

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Independent Auditors' Report

Financial Statements

March 31, 2020 and 2019



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Planned Parenthood of Southern New England, Incorporated

We have audited the accompanying financial statements of Planned Parenthood of Southern New England, Incorporated (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood of Southern New England, Incorporated as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
August 13, 2020

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Statements of Financial Position

March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 8,070,411	\$ 7,469,467
Current portion of marketable securities	14,648,253	15,854,586
Accounts receivable, net	1,078,584	1,329,562
Grants receivable	568,903	1,345,270
Current portion of contributions receivable, net	616,224	1,375,195
Inventory	1,342,098	862,432
Prepays and other current assets	681,832	803,550
Total current assets	27,006,305	29,040,062
Fixed assets, net	21,782,397	21,070,118
Non-current assets:		
Contributions receivable, less current portion, net	19,160	185,078
Other non-current assets	326,334	312,709
Trusts held by third parties	1,742,123	2,029,129
Marketable securities, less current portion	1,309,547	1,309,547
Total non-current assets	3,397,164	3,836,463
Total assets	\$ 52,185,866	\$ 53,946,643
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,212,281	\$ 2,830,117
Net assets:		
Without donor restrictions	45,486,642	47,008,296
With donor restrictions	3,486,943	4,108,230
Total net assets	48,973,585	51,116,526
Total liabilities and net assets	\$ 52,185,866	\$ 53,946,643

The accompanying notes are an integral part of the financial statements.

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Statement of Activities

For the year ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Patient service revenue	\$ 27,112,327	\$ -	\$ 27,112,327
Government grants	3,592,728	-	3,592,728
Contributions	7,376,830	21,902	7,398,732
Investment return designated for current operations	799,870	-	799,870
Research and other	1,625,462	-	1,625,462
Net assets released from restrictions	236,284	(236,284)	-
Total revenues and support	<u>40,743,501</u>	<u>(214,382)</u>	<u>40,529,119</u>
Expenses			
Program services	30,032,470	-	30,032,470
Management and general	9,107,680	-	9,107,680
Development	1,300,592	-	1,300,592
Total expenses	<u>40,440,742</u>	<u>-</u>	<u>40,440,742</u>
Revenues and support over/(under) expenses before other income/(expenses)	302,759	(214,382)	88,377
Other income/(expenses)			
Investment return (less than)/greater than amounts designated for current operations	(337,488)	56,938	(280,550)
Realized and unrealized losses	(1,486,925)	(176,857)	(1,663,782)
Change in trusts held by third parties	-	(286,986)	(286,986)
Total other income/(expenses)	<u>(1,824,413)</u>	<u>(406,905)</u>	<u>(2,231,318)</u>
Change in net assets	(1,521,654)	(621,287)	(2,142,941)
Net assets, beginning of year	<u>47,008,296</u>	<u>4,108,230</u>	<u>51,116,526</u>
Net assets, end of year	<u>\$ 45,486,642</u>	<u>\$ 3,486,943</u>	<u>\$ 48,973,585</u>

The accompanying notes are an integral part of the financial statements.

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Statement of Activities

For the year ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Patient service revenue	\$ 25,851,391	\$ -	\$ 25,851,391
Government grants	5,008,346	-	5,008,346
Contributions	7,714,564	257,566	7,972,130
Investment return designated for current operations	320,196	-	320,196
Research and other	2,516,949	-	2,516,949
Net assets released from restrictions	148,775	(148,775)	-
Total revenues and support	<u>41,560,221</u>	<u>108,791</u>	<u>41,669,012</u>
Expenses			
Program services	28,015,441	-	28,015,441
Management and general	7,913,548	-	7,913,548
Development	1,356,289	-	1,356,289
Total expenses	<u>37,285,278</u>	<u>-</u>	<u>37,285,278</u>
Revenues and support over expenses before other income/(expenses)	4,274,943	108,791	4,383,734
Other income/(expenses)			
Investment return greater than amounts designated for current operations	339,394	66,128	405,522
Realized and unrealized losses	(207,800)	(27,408)	(235,208)
Change in trusts held by third parties	-	(17,907)	(17,907)
Gain on disposal of fixed assets	837,358	-	837,358
Total other income/(expenses)	<u>968,952</u>	<u>20,813</u>	<u>989,765</u>
Change in net assets	5,243,895	129,604	5,373,499
Net assets, beginning of year	<u>41,764,401</u>	<u>3,978,626</u>	<u>45,743,027</u>
Net assets, end of year	<u>\$ 47,008,296</u>	<u>\$ 4,108,230</u>	<u>\$ 51,116,526</u>

The accompanying notes are an integral part of the financial statements.

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Statements of Functional Expenses

For the years ended March 31, 2020 and 2019

	2020			
	Program	Management and General	Development	Total
Wages and related expenses	\$ 16,632,608	\$ 3,554,542	\$ 781,161	\$ 20,968,311
Occupancy	1,099,012	46,687	14,524	1,160,223
Bad debt	1,822,947	-	-	1,822,947
Professional fees	265,724	533,098	55,072	853,894
Patient billing services	-	2,317,446	-	2,317,446
Contraceptives and medication	3,697,765	-	-	3,697,765
Laboratory fees	332,561	-	-	332,561
Clinical Health Network participation fees	463,586	636,414	-	1,100,000
Depreciation and amortization	1,320,972	325,596	-	1,646,568
Other	4,397,295	1,693,897	449,835	6,541,027
Total expenses	<u>\$ 30,032,470</u>	<u>\$ 9,107,680</u>	<u>\$ 1,300,592</u>	<u>\$ 40,440,742</u>
	2019			
	Program	Management and General	Development	Total
Wages and related expenses	\$ 15,708,538	\$ 3,285,197	\$ 743,313	\$ 19,737,048
Occupancy	1,132,028	44,700	13,599	1,190,327
Bad debt	1,507,702	-	-	1,507,702
Professional fees	289,933	345,097	78,152	713,182
Patient billing services	-	2,195,451	-	2,195,451
Contraceptives and medication	3,487,859	-	-	3,487,859
Laboratory fees	308,948	-	-	308,948
Depreciation and amortization	1,270,728	314,330	-	1,585,058
Other	4,309,705	1,728,773	521,225	6,559,703
Total expenses	<u>\$ 28,015,441</u>	<u>\$ 7,913,548</u>	<u>\$ 1,356,289</u>	<u>\$ 37,285,278</u>

The accompanying notes are an integral part of the financial statements.

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Statements of Cash Flows

For the years ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (2,142,941)	\$ 5,373,499
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	1,646,568	1,585,058
Provision for bad debts	-	568,118
Gain on disposal of fixed assets	-	(837,358)
Realized and unrealized losses on investments	1,663,782	235,208
Appropriation for expenditures from investments	61,871	60,918
(Increase)/decrease in assets:		
Accounts receivable	250,978	(446,796)
Grants receivable	776,367	246,160
Contributions receivable	924,889	379,529
Inventory	(479,666)	166,368
Prepays and other current assets	121,718	(163,793)
Other non-current assets	(13,625)	(37,182)
Trusts held by third parties	287,006	21,061
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	382,164	(517,412)
Net change in cash from operating activities	3,479,111	6,633,378
Cash flows from investing activities:		
Purchase of fixed assets	(2,358,847)	(1,702,384)
Proceeds from sale of fixed assets	-	1,656,476
Purchases of marketable securities	(534,215)	(4,796,018)
Proceeds from sale of marketable securities	14,895	148,774
Net change in cash from investing activities	(2,878,167)	(4,693,152)
Cash flows from financing activities:		
Payments on note payable	-	(500,000)
Net change in cash from financing activities	-	(500,000)
Net change in cash	600,944	1,440,226
Cash, beginning of year	7,469,467	6,029,241
Cash, end of year	\$ 8,070,411	\$ 7,469,467
Supplemental information:		
Interest paid	\$ -	\$ 6,226

The accompanying notes are an integral part of the financial statements.

**PLANNED PARENTHOOD
OF SOUTHERN NEW ENGLAND, INCORPORATED**

Notes to the Financial Statements

March 31, 2020 and 2019

NOTE 1 - NATURE OF ACTIVITIES

Nature of Activities

Planned Parenthood of Southern New England, Incorporated (“PPSNE”) is a not-for-profit organization that provides family planning services in Connecticut and Rhode Island. PPSNE is affiliated with the Planned Parenthood Federation of America (“PPFA”). PPFA sets professional, medical and operational standards for its affiliates. These standards must be complied with in order to use the Planned Parenthood name. PPSNE is an autonomous organization with its own Board of Directors and management team. PPSNE solicits its own contributions through fundraising efforts independent of PPFA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of PPSNE comply with the Financial Statements of Not-for-Profit Organizations topic of the FASB Codification. Under this topic, PPSNE reports information regarding its financial position and activities according to the following net asset classifications:

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 PPSNE. These net assets may be used at the discretion of PPSNE's management and the Board of Directors.

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 PPSNE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Credit Risk

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

Marketable Securities

Marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the statements of financial position date. Fair value is generally determined based on quoted market prices.

The investment policies emphasize a total return approach. The objectives are long-term growth of capital and income to meet the current and future needs of PPSNE. The funds are invested in cash and cash equivalents, equity securities and debt securities according to broad allocation ranges intended to meet PPSNE's investment objectives while allowing enough flexibility to permit strategic adjustments by the investment manager.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The spending policy for using endowment funds for operating purposes is intended to grow the real (inflation-adjusted) value of the funds over the long term, emphasizing total return and providing some predictability of future distribution levels. Under this policy, the annual distribution from the funds into PPSNE's operating accounts is based on the needs of PPSNE. However, it is the general policy of PPSNE to budget no more than 6% of the average of the funds' market values for the trailing twelve quarters at the time the withdrawal amount is established.

Revenue Recognition and Accounts Receivable

PPSNE recognizes revenues in the period in which services are performed. Accounts receivable primarily consist of amounts due from third-party payors and patients. PPSNE's ability to collect outstanding receivables is critical to its change in net assets and cash flows. Amounts PPSNE receives for treatment of patients are often covered by governmental programs such as Medicaid and other third-party payors such as health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and other private insurers. The transaction prices or per diem rates for the services provided are dependent upon the terms negotiated with the third-party payors. Patient service fees are reported at the amount that reflects the consideration to which PPSNE expects to be entitled in exchange for providing services.

PPSNE determines transaction prices based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with PPSNE's policy. PPSNE determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Agreements with third-party payors provide for payments at amounts less than established charges. Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

Grants and Contracts

PPSNE receives grant and contract funding from various federal and state governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These program services are primarily for health care programs. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred.

At March 31, 2020, PPSNE had a unexpended grant of approximately \$3,200,000 that have not been recognized pending fulfillment of conditions associated with the awards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

PPSNE receives contributions to support operating activities, endowments, and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. PPSNE records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. PPSNE discounts multi-year pledges that are expected to be collected after one year using a risk adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge.

Promises to give that are restricted by the donor to a specific purpose that has not been met as of the statement of financial position date are shown as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Inventory

Supplies, consisting of contraceptives and other clinical supplies, are carried using the first-in, first-out (“FIFO”) inventory valuation method.

Fixed Assets

Fixed assets are recorded at cost. Depreciation of fixed assets is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to forty years. Repairs and maintenance are charged to expense as incurred. Leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining life of the lease. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected on the statements of activities.

Federal and State Income Taxes

The Internal Revenue Service has determined that PPSNE is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, PPSNE is exempt from federal and state income taxes and no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statements of functional expenses.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Wages and related expenses	Time and effort
Occupancy	Square footage
Professional fees	Square footage
Depreciation and amortization	Square footage
Other	Square footage

Adoption of New Accounting Pronouncements

During the year ended March 31, 2020, PPSNE adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for revenue recognition. The new guidance's core principle is that an organization will recognize revenue when it transfers control over promised goods or services in an amount that reflects the consideration to which PPSNE expects to be entitled in exchange for those goods or services. PPSNE adopted the new revenue guidance using the modified retrospective method during the year ended March 31, 2020. Therefore, the comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

PPSNE evaluated each revenue stream and applied ASU 2014-09. As a result of this change in accounting guidance, PPSNE updated its revenue recognition policies and disclosures. ASU 2014-09 did not impact the amount of revenue recognized in previous periods, and, accordingly, there was no impact to PPSNE's opening net asset balances upon adoption. In comparison to the year ended March 31, 2019, the effect of adopting the new account principle has no effect on revenue.

During the year ended March 31, 2020, PPSNE adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification about whether a transfer or assets is a contributions or an exchange transaction and whether a contribution is conditional or unconditional. PPSNE adopted the new guidance under the modified prospective basis. Therefore, the new guidance was applied to revenue that had not yet been recognized on agreements that were not completed as of April 1, 2019 and revenue related to agreements that were entered into after April 1, 2019. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. As a result, there was no cumulative effect adjustment to opening net assets without donor restrictions or opening net assets without donor restrictions as of April 1, 2019. In comparison to the year ended March 31, 2019, the effect of adopting the new accounting principle has no effect on grant, contracts, and contribution revenue.

Reclassifications

Certain reclassifications have been made to the March 31, 2019 financial statements to conform to the March 31, 2020 presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

PPSNE monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the fiscal year ended March 31, 2020 through August 13, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. PPSNE’s operating activities, liquidity, and cash flows may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while PPSNE expects this matter to negatively impact the business, the related financial impact cannot be reasonably estimated at this time.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents PPSNE’s financial assets available to meet general expenditures over the next twelve months at March 31,:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 8,070,411	\$ 7,469,467
Marketable securities	15,957,800	17,164,133
Accounts receivable, net	1,078,584	1,329,562
Grants receivable	568,903	1,345,270
Current portion of contributions receivable, net	616,224	1,375,195
Total financial assets	<u>26,291,922</u>	<u>28,683,627</u>
Less: amounts not available to be used within one year:		
Quasi-endowment established by the Board	(14,292,976)	(15,317,519)
Donor-restricted endowment	(1,677,195)	(1,858,927)
	<u>(15,970,171)</u>	<u>(17,176,446)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,321,751</u>	<u>\$ 11,507,181</u>

During 2020 PPSNE maintained sufficient financial assets to meet 60 days of operating expenses, and sufficient financial reserves for capital projects. PPSNE also has a commercial revolving promissory note with a financial institution which could be drawn upon for an amount up to \$5,000,000 if the need for additional cash arises.

NOTE 4 - MARKETABLE SECURITIES

FASB defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including PPSNE’s own credit risk.

NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

In addition to defining fair value, FASB expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

There have been no changes to the methodologies used at March 31, 2020 and 2019.

Marketable securities are stated at fair value and are comprised of the following at March 31:

	2020			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	\$ 8,588,891	\$ -	\$ -	\$ 8,588,891
Fixed income mutual funds	5,621,076	-	-	5,621,076
Money market funds	1,647,833	-	-	1,647,833
Preferred stock	-	-	100,000	100,000
Total	<u>\$ 15,857,800</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 15,957,800</u>
	2019			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	\$ 9,050,868	\$ -	\$ -	\$ 9,050,868
Fixed income mutual funds	5,387,776	-	-	5,387,776
Money market funds	2,625,489	-	-	2,625,489
Preferred stock	-	-	100,000	100,000
Total	<u>\$ 17,064,133</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 17,164,133</u>

NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

PPSNE's marketable securities by net asset category are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments at April 1, 2018	\$ 10,962,770	\$ 1,850,245	\$ 12,813,015
Interest and dividends	662,524	112,652	775,176
Investment fees	(110,310)	(17,622)	(127,932)
Net depreciation	(197,465)	(37,743)	(235,208)
Appropriations for expenditures	-	(60,918)	(60,918)
Transfer from cash	4,000,000	-	4,000,000
	<hr/>	<hr/>	<hr/>
Investments at March 31, 2019	15,317,519	1,846,614	17,164,133
Interest and dividends	595,374	72,718	668,092
Investment fees	(132,992)	(15,780)	(148,772)
Net depreciation	(1,486,925)	(176,857)	(1,663,782)
Appropriations for expenditures	-	(61,871)	(61,871)
	<hr/>	<hr/>	<hr/>
Investments at March 31, 2020	<u>\$ 14,292,976</u>	<u>\$ 1,664,824</u>	<u>\$ 15,957,800</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at March 31,:

	<u>2020</u>	<u>2019</u>
Insurance	\$ 824,792	\$ 738,523
Medicaid	376,676	408,500
Private pay	938,273	1,243,696
	<hr/>	<hr/>
	2,139,741	2,390,719
Less: allowance for doubtful accounts	<u>(1,061,157)</u>	<u>(1,061,157)</u>
	<hr/>	<hr/>
Accounts receivable, net	<u>\$ 1,078,584</u>	<u>\$ 1,329,562</u>

NOTE 6 - GRANTS RECEIVABLE AND GOVERNMENT GRANT REVENUE

PPSNE recognizes grant revenue to the extent of expenditures incurred during the year by the grant program. Amounts due for unreimbursed expenditures are recorded as grants receivable. Government grant activity is as follows as of and for the years ended March 31:

	2020		2019	
	Grants Receivable	Grant Revenue	Grants Receivable	Grant Revenue
Federal grants	\$ 212,700	\$ 2,256,798	\$ 1,174,715	\$ 3,559,786
State grants	356,203	1,335,930	170,555	1,448,560
Federal and State grants	<u>\$ 568,903</u>	<u>\$ 3,592,728</u>	<u>\$ 1,345,270</u>	<u>\$ 5,008,346</u>

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at March 31 are expected to be collected as follows:

	2020	2019
Receivable in less than one year	\$ 622,574	\$ 1,375,195
Receivable in one to five years	95,000	305,577
	717,574	1,680,772
Less: treasury bond discount to net present value	(2,253)	(30,291)
Less: allowance for doubtful accounts	(79,937)	(90,208)
Contributions receivable, net	<u>\$ 635,384</u>	<u>\$ 1,560,273</u>

The discount rate was 2.23% and 2.56 for the years ended March 31, 2020 and 2019, respectively.

NOTE 8 - TRUSTS HELD BY THIRD PARTIES

PPSNE is the beneficiary of several charitable remainder unitrusts for which PPSNE is not the trustee. The charitable remainder unitrusts are recorded as a non-current asset on the statements of financial position. PPSNE has recorded the present value of the estimated future benefits to be received. The values at March 31, 2020 and 2019 were calculated based upon the annuitants' life expectancies; current assets adjusted for 2.84% return on investments and inflation rate of 1.50% and 1.90%, respectively, for the years ended 2020 and 2019; and expected future distributions present valued with a discounted rate of 4.00%. Yearly, the assumptions are assessed, and the receivables are adjusted for any changes. The balance at March 31, 2020 and 2019 was \$339,924 and \$444,044, respectively.

PPSNE is the beneficiary of a perpetual trust held by a third party to be used for its general uses and purposes. The trust balance at March 31, 2020 and 2019 was \$1,402,199 and \$1,585,085, respectively.

NOTE 9 - FIXED ASSETS

The cost and accumulated depreciation for fixed assets is as follows at March 31,:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,935,521	\$ 1,935,521
Buildings	18,403,948	17,203,057
Equipment	9,352,208	9,084,195
Leasehold improvements	5,446,579	4,967,616
Construction in progress	410,980	-
	<u>35,549,236</u>	<u>33,190,389</u>
Less: accumulated depreciation	<u>(13,766,839)</u>	<u>(12,120,271)</u>
	<u><u>\$ 21,782,397</u></u>	<u><u>\$ 21,070,118</u></u>

NOTE 10 - LINE OF CREDIT

PPSNE has a financing arrangement with a bank for a commercial revolving promissory note. The commercial revolving promissory note (the "Agreement") was for a maximum of \$6,000,000 and matured as of January 23, 2019. PPSNE renewed the commercial revolving promissory note (the "Renewed Agreement") for \$5,000,000 for a period of three years, maturing on January 23, 2022. The interest rate on the Renewed Agreement is equal to the LIBOR rate plus 1.35% (3.44% as of March 31, 2020 and 2019, respectively). There was no outstanding balance at March 31, 2020 and 2019.

NOTE 11 - NET ASSETS

Net assets without donor restrictions are comprised of the following at March 31,:

	<u>2020</u>	<u>2019</u>
Quasi-endowment established by the Board	\$ 14,292,976	\$ 15,317,519
Net book value of fixed assets	21,782,397	21,070,118
General use	<u>9,411,269</u>	<u>10,620,659</u>
	<u><u>\$ 45,486,642</u></u>	<u><u>\$ 47,008,296</u></u>

NOTE 11 - NET ASSETS (CONTINUED)

Net assets with donor restrictions consist of the following at March 31:

	<u>2020</u>	<u>2019</u>
Total time and purpose restrictions:		
Program services	\$ 67,625	\$ 220,136
Endowment earnings	367,648	549,380
Trusts held by third parties	1,742,123	2,029,167
	<u>2,177,396</u>	<u>2,798,683</u>
Held in perpetuity:		
Endowment earnings	1,309,547	1,309,547
	<u>1,309,547</u>	<u>1,309,547</u>
Total net assets with donor restrictions	<u>\$ 3,486,943</u>	<u>\$ 4,108,230</u>

Net assets were released from donor restrictions when expenses were incurred, or time lapsed to satisfy the restricted purposes specified by the donors for the years ended March 31 as follows:

	<u>2020</u>	<u>2019</u>
Program services	\$ 174,413	\$ 87,857
Endowment earnings	61,871	60,918
	<u>\$ 236,284</u>	<u>\$ 148,775</u>

NOTE 12 - PATIENT SERVICE REVENUE

For the years ended March 31, 2020 and 2019, approximately 45% and 47%, respectively, of patient revenue was reimbursable under the Medicaid program. Laws and regulations governing the Medicaid program are complex and subject to interpretation. PPSNE believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program. PPSNE has not established a reserve as of March 31, 2020 and 2019. Changes in the Medicaid programs and the reduction of funding levels could have an adverse impact on PPSNE.

PPSNE provides care to patients who meet certain criteria under its income-based sliding fee scale policy without charge or at amounts less than its established rates. The income-based sliding fee scale is based on current federal poverty guidelines. The cost of providing charity care was approximately \$8 million and \$7 million for the years ended March 31, 2020 and 2019, respectively.

NOTE 13 - RETIREMENT PLAN

PPSNE participates in a defined contribution pension plan with PPFA and its affiliates which was established January 1, 1986. This plan covers substantially all employees of PPSNE. Under the terms of this plan, eligible employees may contribute at any time during their employment. In addition, once employees have been employed by PPSNE for at least one year and are at least nineteen years of age, PPSNE will match 100% of a participant's voluntary contribution up to a maximum of 3% of salary plus 50% of the voluntary contribution in excess of 3% salary up to a maximum of 5% of salary. Employees are automatically vested in the matching fund contribution portion of the plan.

PPSNE has also established supplemental retirement benefit plans for certain senior officers, which provides for payments to these individuals upon the individuals reaching retirement age or when the individual leaves PPSNE, as defined in the individual agreements. To fund these plans, assets have been placed in brokerage accounts and a corresponding liability was recorded. The payments are made to the senior officers upon departure from PPSNE.

Retirement plan expense for both plans for the years ended March 31, 2020 and 2019 was \$300,650 and \$298,121, respectively.

NOTE 14 - OPERATING LEASES

PPSNE leases properties and equipment for operation of its clinics. Total lease expense for the years ended March 31, 2020 and 2019 was \$895,202 and \$900,856, respectively.

Following are the future minimum lease payments for the years ending March 31,:

2021	\$ 755,254
2022	680,459
2023	632,701
2024	421,205
2025	331,940
Thereafter	1,571,953

NOTE 15 - CONTINGENT LIABILITIES

In the normal course of business, PPSNE has become involved in various litigations, none of which, based on information currently available to management, are believed to have a material impact on PPSNE's financial statements.

Federal and State grants are renewed on an annual basis. Grants require the fulfillment of certain conditions as set forth in the grant. Failure to fulfill the conditions can result in the return of funds to the grantors. Management is of the opinion that the conditions of the grants will be fulfilled.

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