

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

Independent Auditors' Report

Financial Statements

June 30, 2021



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 statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
November 2, 2021

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

Statement of Financial Position

June 30, 2021

ASSETS

Current assets:

Cash	\$ 12,000,063
Current portion of marketable securities	22,639,060
Accounts receivable, net	1,268,024
Grants receivable	743,244
Current portion of contributions receivable, net	313,654
Inventory	874,219
Prepays and other current assets	667,476
Total current assets	38,505,740

Fixed assets, net	22,649,272
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Non-current assets:

Contributions receivable, less current portion	6,029
Other non-current assets	289,368
Trusts held by third parties	2,624,620
Marketable securities, less current portion	1,309,547
Total non-current assets	4,229,564

Total assets	\$ 65,384,576
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 3,205,569
Line of credit	1,300,000
Note payable - Paycheck Protection Program	3,548,987
Total current liabilities	8,054,556

Net assets:

Without donor restrictions	52,269,333
With donor restrictions	5,060,687
Total net assets	57,330,020

Total liabilities and net assets	\$ 65,384,576
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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 June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Patient service revenue	\$ 25,161,557	\$ -	\$ 25,161,557
Government grants	2,750,336	-	2,750,336
Contributions	7,404,593	26,485	7,431,078
Investment return designated for current operations	900,000	-	900,000
Research and other	1,455,665	-	1,455,665
Net assets released from restrictions	16,935	(16,935)	-
Total revenues and support	<u>37,689,086</u>	<u>9,550</u>	<u>37,698,636</u>
Expenses			
Program services	29,167,858	-	29,167,858
Management and general	6,978,613	-	6,978,613
Development	1,333,489	-	1,333,489
Total expenses	<u>37,479,960</u>	<u>-</u>	<u>37,479,960</u>
Change in net assets before other income/(expenses)	209,126	9,550	218,676
Other income/(expenses)			
Investment return less amounts designated for current operations	(415,138)	-	(415,138)
Realized and unrealized gains on investments	3,738,038	440,332	4,178,370
Change in trusts held by third parties	-	545,292	545,292
Loss on disposal of fixed assets	(132,870)	-	(132,870)
Net other income/(expenses)	<u>3,190,030</u>	<u>985,624</u>	<u>4,175,654</u>
Change in net assets	3,399,156	995,174	4,394,330
Net assets beginning of year	<u>48,870,177</u>	<u>4,065,513</u>	<u>52,935,690</u>
Net assets end of year	<u>\$ 52,269,333</u>	<u>\$ 5,060,687</u>	<u>\$ 57,330,020</u>

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

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

Statement of Functional Expenses

For the year ended June 30, 2021

	Program	Management and General	Development	Total
Wages and related expenses	\$ 16,462,380	\$ 3,145,205	\$ 973,477	\$ 20,581,062
Occupancy	1,050,922	39,255	12,712	1,102,889
Bad debt	1,747,780	-	-	1,747,780
Professional fees	491,181	273,647	17,247	782,075
Patient billing services	-	2,140,072	-	2,140,072
Contraceptives and medication	3,026,112	2,001	-	3,028,113
Laboratory fees	214,159	-	-	214,159
Depreciation and amortization	1,292,352	208,021	-	1,500,373
Other	4,882,972	1,170,412	330,053	6,383,437
Total expenses	<u>\$ 29,167,858</u>	<u>\$ 6,978,613</u>	<u>\$ 1,333,489</u>	<u>\$ 37,479,960</u>

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

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

Statement of Cash Flows

For the year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 4,394,330
Adjustments to reconcile change in net assets to net change in cash from operating activities:	
Depreciation and amortization	1,500,373
Loss on disposal of fixed assets	132,870
Realized and unrealized gains on investments	(4,178,370)
Trusts held by third parties	(545,292)
Write off of contributions receivable	244,437
(Increase)/decrease in assets:	
Accounts receivable	(510,471)
Grants receivable	550,508
Contributions receivable	(25,396)
Inventory	309,571
Prepays and other current assets	(54,228)
Other non-current assets	78,521
Increase in liabilities:	
Accounts payable and accrued expenses	540,946
Net change in cash from operating activities	<u>2,437,799</u>
Cash flows from investing activities:	
Purchase of fixed assets	(2,038,918)
Purchases of marketable securities	(484,850)
Appropriation for expenditures from investments, net of transfer	(1,113,709)
Net change in cash from investing activities	<u>(3,637,477)</u>
Cash flows from financing activities:	
Proceeds from line of credit	1,300,000
Net change in cash from financing activities	<u>1,300,000</u>
Net change in cash	100,322
Cash, beginning of year	<u>11,899,741</u>
Cash, end of year	<u>\$ 12,000,063</u>

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

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

Notes to the Financial Statements

June 30, 2021

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 statement 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, preferred stock, money market, 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.

Fair Value Measurement

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.

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.

Revenue Recognition and Accounts Receivable

The only material performance obligation is sexual and reproductive healthcare services. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

PPSNE establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value to provide for accounts receivable that could become uncollectible in the future. Accordingly, accounts receivable are reported in PPSNE's financial statements at the net amount expected to be received.

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. Grant and contract receipts in excess of revenue recognized are presented as refundable advances.

At June 30, 2021, PPSNE had a unexpended grant of approximately \$635,000 that have not been recognized pending fulfillment of conditions associated with the awards.

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.

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 statement 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statement of functional expenses. Wages and related expenses are allocated based on time and effort. All other allocated costs are allocated based on square footage.

Subsequent Events

PPSNE monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2021 through November 2, 2021, the date on which the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following represents PPSNE's financial assets available to meet general expenditures over the next twelve months at June 30, 2021:

Financial assets at year end:	
Cash	\$ 12,000,063
Current portion of marketable securities	22,639,060
Accounts receivable, net	1,268,024
Grants receivable	743,244
Current portion of contributions receivable, net	313,654
Total financial assets	<u>36,964,045</u>
Less: amounts not available to be used within one year:	
Quasi-endowment established by the board	(21,598,694)
Donor-restricted endowment	(1,040,366)
	<u>(22,639,060)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 14,324,985</u>

During the year ended June 30, 2021, PPSNE maintained sufficient financial assets to meet 90 days of operating expenses, and sufficient financial reserves for capital projects. PPSNE also has a commercial revolving promissory note with Bank of America which could be drawn upon for an amount up to \$5,000,000 if the need for additional cash arises. As of June 30, 2021, there is an available balance of \$3,700,000 which can be drawn upon.

NOTE 4 - MARKETABLE SECURITIES

Marketable securities are stated at fair value and are comprised of the following at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 14,998,492	\$ -	\$ -	\$ 14,998,492
Fixed income mutual funds	6,082,058	-	-	6,082,058
Money market funds	2,768,057	-	-	2,768,057
Preferred stock	-	-	100,000	100,000
Total	<u>\$ 23,848,607</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 23,948,607</u>

NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

PPSNE's marketable securities by net asset category are as follows for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Marketable securities at June 30, 2020	\$ 16,262,094	\$ 1,909,584	\$ 18,171,678
Interest and dividends	580,749	71,929	652,678
Investment fees	(150,457)	(17,371)	(167,828)
Net appreciation	3,729,980	448,390	4,178,370
Appropriations for expenditures	-	(62,619)	(62,619)
Transfers	1,176,328	-	1,176,328
	<u>1,176,328</u>	<u>-</u>	<u>1,176,328</u>
Marketable securities at June 30, 2021	<u>\$ 21,598,694</u>	<u>\$ 2,349,913</u>	<u>\$ 23,948,607</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2021:

Insurance	\$ 878,764
Medicaid	465,139
Private pay	<u>1,139,536</u>
	2,483,439
Less: allowance for doubtful accounts	<u>(1,215,415)</u>
Accounts receivable, net	<u>\$ 1,268,024</u>

NOTE 6 - GRANTS RECEIVABLE AND GOVERNMENT GRANT REVENUE

PPSNE recognizes grant revenue to the extent of expenditures incurred during the period 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 year ended June 30, 2021:

	Grants Receivable	Grant Revenue
Federal grants	\$ 550,905	\$ 1,399,177
State grants	<u>192,339</u>	<u>1,351,159</u>
Federal and State grants	<u>\$ 743,244</u>	<u>\$ 2,750,336</u>

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2021 are expected to be collected as follows:

Receivable in less than one year	\$ 313,654
Receivable in one to five years	<u>6,029</u>
Contributions receivable	<u><u>\$ 319,683</u></u>

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 statement of financial position. PPSNE has recorded the present value of the estimated future benefits to be received. The value at June 30, 2021 was calculated based upon the annuitants' life expectancies; current assets adjusted for .87% return on investments and inflation rate of .40% for the year ended 2021; 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 June 30, 2021 was \$590,069.

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 June 30, 2021 was \$2,034,551.

NOTE 9 - FIXED ASSETS

The cost and accumulated depreciation for fixed assets is as follows at June 30, 2021:

Land	\$ 2,032,611
Buildings	21,376,780
Equipment	9,377,572
Leasehold improvements	5,363,831
Construction in progress	<u>-</u>
	38,150,794
Less: accumulated depreciation	<u>(15,501,522)</u>
	<u><u>\$ 22,649,272</u></u>

NOTE 10 - PAYROLL PROTECTION PROGRAM LOAN

During May 2020, PPSNE received approval for a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan in the amount of \$3,548,987. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the Small Business Administration, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). PPSNE received full forgiveness from the SBA subsequent to year end.

NOTE 11 - LINE OF CREDIT

PPSNE has a financing arrangement with a bank for a commercial revolving promissory note 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% (1.59% as of June 30, 2021). There was a outstanding balance of \$1,300,000 at June 30, 2021.

NOTE 12 - NET ASSETS

Net assets without donor restrictions are comprised of the following at June 30, 2021:

Quasi-endowment established by the Board	\$ 21,598,694
Net book value of fixed assets	22,649,272
General use	<u>8,021,367</u>
	<u><u>\$ 52,269,333</u></u>

Net assets with donor restrictions consist of the following at June 30, 2021:

Total time and purpose restrictions:	
Program services	\$ 73,780
Endowment earnings	1,052,740
Trusts held by third parties	<u>2,624,620</u>
Total time and purpose restrictions	<u>3,751,140</u>
Held in perpetuity:	
Endowment earnings	<u>1,309,547</u>
Total net assets with donor restrictions	<u><u>\$ 5,060,687</u></u>

Net assets were released from donor restrictions in the amount of \$16,935 when expenses were incurred or time lapsed to satisfy the restricted purposes specified by the donors for the year ended June 30, 2021.

NOTE 13 - NET PATIENT SERVICE REVENUE

For the year ended June 30, 2021, approximately 46% of net 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 June 30, 2021. 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.

NOTE 14 - 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 temporarily suspended the employer contribution as of May 16, 2020 and resumed the contribution July 1, 2021.

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 year ended June 30, 2021 was \$-0-.

NOTE 15 - OPERATING LEASES

PPSNE leases properties and equipment for operation of its clinics. Total lease expense for the year ended June 30, 2021 was \$826,075.

Following are the future minimum lease payments for the years ending June 30,:

2022	\$ 591,977
2023	497,643
2024	338,396
2025	285,909
2026	227,282
Thereafter	129,134
Total	<u>\$ 2,070,341</u>

NOTE 16 - 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.

NOTE 17 - RISK AND UNCERTAINTIES

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 impact the business, the related financial impact cannot be reasonably estimated at this time.

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