

**Planned Parenthood Orange and  
San Bernardino Counties, Inc.**

Financial Statements  
and Single Audit Reports and Schedules

June 30, 2021  
(With Comparative Totals for 2020)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 22
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	26 - 27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30 - 31
Summary Schedule of Prior Audit Findings	32



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Planned Parenthood Orange and San Bernardino Counties, Inc.  
Anaheim, California

We have audited the accompanying financial statements of Planned Parenthood Orange and San Bernardino Counties, Inc. (a California nonprofit corporation) ("Planned Parenthood"), 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.

### **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 auditor's 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 Orange and San Bernardino Counties, Inc. 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, Planned Parenthood has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to that matter.



An independent firm  
associated with Moore  
Global Network Limited

### **Correction of Error**

As discussed in Note 3 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts receivables and patient service revenues as of June 30, 2020, were discovered by management of Planned Parenthood during the current year. Accordingly, these amounts have been restated in the June 30, 2020 financial statements. Our opinion is not modified with respect to that matter.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021, on our consideration of Planned Parenthood'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 the effectiveness of Planned Parenthood's 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 Planned Parenthood's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Planned Parenthood Orange and San Bernardino Counties, Inc.'s 2020 financial statements, and our report dated November 5, 2020 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2021 financial statements, we also audited the adjustments to the 2020 financial statements to apply the change in accounting principle discussed above, and the adjustment for the correction of the error. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, adjusted for the change in accounting principle discussed above and adjusted for the correction of the error, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino<sup>LLP</sup>  
Los Angeles, California

November 10, 2021

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Statement of Financial Position  
June 30, 2021  
(With Comparative Totals for 2020)

	2021	(Restated) 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,585,150	\$ 9,948,310
Investments in securities	20,078,590	16,513,616
Patient accounts receivable, net	14,261,034	24,775,074
Contributions and grants receivable	1,375,229	1,092,291
Inventory	1,284,079	1,699,926
Other receivables	297,933	137,211
Prepaid expenses	859,194	665,326
Total current assets	74,741,209	54,831,754
Other assets		
Property and equipment, net	20,851,853	20,807,289
Other long-term investment	250,000	250,000
Charitable gift annuity receivable	5,335	79,687
Deposits	196,687	206,842
Total other assets	21,303,875	21,343,818
Total assets	\$ 96,045,084	\$ 76,175,572
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,200,333	\$ 2,428,402
Accrued expenses	4,552,632	3,654,416
Refundable advance	1,488,288	-
Current portion of notes payable	160,522	153,113
Other liability	121,817	-
Current portion of deferred rent	107,883	51,168
Charitable gift annuity liability	7,521	60,238
Total current liabilities	8,638,996	6,347,337
Long-term liabilities		
Deferred rent	2,586,958	2,295,342
Notes payable, net of current portion	1,174,352	1,336,747
Total long-term liabilities	3,761,310	3,632,089
Total liabilities	12,400,306	9,979,426
Net assets		
Without donor restrictions	83,611,965	66,131,697
With donor restrictions	32,813	64,449
Total net assets	83,644,778	66,196,146
Total liabilities and net assets	\$ 96,045,084	\$ 76,175,572

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

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Statement of Activities  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	(Restated) 2020 Total
Revenues and other support				
Patient service revenue, net	\$ 80,994,563	\$ -	\$ 80,994,563	\$ 78,900,997
Contributions and grants	1,775,466	-	1,775,466	2,251,488
Government grants and contracts	4,721,088	-	4,721,088	3,798,303
Other revenues	458,092	-	458,092	335,346
In-kind contributions	77,709	-	77,709	628,337
Electronic health record incentive program	<u>127,500</u>	<u>-</u>	<u>127,500</u>	<u>-</u>
Total revenues and other support	88,154,418	-	88,154,418	85,914,471
Net assets released from restriction	<u>31,636</u>	<u>(31,636)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>88,186,054</u>	<u>(31,636)</u>	<u>88,154,418</u>	<u>85,914,471</u>
Functional expenses				
Program services	60,831,184	-	60,831,184	58,798,528
Support services	<u>13,444,216</u>	<u>-</u>	<u>13,444,216</u>	<u>12,063,918</u>
Total functional expenses	<u>74,275,400</u>	<u>-</u>	<u>74,275,400</u>	<u>70,862,446</u>
Change in net assets from operations	<u>13,910,654</u>	<u>(31,636)</u>	<u>13,879,018</u>	<u>15,052,025</u>
Non-operating revenue (expenses)				
Interest and dividend income	250,264	-	250,264	410,096
Gains on investments	3,317,850	-	3,317,850	393,046
Gain (loss) on disposal of assets	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>(40,112)</u>
Total non-operating revenue (expenses)	<u>3,569,614</u>	<u>-</u>	<u>3,569,614</u>	<u>763,030</u>
Change in net assets	17,480,268	(31,636)	17,448,632	15,815,055
Net assets, beginning of year	<u>66,131,697</u>	<u>64,449</u>	<u>66,196,146</u>	<u>50,381,091</u>
Net assets, end of year	<u>\$ 83,611,965</u>	<u>\$ 32,813</u>	<u>\$ 83,644,778</u>	<u>\$ 66,196,146</u>

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

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Program Services				Total Program Services	Support Services			(Restated)	(Restated)
	Clinical Healthcare	Public Affairs	WIC	Education		Management and General	Fundraising	Total Support Services	2021 Total	2020 Total
Personnel expenses										
Salaries and wages	\$ 26,052,866	\$ 553,765	\$ 1,651,109	\$ 778,062	\$ 29,035,802	\$ 6,580,671	\$ 300,042	\$ 6,880,713	\$ 35,916,515	\$ 33,463,973
Employee benefits and payroll taxes	4,901,251	97,448	369,777	193,267	5,561,743	1,191,539	59,715	1,251,254	6,812,997	6,933,210
Total personnel expenses	30,954,117	651,213	2,020,886	971,329	34,597,545	7,772,210	359,757	8,131,967	42,729,512	40,397,183
Medical supplies	13,226,709	-	396	-	13,227,105	-	-	-	13,227,105	13,417,896
Bad debt expense	2,451,586	-	-	-	2,451,586	-	-	-	2,451,586	1,582,361
Occupancy	2,311,457	62,773	429,558	69,787	2,873,575	964,269	24,616	988,885	3,862,460	3,474,708
Other operating expenses	639,856	13,098	44,328	1,895	699,177	560,209	20,634	580,843	1,280,020	1,907,329
Depreciation and amortization	1,689,529	-	17,944	24,870	1,732,343	1,021,861	-	1,021,861	2,754,204	2,400,903
Outside services	1,433,640	31,490	70,122	-	1,535,252	1,220,862	-	1,220,862	2,756,114	2,270,746
Legal and professional fees	580,754	-	1,921	-	582,675	262,361	198	262,559	845,234	876,671
Furniture/equipment expenses	398,528	4,752	67,289	8,515	479,084	679,418	6,840	686,258	1,165,342	1,012,048
Communication and mailing	538,346	15,123	92,547	22,932	668,948	121,685	9,981	131,666	800,614	657,525
Insurance	591,213	-	4,642	-	595,855	9,853	-	9,853	605,708	572,041
Office expenses	222,614	154	37,842	29,563	290,173	80,775	335	81,110	371,283	357,003
Travel	34,309	18	1,873	1,348	37,548	29,937	88	30,025	67,573	161,706
Printing and publications	28,979	-	1,655	1,615	32,249	21,335	127	21,462	53,711	51,674
Books and subscriptions	1,134	-	-	-	1,134	1,865	-	1,865	2,999	3,406
Grant expenses	353,203	-	-	-	353,203	275,000	-	275,000	628,203	1,107,500
Resources sharing expense	-	673,732	-	-	673,732	-	-	-	673,732	611,746
	<u>\$ 55,455,974</u>	<u>\$ 1,452,353</u>	<u>\$ 2,791,003</u>	<u>\$ 1,131,854</u>	<u>\$ 60,831,184</u>	<u>\$ 13,021,640</u>	<u>\$ 422,576</u>	<u>\$ 13,444,216</u>	<u>\$ 74,275,400</u>	<u>\$ 70,862,446</u>

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

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>(Restated) 2020</u>
Cash flows from operating activities		
Change in net assets	\$ 17,448,632	\$ 15,815,055
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,754,204	2,400,903
Change in allowance for doubtful accounts	679,435	(1,167,407)
Reinvested interest	(215,503)	(285,601)
Realized and unrealized gains on investments	(3,318,009)	(393,046)
Loss on disposal of assets	(1,500)	40,112
Donated stocks	(31,462)	(45,537)
Changes in operating assets and liabilities		
Accounts receivable	9,834,605	(17,635,595)
Contributions and grants receivable	(282,938)	75,849
Inventory	415,847	(372,884)
Other receivables	(160,722)	103,987
Prepaid expenses	(193,868)	(107,899)
Annuity receivable	74,352	20,274
Deposits	10,155	(17,420)
Accounts payable	(444,635)	690,559
Accrued expenses	898,216	1,019,498
Refundable advance	1,488,288	-
Annuity liability	(52,717)	(3,557)
Deferred rent	348,331	2,346,510
Other liability	121,817	-
Net cash provided by operating activities	<u>29,372,528</u>	<u>2,483,801</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,580,702)	(8,180,823)
Purchase of investments	-	(1,000,000)
Net cash used in investing activities	<u>(2,580,702)</u>	<u>(9,180,823)</u>
Cash flows from financing activities		
Principal payments on notes payable	(154,986)	(147,889)
Net cash used in financing activities	<u>(154,986)</u>	<u>(147,889)</u>
Net increase (decrease) in cash and cash equivalents	26,636,840	(6,844,911)
Cash and cash equivalents, beginning of year	<u>9,948,310</u>	<u>16,793,221</u>
Cash and cash equivalents, end of year	<u>\$ 36,585,150</u>	<u>\$ 9,948,310</u>

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



Planned Parenthood Orange and San Bernardino Counties, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	2021	(Restated) 2020
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 66,454	\$ 73,550
Supplemental schedule of noncash investing and financing activities		
Property and equipment included in accounts payable	\$ 216,566	\$ -

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

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

1. NATURE OF OPERATIONS

Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood") dba Melody Health is a not-for-profit California corporation whose primary purpose is to provide confidential, affordable, high-quality health care. Planned Parenthood protects and promotes the fundamental right of all individuals to make their own personal health decisions. Planned Parenthood provides comprehensive health education and information, which enables individuals to make responsible and informed choices. Planned Parenthood believes that respect and value for diversity in all aspects of its work is essential to achieving this mission. Planned Parenthood is an affiliate member of the Planned Parenthood Federation of America, Inc. ("PPFA") and Planned Parenthood Affiliates of California and is assessed dues accordingly.

In addition to patient fees and reimbursement from third party programs, Planned Parenthood receives funding from the U.S. Department of Health and Human Services, the California Department of Public Health, and other local granting agencies to support its services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement preparation

The financial statements of Planned Parenthood have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) specific to nonprofit organizations. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor imposed restrictions that will be met by the passage of time and/or actions of Planned Parenthood in accordance with donor restrictions. Other donor restrictions are perpetual in nature. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Change in accounting principle

The Organization has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)". The core principle of the guidance in ASU 2014-09 is that an Organization should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The adoption of ASU 2014-09 resulted in a reclassification of contractual allowances that previously reduced patient service revenues, that are now recorded as a provision for bad debt expense for the years ended June 30, 2021 and 2020 in the amounts of \$2,451,586 and \$1,582,361, respectively. This change had no impact on the previously reported change in net assets. The Organization adopted ASU 2014-09 with a date of initial application of July 1, 2020, using the full retrospective method.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions used reside in accounts receivable contractual allowances, allowance for bad debts and useful lives of property and equipment. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from these estimates.

Cash and cash equivalents

Planned Parenthood has defined cash and cash equivalents as cash in bank and money market funds in securities not held for investment purposes.

Investments in securities

Planned Parenthood records its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Short-term highly liquid money market deposits are treated as cash and cash equivalents.

Fair value measurements

Fair value is defined 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. Planned Parenthood determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3).

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that Planned Parenthood has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Level 2 - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability. Unobservable inputs reflect Planned Parenthood's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include Planned Parenthood's own data.

Patient accounts receivable, net

Patient accounts receivable, net consists of amounts billed for services provided and is reduced by allowances for contractual adjustments and an allowance for bad debts. In evaluating the collectability of patient accounts receivable, Planned Parenthood analyzes its historical collections and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances for both contractual adjustments and doubtful accounts on a monthly basis. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of these allowances.

At June 30, 2021, Planned Parenthood has an allowance for bad debts of \$987,818.

Contributions and grants receivable

Contributions and grants receivable are recorded at their realizable value and are due within one year of June 30, 2021. Pledges receivable that are expected to be collected in future years are measured on non-recurring basis at the date of the pledge and are recorded at the present value of their estimated future cash flows. No allowance for uncollectible contributions and grants receivable has been recorded at June 30, 2021 as they are deemed fully collectible.

Inventory

Inventory consists of medical and contraceptive supplies maintained for the use and benefit of, or sale to, patients throughout the year. Supplies inventory is stated at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis.

Other long-term investment

This investment in the amount of \$250,000 as of June 30, 2021 consists of 2,500 shares of Series A preferred stock, par value \$0.01 per share issued by Afaxys, Inc. Planned Parenthood's holding represents 4.2% of \$5,895,000 of the preferred stock issued by Afaxys, Inc. in December 2010. This investment is the result of an exchange of a note receivable for the preferred stock. The investment is accounted for using the cost method.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of an asset is greater than or equal \$2,500 and the useful life is greater than one year. Maintenance and repair costs are charged to expense as incurred.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings, building improvements and leasehold improvements	5 - 40 years
Furniture and equipment	3 - 10 years
Computer equipment and software	3 - 5 years

Impairment of long-lived assets

Planned Parenthood reviews all long-term assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment loss provision was recorded during the year ended June 30, 2021.

Comparative financial information

The 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Planned Parenthood's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Charitable gift annuity

In previous years a charitable gift annuity was received to support the work of Planned Parenthood. The annuity agreement provides for periodic distributions to the grantor over the trust's terms at an agreed rate. Upon maturity, the remaining trust assets will be transferred to Planned Parenthood for general operating purposes.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable gift annuity (continued)

Contributed assets were recorded at their fair value at the date of the initial gift. The present value of the future benefits to be received by Planned Parenthood is recorded as "with donor restrictions" in the Statement of Activities. The liability portion, measured at the present value of the expected future payments to the beneficiaries based on the terms of the trust, is revalued annually based on changes in actuarial assumptions.

The charitable gift annuity, which is administered by PPFA, is valued at \$5,335, and the present value of the estimated future payments to beneficiaries is \$7,521 as of June 30, 2021. These amounts are reflected as charitable gift annuity receivable and charitable gift annuity liability in the accompanying Statement of Financial Position.

Revenue recognition

*Patient service revenue, net* – Approximately 92% of Planned Parenthood's net patient services revenue for the fiscal year ended June 30, 2021 is from patients who are covered by California State Family PACT, MediCal and other government programs. These payors reimburse for services based upon their respective schedules of usual, customary, and reasonable fees. These reimbursements also include Proposition 56 supplemental payments based upon eligible service performed. Contractual adjustments result from the difference between the payment based on the usual, customary, and reasonable fee and the Organization's standard charge. Contractual allowances, along with charity care adjustments, are recorded as a reduction to patient service revenues at the time the patient service is provided. Patient service revenue is recognized as the underlying performance obligation is satisfied; when the specific patient care visit is completed. Retroactive payment adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

*Contributions* – Contributions, including unconditional promises to give, are recognized as support in the period the contribution or promise is received. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as net assets with donor restrictions. When a donor-imposed 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. Planned Parenthood has elected to report all donor restricted contributions for which the restriction has been met in the same year, as without donor restriction. Contributions and unconditional promises to give that are expected to be collected or paid in future years are discounted using a net present value method.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time the gift is recognized as contribution revenue with or without donor restriction.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

*Government Grants and Contracts* - Planned Parenthood generates grant revenue from providing services for children and adults through cost reimbursement state and federally funded programs. Planned Parenthood received a grant from the state of California during the current year to provide COVID-19 vaccine services. The revenue recognized from these services is recorded as government grants in the statement of activities. These government grants meet the criteria to be classified as conditional contributions as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Planned Parenthood has elected a simultaneous release option to account for these grants whereby they are recorded as government grant revenue without donor restriction upon satisfaction of the conditions. In the event funds are received and have not been earned, Planned Parenthood records such amounts as refundable advances until they are earned by satisfying the grant agreement objectives. Planned Parenthood had a refundable advance related to the state of California COVID-19 vaccine grant in the amount of \$1,488,288 at June 30, 2021. At June 30, 2021, Planned Parenthood had conditional contributions related to open federal government grant contracts in the approximate amount of \$4,364,201.

In-kind contributions

Contributions of donated assets and services are recorded at fair value at the date they are received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on the date received. For the year ended June 30, 2021, Planned Parenthood recognized in-kind contributions of \$77,709, of which \$77,309 represents donated medical supplies and \$400 represents donated professional services.

Functional expenses

Costs of providing Planned Parenthood's programs and other activities have been presented in the accompanying Statement of Functional Expenses. During the year, shared costs are allocated among various programs and support services by a method that best measures the relative degree of benefit. Planned Parenthood uses expenses and headcount to allocate indirect costs.

Income tax status

Planned Parenthood is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. Accordingly, no provision for federal or state income taxes has been recorded. Planned Parenthood's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

Planned Parenthood has evaluated its current tax positions and has concluded that as of June 30, 2021 Planned Parenthood does not have any uncertain tax positions for which a reserve would be necessary.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. A reclassification, discussed under Note 2, Change in accounting principles, relates to the presentation of provision for bad debts as required by ASU 2014-09. There was no effect on total assets, total liabilities, net assets, or change in net assets as a result of the reclassification made.

Subsequent events

Planned Parenthood has evaluated subsequent events through November 10, 2021, the date the financial statements were available to be issued.

On August 20, 2021, Planned Parenthood renewed the \$5,000,000 line of credit with the same commercial bank. The maturity date was extended to June 1, 2023 and all other terms remained the same.

No subsequent events, other than described above, have occurred that would have a material impact on the presentation of Planned Parenthood's financial statements.

Charity care

Planned Parenthood provides care without charge, or at amounts less than its established rates, to patients who meet certain criteria. Because Planned Parenthood does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue in the accompanying statements of activities. The cost of charges foregone for services furnished by Planned Parenthood totaled approximately \$2,434,356 during the year ended June 30, 2021.

3. RESTATEMENT OF FINANCIAL STATEMENTS

During the year ending June 30, 2021, Planned Parenthood identified that the patient accounts receivable collection analysis performed for the June 30, 2020 year-end was erroneously missing certain accounts receivable overpayments and contractual allowance adjustments. This error caused the June 30, 2020 patient accounts receivable, net and the patient service revenue, net, change in net assets and the ending net asset balance to be overstated by \$1,223,956.



Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

3. RESTATEMENT OF FINANCIAL STATEMENTS (continued)

The effects of the correction of amounts previously reported in the financial statements as of and for the year ended June 30, 2020 are as follows:

	<u>As Previously Reported</u>	<u>Correction</u>	<u>Restated Amount</u>
Patient accounts receivable, net	\$ 25,999,030	\$ (1,223,956)	\$ 24,775,074
Patient service revenue, net	\$ 78,542,592	\$ (1,223,956)	\$ 77,318,636
Change in net assets	\$ 17,039,011	\$ (1,223,956)	\$ 15,815,055
Net assets without donor restriction, end of year	\$ 67,355,653	\$ (1,223,956)	\$ 66,131,697

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

Cash and cash equivalents	\$ 2,033,371
Equities	10,088,958
Equity funds	1,521,988
Exchange traded funds	1,980,343
Bond funds	1,600,703
Fixed income	2,596,597
Other assets	<u>256,630</u>
	<u>\$ 20,078,590</u>

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Planned Parenthood's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments in securities				
Cash and cash equivalents	\$ 2,033,371	\$ -	\$ -	\$ 2,033,371
Equities	10,088,958	-	-	10,088,958
Equity funds	1,521,988	-	-	1,521,988
Exchange traded funds	1,980,343	-	-	1,980,343
Bond funds	1,600,703	-	-	1,600,703
Fixed income	-	2,596,597	-	2,596,597
Other assets	<u>256,630</u>	<u>-</u>	<u>-</u>	<u>256,630</u>
	<u>17,481,993</u>	<u>2,596,597</u>	<u>-</u>	<u>20,078,590</u>
Charitable gift annuity:				
Gift annuity receivable, net of liability	<u>-</u>	<u>-</u>	<u>(2,186)</u>	<u>(2,186)</u>
	<u>-</u>	<u>-</u>	<u>(2,186)</u>	<u>(2,186)</u>
	<u>\$ 17,481,993</u>	<u>\$ 2,596,597</u>	<u>\$ (2,186)</u>	<u>\$ 20,076,404</u>

Activity in Level 3 investments during the year was as follows:

Balance gift annuity receivable net, beginning of year	\$ 19,449
Change in value of annuity	<u>(21,635)</u>
Balance gift annuity receivable net, end of year	<u>\$ (2,186)</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 719,728
Buildings and building improvements	14,718,074
Furniture and equipment	4,110,638
Leasehold improvements	12,134,648
Computer equipment	2,309,296
Construction in progress	<u>1,338,675</u>
	35,331,059
Accumulated depreciation	<u>(14,479,206)</u>
	<u>\$ 20,851,853</u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$2,754,204.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

6. ACCRUED EXPENSES

Accrued expenses consisted of the following:

Accrued vacation	\$ 1,659,638
Accrued payroll and payroll taxes	2,065,020
Accrued pension related	581,848
Other	<u>246,126</u>
	<u><u>\$ 4,552,632</u></u>

7. LINES OF CREDIT

Planned Parenthood had a \$3,250,000 line of credit with a commercial bank due on June 1, 2023. On May 14, 2020, Planned Parenthood entered into another line of credit agreement with the same commercial bank, with a line of credit amount of \$5,000,000, due on June 1, 2021. On May 14, 2021, Planned Parenthood extended the maturity date of the \$5,000,000 line of credit to August 1, 2021. In August 2021, Planned Parenthood extended the maturity date of the \$5,000,000 line of credit to June 1, 2023 (see Note 2). The lines of credit are collateralized by Planned Parenthood's cash and investments. The balance outstanding for both lines of credit is zero at June 30, 2021.

8. NOTES PAYABLE

Notes payable consisted of the following:

Note payable to a bank, secured by a deed of trust on real property, monthly payments of \$8,967, including interest at 4.750% per annum, fixed for 15 years, due August 2029.	\$ 724,750
Note payable to a bank, secured by a deed of trust on real property, monthly payments of \$9,486, including interest at 4.443% per annum, due August 2027.	<u>610,124</u>
	1,334,874
Less: current portion of notes payable	<u>(160,522)</u>
	<u><u>\$ 1,174,352</u></u>

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

8. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>		
2022	\$	160,522
2023		168,291
2024		176,436
2025		184,976
2026		193,929
Thereafter		<u>450,720</u>
	\$	<u><u>1,334,874</u></u>

9. EMPLOYEE BENEFIT PLAN

Planned Parenthood has a voluntary defined contribution retirement plan. Planned Parenthood makes a discretionary contribution of up to 2% of eligible employees annual salary. The discretionary percentage is established annually. Planned Parenthood also makes a safe harbor contribution of 3% of the eligible employees annual salary. In addition, Planned Parenthood makes a matching contribution on a 50% basis up to a maximum of 6% of an employee's annual salary. The employer contribution for the year ended June 30, 2021 was \$1,926,567.

10. COMMITMENTS AND CONTINGENCIES

Planned Parenthood leases real property under operating leases with various terms and lease escalation clauses through November 2030.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>		
2022	\$	2,252,859
2023		1,938,651
2024		1,706,442
2025		1,413,850
2026		1,353,048
Thereafter		<u>6,275,212</u>
	\$	<u><u>14,940,062</u></u>

In March 2020, Planned Parenthood entered into a new lease agreement for their corporate headquarters location with a lease term of one hundred and twenty eight months. The lease agreement provided for a tenant improvement allowance of \$1,964,745 which is included as a component of deferred rent and is being amortized on a straight-line basis over the term of the lease.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

10. COMMITMENTS AND CONTINGENCIES (continued)

Total rent expense recognized under these operating leases for the year ended June 30, 2021 was \$2,199,737.

Healthcare reform

As a result of the Patient Protection and Affordable Care Act, as well as the Health Care and Education Reconciliation Act of 2010 and related health care reform legislation and regulations (collectively "ACA Health Care Reform"), significant changes to the current U.S. healthcare system have occurred and more changes are anticipated. ACA Health Care Reform includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, payments to healthcare providers, and the legal obligations of health insurers, providers and employers. Such provisions include measures designed to promote quality and cost efficiency in healthcare delivery and to generate budgetary savings, including with respect to MediCal, Family PACT and other State programs pursuant to which Planned Parenthood is reimbursed for the services it provides.

Regulatory environment

Laws and regulations governing MediCal programs are extremely complex and subject to interpretation. During the last few years, as a result of investigations by federal and state governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which investigations have resulted in some instances in organizations entering into significant settlement agreements. Planned Parenthood's compliance with such laws and regulations may be subject to future government review and interpretation. Planned Parenthood's management does not believe that the result of any future government audit or review would have a material impact on amounts recorded in their financial statements. To foster compliance with applicable laws and regulations, Planned Parenthood maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

10. COMMITMENTS AND CONTINGENCIES (continued)

Undetermined impact

During the last five years, the State of California (the "State") has made changes to the laws and regulations governing certain programs pursuant to which Planned Parenthood is reimbursed for its services, and the State has indicated that additional changes are in process. These changes have included reductions and increases in the rates at which Planned Parenthood is reimbursed for its services, including retroactive reductions the applicable governmental agencies have asserted a right of recoupment. The State has also made changes to the manner in which it administers and interprets such laws and regulations, which changes may give rise to assertions by certain governmental agencies that Planned Parenthood may be obligated to repay certain amounts relating to alleged overpayments made. As a result of these various changes, there is a reasonable possibility that recorded amounts will change by a material amount in the near-term. At this time Planned Parenthood is unable to predict with any certainty the degree to which these changes will impact Planned Parenthood. Planned Parenthood anticipates that it may dispute both the validity of the alleged recoupment and repayment obligations and the amounts due, if any. As a result of these changes, Planned Parenthood continues to experience delays in reimbursement for services provided to patients.

Litigation

In the normal course of business, the Planned Parenthood is occasionally named as a defendant in various claims and lawsuits. It is the opinion of management that the outcome of any potential lawsuits will not materially affect the operation or the financial position of Planned Parenthood.

Malpractice insurance

Planned Parenthood and health care providers employed by Planned Parenthood are insured by a third-party insurer. The insurance company provides claims-made malpractice insurance coverage, which covers only asserted malpractice claims within policy limits. The insurance policy has a \$1,000,00 per claim limit and a \$3,000,000 aggregate limit. Planned Parenthood purchases tail insurance coverage when necessary and includes the cost of the premiums in the year the tail is purchased. Management does not believe there were any material outstanding malpractice liabilities at June 30, 2021.

Government grants and contracts

Planned Parenthood has grants and contracts with government agencies that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grant or contracts, management believes that any resulting liability from such audits would not be material.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

11. CONCENTRATIONS

Credit risk

At times Planned Parenthood's bank accounts exceed federally insured limits. Planned Parenthood has not experienced any losses in such accounts and management believes that Planned Parenthood is not exposed to any significant credit risk on its cash and cash equivalents.

Investments are exposed to various risks, such as interest rates, credit, and overall market volatility. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the consolidated financial statements.

Revenue and receivables

A substantial amount of Planned Parenthood's revenue is received from the State of California ("State") MediCal Program. Approximately 84% of total revenues during the fiscal year ended June 30, 2021, and approximately 97% of total net patient receivables at June 30, 2021 are related to the State MediCal program. Planned Parenthood's ability to service patients will be dependent on the stability and consistency of payments and reimbursement rates by the State of California.

12. RELATED PARTIES

Community Action Fund of Planned Parenthood Orange and San Bernardino Counties ("Community Action Fund") is an affiliate of Planned Parenthood. The primary purpose of the Community Action Fund is to encourage and protect informed individual choice regarding reproductive health and to advocate public policies which guarantee the right and access to such care. In accordance with a grant agreement with Planned Parenthood and Community Action Fund, Planned Parenthood provides grant funding to Community Action Fund to support their charitable and educational activities. During the year ended June 30, 2021, Planned Parenthood provided \$673,733 to the Community Action Fund under the terms of the grant agreement. At June 30, 2021, Planned Parenthood has a receivable from the Community Action Fund of \$9,405, which is included in other receivables, and a payable to the Community Action Fund of \$341 which is included in accrued expenses.

Planned Parenthood, one of many affiliates of Planned Parenthood Federation of America, Inc. ("PPFA"), is an autonomous organization but operates within the framework of standards set by PPFA. PPFA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). As part of an affiliation agreement, Planned Parenthood is required to pay membership dues, which were \$0 for the year ended June 30, 2021.

Planned Parenthood is a member of the Planned Parenthood Affiliates of California ("PPAC"). PPAC is a 501(c)(4) Organization that leads the state-wide policy and advocacy work on behalf of the seven Planned Parenthood affiliates in California.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Financial Statements  
June 30, 2021

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Time restrictions:	
Contributions and grants receivable	\$ 35,000
Annuity receivable, net	<u>(2,187)</u>
	<u>\$ 32,813</u>

14. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Planned Parenthood expects the operations in all locations to be affected as the virus continues to proliferate. Planned Parenthood has adjusted certain aspects of the operations to protect the employees and individuals served while still meeting client and family needs for vital services. Planned Parenthood will continue to monitor the situation closely and it is possible that further measures should be implemented. In light of the uncertainty as to the severity and duration of the pandemic the impact on revenues, profitability and financial position is uncertain at this time.

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

Planned Parenthood monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. Planned Parenthood's income is generated from receiving contributions, with or without donor restrictions, providing program services, and receiving interest from investments less expenses incurred for providing program activities, raising contributions and performing administrative functions.

The following shows the financial assets available within one year for general operations:

Cash	\$ 36,585,150
Investments in securities	20,078,590
Patient accounts receivable, net	14,261,034
Contributions and grants receivable	1,355,229
Other receivables	<u>176,116</u>
	<u>\$ 72,456,119</u>

Planned Parenthood also has two lines of credit available in the amounts of \$3,250,000 and \$5,000,000 available to meet its operating needs. See Note 7.



SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Planned Parenthood Orange and San Bernardino Counties, Inc.  
Anaheim, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Planned Parenthood Orange and San Bernardino Counties, Inc. (a California nonprofit corporation) ("Planned Parenthood"), 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, and have issued our report thereon dated November 10, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Planned Parenthood's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Planned Parenthood's internal control. Accordingly, we do not express an opinion on the effectiveness of Planned Parenthood's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Planned Parenthood's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The Planned Parenthood's Response to Findings**

Planned Parenthood's response to the findings identified in our audit is described in the accompanying schedule of findings. Planned Parenthood's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Planned Parenthood's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Planned Parenthood's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
Los Angeles, California

November 10, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

To the Board of Directors  
Planned Parenthood Orange and San Bernardino Counties, Inc.  
Anaheim, California

### **Report on Compliance for Each Major Federal Program**

We have audited Planned Parenthood Orange and San Bernardino Counties, Inc. (a California nonprofit corporation) ("Planned Parenthood")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Planned Parenthood's major federal programs for the year ended June 30, 2021. Planned Parenthood's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Planned Parenthood's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Planned Parenthood's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Planned Parenthood's compliance.

## Opinion on Each Major Federal Program

In our opinion, Planned Parenthood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Planned Parenthood is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Planned Parenthood's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Planned Parenthood's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
Los Angeles, California

November 10, 2021

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Contract Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>					
U.S. Department of Health and Human Services					
Program Name					
Pass-through program from State of California					
Department of Public Health: Maternal, Child and Adolescent Health					
Affordable Care Act (ACA) California Personal Responsibility Education Program (CA PREP)					
	18-10250	93.092	NA	\$ 400,000	\$ 400,000
Total U.S. Department of Health and Human Services				<u>400,000</u>	<u>400,000</u>
U.S. Department of Agriculture					
Program Name					
Pass-through program from State of California					
Department of Public Health:					
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)					
	19-10173	10.557	NA	9,919,201	3,021,447
Total U.S. Department of Agriculture				<u>9,919,201</u>	<u>3,021,447</u>
Total Expenditures of Federal Awards				<u>\$ 10,319,201</u>	<u>\$ 3,421,447</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Planned Parenthood, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Planned Parenthood.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. DESCRIPTION OF MAJOR PROGRAMS

Planned Parenthood did not provide any federal awards to sub-recipients during the year ended June 30, 2021.

4. INDIRECT COST RATE

Planned Parenthood did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No



Planned Parenthood Orange and San Bernardino Counties, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

<b>Finding number:</b>	<b>2021-001</b>
Criteria:	Patient accounts receivable and associated patient service revenues should be recorded at estimated net realizable value after consideration of all required contractual allowances and bad debt allowances.
Condition:	The patient accounts receivable collection analysis performed for the June 30, 2020 year-end was missing certain accounts receivable overpayments and contractual allowance adjustments.
Cause:	The information used to estimate net patient receivables was incomplete and contained errors.
Effect or potential effect:	The June 30, 2020 financial statements were restated to reflect the revised patient accounts receivable and patient service revenue balances. The restatement was a decrease to both patient accounts receivable and patient service revenues in the amount of \$1,223,956 for the year ended June 30, 2020.
Recommendation:	Management's process for the month-end valuation of patient receivables and associated revenues is complex and takes into consideration various analysis such as the calculation of historical collection percentages to be used for contractual adjustments and analysis of cash collections by month of service. We recommend that management incorporate a look-back analysis periodically, or at a minimum after the fiscal year-end, to determine that the contractual analysis performed on patient receivables is still reasonable after taking into account the most recent cash collection and updated historical collection activity. We understand that such adjustments to contractual and bad debt allowances are adjusted during each month-end review of patient receivables. This look-back analysis would be to assess the impact on the patient receivable balance as of a point in time, such as at the fiscal year-end.
View of responsible officials:	During the fiscal year 2020-2021, we developed new procedures to ensure various data points were complete and inclusive of all claims data. Due to this process, we found errors in FY 2020 and restated the receivables and revenue for FY 2020. In addition, in fiscal year 2022, we are engaging outside consultants to review the entire patient receivable workflow assessment, and EMR assessment and optimization projects.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Planned Parenthood Orange and San Bernardino Counties, Inc.  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

There were no prior year findings.