INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 4 - INVESTMENTS

The fair value hierarchy of investments is:

	2013		
	Level 1	Level 3	Total
Money market	$ 6,381,955	$ -	$ 6,381,955
Equities			
Common stock			
Basic materials	123,684	-	123,684
Communication services	62,828	-	62,828
Consumer cyclical	404,494	-	404,494
Consumer defensive	323,957	-	323,957
Energy	155,478	-	155,478
Financial services	189,963	-	189,963
Healthcare	362,081	-	362,081
Industrials	463,545	-	463,545
Real estate	29,041	-	29,041
Technology	430,828	-	430,828
Utilities	13,584	-	13,584
	2,559,483	-	2,559,483
Mutual funds			
Foreign large value	1,317,978	-	1,317,978
Large growth	1,563,523	-	1,563,523
Large blend	1,310,574	-	1,310,574
Diversified emerging markets	477,310	-	477,310
Short-term bond	2,303,227	-	2,303,227
World bond	826,620	-	826,620
Moderate allocation	386,919	-	386,919
Tactical allocation	186,256	-	186,256
Large value	703,074	-	703,074
	9,075,481	-	9,075,481
Limited partnership and alternative investment	-	1,419,942	1,419,942
	$ 18,016,919	$ 1,419,942	$ 19,436,861

-continued-

GUTTMACHER INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 4 - INVESTMENTS (continued)

	2012		
	Level 1	Level 3	Total
Money market	$ 1,978,374	$ -	$ 1,978,374
Equities			
Common stock			
Basic materials	113,926	-	113,926
Communication services	46,116	-	46,116
Consumer cyclical	280,269	-	280,269
Consumer defensive	389,112	-	389,112
Energy	113,455	-	113,455
Financial services	150,054	-	150,054
Healthcare	273,744	-	273,744
Industrials	339,401	-	339,401
Real estate	48,222	-	48,222
Technology	299,597	-	299,597
Utilities	28,521	-	28,521
	2,082,417	-	2,082,417
Mutual funds			
Foreign large value	1,101,783	-	1,101,783
Large growth	271,840	-	271,840
Large blend	952,631	-	952,631
Diversified emerging markets	464,258	-	464,258
Short-term bond	2,691,053	-	2,691,053
World bond	833,949	-	833,949
Large value	1,557,455	-	1,557,455
	7,872,969	-	7,872,969
Limited partnership and alternative investments	-	1,149,230	1,149,230
	$ 11,933,760	$ 1,149,230	$ 13,082,990

-continued-

NOTE 4 - INVESTMENTS (continued)

Level 3 Investments

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31:

	2013	2012
Balance, beginning of year	$ 1,149,230	$ 1,074,538
Total gains or losses (realized/unrealized) included in changes in net assets relating to instruments still held at the reporting date	285,690	74,692
Sales	(268,524)	
Purchases	253,546	
Balance, end of year	$ 1,419,942	$ 1,149,230
The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 286,690	$ 171,930

-continued-

GUTTMACHER INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 4 - INVESTMENTS (continued)

Level 3 Investments (continued)

2013 Value	2012 Value	Description of Fund	Redemption Period	Notice Period
$ 267,167	$ -	Diversification is achieved through trading styles, time frames, markets and geographic regions. The fund's due diligence includes both quantitative and qualitative analysis of managers.	Daily	Daily
317,667	561,456	The alternative investment seeks capital appreciation while targeting a portfolio level volatility of 3% to 5% over a market cycle by typically investing in 15-35 hedge funds. The underlying hedge funds utilize various investment strategies including relative value, event driven, long/short equity and tactical trading strategies.	Quarterly	65 days
835,108	587,774	The limited partnership seeks to provide long-term capital appreciation by investing primarily in U.S. companies in the medium market capitalization segment. These companies generally have a capitalization at the time of purchase of $1-10 billion.	Monthly	15 days

Investment income consists of the following:

	2013	2012
Interest and dividends	$ 287,349	$ 430,720
Unrealized income on investments - net	1,613,547	1,060,312
Realized gain (loss) on investments - net	175,148	(84,037)
Investment fees	(61,353)	(56,301)
Net investment income	$ 2,014,691	$ 1,350,694

-continued-

NOTE 5 - FIXED ASSETS

Fixed assets consist of the following:

	2013	2012
Commercial condominium	$ 11,966,673	$ 11,966,673
Furniture and fixtures	1,299,236	1,263,838
Computer hardware and software	1,664,762	1,554,195
Leasehold improvements	1,221,280	895,749
Total cost	16,151,951	15,680,455
Less accumulated depreciation and amortization	(5,017,822)	(4,400,009)
Net book value	$ 11,134,129	$ 11,280,446

NOTE 6 - LONG-TERM DEBT

New York City Industrial Development Agency Bonds

In May 2007, the Institute borrowed $11,000,000 through the issuance of Civic Facility Revenue Bonds, Series 2007 (the "bonds") by the New York City Industrial Development Agency ("IDA") to finance the acquisition of office space to be used as the Institute's place of operations. The bonds, in an aggregate original face amount of $11,000,000, mature at December 1, 2016 and December 1, 2036 and bear interest at rates of 5.25% and 5.75%. The bonds are collateralized by the purchased property.

-continued-

NOTE 6 - LONG-TERM DEBT (continued)

Future minimum payments are as follows:

Year Ending December 31	
2014	$ 780,338
2015	778,788
2016	776,713
2017	779,113
2018	779,450
Thereafter	14,013,973
Less amounts representing interest	(8,103,375)
Present value of net minimum lease payments	$ 9,805,000

In connection with the issuance of the bonds, the Institute transferred leasehold title to its property to the IDA.

IDA has leased the property back to the Institute for a term concurrent with the bond repayment schedule. At the conclusion of the lease term, the Institute has the option to purchase IDA's leasehold interest in the property for $1.

The bonds are the obligation of IDA. The Institute has the obligation under the lease agreement to make payments equal to the amounts payable as principal and interest on the outstanding bonds.

Interest expense was $571,363 and $581,600 for the years ended December 31, 2013 and 2012, respectively.

Note Payable

In May 2007, the Institute entered into an unsecured loan agreement with an unrelated organization for $1,000,000 to finance a portion of the acquisition of office space. The loan matured and was repaid on March 31, 2012 and bore interest at a rate of 2%. Interest expense was $0 and $3,158 for the year ended December 31, 2013 and 2012, respectively.

-continued-

NOTE 7 - NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2013	2012 (Restated)
Time restricted for periods ending after year end	$ 6,577,138	$ 5,086,024
Restricted by time and for the following purposes:		
Public education	7,484,652	4,495,274
Public policy	749,261	257,981
Research	13,059,209	13,354,048
	21,293,122	18,107,303
	$ 27,870,260	$ 23,193,327

Temporarily restricted net assets were released from restrictions by the passage of time and by incurring expenses satisfying the following:

	2013	2012 (Restated)
Time restrictions satisfied	$ 4,351,953	$ 4,308,151
Purpose restrictions satisfied:		
Research	7,024,018	6,552,513
Public education	2,153,506	1,682,096
Public policy	723,268	393,873
	9,900,792	8,628,482
	$ 14,252,745	$ 12,936,633

-continued-

NOTE 8 - EMPLOYEE BENEFIT PLANS

401(k) Plan

The Institute maintains a defined-contribution retirement plan established under Section 401(k) of the Internal Revenue Code that covers substantially all employees, each of whom must meet certain eligibility requirements as to age and length of service. During 2013 and 2012, the Institute's expense related to contributions to the 401(k) plan was approximately $701,000 and $690,000, respectively.

Deferred Compensation Plan

In April 2004, the Institute established a deferred compensation plan under Section 457(b) of the Internal Revenue Code for certain eligible employees, defined by the Institute as its executive team. Under the terms of the 457(b) Plan, eligible employees may contribute amounts through a salary-reduction agreement. The Institute does not contribute to this plan.

Employee Postretirement Benefit Plan

The Institute currently offers eligible retirees the opportunity to participate in a medical plan. Substantially all employees may become eligible for these benefits provided that the employee was 65 years of age and has at least 10 consecutive full years of service prior to retirement. The following table sets forth the plan's unfunded status and amounts recognized in the balance sheet at December 31:

	2013	2012
Accumulated postretirement benefit obligation	$ (407,431)	$ (511,069)
Plan assets at fair value	-	-
Funded status	$ (407,431)	$ (511,069)
Accrued postretirement benefit cost	$ (407,431)	$ (511,069)
Net periodic postretirement benefit cost	$ 68,503	$ 73,003
Weighted average assumptions		
Discount rate	5.00%	4.05%
Expected return on plan assets	N/A	N/A
Health cost trend rate	3.00%	3.00%

-continued-

NOTE 8 - EMPLOYEE BENEFIT PLANS (continued)

***Employee Postretirement Benefit Plan** (continued)*

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 4.95% for 2013 and is assumed to increase at a rate of 3% each year. The health care cost trend rate assumption has a significant effect on the amounts reported.

The Institute expects to contribute approximately $4,000 to its postretirement health insurance plan in fiscal year 2013.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

Year Ending June 30		
2014	$	4,000
2015		4,000
2016		5,000
2017		7,000
2018		9,000
2019 through 2023		76,000

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. The Institute is obligated under a noncancelable operating lease for its regional office in Washington, D.C. expiring 2024.

Future minimum lease payments are as follows:

2014	$	251,605
2015		257,872
2016		264,335
2017		276,076
2018		284,006
Thereafter		1,583,914
	$	2,917,808

Rent expense for the years ended December 31, 2013 and 2012 was approximately $295,000 and $261,000, respectively.

-continued-

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

B. Government-funded activities are subject to audit by the applicable granting agencies. As of December 31, 2013 and 2012, no such audits had been undertaken at the Institute, and management has no reason to believe that unaudited projects would result in any material obligations.

NOTE 10 - RENTAL INCOME AGREEMENT

The Institute entered into a three-year lease agreement to lease approximately 1,800 square feet of its condominium to an unrelated not-for-profit organization. The agreement was terminated by the Institute on May 31, 2012. The rental income recognized for the fiscal years ended December 31, 2012 was $19,688.

NOTE 11 - CONCENTRATIONS

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits.

NOTE 12 - ENDOWMENT FUNDS

General

The Institute's endowment consists of two individual funds, a donor-restricted endowment fund to be used for general operations and a fund designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

-continued-

NOTE 12 - ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law

The Board of Directors of the Institute has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Institute is now governed by the NYPMIFA spending policy, which establishes a maximum prudent spending limit of 7%. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce acceptable rates of return, with a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Investment Objectives

The Institute has a policy for appropriating for distribution each year, depending on fiscal need, up to 5.5% of the permanently restricted endowment funds' average fair value over the prior 20 quarters through the year end preceding the year in which the distribution is planned.

Funds with Deficiencies

The Institute does not have any funds with deficiencies.

-continued-

NOTE 12 - ENDOWMENT FUNDS (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2013

The endowment net asset composition consists of permanently donor-restricted funds of $4,855,238 and board-designated endowment funds of $6,485,116. Earnings on the permanently restricted funds are appropriated for expenditures and released from temporary restriction and subsequently designated by the Board of Directors as board-designated endowment funds.

Changes in Endowment Net Assets for the Year Ended December 31, 2013

	Board Designated Endowment Fund	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,079,068	$ 597,690	$ 4,855,238	$ 9,531,996
Interest and dividends		125,937		125,937
Net realized and unrealized gain		786,065		786,065
Amounts appropriated for expenditure		(158,786)		(158,786)
Designation by the Board of Directors	1,358,750			1,358,750
Investment income designated by the Board of Directors	1,047,298			1,047,298
Endowment net assets, end of year	$ 6,485,116	$ 1,350,906	$ 4,855,238	$ 12,691,260

Changes in Endowment Net Assets for the Year Ended December 31, 2012

	Board Designated Endowment Fund	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,522,968		$ 4,855,238	$ 8,378,206
Interest and dividends		$ 206,701		206,701
Net realized and unrealized gain		540,307		540,307
Amounts appropriated for expenditure		(149,318)		(149,318)
Investment income designated by the Board of Directors	556,100			556,100
Endowment net assets, end of year	$ 4,079,068	$ 597,690	$ 4,855,238	$ 9,531,996