



PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

CONSOLIDATED FINANCIAL STATEMENTS

Six Month Period Ended June 30, 2020

(with Comparative Totals for the Twelve Months Ended 2019)

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Planned Parenthood of Northern New England, Inc. and Related Entities

We have audited the accompanying consolidated financial statements of Planned Parenthood of Northern New England, Inc. and Related Entities (PPNNE), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the six months 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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to PPNNE'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 PPNNE's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement presentation.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPNNE as of June 30, 2020, and the consolidated results of its operations, changes in its net assets and its cash flows for the six months then ended, in conformity with U.S. generally accepted accounting principles.

Other Matter

Report on Summarized Comparative Information

We have previously audited PPNNE's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 15, 2020
Registration No. 92-0000278

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Consolidated Statement of Financial Position

June 30, 2020

(With Comparative Totals for December 31, 2019)

ASSETS

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
Current assets				
Cash	\$ 8,563,930	\$ 1,250,327	\$ 9,814,257	\$ 7,140,353
Accounts receivable, net	1,332,203	-	1,332,203	1,718,148
Contributions receivable, net	233,262	448,652	681,914	783,495
Other	<u>1,612,741</u>	<u>-</u>	<u>1,612,741</u>	<u>1,744,942</u>
Total current assets	<u>11,742,136</u>	<u>1,698,979</u>	<u>13,441,115</u>	<u>11,386,938</u>
Property and equipment				
Land	35,657	-	35,657	35,657
Buildings	2,726,586	-	2,726,586	2,687,978
Leasehold improvements	7,324,312	-	7,324,312	6,936,963
Furniture, fixtures and equipment	3,773,511	-	3,773,511	3,533,287
Construction-in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,743</u>
	13,860,066	-	13,860,066	13,486,628
Less accumulated depreciation and amortization	<u>(8,853,265)</u>	<u>-</u>	<u>(8,853,265)</u>	<u>(8,300,841)</u>
Property and equipment, net	<u>5,006,801</u>	<u>-</u>	<u>5,006,801</u>	<u>5,185,787</u>
Other assets				
Contributions receivable, net of current portion	-	19,324	19,324	28,945
Long-term investments	3,737,916	1,311,831	5,049,747	5,399,852
Other	<u>131,899</u>	<u>532,333</u>	<u>664,232</u>	<u>696,182</u>
Total other assets	<u>3,869,815</u>	<u>1,863,488</u>	<u>5,733,303</u>	<u>6,124,979</u>
Total assets	\$ <u>20,618,752</u>	\$ <u>3,562,467</u>	\$ <u>24,181,219</u>	\$ <u>22,697,704</u>

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2020</u> <u>Total</u>	2019 <u>Total</u>
Current liabilities				
Current portion of long-term debt	\$ 11,195	\$ -	\$ 11,195	\$ 11,000
Accounts payable and other current liabilities	1,921,933	-	1,921,933	1,687,297
Accrued salaries and benefits	1,703,712	-	1,703,712	918,279
Paycheck Protection Program loan	<u>2,717,300</u>	<u>-</u>	<u>2,717,300</u>	<u>-</u>
Total current liabilities	6,354,140	-	6,354,140	2,616,576
Long-term debt, net of current portion	<u>233,267</u>	<u>-</u>	<u>233,267</u>	<u>238,763</u>
Total liabilities	<u>6,587,407</u>	<u>-</u>	<u>6,587,407</u>	<u>2,855,339</u>
Net assets				
Without donor restrictions	14,031,345	-	14,031,345	16,606,841
With donor restrictions	<u>-</u>	<u>3,562,467</u>	<u>3,562,467</u>	<u>3,235,524</u>
Total net assets	<u>14,031,345</u>	<u>3,562,467</u>	<u>17,593,812</u>	<u>19,842,365</u>
Total liabilities and net assets	\$ <u>20,618,752</u>	\$ <u>3,562,467</u>	\$ <u>24,181,219</u>	\$ <u>22,697,704</u>

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Consolidated Statement of Activities and Changes in Net Assets

**Six Months Ended June 30, 2020
(With Comparative Totals for Year Ended December 31, 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Operating revenue and support				
Net patient service revenue	\$ 5,104,963	\$ -	\$ 5,104,963	\$ 14,128,331
Grants and contracts	1,820,389	429,332	2,249,721	4,218,762
Contributions and bequests	3,756,911	767,661	4,524,572	8,683,269
Investment (losses) income	(203,167)	(123,053)	(326,220)	920,208
Other	<u>104,463</u>	<u>-</u>	<u>104,463</u>	<u>305,393</u>
	10,583,559	1,073,940	11,657,499	28,255,963
Net assets released from restrictions	<u>746,997</u>	<u>(746,997)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>11,330,556</u>	<u>326,943</u>	<u>11,657,499</u>	<u>28,255,963</u>
Operating expenses				
Program services				
Direct patient services	10,277,165	-	10,277,165	17,851,235
Education and outreach	123,941	-	123,941	244,725
Public policy	1,070,793	-	1,070,793	2,166,385
Marketing and communication	<u>154,937</u>	<u>-</u>	<u>154,937</u>	<u>308,057</u>
Total program services	<u>11,626,836</u>	<u>-</u>	<u>11,626,836</u>	<u>20,570,402</u>
Support services				
General and administrative	1,474,276	-	1,474,276	2,960,354
Fundraising	<u>804,940</u>	<u>-</u>	<u>804,940</u>	<u>1,631,418</u>
Total support services	<u>2,279,216</u>	<u>-</u>	<u>2,279,216</u>	<u>4,591,772</u>
Total expenses	<u>13,906,052</u>	<u>-</u>	<u>13,906,052</u>	<u>25,162,174</u>
Changes in net assets from operations	<u>(2,575,496)</u>	<u>326,943</u>	<u>(2,248,553)</u>	<u>3,093,789</u>
Other changes				
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,557)</u>
Total other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,557)</u>
Change in net assets	(2,575,496)	326,943	(2,248,553)	2,454,232
Net assets, beginning of year	<u>16,606,841</u>	<u>3,235,524</u>	<u>19,842,365</u>	<u>17,388,133</u>
Net assets, end of year	<u>\$ 14,031,345</u>	<u>\$ 3,562,467</u>	<u>\$ 17,593,812</u>	<u>\$ 19,842,365</u>

The accompanying notes are an integral part of these consolidated financial statements.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Consolidated Statement of Functional Expenses

**Six Months Ended June 30, 2020
(With Comparative Totals for Year Ended December 31, 2019)**

	Direct Patient Services	Education and Outreach	Public Policy	Marketing and Communication	Total Program Services	General and Administrative	Fundraising	Total Support Services	2020 Total	2019 Total
Payroll and related costs	\$ 6,918,253	\$ 97,964	\$ 771,507	\$ 61,684	\$ 7,849,408	\$ 713,094	\$ 677,984	\$ 1,391,078	\$ 9,240,486	\$ 14,911,024
Contraceptive supplies	605,582	-	-	-	605,582	-	-	-	605,582	1,723,026
Outside laboratory fees	108,482	-	-	-	108,482	-	-	-	108,482	356,748
Occupancy costs	1,028,861	14,391	79,615	8,390	1,131,257	60,145	33,913	94,058	1,225,315	2,351,027
Medical supplies	430,342	-	-	-	430,342	-	-	-	430,342	811,577
Professional services	252,679	296	86,364	-	339,339	488,986	9,937	498,923	838,262	1,562,717
Advertising	-	-	67,273	67,421	134,694	2,840	-	2,840	137,534	494,678
Insurance and taxes	128,305	309	2,315	159	131,088	15,140	585	15,725	146,813	249,724
Printing and postage	50,606	1,636	434	16,606	69,282	2,165	15,710	17,875	87,157	204,419
Dues and materials	32,525	2,668	22,865	-	58,058	1,120	1,323	2,443	60,501	224,330
Interest expense	6,125	-	-	-	6,125	-	-	-	6,125	12,606
Other	<u>232,112</u>	<u>5,853</u>	<u>26,979</u>	<u>677</u>	<u>265,621</u>	<u>144,038</u>	<u>57,370</u>	<u>201,408</u>	<u>467,029</u>	<u>1,366,322</u>
Total expenses before depreciation and amortization	9,793,872	123,117	1,057,352	154,937	11,129,278	1,427,528	796,822	2,224,350	13,353,628	24,268,198
Depreciation and amortization	<u>483,293</u>	<u>824</u>	<u>13,441</u>	<u>-</u>	<u>497,558</u>	<u>46,748</u>	<u>8,118</u>	<u>54,866</u>	<u>552,424</u>	<u>893,976</u>
Total expenses	<u>\$ 10,277,165</u>	<u>\$ 123,941</u>	<u>\$ 1,070,793</u>	<u>\$ 154,937</u>	<u>\$ 11,626,836</u>	<u>\$ 1,474,276</u>	<u>\$ 804,940</u>	<u>\$ 2,279,216</u>	<u>\$ 13,906,052</u>	<u>\$ 25,162,174</u>

The accompanying notes are an integral part of these consolidated financial statements.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Consolidated Statement of Cash Flows

**Six Months Ended June 30, 2020
(With Comparative Totals for Year Ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (2,248,553)	\$ 2,454,232
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	552,424	893,976
Revenue from contributed securities	(402,550)	(1,013,708)
Proceeds of contributed securities	402,550	1,013,708
Unrealized/realized loss (gain) on investments	366,968	(638,604)
Contributions restricted to long-term purposes	-	(10,443)
Change in value of beneficial interest in trusts	(1,608)	(131,502)
Gain on disposal of property and equipment	-	(8,468)
(Increase) decrease in		
Accounts receivable	385,945	(83,328)
Contributions receivable	111,202	11,229
Other current assets	132,201	(736,941)
Other long-term assets	33,558	15,988
(Decrease) increase in		
Accounts payable and other current liabilities	244,028	(227,762)
Accrued salaries and benefits	785,433	48,777
Net cash provided by operating activities	<u>361,598</u>	<u>1,587,154</u>
Cash flows from investing activities		
Purchases of property and equipment	(382,830)	(1,891,911)
Proceeds from sale of property and equipment	-	1,000
Proceeds from sale of investments	757,198	1,281,669
Purchases of investments	<u>(774,061)</u>	<u>(1,461,574)</u>
Net cash used by investing activities	<u>(399,693)</u>	<u>(2,070,816)</u>
Cash flows from financing activities		
Contributions received for long-term purposes	-	977
Proceeds from Paycheck Protection Program loan	2,717,300	-
Principal payments on long-term debt	<u>(5,301)</u>	<u>(10,248)</u>
Net cash provided (used) by financing activities	<u>2,711,999</u>	<u>(9,271)</u>
Net increase (decrease) in cash	2,673,904	(492,933)
Cash, beginning of year	<u>7,140,353</u>	<u>7,633,286</u>
Cash, end of year	\$ <u>9,814,257</u>	\$ <u>7,140,353</u>
Supplemental disclosure:		
Noncash investing and financing transactions		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ <u>68,238</u>	\$ <u>77,630</u>

The accompanying notes are an integral part of these consolidated financial statements.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

June 30, 2020
(With Comparative Totals for December 31, 2019)

Nature of Activities

Planned Parenthood of Northern New England, Inc. (PPNNE) is a Vermont nonprofit corporation organized for the purpose of providing reproductive health and education services. PPNNE is also an advocacy organization working for public policies which guarantee reproductive rights and ensure access to services. PPNNE is registered to conduct business in Maine, New Hampshire and Vermont.

In 1990, PPNNE established Planned Parenthood of Northern New England Action Fund, Inc., a nonprofit corporation, for the purpose of expanding lobbying activities for the states of Maine, New Hampshire and Vermont. During 2014, PPNNE amended the operating documents of Planned Parenthood of Northern New England Action Fund, Inc. to include activities for only the state of Vermont and renamed the corporation Planned Parenthood Vermont Action Fund, Inc. Also during 2014, PPNNE established Planned Parenthood Maine Action Fund, Inc. and Planned Parenthood New Hampshire Action Fund, Inc., both nonprofit corporations, for the purpose of expanding lobbying activities for the states of Maine and New Hampshire, respectively.

Operations and balances of Planned Parenthood Vermont Action Fund, Inc., Planned Parenthood Maine Action Fund, Inc. and Planned Parenthood New Hampshire Action Fund, Inc. (collectively known as the Action Funds) are considered immaterial to PPNNE, but are included in the accompanying consolidated financial statements. PPNNE has both an economic interest in the Action Funds and control of the Action Funds through a majority voting interest in their governing boards, therefore requiring the operations of the Action Funds to be consolidated with the operations of PPNNE.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of PPNNE and the Action Funds (collectively known as PPNNE). All material interorganizational transactions have been eliminated.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Accordingly, such information should be read in conjunction with PPNNE's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

June 30, 2020
(With Comparative Totals for December 31, 2019)

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Statement Presentation

The consolidated financial statements of PPNNE have been prepared in accordance with U.S. GAAP, which require PPNNE to report information regarding its consolidated financial position and activities according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of PPNNE. These net assets may be used at the discretion of PPNNE's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PPNNE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

Uncertainty Related to Coronavirus

On March 11, 2020, the World Health Organization declared the 2019 novel coronavirus disease (COVID-19) a global pandemic. The COVID-19 pandemic has impacted and could further impact PPNNE's operations as a result of quarantines and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts PPNNE's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on PPNNE's services and the remedial actions and stimulus measures adopted by local and federal governments. Therefore, PPNNE cannot reasonably estimate the impact at this time.

Promises to Give

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as support for net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

June 30, 2020

(With Comparative Totals for December 31, 2019)

Income Taxes

The Internal Revenue Service has determined that PPNNE and its subsidiaries, the Action Funds, are exempt from taxation under Internal Revenue Code Sections 501(c)(3) and 501(c)(4), respectively. Accordingly, no provision for income taxes has been reflected in these consolidated financial statements.

Cash

PPNNE maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. PPNNE has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair market value at the date of the gift. Donated property and equipment is reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, PPNNE reports expirations when the donated or acquired assets are placed in service as instructed by the donor. PPNNE reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method over the estimated useful lives of the underlying assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful lives or the term of the underlying leases. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments greater than \$1,000 are capitalized.

Investments

PPNNE is required to report covered investments in the consolidated statement of financial position at fair value with any realized or unrealized gains and losses reported as a change in net assets from operations in the consolidated statement of activities and changes in net assets. Covered investments include all equity securities with readily determinable fair values and all investments in debt securities. All of PPNNE's investments are held in cash and cash equivalents, exchange traded funds or mutual funds.

Gifts of securities are reported at fair value on the date of the gift. PPNNE's policy is to liquidate all donated securities as soon as possible. Any resulting gain or loss is recognized in the net assets without donor restrictions category.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

June 30, 2020
(With Comparative Totals for December 31, 2019)

Paycheck Protection Program

On April 13, 2020, PPNNE received a loan in the amount of \$2,717,300 pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is unsecured, has a two-year term with a maturity date of April 2022; bears an annual interest rate of 1%; and shall be payable monthly with the first six monthly payments deferred. The principal amount of the PPP is subject to forgiveness, upon PPNNE's request, to the extent that the proceeds are used to pay qualifying expenditures, including payroll costs, interest on mortgages, rent and utilities, incurred by PPNNE. SBA has preliminarily concluded PPNNE is ineligible for a PPP loan under the applicable affiliation rules and size standards. PPNNE has contested the SBA's conclusion, and the SBA is currently conducting a review of PPNNE's eligibility. If deemed ineligible, the loan may need to be returned.

PPNNE has utilized the total available PPP loan for qualifying expenditures as of June 30, 2020. If the SBA determines PPNNE is eligible for the loan, it is PPNNE's intention to apply for forgiveness at that time. Forgiveness is subject to the sole approval of the SBA. PPNNE has chosen to follow the conditional contribution model for the PPP and has opted to not record any income until forgiveness is received. The full amount of the PPP loan received is reported as a refundable advance in the current liabilities section of the statement of financial position at June 30, 2020.

Change in Net Assets from Operations

The consolidated statement of activities report the change in net assets from operations. The changes in net assets which are excluded from this measurement include investment income greater than amounts eligible to be distributed pursuant to PPNNE's spending policy, contributions which are restricted by the donor to be maintained in perpetuity or which are donor-restricted to be used for the purpose of acquiring long-term assets and the release thereof when PPNNE has complied with the donative restrictions.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at the amount that reflects consideration to which PPNNE expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others. Generally, PPNNE bills the patients and third-party payors after services are performed. Revenues are recognized on the date of service as the service and products are delivered to the patient by PPNNE. Net revenue and the related receivables are recorded at amounts estimated to be received under reimbursement arrangements with patients and third-party payors, including private insurers, health maintenance organizations, Medicare, and Medicaid. PPNNE determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. PPNNE determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

**June 30, 2020
(With Comparative Totals for December 31, 2019)**

Due to the reimbursement environment in which PPNNE operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for services may result in adjustment to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial, account review, or payor postpayment audit.

PPNNE recognizes patient service revenue associated with services rendered to patients who have third-party coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, PPNNE recognizes revenue on the basis of its standard rates (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical trends, a significant portion of PPNNE's uninsured patients will be unable or unwilling to pay for the services rendered.

The net patient service revenue percentage by third-party payors and patients for the six months ended June 30, 2020 and year ended December 31, 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Commercial	60%	66%
Medicare and Medicaid	28	22
Private pay	12	<u>12</u>
	<u>100%</u>	<u>100%</u>

Charity Care

PPNNE also provides patient services under sliding fee arrangements. These discounts from charges are available for eligible patients whose income and family size meet the criteria outlined in the federal poverty guidelines updated each year. Because PPNNE does not pursue collection of amounts determined to qualify as charity care as described above, they are not reported as patient service revenue. PPNNE maintains records to identify the amount of charges forgone for services and supplies furnished under its sliding fee/charity care policy, as well as the estimated cost of those services and supplies and equivalent service statistics.

PLANNED PARENTHOOD OF NORTHERN NEW ENGLAND, INC. AND RELATED ENTITIES

Notes to the Consolidated Financial Statements

June 30, 2020
(With Comparative Totals for December 31, 2019)

The following information measures the level of charity care provided during the six months ended June 30, 2020 and the year ended December 31, 2019:

	<u>2020</u>	<u>2019</u>
Charges foregone, based on established rates	\$ <u>3,264,953</u>	\$ <u>8,045,768</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>3,070,000</u>	\$ <u>5,302,000</u>
Equivalent percentage of charity care charges to patient charges	<u>22.08%</u>	<u>21.07%</u>

Cost of providing charity care services has been estimated based on an overall financial statement ratio of costs applied to charity charges forgone.

Functional Allocation of Expenses

PPNNE's expenses are presented on a functional basis, showing basic program activities and support services. PPNNE directly assigns costs based on the organizational cost centers (functional units) in which expenses are incurred or expenses are allocated between support functions and program services based on an analysis of personnel time and space utilized for the related services.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, PPNNE has considered transactions or events occurring through December 15, 2020, which was the date that the consolidated financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the consolidated financial statements.

2. Availability and Liquidity of Financial Assets

PPNNE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds. PPNNE has various sources of liquidity at its disposal, including cash, investments and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, PPNNE considers all expenditures related to its ongoing activities, and general and administrative services undertaken to support those ongoing activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, PPNNE operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings.

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PPNNE had working capital less assets with restrictions of \$5,387,996 and \$7,529,393 at June 30, 2020 and December 31, 2019, respectively. PPNNE had average days (based on normal expenditures) cash and investments without donor restrictions on hand of 169 at June 30, 2020 and 152 at December 31, 2019.

At June 30, 2020 and December 31, 2019, the following financial assets could readily be available within one year of the consolidated statement of financial position date to meet general expenditure:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 8,563,930	\$ 6,142,824
Accounts receivable, net	1,332,203	1,718,148
Contributions receivable, net	233,262	540,055
Grants receivable due in one year or less for operations	447,434	1,058,243
Investments without board-designation or donor-restrictions	837,694	1,064,745
Estimated appropriation of donor-restricted endowed funds for use over the next 12 months	56,000	55,800
Estimated appropriation of board-designated endowed funds for use over the next 12 months	<u>140,700</u>	<u>135,500</u>
Total financial assets expected to be available within 12 months	<u>11,611,223</u>	<u>10,715,315</u>
Financial assets with restrictions		
Board-designated cash for capital acquisitions	<u>(512,411)</u>	<u>(894,644)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,098,812</u>	<u>\$ 9,820,671</u>

PPNNE's Board of Trustees has designated a portion of its resources without donor-imposed restrictions to act as endowment funds. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees.

PPNNE also has a line of credit available to meet short-term needs, as disclosed in Note 6.

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3. Contributions Receivable

Contributions receivable consisted of the following at June 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Contributions for		
Operating purposes	\$ 327,760	\$ 552,855
Operating purposes, time restriction	30,152	250,640
Laura Fund	<u>346,443</u>	<u>10,443</u>
Contributions receivable, gross	704,355	813,938
Less allowance for uncollectible contributions and unamortized discounts of approximately 2% at June 30, 2020 and December 31, 2019	<u>(3,117)</u>	<u>(1,498)</u>
Contributions receivable, net	701,238	812,440
Less contributions receivable, current portion	<u>681,914</u>	<u>783,495</u>
Contributions receivable, net of current portion	<u>\$ 19,324</u>	<u>\$ 28,945</u>

Contributions are due as follows at June 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 681,914	\$ 783,495
Two to five years	<u>22,441</u>	<u>30,443</u>
Contributions receivable, gross	<u>\$ 704,355</u>	<u>\$ 813,938</u>

4. Beneficial Interest in Trusts

PPNNE is a member of the Planned Parenthood Federation of America, Inc. (PPFA), a national organization, and pays quarterly dues to PPFA for program support provided. PPFA administers various charitable gift annuity and pooled income fund gift programs and a charitable remainder annuity trust in which PPNNE is designated to receive any remaining assets at the end of the program's term. PPNNE's interest in these trusts is reported as a contribution in the period in which it is notified of its interest.

Several donors have established trusts naming PPNNE as the beneficiary of charitable remainder trusts, which are administered by a third-party. The charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime).

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The beneficial interest in these trusts is calculated based on the present value of the underlying assets using the beneficiaries' life expectancies and a 0.45% and 1.34% discount rate for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively.

Beneficial interest in trusts, included in other long-term assets in the consolidated statement of financial position, consisted of the following at June 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Charitable gift annuities	\$ 72,243	\$ 99,515
Charitable remainder unitrusts	<u>460,090</u>	<u>431,210</u>
	<u>\$ 532,333</u>	<u>\$ 530,725</u>

5. Investments

The market value of the investments at June 30, 2020 and at December 31, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 69,516	\$ 209,593
Mutual funds	4,702,863	4,862,525
Exchange traded funds	<u>277,368</u>	<u>327,734</u>
	<u>\$ 5,049,747</u>	<u>\$ 5,399,852</u>

Investment (loss) income is summarized as follows for the six months ended June 30, 2020 and the year ended December 31, 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 53,010	\$ 305,705
Realized gain	44,602	26,558
Unrealized (loss) gain	(411,570)	612,046
Investment fees	<u>(12,262)</u>	<u>(24,101)</u>
	<u>\$ (326,220)</u>	<u>\$ 920,208</u>

Investments in general are exposed to various risks, such as interest rates, credit and overall market volatility. As such, it is reasonably possible that changes could materially affect the amounts reported in the consolidated statement of financial position.

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6. Line of Credit

PPNNE has a \$1,500,000 line of credit agreement at People's United Bank. The line of credit bears interest at the Wall Street Journal prime rate, subject to a floor (3.25% at June 30, 2020). The line of credit agreement expires on February 15, 2021. Under the terms of the agreement, investments without donor restrictions not to exceed \$2,300,000, margined at 70% and subject to securities mix and bond rates, as well as 70% of PPNNE's pledged endowment account plus eligible accounts receivable aged 90 days and less, are pledged as collateral. There was no outstanding balance on the line of credit as of June 30, 2020 and December 31, 2019.

In connection with the line of credit agreement, PPNNE is required to maintain a debt service coverage ratio of 1.2-to-1. PPNNE was not in compliance with this ratio for the six months ended June 30, 2020 and obtained a waiver from the bank.

7. Long-Term Debt

Long-term debt consisted of the following:

	<u>2020</u>	<u>2019</u>
Mortgage note payable to People's United Bank, with monthly installments due of \$1,904, including interest at 4.87%, through September 2025, with a balloon payment for the remaining balance due at maturity, collateralized by buildings.	\$ 244,462	\$ 249,763
Less current portion	<u>11,195</u>	<u>11,000</u>
Long-term debt, excluding current portion	<u>\$ 233,267</u>	<u>\$ 238,763</u>

Future maturities of long-term debt are as follows:

2021	\$ 11,195
2022	11,763
2023	12,350
2024	12,939
2025	13,612
Thereafter	<u>182,603</u>
	<u>\$ 244,462</u>

Cash paid for interest approximates interest expense for the six month period ended June 30, 2020 and the year ended December 31, 2019.

Under the terms of the People's United Bank mortgage note agreement, PPNNE is required to maintain the same debt service coverage ratio as described in Note 6. PPNNE was not in compliance with this covenant for the six months ended June 30, 2020 and obtained a waiver from the bank.

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8. Operating Leases

PPNNE rents certain facilities and leases office equipment from third-parties under agreements reflected as operating leases. The total facility rent expense was \$690,865 and \$1,287,855 for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. Total equipment lease expense was \$13,252 and \$35,974 for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively.

Future minimum lease commitments are approximately as follows:

2021	\$ 1,112,000
2022	1,009,000
2023	979,000
2024	996,000
2025	999,000
Thereafter	<u>2,074,000</u>
	<u>\$ 7,169,000</u>

9. Commitments and Contingencies

Grants and Contracts

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that is a possibility, management deems the contingency remote.

Risk Management

PPNNE maintains medical malpractice insurance coverage on a claims-made basis. PPNNE is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP requires PPNNE to accrue the ultimate cost of malpractice claims when the indicant that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. PPNNE has evaluated its exposure to losses arising from potential claims and has properly accounted for them in the consolidated financial statements as of June 30, 2020 and December 31, 2019. PPNNE intends to renew coverage on a claims-made basis and anticipates coverage will be available in future periods.

Litigation

PPNNE is involved in legal matters arising from the ordinary course of business. In the opinion of management, these matters will not materially affect PPNNE's financial position.

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10. Net Assets

Net assets without donor restrictions were as follows at June 30, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 11,131,123	\$ 13,706,619
Board-designated endowment funds	<u>2,900,222</u>	<u>2,900,222</u>
	<u>\$ 14,031,345</u>	<u>\$ 16,606,841</u>

Net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Funds maintained in perpetuity:		
Key to the Future Fund, income unrestricted	\$ 944,717	\$ 944,717
Laura Fund, income restricted	140,872	140,872
The David Wagner Fund, income restricted	50,559	50,559
Maine endowment, income unrestricted	76,209	76,209
Other endowment funds, income unrestricted	<u>113,284</u>	<u>113,284</u>
Total funds maintained in perpetuity	<u>1,325,641</u>	<u>1,325,641</u>
Funds maintained with donor restrictions temporary in nature		
Accumulated (loss) earnings on funds maintained in perpetuity	\$ (3,364)	\$ 119,689
Planned Gifts	532,333	530,725
Laura Fund	432,356	69,422
PPFA grants for various programs	802,201	743,872
Other programs	454,419	391,175
Time restriction	<u>18,881</u>	<u>55,000</u>
Total funds maintained with donor restrictions temporary in nature	<u>2,236,826</u>	<u>1,909,883</u>
Total net assets with donor restrictions	<u>\$ 3,562,467</u>	<u>\$ 3,235,524</u>

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Net assets released from restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Operating purpose or time restrictions accomplished		
Planned gifts	\$ -	\$ 6,693
Laura Fund	46,297	83,155
Cancer Screening Access Fund	6,111	16,753
CAPS Grant	25,675	58,311
Restricted to other programs	633,914	183,459
Time restrictions met	<u>35,000</u>	<u>30,000</u>
	<u>\$ 746,997</u>	<u>\$ 378,371</u>
Nonoperating purpose restrictions accomplished		
Acquisition of long-term assets	<u>\$ -</u>	<u>\$ 843,484</u>

11. Endowments

PPNNE's endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

PPNNE has interpreted the State of Vermont Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PPNNE classifies as net assets with perpetual donor restriction (1) the original value of gifts donated to be maintained in perpetuity, (2) the original value of subsequent gifts to be maintained in perpetuity, and (3) accumulations to the gifts to be maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' corpus value, the excess is available for appropriation and, therefore, included in net assets with donor restrictions until appropriated by the Board of Trustees for expenditure. The Board of Trustees has adopted a policy to permit spending from funds with deficiencies in accordance with the prudent measures required under the Act. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

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In accordance with the Act, PPNNE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of PPNNE and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of PPNNE; and
- (7) The investment policies of PPNNE.

Endowment Composition and Changes in Endowment

The endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,322,277	\$ 1,322,277
Board-designated endowment funds	<u>2,900,222</u>	-	<u>2,900,222</u>
Total funds	<u>\$ 2,900,222</u>	<u>\$ 1,322,277</u>	<u>\$ 4,222,499</u>

The changes in endowment net assets for the six months ended June 30, 2020 were as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ 2,900,222	\$ 1,445,330	\$ 4,345,552
Investment loss	(227,051)	(123,053)	(350,104)
Transfers from undesignated net assets	<u>227,051</u>	-	<u>227,051</u>
Endowment net assets, June 30, 2020	<u>\$ 2,900,222</u>	<u>\$ 1,322,277</u>	<u>\$ 4,222,499</u>

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The endowment net assets composition by type of fund as of December 31, 2019 was as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,445,330	\$ 1,445,330
Board-designated endowment funds	<u>2,900,222</u>	<u>-</u>	<u>2,900,222</u>
Total funds	\$ <u>2,900,222</u>	\$ <u>1,445,330</u>	\$ <u>4,345,552</u>

The changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ 2,874,333	\$ 1,263,576	\$ 4,137,909
Investment income	581,315	227,139	808,454
Contributions	25,889	10,446	36,335
Transfers to undesignated net assets	(445,809)	-	(445,809)
Endowment assets appropriated for expenditure	<u>(135,506)</u>	<u>(55,831)</u>	<u>(191,337)</u>
Endowment net assets, December 31, 2019	\$ <u>2,900,222</u>	\$ <u>1,445,330</u>	\$ <u>4,345,552</u>

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 PPNNE to retain as a fund of perpetual duration. Deficiencies of this nature existed in three donor-restricted endowment funds, which together had an original gift value of \$1,151,355, a current fair value of \$1,144,696, and an accumulated deficiency of \$6,659 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. There were no deficiencies of this nature as of December 31, 2019.

Return Objectives and Risk Parameters

PPNNE has adopted investment and spending policies for endowment assets that attempt to provide for equal treatment of present and future needs, with neither group favored at the expense of the other. To meet these objectives, the Board of Trustees seeks to provide reasonably stable and predictable funds from the endowment for PPNNE's operating budget, to grow capital and to preserve and grow the real (inflation-adjusted) purchasing power of assets as indicated by the aggregate value of appreciation and income. PPNNE seeks to generate a long-term target rate of return in excess of five percent above the rate of inflation plus costs of managing the investments.

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PPNNE 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). PPNNE targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, PPNNE seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Spending Policy

PPNNE's investment policy states that spendable investment income will be calculated as 4% of the average endowment portfolio value based on the portfolio market value at the end of the most recent 12 quarters. Appropriations and withdrawals in excess of this policy must be approved by the Board of Trustees. Under this policy, PPNNE appropriated for distribution \$98,337 and \$191,337 for operating purposes for the six month period ended June 30, 2020 and the year ended December 31, 2019, respectively, which are included in investment income in the consolidated statement of activities and changes in net assets.

12. Fair Value Measurements

FASB ASC Topic 820-10-20, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820-10-20 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect PPNNE's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Assets measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at June 30, 2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 69,516	\$ 69,516	\$ -	\$ -
Mutual funds	4,702,863	4,702,863	-	-
Exchange traded funds	<u>277,368</u>	<u>277,368</u>	-	-
Investments	<u>\$ 5,049,747</u>	<u>\$ 5,049,747</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 701,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,238</u>
Charitable gift annuities	\$ 72,243	\$ -	\$ 72,243	\$ -
Charitable remainder unitrusts	<u>460,090</u>	-	<u>460,090</u>	-
Beneficial interest in trusts	<u>\$ 532,333</u>	<u>\$ -</u>	<u>\$ 532,333</u>	<u>\$ -</u>
	Fair Value Measurements at December 31, 2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 209,593	\$ 209,593	\$ -	\$ -
Mutual funds	4,862,525	4,862,525	-	-
Exchange traded funds	<u>327,734</u>	<u>327,734</u>	-	-
Investments	<u>\$ 5,399,852</u>	<u>\$ 5,399,852</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 812,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,440</u>
Charitable gift annuities	\$ 99,515	\$ -	\$ 99,515	\$ -
Charitable remainder unitrusts	<u>431,210</u>	-	<u>431,210</u>	-
Beneficial interest in trusts	<u>\$ 530,725</u>	<u>\$ -</u>	<u>\$ 530,725</u>	<u>\$ -</u>

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for PPNNE's various financial instruments included in Level 2 and Level 3.

The fair value for the beneficial interest in trusts is primarily based on an estimate of the fair value of underlying securities invested in by the trusts, discounted to their present value. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

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The fair value for Level 3 assets is based upon the present value of expected cash flows using current market interest rates.

Significant activity for assets measured at fair value on a recurring basis using significant unobservable inputs is as follows:

	<u>Contributions Receivable, Net</u>
December 31, 2018	\$ 814,203
New pledges	1,140,427
Receipts	<u>(1,142,190)</u>
December 31, 2019	812,440
New pledges	753,361
Receipts	<u>(864,563)</u>
June 30, 2020	\$ <u><u>701,238</u></u>