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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(with Comparative Totals for 2015)

With Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

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 December 31, 2016, and the related consolidated statements of activities, cash flows and functional expenses for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 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 December 31, 2016, and the consolidated results of their operations, changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited PPNNE's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017 on our consideration of PPNNE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PPNNE's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
May 1, 2017
Registration No. 92-0000278

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

Consolidated Statement of Financial Position

December 31, 2016
(With Comparative Totals for December 31, 2015)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	**2016 Total**	2015 Total
Current assets					
Cash	$ 1,186,795	$ 1,851,305	$ -	**$ 3,038,100**	$ 2,676,596
Accounts receivable, net	1,286,779	-	-	**1,286,779**	1,247,944
Contributions receivable, net	758,524	331,648	-	**1,090,172**	1,399,352
Other	844,425	-	-	**844,425**	969,250
Total current assets	4,076,523	2,182,953	-	**6,259,476**	6,293,142
Property and equipment					
Land	54,157	-	-	**54,157**	247,561
Buildings	2,998,730	-	-	**2,998,730**	3,119,403
Leasehold improvements	4,818,408	-	-	**4,818,408**	4,638,042
Furniture, fixtures and equipment	2,855,284	-	-	**2,855,284**	2,779,346
Construction-in-progress	218,555	-	-	**218,555**	37,247
	10,945,134	-	-	**10,945,134**	10,821,599
Less accumulated depreciation and amortization	(6,365,503)	-	-	**(6,365,503)**	(6,319,281)
Property and equipment, net	4,579,631	-	-	**4,579,631**	4,502,318
Other assets					
Contributions receivable, net of current portion	-	371,057	-	**371,057**	733,781
Long-term investments	3,147,866	559	1,300,118	**4,448,543**	4,235,438
Other	232,210	444,068	-	**676,278**	650,209
Total other assets	3,380,076	815,684	1,300,118	**5,495,878**	5,619,428
Total assets	$12,036,230	$ 2,998,637	$ 1,300,118	**$16,334,985**	$16,414,888

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

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	**2016 Total**	2015 Total
Current liabilities					
Current portion of long-term debt	$ 88,000	$ -	$ -	**$ 88,000**	$ 289,000
Accounts payable and accrued expenses	565,906	-	-	**565,906**	658,273
Accrued salaries and benefits	737,249	-	-	**737,249**	690,843
Other	879,603	-	-	**879,603**	1,492,344
Total current liabilities	2,270,758	-	-	**2,270,758**	3,130,460
Long-term debt, net of current portion	592,830	-	-	**592,830**	680,294
Total liabilities	2,863,588	-	-	**2,863,588**	3,810,754
Net assets					
Undesignated	6,434,884	-	-	**6,434,884**	4,394,913
Board-designated for long-term investment	2,737,758	-	-	**2,737,758**	2,630,422
Temporarily restricted	-	2,998,637	-	**2,998,637**	4,298,985
Permanently restricted	-	-	1,300,118	**1,300,118**	1,279,814
Total net assets	9,172,642	2,998,637	1,300,118	**13,471,397**	12,604,134
Total liabilities and net assets	$12,036,230	$ 2,998,637	$ 1,300,118	**$16,334,985**	$16,414,888

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

Consolidated Statement of Activities

Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	**2016 Total**	2015 Total
Operating revenue and support					
Gross patient service revenue	$ 36,750,432	$ -	$ -	**$ 36,750,432**	$ 33,216,850
Less contractual allowances and discounts	23,504,356	-	-	**23,504,356**	20,806,294
Patient service revenue (net of contractual allowances and discounts)	13,246,076	-	-	**13,246,076**	12,410,556
Less provision for bad debts	454,883	-	-	**454,883**	575,164
Net patient service revenue	12,791,193	-	-	**12,791,193**	11,835,392
Grants and contracts	3,824,916	-	-	**3,824,916**	3,338,644
Contributions and bequests	5,188,487	421,933	-	**5,610,420**	7,212,713
Other	589,560	53,540	-	**643,100**	267,397
	22,394,156	475,473	-	**22,869,629**	22,654,146
Net assets released from restrictions	958,154	(958,154)	-	**-**	-
Total operating revenue and support	23,352,310	(482,681)	-	**22,869,629**	22,654,146
Operating expenses					
Program services					
Direct patient services	16,260,795	-	-	**16,260,795**	16,231,053
Education and outreach	135,195	-	-	**135,195**	119,701
Public policy	2,080,060	-	-	**2,080,060**	929,083
Marketing and communication	270,103	-	-	**270,103**	221,689
Total program services	18,746,153	-	-	**18,746,153**	17,501,526
Support services					
General and administrative	2,235,984	-	-	**2,235,984**	2,385,795
Fundraising	1,027,247	-	-	**1,027,247**	1,005,343
PPFA program support	244,025	-	-	**244,025**	233,104
Total support services	3,507,256	-	-	**3,507,256**	3,624,242
Total expenses	22,253,409	-	-	**22,253,409**	21,125,768
Change in net assets from operations	1,098,901	(482,681)	-	**616,220**	1,528,378
Other changes					
Non-operating investment gain (loss)	236,351	(5,612)	-	**230,739**	(437,876)
Contributions	-	-	20,304	**20,304**	1,068,093
Net assets released from restrictions	812,055	(812,055)	-	**-**	-
Total other changes	1,048,406	(817,667)	20,304	**251,043**	630,217
Change in net assets	2,147,307	(1,300,348)	20,304	**867,263**	2,158,595
Net assets, beginning of year	7,025,335	4,298,985	1,279,814	**12,604,134**	10,445,539
Net assets, end of year	$ 9,172,642	$ 2,998,637	$ 1,300,118	**$ 13,471,397**	$ 12,604,134

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

Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	**$ 867,263**	$ 2,158,595
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**739,717**	685,568
Provision for bad debts	**454,883**	575,164
Proceeds from contributed securities	**444,188**	852,230
Unrealized/realized (gain) loss on investments	**(260,291)**	367,521
Contributions restricted to long-term purposes	**(20,304)**	(1,068,093)
Change in value of beneficial interest in trusts	**(37,635)**	(34,813)
(Gain) loss on disposal of property	**(60,677)**	189,440
(Increase) decrease in		
Accounts receivable	**(493,718)**	(484,428)
Contributions receivable	**638,326**	(1,404,148)
Other current assets	**124,825**	(133,556)
Other long-term assets	**11,566**	40,858
Increase (decrease) in		
Accounts payable and accrued expenses	**(92,367)**	(125,534)
Accrued salaries and benefits	**46,406**	48,632
Other current liabilities	**(612,741)**	603,771
Net cash provided by operating activities	**1,749,441**	2,271,207
Cash flows from investing activities		
Purchases of property and equipment	**(1,146,754)**	(711,498)
Proceeds from sale of property	**390,401**	69,000
Proceeds from sale of investments	**-**	281,905
Purchases of investments	**(397,002)**	(1,057,077)
Net cash used by investing activities	**(1,153,355)**	(1,417,670)
Cash flows from financing activities		
Contributions received for long-term purposes	**53,882**	1,018,842
Principal payments on long-term debt	**(288,464)**	(667,290)
Net cash (used) provided by financing activities	**(234,582)**	351,552
Net increase in cash	**361,504**	1,205,089
Cash, beginning of year	**2,676,596**	1,471,507
Cash, end of year	**$ 3,038,100**	$ 2,676,596

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

Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	Direct Patient Services	Education and Outreach	Public Policy	Marketing and Communication	Total Program Services	General and Administrative	Fundraising	Total Support Services	**2016 Total**	2015 Total
Payroll and related costs	$ 9,302,062	$ 98,298	$ 707,806	$ 98,262	$ 10,206,428	$ 1,521,025	$ 772,626	$ 2,293,651	**$ 12,500,079**	$11,959,851
Contraceptive supplies	2,018,262	-	-	-	2,018,262	-	-	-	**2,018,262**	2,153,976
Outside laboratory fees	496,510	-	-	-	496,510	-	-	-	**496,510**	414,823
Occupancy costs	1,660,883	18,543	86,346	15,225	1,780,997	145,277	50,338	195,615	**1,976,612**	2,263,062
Medical supplies	682,300	-	-	-	682,300	-	-	-	**682,300**	618,046
Professional services	525,723	64	198,904	28,189	752,880	248,446	23,236	271,682	**1,024,562**	953,902
Advertising	-	-	451,315	89,767	541,082	14,115	-	14,115	**555,197**	137,579
Insurance and taxes	192,478	308	1,871	271	194,928	14,416	998	15,414	**210,342**	221,175
Printing and postage	94,532	3,463	7,950	24,644	130,589	6,290	40,645	46,935	**177,524**	204,922
Dues and materials	55,376	20	88,131	701	144,228	9,649	2,360	12,009	**156,237**	148,620
Interest expense	44,280	-	4,853	-	49,133	10,700	2,427	13,127	**62,260**	71,099
Other	545,400	14,447	515,244	13,044	1,088,135	199,072	122,575	321,647	**1,409,782**	1,060,041
Total expenses before depreciation and PPFA program support	15,617,806	135,143	2,062,420	270,103	18,085,472	2,168,990	1,015,205	3,184,195	**21,269,667**	20,207,096
Depreciation and amortization	642,989	52	17,640	-	660,681	66,994	12,042	79,036	**739,717**	685,568
Total expenses before PPFA program support	16,260,795	135,195	2,080,060	270,103	18,746,153	2,235,984	1,027,247	3,263,231	**22,009,384**	20,892,664
PPFA program support	-	-	-	-	-	244,025	-	244,025	**244,025**	233,104
Total expenses	$ 16,260,795	$ 135,195	$ 2,080,060	$ 270,103	$ 18,746,153	$ 2,480,009	$ 1,027,247	$ 3,507,256	**$ 22,253,409**	$21,125,768

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

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 the Planned Parenthood of Northern New England Action Fund, Inc., a nonprofit corporation, for the purpose of expanding lobbying activities for the states of Vermont, Maine and New Hampshire. 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.

1. Summary of Significant Accounting Policies

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for annual periods beginning after December 15, 2019. Management is reviewing the guidance in the ASU to determine whether it will have a material effect on PPNNE's financial position or changes in its net assets.

Principles of Consolidation

The consolidated financial statements include the accounts of PPNNE and the Action Funds. The Action Funds are consolidated since 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. 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, 2015, from which the summarized information was derived.

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 Presentation

Net assets and revenues, expenses, gains and losses are classified as follows based on existence or absence of donor-imposed restrictions:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of PPNNE and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by PPNNE. Generally, the donors of these assets permit PPNNE to use all or part of the income earned on related investments for general or specific purposes.

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 either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

In evaluating the collectability of patient accounts receivable, PPNNE analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Data for each major source is regularly reviewed to evaluate the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage, PPNNE analyzes contractually due amounts and provides an allowance for doubtful accounts and a corresponding provision for bad debts. For receivables relating to self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances for which third-party coverage exists for part of the bill), PPNNE records a provision for bad debts in the period of service based on past experience, which indicates that many patients are unable to pay amounts for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The allowance for doubtful accounts was approximately $605,000 and $547,000 at December 31, 2016 and 2015, respectively. During 2016 and 2015, net write-offs of self-pay accounts were $509,883 and $646,164, respectively.

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 unrestricted support 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets 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 statement of financial position at fair value with any realized or unrealized gains and losses reported in the consolidated statement of activities. 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 unrestricted category.

An amount equal to investment income appropriated for operating purposes is included in operating revenue and support in the consolidated statement of activities. The remainder of investment income is excluded from the consolidated change in net assets from operations.

Changes in Net Assets from Operations

The statements of activities report changes in net assets from operations. The changes in net assets which are excluded from this measurement include investment gain (loss) recognized on investments less the annual spending policy, contributions which are permanently restricted by the donor 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

PPNNE has agreements with third-party payors that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. For the years ended December 31, 2016 and 2015, net patient service revenue was reduced by $14,261,243 and $12,533,812, respectively, as a result of third-party contractual allowances and other adjustments.

The census mix percentage by patients and third-party payors for the years ended December 31 was as follows:

	2016	2015
Private pay	**21%**	20%
Other third-party payors	**46**	42
Federal and State	**33**	38
	100%	100%

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 foregone 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.

The following information measures the level of charity care provided during the year ended December 31:

	2016	2015
Charges foregone, based on established rates	**$ 8,173,636**	$ 7,407,225
Estimated costs and expenses incurred to provide charity care	**$ 4,682,000**	$ 4,669,000
Equivalent percentage of charity care charges to patient charges	**22.24%**	22.30%

Cost of providing charity care services has been estimated based on an overall financial statement ratio of costs (excluding PPFA program support) to charges 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 allocates expenses based on the organizational cost centers (functional units) in which expenses are incurred. In certain instances, 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 May 1, 2017, 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.

On March 24, 2017, PPNNE paid off its tenant improvement loan to CLAPP Building Partners, LLC. in the amount of $376,421, which was originally due May 2021.

2. Accounts Receivable

Accounts receivable consisted of the following:

	2016	2015
Patient accounts receivable	**$ 2,796,779**	$ 2,667,942
Less allowance for contractual adjustments	**(905,000)**	(872,998)
Less allowance for uncollectible accounts	**(605,000)**	(547,000)
	$ 1,286,779	$ 1,247,944

3. Contributions Receivable

Contributions receivable consisted of the following:

	2016	2015
Contributions for		
Unrestricted purposes	**$ 758,524**	$ 913,105
Unrestricted purposes, time restriction	**652,462**	1,122,811
Capital projects	**65,862**	100,330
Other operating purposes	**27,521**	39,215
Contributions receivable, gross	**1,504,369**	2,175,461
Less allowance for uncollectible contributions and unamortized discounts of 2% and 1% at December 31, 2016 and 2015, respectively	**(43,140)**	(42,328)
Contributions receivable, net	**1,461,229**	2,133,133
Less contributions receivable, current portion	**1,090,172**	1,399,352
Contributions receivable, net of current portion	**$ 371,057**	$ 733,781

Contributions are due as follows at December 31:

	2016	2015
Less than one year	**$ 1,106,369**	$ 1,411,110
One to five years	**398,000**	764,351
Contributions receivable, gross	**$ 1,504,369**	$ 2,175,461

4. Beneficial Interest in Trusts

Planned Parenthood Federal of America, Inc. (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 year 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).

The beneficial interest in these trusts is calculated based on the present value of the underlying assets using the beneficiaries' life expectancies and a 1.6% and 1.0% discount rate in 2016 and 2015, respectively.

Beneficial interest in trusts, included in other long-term assets on the consolidated statement of financial position, consisted of the following:

	2016	2015
Charitable gift annuities	**$ 89,843**	$ 84,271
Pooled income funds	**-**	63,793
Charitable remainder unitrusts	**354,225**	397,432
	$ 444,068	$ 545,496

5. Investments

The market value of the investments is as follows:

	2016	2015
Cash and cash equivalents	**$ 171,362**	$ 184,525
Mutual funds		
Short-term bonds	**387,380**	413,153
Bond funds	**743,715**	747,004
U.S. stocks	**1,094,215**	934,019
Non-U.S. stocks	**1,106,956**	902,914
Real estate securities	**213,753**	228,034
Commodity-linked securities	**314,519**	391,471
Exchange traded funds:		
Bond funds	**82,727**	83,028
Real estate securities	**333,916**	351,290
	$ 4,448,543	$ 4,235,438

Investment income (loss) is summarized as follows:

	2016	2015
Interest and dividend income	$ 181,030	$ 150,550
Realized (loss) gain	(1,102)	8,860
Unrealized gain (loss)	261,393	(376,381)
Investment fees	(23,582)	(23,905)
	$ 417,739	$ (240,876)

Net investment income (loss) is reported in the statement of activities as follows:

	2016	2015
Operating investment income	$ 187,000	$ 197,000
Non-operating investment income (loss)	230,739	(437,876)
	$ 417,739	$ (240,876)

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 statement of financial position.

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 (3.75% at December 31, 2016). The agreement expires August 1, 2017. Under the terms of the agreement, unrestricted investments 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 December 31, 2016 and 2015.

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 in compliance with this ratio for the year ended December 31, 2016.

7. Long-Term Debt

Long-term debt consisted of the following:

	2016	2015
Mortgage note payable to People's United Bank, with monthly installments due of $1,904, including interest at 4.87%, through September of 2025, with a balloon payment for the remaining balance due at maturity, collateralized by buildings.	**$ 279,048**	$ 287,849
Tenant improvement loan payable to CLAPP Building Partners, LLC, due in monthly installments of $8,774, including interest at 7.5%, through May 2013, and monthly installments of $9,119, including interest at 8.5%, through May 2021, uncollateralized.	**401,782**	473,703
Margin loan payable to Fidelity Investments, due on demand, requiring monthly payments of interest only at 3.5%, collateralized by investments. Paid off in 2016.	**-**	207,742
	680,830	969,294
Less current portion	**88,000**	289,000
Long-term debt, excluding current portion	**$ 592,830**	$ 680,294

Future maturities of long-term debt are approximately as follows:

2017	$ 88,000
2018	95,000
2019	103,000
2020	112,000
2021	56,000
Thereafter	226,830
	$ 680,830

Cash paid for interest approximates interest expense for the years ended December 31, 2016 and 2015.

Under the terms of People's United mortgage note agreement, PPNNE is required to maintain financial covenants, which were met as of December 31, 2016 and 2015.

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 $1,114,801 and $1,293,560 in 2016 and 2015, respectively. Total equipment lease expense was $44,055 and $42,623 in 2016 and 2015, respectively.

Future minimum lease commitments are as follows:

2017	$ 897,400
2018	788,100
2019	788,900
2020	804,600
2021	630,900
Thereafter	372,600
	$ 4,282,500

Rental income relating to subleases under these leases was $18,900 and $15,500 in 2016 and 2015, respectively.

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 to determine no such accrual is necessary for the years ended December 31, 2016 and 2015. 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.

10. Restrictions on Net Assets

Temporarily restricted net assets consisted of donor contributions to the following programs or future periods not expended at year-end:

	2016	2015
PPFA - planned gifts	**$ 168,895**	$ 221,051
Planned Gifts - other	**251,800**	299,533
Laura Fund	**65,303**	58,279
Restricted to other programs	**299,579**	228,422
Cancer Screening Access Fund	**13,218**	1,927
CAPS Grant	**3,295**	13,725
The David Wagner Fund	**3,713**	810
Time restriction	**730,587**	1,200,936
Restricted for capital projects	**1,462,247**	2,274,302
	$ 2,998,637	$ 4,298,985

Net assets released from restrictions consisted of the following:

	2016	2015
Operating purpose or time restrictions accomplished		
PPFA - planned gifts	**$ 63,793**	$ -
Laura Fund	**38,568**	27,290
Cancer Screening Access Fund	**17,359**	15,989
CAPS Grant	**134,430**	163,137
The David Wagner Fund	**2,304**	2,296
Time restrictions met	**701,700**	636,761
	$ 958,154	$ 845,473
Nonoperating purpose restrictions accomplished		
Acquisition of long-term assets	**$ 812,055**	$ 132,126

Permanently restricted net assets consisted of endowment fund assets to be held in perpetuity. Permanently restricted net assets consisted of the following:

	2016	2015
Key to the Future Fund, income unrestricted	**$ 940,197**	$ 940,197
Laura Fund, income unrestricted	**128,169**	128,169
The David Wagner Fund, income restricted	**50,559**	50,559
Maine endowment, income unrestricted	**76,209**	76,209
Other endowment funds, income unrestricted	**104,984**	84,680
	$ 1,300,118	$ 1,279,814

11. Endowment

PPNNE's endowment includes 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 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. 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, classified as temporarily restricted net assets until appropriated by the Board of Directors for expenditure. Funds designated by the Board of Directors to function as endowments are classified as unrestricted net assets.

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 the organization 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 the organization
(7) The investment policies of the organization

Endowment Composition and Changes in Endowment

The endowment net assets composition by type of fund as of December 31, 2016 is as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 559	$ 1,300,118	$ 1,300,677
Board-designated endowment funds	2,737,758	-	-	2,737,758
Total funds	$ 2,737,758	$ 559	$ 1,300,118	$ 4,038,435

The changes in endowment net assets for the fiscal year ended December 31, 2016 were as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	$ 2,630,822	$ 810	$ 1,279,814	$ 3,911,446
Investment return				
Investment income	115,460	41,031	-	156,491
Net appreciation	248,033	12,258	-	260,291
Total investment return	363,493	53,289	-	416,782
Contributions	107,336	-	20,304	127,640
Transfers to unrestricted	(230,433)	-	-	(230,433)
Endowment assets appropriated for expenditure	(133,460)	(53,540)	-	(187,000)
Endowment net assets, December 31, 2016	$ 2,737,758	$ 559	$ 1,300,118	$ 4,038,435

The endowment net assets composition by type of fund as of December 31, 2015 was as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 810	$ 1,279,814	$ 1,280,624
Board-designated endowment funds	2,630,822	-	-	2,630,822
Total funds	$ 2,630,822	$ 810	$ 1,279,814	$ 3,911,446

The changes in endowment net assets for the fiscal year ended December 31, 2015 were as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	$ 2,630,422	$ 55,195	$ 1,276,864	$ 3,962,481
Investment return (loss)				
Investment income	88,455	37,769	-	126,224
Net depreciation	(255,891)	(111,630)	-	(367,521)
Total investment loss	(167,436)	(73,861)	-	(241,297)
Contributions	-	-	2,950	2,950
Transfers from unrestricted	310,791	73,521	-	384,312
Endowment assets appropriated for expenditure	(142,955)	(54,045)	-	(197,000)
Endowment net assets, December 31, 2015	$ 2,630,822	$ 810	$ 1,279,814	$ 3,911,446

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 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 provide a total return approach maximizing overall return; long-term returns should either match or exceed the total of the set payout, fees and inflation.

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 a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. As a long-term policy guideline, equity investments will normally constitute at least 56% and fixed income securities no more than 36% of endowment assets.

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 $187,000 and $197,000 for operating purposes for the years ended December 31, 2016 and 2015, respectively, which are included with other income on the consolidated statement of activities.

12. Fair Value Measurements and Disclosures

FASB Accounting Standards Codification (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.

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

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 171,362	$ 171,362	$ -	$ -
Mutual funds				
Short-term bonds	387,380	387,380	-	-
Bond funds	743,715	743,715	-	-
U.S. stocks	1,094,215	1,094,215	-	-
Non-U.S. stocks	1,106,956	1,106,956	-	-
Real estate securities	213,753	213,753	-	-
Commodity-linked securities	314,519	314,519	-	-
Exchange traded funds				
Bond funds	82,727	82,727	-	-
Real estate securities	333,916	333,916	-	-
Investments	$ 4,448,543	$ 4,448,543	$ -	$ -
Contributions receivable	$ 1,461,229	$ -	$ -	$ 1,461,229
Charitable gift annuities	$ 89,843	$ -	$ 89,843	$ -
Charitable remainder unitrusts	354,225	-	354,225	-
Beneficial interest in trusts	$ 444,068	$ -	$ 444,068	$ -

	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 184,525	$ 184,525	$ -	$ -
Mutual funds				
Short-term bonds	413,153	413,153	-	-
Bond funds	747,004	747,004	-	-
U.S. stocks	934,019	934,019	-	-
Non-U.S. stocks	902,914	902,914	-	-
Real estate securities	228,034	228,034	-	-
Commodity-linked securities	391,471	391,471	-	-
Exchange traded funds				
Bond funds	83,028	83,028	-	-
Real estate securities	351,290	351,290	-	-
Investments	$ 4,235,438	$ 4,235,438	$ -	$ -
Contributions receivable	$ 2,133,133	$ -	$ -	$ 2,133,133
Charitable gift annuities	$ 84,271	$ -	$ 84,271	$ -
Pooled income funds	63,793	-	63,793	-
Charitable remainder unitrusts	397,432	-	397,432	-
Beneficial interest in trusts	$ 545,496	$ -	$ 545,496	$ -

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 present value of underlying securities invested in by the trusts. 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.

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:

	Contributions Receivable
December 31, 2014	$ 679,734
Contributions/additions	2,692,351
Contribution written off	(29,527)
Receipts	(1,209,425)
December 31, 2015	2,133,133
Contributions/additions	**1,103,890**
Contributions written off	**(151,612)**
Receipts	**(1,624,182)**
December 31, 2016	**$ 1,461,229**

13. Cash Flow Information

PPNNE had the following noncash activity for the years ended December 31:

	2016	2015
Capital expenditures	**$ 1,146,754**	$ 714,508
Less long-term borrowings incurred on capital acquisitions	**-**	(290,000)
Add payments on prior year short-term accounts payable used to finance capital expenditures	**-**	286,990
Cash payment for purchases of property and equipment	**$ 1,146,754**	$ 711,498