

**PLANNED PARENTHOOD
MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**PLANNED PARENTHOOD
MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
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YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Planned Parenthood Minnesota, North Dakota, South Dakota
St. Paul, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Planned Parenthood Minnesota, North Dakota, South Dakota (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activity and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Planned Parenthood Minnesota, North Dakota, South Dakota

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Planned Parenthood Minnesota, North Dakota, South Dakota as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 13, 2018

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,665,772	\$ 7,216,104
Patient Accounts Receivable, Net	2,513,431	2,628,985
Grants Receivable, Net	400,066	516,794
Current Pledges Receivable, Net	869,685	1,045,601
Inventory of Materials and Supplies	921,981	1,023,606
Prepaid Expenses	531,456	340,098
Other Current Assets	1,076,968	733,122
Related Party Receivable	1,802,878	759,992
Total Current Assets	13,782,237	14,264,302
 PROPERTY AND EQUIPMENT, NET	 21,511,118	 21,800,674
LONG-TERM INVESTMENTS		
Permanently Restricted	12,633,788	12,571,735
Preferred Stock, Cost	500,000	500,000
Other Long-Term Investments	29,207,280	18,284,439
Total Long-Term Investments	42,341,068	31,356,174
 OTHER ASSETS		
Pledges Receivable, Net	920,000	19,000
Charitable Remainder Unitrust Receivables	54,709	55,225
Other Assets	1,260,360	1,251,726
Total Other Assets	2,235,069	1,325,951
Total Assets	\$ 79,869,492	\$ 68,747,101

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018 AND 2017**

LIABILITIES AND NET ASSETS	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 255,345	\$ 245,255
Accounts Payable	2,315,793	1,780,367
Accrued Expenses:		
Salaries, Wages, and Benefits	463,019	392,952
Paid Time Off	502,345	458,719
Other	<u>262,995</u>	<u>203,399</u>
Total Current Liabilities	<u>3,799,497</u>	<u>3,080,692</u>
 LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	6,187,732	6,443,102
Annuities Payable and Other Long-Term Liabilities	<u>1,090,880</u>	<u>1,154,186</u>
Total Long-Term Liabilities	<u>7,278,612</u>	<u>7,597,288</u>
 Total Liabilities	 11,078,109	 10,677,980
 NET ASSETS		
Unrestricted	9,022,019	7,817,917
Unrestricted - Board Designated	24,693,290	21,695,009
Temporarily Restricted	21,885,056	15,484,460
Permanently Restricted	<u>13,191,018</u>	<u>13,071,735</u>
Total Net Assets	<u>68,791,383</u>	<u>58,069,121</u>
 Total Liabilities and Net Assets	 <u>\$ 79,869,492</u>	 <u>\$ 68,747,101</u>

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018
REVENUES				
Contributions	\$ 8,401,092	\$ 9,849,081	\$ 119,283	\$ 18,369,456
Net Patient Service Revenues	29,374,422	-	-	29,374,422
Grants and Contracts from Government Agencies:				
Federal Department of Health & Human Services Bureau of Community Health Services Grant (Title X)	2,684,000	-	-	2,684,000
Other Grants and Contracts	2,673,882	-	-	2,673,882
Other Revenue	877,464	-	-	877,464
Net Assets Released from Program Restrictions	3,448,485	(3,448,485)	-	-
Total Revenues	<u>47,459,345</u>	<u>6,400,596</u>	<u>119,283</u>	<u>53,979,224</u>
EXPENSES				
Program Services:				
Patient Services	32,939,936	-	-	32,939,936
Public Education	2,138,235	-	-	2,138,235
Public Affairs	787,902	-	-	787,902
Total Program Services	<u>35,866,073</u>	<u>-</u>	<u>-</u>	<u>35,866,073</u>
Supporting Services:				
Management and General	7,291,012	-	-	7,291,012
Fundraising	2,835,525	-	-	2,835,525
Total Supporting Services	<u>10,126,537</u>	<u>-</u>	<u>-</u>	<u>10,126,537</u>
Affiliate Assessment:				
Planned Parenthood Federation of America, Inc.	-	-	-	-
Total Expenses	<u>45,992,610</u>	<u>-</u>	<u>-</u>	<u>45,992,610</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,466,735	6,400,596	119,283	7,986,614
OTHER CHANGES				
Investment Returns	2,737,118	-	-	2,737,118
Other Losses	(1,470)	-	-	(1,470)
Total Other Changes	<u>2,735,648</u>	<u>-</u>	<u>-</u>	<u>2,735,648</u>
CHANGE IN NET ASSETS	4,202,383	6,400,596	119,283	10,722,262
Net Assets - Beginning of Year	<u>29,512,926</u>	<u>15,484,460</u>	<u>13,071,735</u>	<u>58,069,121</u>
NET ASSETS - END OF YEAR	<u>\$ 33,715,309</u>	<u>\$ 21,885,056</u>	<u>\$ 13,191,018</u>	<u>\$ 68,791,383</u>

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
REVENUES				
Contributions	\$ 8,872,613	\$ 4,016,818	\$ 359,483	\$ 13,248,914
Net Patient Service Revenues	28,590,005	-	-	28,590,005
Grants and Contracts from Government Agencies:				
Federal Department of Health & Human Services Bureau of Community Health Services Grant (Title X)	2,720,000	-	-	2,720,000
Other Grants and Contracts	2,336,207	-	-	2,336,207
Investment Return Designated for Current Operations	-	-	-	-
Other Revenue	695,211	-	-	695,211
Net Assets Released from Program Restrictions	3,421,040	(3,421,040)	-	-
Total Revenues	<u>46,635,076</u>	<u>595,778</u>	<u>359,483</u>	<u>47,590,337</u>
EXPENSES				
Program Services:				
Patient Services	30,797,877	-	-	30,797,877
Public Education	2,003,643	-	-	2,003,643
Public Affairs	1,201,912	-	-	1,201,912
Total Program Services	<u>34,003,432</u>	<u>-</u>	<u>-</u>	<u>34,003,432</u>
Supporting Services:				
Management and General	6,897,774	-	-	6,897,774
Fundraising	2,143,332	-	-	2,143,332
Total Supporting Services	<u>9,041,106</u>	<u>-</u>	<u>-</u>	<u>9,041,106</u>
Affiliate Assessment:				
Planned Parenthood Federation of America, Inc.	240,732	-	-	240,732
Total Expenses	<u>43,285,270</u>	<u>-</u>	<u>-</u>	<u>43,285,270</u>
CHANGES IN NET ASSETS FROM OPERATIONS	3,349,806	595,778	359,483	4,305,067
OTHER CHANGES				
Investment Returns	3,867,788	-	-	3,867,788
Investment Return Designated for Current Operations	-	-	-	-
Total Other Changes	<u>3,867,788</u>	<u>-</u>	<u>-</u>	<u>3,867,788</u>
CHANGE IN NET ASSETS	7,217,594	595,778	359,483	8,172,855
Net Assets - Beginning of Year	22,295,332	14,888,682	12,712,252	49,896,266
NET ASSETS - END OF YEAR	<u>\$ 29,512,926</u>	<u>\$ 15,484,460</u>	<u>\$ 13,071,735</u>	<u>\$ 58,069,121</u>

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services				Supporting Services			Total 2018
	Patient Services	Public Education	Public Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Staffing Expenses	\$ 14,052,765	\$ 1,318,424	\$ 472,177	\$ 15,843,366	\$ 3,221,015	\$ 1,371,286	\$ 4,592,301	\$ 20,435,667
Fringe Benefits	2,740,533	259,326	144,741	3,144,600	876,937	316,127	1,193,064	4,337,664
Total Salaries and Related Expenses	16,793,298	1,577,750	616,918	18,987,966	4,097,952	1,687,413	5,785,365	24,773,331
Other Staff Expenses	41,400	13,468	3,848	58,716	30,732	21,160	51,892	110,608
Consultant Expenses	523,223	89,042	32,705	644,970	678,120	491,273	1,169,393	1,814,363
Clinical Supplies and Services	8,190,297	39,327	20,085	8,249,709	10,124	25,231	35,355	8,285,064
Media and Printing	1,528,860	158,630	31,038	1,718,528	129,402	210,509	339,911	2,058,439
Insurance	240,458	266	75	240,799	62,877	-	62,877	303,676
Communications	124,550	21,872	6,354	152,776	61,512	6,990	68,502	221,278
Facilities	2,398,831	63,108	21,821	2,483,760	189,818	53,676	243,494	2,727,254
Meetings and Travel	434,260	141,394	38,530	614,184	96,206	157,892	254,098	868,282
Financial Fees	66,633	1	-	66,634	340,110	30,104	370,214	436,848
MIS Expenses	1,576,418	23,995	8,974	1,609,387	659,599	47,837	707,436	2,316,823
Equipment Expenses	222,179	8,217	2,338	232,734	23,930	13,878	37,808	270,542
Payments to Title X Delegate Agencies	136,408	-	-	136,408	-	-	-	136,408
Miscellaneous	51	371	812	1,234	22,266	82,454	104,720	105,954
Depreciation and Amortization	663,070	794	4,404	668,268	888,364	7,108	895,472	1,563,740
Total Program and Supporting Services Expenses	16,146,638	560,485	170,984	16,878,107	3,193,060	1,148,112	4,341,172	21,219,279
Total Expenses	\$ 32,939,936	\$ 2,138,235	\$ 787,902	\$ 35,866,073	\$ 7,291,012	\$ 2,835,525	\$ 10,126,537	\$ 45,992,610

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services				Supporting Services			Total 2017
	Patient Services	Education	Public Affairs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Staffing Expenses	\$ 12,323,703	\$ 1,128,268	\$ 417,225	\$ 13,869,196	\$ 2,867,972	\$ 995,228	\$ 3,863,200	\$ 17,732,396
Fringe Benefits	2,398,839	222,859	132,391	2,754,089	809,237	235,164	1,044,401	3,798,490
Total Salaries and Related Expenses	<u>14,722,542</u>	<u>1,351,127</u>	<u>549,616</u>	<u>16,623,285</u>	<u>3,677,209</u>	<u>1,230,392</u>	<u>4,907,601</u>	<u>21,530,886</u>
Other Staff Expenses	21,945	19,408	5,993	47,346	28,844	15,557	44,401	91,747
Consultant Expenses	347,139	94,302	504,404	945,845	412,056	348,754	760,810	1,706,655
Clinical Supplies and Services	8,634,880	50,667	470	8,686,017	6,662	17,744	24,406	8,710,423
Media and Printing	1,233,182	253,692	72,870	1,559,744	265,871	174,151	440,022	1,999,766
Insurance	215,247	370	-	215,617	61,434	-	61,434	277,051
Communications	58,355	16,273	6,541	81,169	20,814	3,583	24,397	105,566
Facilities	2,417,540	72,198	25,534	2,515,272	32,752	91,889	124,641	2,639,913
Meetings and Travel	306,403	130,605	30,830	467,838	52,533	150,860	203,393	671,231
Financial Fees	67,988	-	-	67,988	349,611	28,789	378,400	446,388
MIS Expenses	1,860,075	13,871	1,636	1,875,582	941,651	-	941,651	2,817,233
Equipment Expenses	165,059	510	1,099	166,668	85,090	362	85,452	252,120
Payments to Title X Delegate Agencies	157,897	-	-	157,897	-	-	-	157,897
Miscellaneous	1,699	476	1,179	3,354	875	74,638	75,513	78,867
Depreciation	587,926	144	1,740	589,810	962,372	6,613	968,985	1,558,795
Total Program and Supporting Services Expenses	<u>16,075,335</u>	<u>652,516</u>	<u>652,296</u>	<u>17,380,147</u>	<u>3,220,565</u>	<u>912,940</u>	<u>4,133,505</u>	<u>21,513,652</u>
Payments to Planned Parenthood Federation of America, Inc.	-	-	-	-	240,732	-	240,732	240,732
Total Expenses	<u>\$ 30,797,877</u>	<u>\$ 2,003,643</u>	<u>\$ 1,201,912</u>	<u>\$ 34,003,432</u>	<u>\$ 7,138,506</u>	<u>\$ 2,143,332</u>	<u>\$ 9,281,838</u>	<u>\$ 43,285,270</u>

See accompanying Notes to Consolidated Financial Statements.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 10,722,262	\$ 8,172,855
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,563,740	1,558,795
Restricted Contributions	(6,736,971)	(374,171)
Net Realized Gain on Investments	(782,173)	(170,704)
Net Unrealized Gain on Investments	(1,399,225)	(3,318,964)
Valuation Changes in Annuities Payable	16,871	16,871
Valuation Changes in Charitable Remainder Unitrust Receivable	516	(1,071)
Change in Operating Assets and Liabilities:		
Patient Accounts Receivable, Net	115,554	(448,936)
Pledges Receivable, Net	(725,084)	(693,849)
Grants Receivable, Net	116,728	7,551
Inventory of Materials and Supplies	101,625	240,146
Prepaid Expenses	(191,358)	162,110
Other Current Assets	(343,846)	(119,314)
Related Party Receivable	(1,042,886)	(38,507)
Other Assets	(43,392)	(74,756)
Accounts Payable	535,426	(415,569)
Accrued Compensation and Benefits	70,067	(416,115)
Other Accrued Expenses	103,222	(85,527)
Net Cash Provided by Operating Activities	2,081,076	4,000,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,288,261)	(530,272)
Proceeds from Sale of Investments	-	903,429
Purchase of Investments	(8,803,496)	(102,006)
Net Cash Provided (Used) by Investing Activities	(10,091,757)	271,151
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(245,280)	(271,867)
Proceeds from Restricted Contributions	6,736,971	374,171
Payments on Annuity Contracts	(31,342)	(41,733)
Net Cash Provided by Financing Activities	6,460,349	60,571
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,550,332)	4,332,567
Cash and Cash Equivalents - Beginning of Year	7,216,104	2,883,537
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,665,772	\$ 7,216,104
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 262,482	\$ 284,194

See accompanying Notes to Consolidated Financial Statements.

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Planned Parenthood Minnesota, North Dakota, South Dakota (including Planned Parenthood Minnesota, North Dakota, South Dakota Action Fund, Planned Parenthood Minnesota, North Dakota, South Dakota Fund, Planned Parenthood of Minnesota Political Action Fund, Planned Parenthood Minnesota PAC, and Planned Parenthood Political Action Committee) (the Organization) provides and promotes high-quality reproductive and related health services in Minnesota, North Dakota, and South Dakota. The Organization is an affiliate of Planned Parenthood Federation of America, Inc.

Principals of Consolidation

The Organization's consolidated financial statements included the financial position, changes in net assets, functional expenses, and cash flows of Planned Parenthood Minnesota, North Dakota, South Dakota, Planned Parenthood Minnesota, North Dakota, South Dakota Action Fund, Planned Parenthood Minnesota, North Dakota, South Dakota Fund, Planned Parenthood of Minnesota Political Action Fund, Planned Parenthood Minnesota PAC, and Planned Parenthood Political Action Committee. Intercompany transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market accounts. The Organization maintains cash balances with quality financial institutions. Cash is held at high credit quality financial institutions. At times the amount on deposit may be in excess of the FDIC insurance limit.

Patient Accounts Receivable, Net

Patient accounts receivables are shown at the amount expected to be collectible after determining the allowance for doubtful accounts and contractual adjustments from third-party payors.

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Patient Accounts Receivable, Net (Continued)

The Organization provides an allowance for bad debts, which is based on management judgment considering historical information. Services are provided on an unsecured basis. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At June 30, 2018 and 2017, the allowance for third-party contractual adjustments and doubtful accounts was approximately \$1,743,000 and \$1,670,000, respectively. When all collection efforts have been exhausted, the account is written off against the allowance for bad debts.

Pledges Receivable, Net

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. At June 30, 2018 and 2017, the allowance for uncollectible contributions was approximately \$33,200 and \$14,700, respectively.

Inventory of Materials and Supplies

Inventory of materials and supplies are valued at the lower of cost or realizable value on a first-in, first-out basis.

Property and Equipment, Net

Property and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and improvements are depreciated on a straight-line basis over an estimated useful life of 25 to 30 years. Furniture and equipment are depreciated on a straight-line basis over estimated lives of five to ten years. Leasehold improvements are amortized over the lesser of the terms of their respective leases or their estimated useful lives. The Organization capitalizes amounts over \$5,000 that have useful lives greater than one year.

Impairment of Long-Lived Assets

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related expected future net cash flows be less than the carrying value, an impairment loss would be recognized. There were no impairments recorded in 2018 or 2017.

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Long-Term Investments

Investments with values based on public market quotations are recorded at fair value with unrealized gains and losses recognized in the consolidated statements of activity and changes in net assets. For other securities, for which no such quotations or valuations are readily available, value is estimated using net asset values provided by external investment managers. These can consist of equity investments, mutual funds, fixed income securities, and other funds and are recorded at approximate fair value as determined and approved by the managers or valuation committees of the alternative investments based upon judgements, which include, among other factors, restrictions affecting marketability and operating results.

Charitable Remainder Unitrust Receivables

The Organization is the beneficiary of several charitable remainder unitrusts. Each year the trustees pay the recipients during the recipients' life an annuity amount. Upon the death of the recipients, the trustee will distribute a percentage of the principal and income of the trust. The trust requires the Organization to set up a permanent endowment fund representing the value of the trust.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified into the following three categories:

Unrestricted Net Assets represent the portion of expendable funds that is available for support of the operations of the Organization.

Unrestricted Net Assets – Board Designated represent the portion of expendable funds that is designated by the board of directors for the future operations, capital improvements, and long-term investment.

Temporarily Restricted Net Assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time.

Permanently Restricted Net Assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either restricted or unrestricted purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by a donor-imposed restriction. Expenses are reported as a decrease in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as an increase or decrease in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Donor-restricted contributions, the restrictions of which are met in the same year as the gift is made, are reported as unrestricted contributions in the current year. Contributions of assets other than cash are recorded at their estimated fair value.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payment to the Organization at amounts different from the Organization's established rate. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

Salaries and related expenses are allocated to the program and supporting services based on actual time employees spent on each function. Other expenses not directly related to specific functions are allocated to the various functions based upon a combination of patient visits and the percentage of direct labor expense.

Measure of Operations

In the consolidated statements of activity and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Changes in net assets related to investment activities designated as nonoperating are excluded from changes in net assets from operations.

Unemployment Compensation

The Organization has elected to fund their unemployment tax claims through the Unemployment Services Trust. Contributions and unemployment payments are made through this Trust.

Tax-Exempt Status

The Organization is classified by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subjected to federal income tax only on net unrelated business income. The Organization currently has a limited amount of unrelated business income.

Planned Parenthood Minnesota, North Dakota, South Dakota Action Fund is a nonprofit organization exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Tax-Exempt Status (Continued)

Planned Parenthood Minnesota, North Dakota, South Dakota Fund is a nonprofit organization exempt from federal income taxes under Section 509(a) of the Internal Revenue Code.

Planned Parenthood of Minnesota Political Action Fund, Planned Parenthood Minnesota PAC, and Planned Parenthood Political Action Committee are Political Action Committee organizations exempt from federal taxes under Section 527 of the Internal Revenue Code.

The Organization has elected to adopt guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization follows the accounting standard for contingencies for evaluating uncertain tax positions. The adoption of this standard has no effect on the consolidated financial statements.

Fair Value Measurements

The Organization follows the *Fair Value Measurements* accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent Events

On June 6, 2018 the PPMNS and Planned Parenthood of the Heartland (PPH) approved an affiliation, to be effectuated in two phases subsequent to June 30, 2018, as follows: 1) execution of a Management Services Agreement (MSA) with Planned Parenthood of the North Central States PPNCS, a newly-formed Minnesota nonprofit corporation, effective July 1, 2018; 2) amendment of the Bylaws of PPH to grant to PPNCS the ability to appoint the PPH Board, thereby affiliating the two organizations, effective January 1, 2019.

PPNCS was formed to serve as a management services organization and parent company to both PPMNS and PPH. PPMNS has been restructured to become a wholly-controlled subsidiary of PPNCS as of July 1, 2018. Completion of the affiliation between PPH and PPNCS will occur no later than December 31, 2018.

NOTE 2 NET PATIENT SERVICE REVENUES

The Organization has agreements with third-party payors that provide payments to the Organization at amounts different from its established rates. The following is a summary of the net patient service revenues and contractual adjustments for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Gross Patient Service Revenues	\$ 53,163,382	\$ 49,739,391
Less: Contractual Adjustments	(23,788,960)	(21,149,386)
Total Net Patient Service Revenues	<u>\$ 29,374,422</u>	<u>\$ 28,590,005</u>

NOTE 3 PATIENT ACCOUNTS RECEIVABLE

The Organization reported patient accounts receivable that consist of the following amounts at June 30:

	<u>2018</u>	<u>2017</u>
Receivable from Patients, Their Insurance Carriers, and Other Payors	\$ 4,256,180	\$ 4,299,359
Less: Allowance for Contractuals and Doubtful Accounts	(1,742,749)	(1,670,374)
Total Patient Accounts Receivables, Net	<u>\$ 2,513,431</u>	<u>\$ 2,628,985</u>

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 PLEDGES RECEIVABLE

Included in pledges receivable at June 30 are the following unconditional promises to give:

	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 1,890,094	\$ 1,080,216
Less: Allowance of Doubtful Pledges	(33,166)	(14,681)
Less: Discount	(67,243)	(934)
Net Pledges Receivable	<u>\$ 1,789,685</u>	<u>\$ 1,064,601</u>
Amounts Due in:		
Less than One Year	\$ 869,685	\$ 1,045,601
One to Five Years	920,000	19,000
Net Pledges Receivable	<u>\$ 1,789,685</u>	<u>\$ 1,064,601</u>

The Organization applied a discount rate on pledges receivable of approximately 3.4% and 2.4% for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 INVESTMENTS

Long-term investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Common Stocks and Mutual Funds	\$ -	\$ 1,445
Preferred Stock	500,000	500,000
Pooled Investments:		
Fixed Income Securities	18,730,525	8,068,113
Equity Securities	23,110,543	22,786,616
Total Long-Term Investments	<u>\$ 42,341,068</u>	<u>\$ 31,356,174</u>

The composition of long-term investments is as follows at June 30:

	<u>2018</u>	<u>2017</u>
Permanently Restricted Investments	\$ 13,133,788	\$ 13,071,735
Board Designated - Reserves	14,964,782	14,964,782
Board Designated - Accumulated Investment Income	14,242,498	3,318,212
Other Long-Term Investments	-	1,445
Total Long-Term Investments	<u>\$ 42,341,068</u>	<u>\$ 31,356,174</u>

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 INVESTMENTS (CONTINUED)

The following is the return on investments for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 644,623	\$ 462,024
Net Unrealized Gains (Losses) on Investments	1,399,225	3,318,964
Net Realized Gains on Investments	782,173	170,704
Investment Fees	(88,903)	(83,904)
Total Investment Gains (Losses)	<u>\$ 2,737,118</u>	<u>\$ 3,867,788</u>

NOTE 6 GIFT ANNUITY AGREEMENTS

The Organization has entered into gift annuity agreements, which provide that the Organization shall pay to specified beneficiaries an annual amount until their death. The payments continue even if the assets of the gift annuity fund have been exhausted. The Organization records the contributions as the amount of the gift less payments to be made to the specified beneficiaries; the residual amount is recorded as contribution revenue using discount rates ranging from 1.2% to 7.62% for the purposes designated at the time the gift is received. Assets received in gift annuity agreements are held as general assets of the Organization and are currently included in long-term investments.

NOTE 7 PROPERTY AND EQUIPMENT

The following is summary of property and equipment including related accumulated depreciation at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,287,212	\$ 4,287,212
Buildings and Building Improvements	25,172,669	24,823,036
Furniture and Equipment	5,477,625	4,947,918
Construction in Progress	506,301	97,380
Total Property and Equipment	35,443,807	34,155,546
Accumulated Depreciation	(13,932,689)	(12,354,872)
Property and Equipment, Net	<u>\$ 21,511,118</u>	<u>\$ 21,800,674</u>

Construction in Progress as of June 30, 2018 represents costs relating patient service software upgrades of for approximately \$170,000, HVAC at the Duluth clinic of \$25,000, updates at the Vandalia site due to a flood of approximately \$42,000, general refresh of clinic sites of approximately \$76,000, updates to the Minneapolis clinic of approximately \$169,000, and other various small construction projects. These projects are funded internally and from donations relating to the capital campaign and are expected to be completed during the year ended June 30, 2019. Construction in Progress as of June 30, 2017 represents costs related to telecommunication and broadband improvements and facility remodel projects. The projects were completed in the the year ended June 30, 2018.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 LONG-TERM DEBT

The following is summary of long-term debt obligations at June 30:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note Payable to Wells Fargo, Interest Rate of 3.92%, Original Loan of \$6,000,000; Secured by Headquarters Building, Due in Variable Monthly Installments including Interest, and Balloon Payment Due July 1, 2019.	\$ 4,941,348	\$ 5,131,728
Note Payable to Wells Fargo, Secured by Clinic Building, Original loan of \$1,622,042, Monthly Installments of \$10,001, including Annual Interest at 4.20%, Balloon Payment Due March 5, 2022.	<u>1,501,729</u>	<u>1,556,629</u>
Total Long-Term Debt	6,443,077	6,688,357
Less: Current Portion of Long-Term Debt	<u>(255,345)</u>	<u>(245,255)</u>
Total Long-Term Debt, Net of Current Portion	<u>\$ 6,187,732</u>	<u>\$ 6,443,102</u>

Scheduled principal repayments on long-term debt obligations through maturity are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 255,345
2020	4,802,628
2021	62,228
2022	<u>1,322,876</u>
Total Long-Term Debt	<u>\$ 6,443,077</u>

Interest expense was \$265,677 and \$274,879 for the years ended June 30, 2018 and 2017, respectively.

Certain notes payable subject the Organization to various restricted covenants. Management believes that the Organization was in compliance with these covenants as of June 30, 2018.

NOTE 9 LINE OF CREDIT

The Organization has a revolving line of credit of \$1,750,000 with a scheduled maturity date of February 2019. It carries a variable interest rate charged at the prime rate set by lender from time to time. The interest rates at June 30, 2018 and 2017 were 5.00% and 4.25%, respectively. The Organization had no borrowings as of June 30, 2018 and 2017. The line of credit is secured by the Organization's accounts receivable.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of pledges that will be received in future periods and restrictions on uses for supporting the various projects. As the pledges are received and programming occurs, the temporary restrictions will be met.

Temporarily restricted net assets consist of the following at June 30, 2018:

	Balances July 1, 2017	Support Revenues and Grants	Expenses for Programs and Supporting Services	Balances June 30, 2018
Contributions Restricted by Purpose:				
Capital Campaign	\$ 10,182,631	\$ 6,605,000	\$ (784,390)	\$ 16,003,241
Centro Clinic Relocation	203,130	-	(61,661)	141,469
Lagoon Clinic Remodel	221,302	-	(25,061)	196,241
Rice Street Relocation	768,665	-	(159,276)	609,389
SD Sustainability Grant	928,447	-	(572,857)	355,590
Security	510,510	-	(91,971)	418,539
Technology Capital Investments	150,000	-	-	150,000
Development Campaign Support	450,000	-	(298,753)	151,247
PPAF - MN, SD, and ND	121,242	-	(64,921)	56,321
Women's Foundation	76,852	-	(27,073)	49,779
Other Purposes	1,334,035	2,590,274	(1,026,546)	2,897,763
Contributions Restricted by Time	239,646	412,870	(46,869)	605,647
Contributions Restricted by Purpose and Time:				
George Family Foundation	30,000	-	(30,000)	-
Youth Supplies	-	1,000	(1,000)	-
Marketing	250,000	-	(250,000)	-
Included Grant	-	60,137	-	60,137
PPFA	18,000	179,800	(8,107)	189,693
Total Temporarily Restricted Net Assets	<u>\$ 15,484,460</u>	<u>\$ 9,849,081</u>	<u>\$ (3,448,485)</u>	<u>\$ 21,885,056</u>

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 RESTRICTED NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets consist of the following at June 30, 2017:

	Balances July 1, 2016	Support Revenues and Grants	Expenses for Programs and Supporting Services	Balances June 30, 2017
Contributions Restricted by Purpose:				
Capital Campaign	\$ 11,054,192	\$ -	\$ (871,561)	\$ 10,182,631
Centro Clinic Relocation	282,771	-	(79,641)	203,130
Lagoon Clinic Remodel	246,363	-	(25,061)	221,302
Rice Street Relocation	927,941	-	(159,276)	768,665
SD Sustainability Grant	426,956	1,101,675	(600,184)	928,447
Security	623,934	3,000	(116,424)	510,510
Marketing	251,303	100,000	(351,303)	-
Technology Capital Investments	-	150,000	-	150,000
Development Campaign Support	-	450,000	-	450,000
PPAF - MN, SD, and ND	-	76,852	-	76,852
Women's Foundation	-	231,272	(110,030)	121,242
Other Purposes	848,429	1,552,720	(1,067,114)	1,334,035
Contributions Restricted by Time	139,463	83,299	16,884	239,646
Contributions Restricted by Purpose and Time:				
George Family Foundation	62,330	-	(32,330)	30,000
Celebrate 2016	25,000	-	(25,000)	-
Marketing	-	250,000	-	250,000
PPFA	-	18,000	-	18,000
Total Temporarily Restricted Net Assets	<u>\$ 14,888,682</u>	<u>\$ 4,016,818</u>	<u>\$ (3,421,040)</u>	<u>\$ 15,484,460</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the investments be maintained in perpetuity. The income from the investments is expendable to support operational expenses of the clinics, education, and outreach and advocacy activities of the Organization.

Interpretation of Relevant Law

The Organization has complied with the State Prudent Management of Institutional Funds Act (the Act) in 2008. The board of directors of the Organization has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 RESTRICTED NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

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 standard of prudence prescribed in the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor- restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

The following were the changes in the endowment net assets for the years ended June 30:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>
Beginning Endowment Net Assets - July 1, 2017	\$ -	\$ 13,071,735	\$ 13,071,735
Contributions	-	119,283	119,283
Investment Returns	2,735,065	-	2,735,065
Investment Returns Released	<u>(2,735,065)</u>	<u>-</u>	<u>(2,735,065)</u>
Ending Endowment Net Assets - June 30, 2018	<u>\$ -</u>	<u>\$ 13,191,018</u>	<u>\$ 13,191,018</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Beginning Endowment Net Assets - July 1, 2016	\$ -	\$ 12,712,252	\$ 12,712,252
Contributions	-	359,483	359,483
Investment Returns	3,866,726	-	3,866,726
Investment Returns Released	<u>(3,866,726)</u>	<u>-</u>	<u>(3,866,726)</u>
Ending Endowment Net Assets - June 30, 2017	<u>\$ -</u>	<u>\$ 13,071,735</u>	<u>\$ 13,071,735</u>

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 RESTRICTED NET ASSETS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), any deficiencies of this nature that are reported in unrestricted net assets. The Organization had no such deficiencies at June 30, 2018 and 2017.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees, and inflation without putting the principal value at imprudent risk. Equity and fixed income performance is expected to exceed capital market indices through opportunistic and diversified investments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on an investment strategy that allocates its investments among a number of asset classes. These asset classes may include: domestic equity, domestic fixed income, international equity, international fixed income, real estate, venture capital, private equity, and cash. The purpose of allocating among asset classes is to ensure the proper level of diversification to achieve the portfolio's investment objectives. The Organization feels that this investment strategy meets the Organization's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets that are being held in perpetuity. The Organization's spending policy is also consistent with donor restrictions to use investment income for operational expenses of the clinics, education and outreach and advocacy activities.

During the years ended June 30, 2018 and 2017, the Organization earned \$2,735,065 and \$3,866,726 of investment gains, respectively, into its pool of unrestricted accumulated earnings. From this pool, the Organization sold \$-0- of endowment earnings and \$-0- of board-designated earnings to support operational expenses for the years ended June 30, 2018 and 2017. This was done in accordance with the investment spending policy and was approved by the board.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 GRANTS AND CONTRACTS FROM GOVERNMENT AGENCIES

The Organization receives grants and contracts from a number of state and county agencies. These agencies include the Minnesota Department of Health, Minnesota Department of Welfare, Community Health Services, Minnesota county social services departments, and the Federal Department of Health and Human Services.

The Federal Department of Health and Human Services funds family planning projects in Minnesota communities. For the years ended June 30, 2018 and 2017, this grant constituted approximately 5.0% and 5.7%, respectively, of the Organization's total operating revenue and support.

Grants and contracts received are as follows:

	<u>2018</u>	<u>2017</u>
Title X Federal Grant:		
Grant from Federal Department of Health and Human Services Bureau of Community Health Services Grant (Title X)	<u>\$ 2,684,000</u>	<u>\$ 2,720,000</u>
Other Grants and Contracts:		
Grants and Contracts from State and County Agencies:		
Minnesota Family Planning Special Projects	\$ 1,761,623	\$ 1,662,833
Minnesota County Social Service Departments	315,477	91,385
Minnesota Department of Health - Eliminating Health Disparities Grant	206,851	246,357
MNSure Consumer Assistance Grant	73,899	114,642
Grants from North Dakota State University	178,239	180,231
Other Grants	<u>137,793</u>	<u>40,759</u>
Total Other Grants and Contracts	<u>\$ 2,673,882</u>	<u>\$ 2,336,207</u>

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 12 OPERATING LEASES

At June 30, 2018 and 2017, the Organization was obligated under a number of noncancelable operating leases for clinics, offices, and equipment. Lease expense was \$921,083 and \$896,271 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under noncancelable operating leases with terms of more than one year at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 817,497
2020	743,105
2021	658,835
2022	567,725
2023	512,673
Thereafter	719,806
Total	<u>\$ 4,019,641</u>

NOTE 13 AFFILIATION WITH PLANNED PARENTHOOD FEDERATION OF AMERICA, INC.

The Organization is affiliated with Planned Parenthood Federation of America, Inc. As an affiliate, the Organization is required to pay an assessment to the national organization. For the years ended June 30, 2018 and 2017, the assessment was \$-0- and \$240,732, respectively.

NOTE 14 RETIREMENT PLAN

Certain eligible full-time employees have elected to participate in the Organization's defined contribution plan. Employees become eligible for the Plan when they reach 19 years of age and have completed one year of service. Matching contributions made by the Organization are based on a specified percentage of employee contributions. Contributions to the plan for the years ended June 30, 2018 and 2017 was \$265,831 and \$260,404, respectively.

The Organization also has a 457(f) Nonqualified Flexible Benefit Plan that is available to eligible participants. This plan is 100% employee funded. The Organization does not make contributions to this plan. The asset and liability are included on the balance sheet as other assets and other long term liabilities, respectively.

**PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 15 PROFESSIONAL LIABILITY INSURANCE

The Organization's professional liability insurance is carried through Affiliates Risk Management Services, Inc. The total policy limit is for claim losses up to \$1,000,000 per claim and \$3,000,000 per year which covers professional liability claims made during the policy year (claims-made coverage). Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

NOTE 16 FUNDS HELD BY COMMUNITY FOUNDATION

The Organization is a beneficiary of a designated fund at a community foundation. Pursuant to the terms of the agreement establishing this fund, property contributed to the community foundation is held as a separate fund designated for the benefit of the Organization. In accordance with its spending policy, the community foundation makes distributions from the fund to the Organization based on their discretion. The fund is not included in these consolidated financial statements, since all property in the fund was contributed by a third party to the community foundation to be held and administered for the benefit of the Organization. The amounts received from this fund for the years ended June 30, 2018 and 2017 were \$126,156 and \$126,536, respectively.

NOTE 17 CONCENTRATION OF RISK

The Organization usually grants credit without collateral to its patients, most of whom are insured third-party payor agreements. The mix of receivables from patients and third-party payors at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Medicaid	37.7 %	34.5 %
Blue Cross Blue Shield	10.5	7.2
Self-Pay	11.5	9.1
Commercial and Other	40.2	49.2
Total	<u>100.0 %</u>	<u>100.0 %</u>

NOTE 18 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

PLANNED PARENTHOOD MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization invests funds with an investment management company that pools funds from other organizations and invests the funds according to their investment strategy. The Organizations is able to contribute or take disbursements from the fund at the end of each month.

In situations where the investment fund does not have a readily determinable fair value and meets other eligibility criteria, the Organization measures fair value based on net asset value per share or its equivalent. The adoption of authoritative guidance on fair value measurements and disclosure did not have a material impact on the accompanying financial statements.

The following table lists investments in the investment funds by major category as of June 30:

<u>June 30, 2018</u>	<u>Net Asset Value</u>	<u>Commitments</u>	<u>Frequency</u>	<u>Period</u>
Equity Securities	\$ 23,110,543	\$ -	Quarterly to Annually	5 business days prior to last day of the month
Fixed Income Securities	18,730,525	-	Quarterly to Annually	5 business days prior to last day of the month
<u>June 30, 2017</u>	<u>Net Asset Value</u>	<u>Commitments</u>	<u>Frequency</u>	<u>Period</u>
Equity Securities	\$ 22,786,616	\$ -	Quarterly to Annually	5 business days prior to last day of the month
Fixed Income Securities	8,068,113	-	Quarterly to Annually	5 business days prior to last day of the month

Equity securities include commingled funds containing investments in domestic or foreign stocks that value their investments daily but impose certain liquidity restrictions on investors through periodic fund openings ranging from weekly to quarterly. Investing in equity securities provides diversification, dividend income, and growth potential to the overall portfolio.

Fixed income securities include commingled funds containing investments in domestic or foreign stocks that value their investments daily but impose certain liquidity restrictions on investors through periodic fund openings ranging from weekly to quarterly. Investing in equity securities provides diversification, dividend income, and growth potential to the overall portfolio.

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NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of June 30:

	Level 1	Level 2	Level 3	June 30, 2018
Assets:				
Common Stocks and Mutual Funds	\$ -	\$ -	\$ -	\$ -
Charitable Remainder				
Unitrust Receivables	-	-	54,709	54,709
Total Assets Measured at Fair Value	-	-	54,709	54,709
Investments Measured at Net Asset Value or its Equivalent				
	41,841,068	-	-	41,841,068
Total Assets Measured at Fair Value	\$ 41,841,068	\$ -	\$ 54,709	\$ 41,895,777
	Level 1	Level 2	Level 3	June 30, 2017
Assets:				
Common Stocks and Mutual Funds	\$ 1,445	\$ -	\$ -	\$ 1,445
Charitable Remainder				
Unitrust Receivables	-	-	55,225	55,225
Total Assets Measured at Fair Value	1,445	-	55,225	56,670
Investments Measured at Net Asset Value or its Equivalent				
	30,854,729	-	-	30,854,729
Total Assets Measured at Fair Value	\$ 30,856,174	\$ -	\$ 55,225	\$ 30,911,399

Long-Term Investments

Long-term investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, corporate debt securities, and certain pooled equity securities. Securities valued using a Level 3 inputs are based upon information received from the broker. The broker conducts an independent review of fund valuation, pricing, and performance information.

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NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

Charitable Remainder Unitrust Receivables

Fair values of the charitable remainder unitrust receivables is determined based upon good faith estimates of the trust's assets less the present value of estimated future payments to the recipients. The present value is based upon estimated discount rates and applicable mortality tables and, accordingly, is classified as using a Level 3 input.

NOTE 19 RELATED PARTY TRANSACTIONS

The Organization entered into an operating agreement with Charles Vandalia, LLC (the Company), which the Organization is a member of the Company, for personnel and management services provided to the Company.

The Company provided \$1,799,452 and \$2,688,737 of certain general and administrative services to the Organization during the years ended June 30, 2018 and 2017, respectively. The Organization's receivable from the Company at June 30, 2018 and 2017 is \$1,768,389 and \$759,992, respectively.

NOTE 20 COMMITMENTS AND CONTINGENCIES

Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with imposition of significant fines and penalties, as well as significant repayments for patient services billed.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

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NOTE 20 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Organization's policies.

The Organization is subject to legal proceedings which arise in the normal course of providing health care services. The Organization maintains malpractice insurance on a claims-made basis for claims made during the term of the policy. The potential loss related to any outstanding claims cannot currently be estimated; however, in management's opinion adequate provision has been made for any amounts that it may require to be paid under the policies deductible limits.



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.