



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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

(with Comparative Totals for 2017)

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Planned Parenthood of Northern New England, Inc. and Related Entities (PPNNE), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPNNE as of December 31, 2018, and the consolidated results of their operations, changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited PPNNE's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2018 PPNNE adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019 on our consideration of PPNNE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 PPNNE'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 PPNNE's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
April 29, 2019
Registration No. 92-0000278

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

Consolidated Statement of Financial Position

December 31, 2018
(With Comparative Totals for December 31, 2017)

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Current assets				
Cash	\$ 6,640,427	\$ 992,859	\$ 7,633,286	\$ 6,773,987
Accounts receivable, net	1,634,820	-	1,634,820	1,709,090
Contributions receivable, net	729,319	18,977	748,296	1,031,221
Other	<u>1,008,001</u>	<u>-</u>	<u>1,008,001</u>	<u>1,012,490</u>
Total current assets	<u>10,012,567</u>	<u>1,011,836</u>	<u>11,024,403</u>	<u>10,526,788</u>
Property and equipment				
Land	35,657	-	35,657	54,157
Buildings	2,598,747	-	2,598,747	3,030,500
Leasehold improvements	4,977,416	-	4,977,416	4,895,538
Furniture, fixtures and equipment	3,328,301	-	3,328,301	3,305,532
Construction-in-progress	<u>825,028</u>	<u>-</u>	<u>825,028</u>	<u>119,308</u>
	11,765,149	-	11,765,149	11,405,035
Less accumulated depreciation and amortization	<u>(7,450,912)</u>	<u>-</u>	<u>(7,450,912)</u>	<u>(7,119,176)</u>
Property and equipment, net	<u>4,314,237</u>	<u>-</u>	<u>4,314,237</u>	<u>4,285,859</u>
Other assets				
Contributions receivable, net of current portion	-	65,907	65,907	23,378
Long-term investments	3,317,766	1,263,577	4,581,343	4,847,426
Other	<u>174,752</u>	<u>405,916</u>	<u>580,668</u>	<u>862,167</u>
Total other assets	<u>3,492,518</u>	<u>1,735,400</u>	<u>5,227,918</u>	<u>5,732,971</u>
Total assets	<u>\$ 17,819,322</u>	<u>\$ 2,747,236</u>	<u>\$20,566,558</u>	<u>\$20,545,618</u>

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

LIABILITIES AND NET ASSETS

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2018</u> <u>Total</u>	2017 <u>Total</u>
Current liabilities				
Current portion of long-term debt	\$ 10,500	\$ -	\$ 10,500	\$ 10,000
Accounts payable and accrued expenses	869,081	-	869,081	997,307
Accrued salaries and benefits	869,502	-	869,502	768,663
Other	<u>1,179,831</u>	<u>-</u>	<u>1,179,831</u>	<u>1,022,678</u>
Total current liabilities	2,928,914	-	2,928,914	2,798,648
Long-term debt, net of current portion	<u>249,511</u>	<u>-</u>	<u>249,511</u>	<u>259,767</u>
Total liabilities	<u>3,178,425</u>	<u>-</u>	<u>3,178,425</u>	<u>3,058,415</u>
Net assets				
Without donor restrictions	14,640,897	-	14,640,897	13,358,214
With donor restrictions	<u>-</u>	<u>2,747,236</u>	<u>2,747,236</u>	<u>4,128,989</u>
Total net assets	<u>14,640,897</u>	<u>2,747,236</u>	<u>17,388,133</u>	<u>17,487,203</u>
 Total liabilities and net assets	 <u>\$ 17,819,322</u>	 <u>\$ 2,747,236</u>	 <u>\$20,566,558</u>	 <u>\$20,545,618</u>

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

Consolidated Statement of Activities

**Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Operating revenue and support				
Gross patient service revenue	\$ 38,805,985	\$ -	\$ 38,805,985	\$ 38,236,910
Less contractual allowances and discounts	<u>24,084,403</u>	<u>-</u>	<u>24,084,403</u>	<u>23,211,638</u>
Patient service revenue (net of contractual allowances and discounts)	14,721,582	-	14,721,582	15,025,272
Less provision for bad debts	<u>763,092</u>	<u>-</u>	<u>763,092</u>	<u>704,552</u>
Net patient service revenue	13,958,490	-	13,958,490	14,320,720
Grants and contracts	3,891,495	-	3,891,495	3,559,538
Contributions and bequests	6,485,997	238,886	6,724,883	7,328,059
Other	<u>582,993</u>	<u>54,181</u>	<u>637,174</u>	<u>548,258</u>
	24,918,975	293,067	25,212,042	25,756,575
Net assets released from restrictions	<u>973,380</u>	<u>(973,380)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>25,892,355</u>	<u>(680,313)</u>	<u>25,212,042</u>	<u>25,756,575</u>
Operating expenses				
Program services				
Direct patient services	17,791,280	-	17,791,280	16,432,626
Education and outreach	188,070	-	188,070	132,052
Public policy	2,323,732	-	2,323,732	1,626,944
Marketing and communication	<u>278,696</u>	<u>-</u>	<u>278,696</u>	<u>209,744</u>
Total program services	<u>20,581,778</u>	<u>-</u>	<u>20,581,778</u>	<u>18,401,366</u>
Support services				
General and administrative	2,815,511	-	2,815,511	2,585,306
Fundraising	<u>1,389,606</u>	<u>-</u>	<u>1,389,606</u>	<u>1,165,984</u>
Total support services	<u>4,205,117</u>	<u>-</u>	<u>4,205,117</u>	<u>3,751,290</u>
Total expenses	<u>24,786,895</u>	<u>-</u>	<u>24,786,895</u>	<u>22,152,656</u>
Change in net assets from operations	<u>1,105,460</u>	<u>(680,313)</u>	<u>425,147</u>	<u>3,603,919</u>
Other changes				
Non-operating investment (loss) gain	(349,920)	(174,297)	(524,217)	396,807
Contributions	-	-	-	15,080
Net assets released from restrictions	<u>527,143</u>	<u>(527,143)</u>	<u>-</u>	<u>-</u>
Total other changes	<u>177,223</u>	<u>(701,440)</u>	<u>(524,217)</u>	<u>411,887</u>
Change in net assets	1,282,683	(1,381,753)	(99,070)	4,015,806
Net assets, beginning of year	<u>13,358,214</u>	<u>4,128,989</u>	<u>17,487,203</u>	<u>13,471,397</u>
Net assets, end of year	<u>\$ 14,640,897</u>	<u>\$ 2,747,236</u>	<u>\$ 17,388,133</u>	<u>\$ 17,487,203</u>

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

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

Consolidated Statement of Functional Expenses

**Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)**

	Direct Patient Services	Education and Outreach	Public Policy	Marketing and Communication	Total Program Services	General and Administrative	Fundraising	Total Support Services	2018 Total	2017 Total
Payroll and related costs	\$ 10,739,362	\$ 144,921	\$ 1,192,623	\$ 103,716	\$ 12,180,622	\$ 1,595,257	\$ 1,020,507	\$ 2,615,764	\$ 14,796,386	\$13,122,084
Contraceptive supplies	1,954,567	51	-	-	1,954,618	-	-	-	1,954,618	2,068,450
Outside laboratory fees	477,267	-	-	-	477,267	-	-	-	477,267	516,341
Occupancy costs	1,799,342	13,596	138,631	10,091	1,961,660	145,268	55,336	200,604	2,162,264	1,989,820
Medical supplies	697,400	30	-	-	697,430	-	-	-	697,430	701,247
Professional services	584,905	63	201,050	75	786,093	595,646	40,833	636,479	1,422,572	995,742
Advertising	-	-	198,199	122,912	321,111	11,391	350	11,741	332,852	213,782
Insurance and taxes	222,969	248	2,734	145	226,096	12,302	1,008	13,310	239,406	233,984
Printing and postage	58,622	2,912	5,196	37,075	103,805	4,380	66,296	70,676	174,481	190,217
Dues and materials	56,731	4,401	168,522	-	229,654	9,767	2,510	12,277	241,931	175,683
Interest expense	13,096	-	-	-	13,096	-	-	-	13,096	24,685
Other	<u>521,893</u>	<u>21,727</u>	<u>388,291</u>	<u>4,682</u>	<u>936,593</u>	<u>318,556</u>	<u>188,204</u>	<u>506,760</u>	<u>1,443,353</u>	<u>1,165,348</u>
Total expenses before depreciation and amortization	17,126,154	187,949	2,295,246	278,696	19,888,045	2,692,567	1,375,044	4,067,611	23,955,656	21,397,383
Depreciation and amortization	<u>665,126</u>	<u>121</u>	<u>28,486</u>	<u>-</u>	<u>693,733</u>	<u>122,944</u>	<u>14,562</u>	<u>137,506</u>	<u>831,239</u>	<u>755,273</u>
Total expenses	<u>\$ 17,791,280</u>	<u>\$ 188,070</u>	<u>\$ 2,323,732</u>	<u>\$ 278,696</u>	<u>\$ 20,581,778</u>	<u>\$ 2,815,511</u>	<u>\$ 1,389,606</u>	<u>\$ 4,205,117</u>	<u>\$ 24,786,895</u>	<u>\$22,152,656</u>

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

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

Consolidated Statement of Cash Flows

**Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (99,070)	\$ 4,015,806
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	831,239	755,273
Provision for bad debts	763,092	704,552
Revenue from contributed securities	(692,102)	(1,457,623)
Proceeds of contributed securities	692,102	1,457,623
Unrealized/realized loss (gain) on investments	584,446	(433,390)
Contributions restricted to long-term purposes	-	(15,080)
Change in value of beneficial interest in trusts	95,944	(241,753)
Gain on disposal of property and equipment	(223,785)	-
(Increase) decrease in		
Accounts receivable	(688,822)	(1,126,863)
Contributions receivable	210,631	373,508
Other current assets	4,489	(168,065)
Other long-term assets	185,555	55,864
(Decrease) increase in		
Accounts payable and accrued expenses	(339,709)	431,401
Accrued salaries and benefits	100,839	31,414
Other current liabilities	<u>157,153</u>	<u>143,075</u>
Net cash provided by operating activities	<u>1,582,002</u>	<u>4,525,742</u>
Cash flows from investing activities		
Purchases of property and equipment	(746,831)	(461,501)
Proceeds from sale of property and equipment	322,482	-
Proceeds from sale of investments	312,677	1,122,100
Purchases of investments	<u>(631,040)</u>	<u>(1,087,593)</u>
Net cash used by investing activities	<u>(742,712)</u>	<u>(426,994)</u>
Cash flows from financing activities		
Contributions received for long-term purposes	29,765	48,202
Principal payments on long-term debt	<u>(9,756)</u>	<u>(411,063)</u>
Net cash provided (used) by financing activities	<u>20,009</u>	<u>(362,861)</u>
Net increase in cash	859,299	3,735,887
Cash, beginning of year	<u>6,773,987</u>	<u>3,038,100</u>
Cash, end of year	\$ <u>7,633,286</u>	\$ <u>6,773,987</u>
Supplemental disclosure:		
Noncash investing and financing transactions		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ <u>211,483</u>	\$ <u>-</u>

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

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

Nature of Activities

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

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

Operations and balances of Planned Parenthood Vermont Action Fund, Inc., Planned Parenthood Maine Action Fund, Inc. and Planned Parenthood New Hampshire Action Fund, Inc. (collectively known as the Action Funds) are considered immaterial to PPNNE, but are included in the accompanying consolidated financial statements.

1. Summary of Significant Accounting Policies

New Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new ASU, net asset reporting is streamlined and clarified. The previous three category classification of net assets is replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property and equipment has also been simplified and clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The ASU also imposes several new requirements related to reporting expenses. The ASU is effective for PPNNE for the year ended December 31, 2018.

In July 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958). The ASU was issued to clarify and improve the accounting guidance for contributions received and contributions made. The ASU is effective for annual periods beginning after December 15, 2018. PPNNE is evaluating the impact that ASU No. 2018-08 will have on its consolidated financial statements and related disclosures.

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which PPNNE expects to be entitled in exchange for those goods and services. ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (U.S. GAAP) when it becomes effective. ASU No. 2014-09 is effective for the PPNNE's fiscal year ending December 31, 2019. ASU No. 2014-09 permits the use of either the retrospective or cumulative effect transition method. PPNNE is evaluating the impact that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures.

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

Principles of Consolidation

The consolidated financial statements include the accounts of PPNNE and the Action Funds. The Action Funds are consolidated since PPNNE has both an economic interest in the Action Funds and control of the Action Funds through a majority voting interest in their governing boards. All material interorganizational transactions have been eliminated.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with PPNNE's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

Basis of Statement Presentation

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

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

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

Promises to Give

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

Income Taxes

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

Cash

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

Accounts Receivable

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

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

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

The allowance for uncollectible accounts was \$930,000 and \$758,000 at December 31, 2018 and 2017, respectively. During 2018 and 2017, net write-offs of self-pay accounts were approximately \$587,000 and \$552,000, respectively. An increase in the self-pay accounts receivable balances led management to increase the allowance for uncollectible accounts by \$172,000.

Property and Equipment

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

At December 31, 2018, PPNNE was in the process of renovating its Manchester, New Hampshire and Brattleboro, Vermont locations. As of December 31, 2018, PPNNE had incurred costs of approximately \$790,000. Renovations for Brattleboro, Vermont were completed in January 2019 and renovations for Manchester, New Hampshire are expected to be completed in July 2019. The estimated total cost of these projects of \$1,300,000 is being funded through restricted donations from a capital campaign.

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

Investments

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

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

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

Change in Net Assets from Operations

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

Net Patient Service Revenue

PPNNE has agreements with third-party payors that provide for payments at amounts different from their established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. For the years ended December 31, 2018 and 2017, net patient service revenue was reduced by \$14,787,881 and \$14,392,653, respectively, as a result of third-party contractual allowances and other adjustments.

The net patient service revenue percentage by third-party payors and patients for the years ended December 31 was as follows:

	<u>2018</u>	<u>2017</u>
Commercial	66%	68%
Medicare and Medicaid	21	20
Private pay	<u>13</u>	<u>12</u>
	<u>100%</u>	<u>100%</u>

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Charity Care

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

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

	<u>2018</u>	<u>2017</u>
Charges foregone, based on established rates	\$ <u>8,311,036</u>	\$ <u>8,070,504</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>5,344,000</u>	\$ <u>4,692,000</u>
Equivalent percentage of charity care charges to patient charges	<u>21.56%</u>	<u>21.18%</u>

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

Functional Allocation of Expenses

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

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, PPNNE has considered transactions or events occurring through April 29, 2019, which was the date that the consolidated financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the consolidated financial statements.

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2. Liquidity and Availability of Financial Assets

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

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

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

PPNNE had working capital less assets with restrictions of \$5,702,124 and \$5,304,437 at December 31, 2018 and 2017, respectively. PPNNE had average days (based on normal expenditures) cash and unrestricted investments on hand of 152 and 143 at December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, the following financial assets could readily be available within one year of the statement of financial position date to meet general expenditure:

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash	\$ 7,633,286	\$ 6,773,987
Accounts receivable, net	1,634,820	1,709,090
Contributions receivable, net	748,296	1,031,221
Grants receivable due in one year or less for operations	397,655	409,384
Investments without board-designation or donor-restrictions	443,433	550,315
Expected appropriation of donor-restricted endowed funds for use over the next 12 months	55,063	54,181
Expected appropriation of board-designated endowed funds for use over the next 12 months	<u>133,360</u>	<u>129,895</u>
Total financial assets	<u>11,045,913</u>	<u>10,658,073</u>
Assets with restrictions		
Board-designated cash for capital acquisitions	(1,642,881)	(1,167,776)
Donor-restricted cash for capital acquisitions	(750,484)	(1,247,627)
Donor-restricted cash for endowment	<u>-</u>	<u>(8,300)</u>
Total assets with restrictions	<u>(2,393,365)</u>	<u>(2,423,703)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,652,548</u>	<u>\$ 8,234,370</u>

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

PPNNE also has a line of credit available to meet short-term needs, as disclosed in Note 7.

3. Accounts Receivable

Accounts receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Patient accounts receivable	\$ 3,514,820	\$ 3,339,090
Less allowance for contractual adjustments	(950,000)	(872,000)
Less allowance for uncollectible accounts	<u>(930,000)</u>	<u>(758,000)</u>
	<u>\$ 1,634,820</u>	<u>\$ 1,709,090</u>

4. Contributions Receivable

Contributions receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Contributions for		
Operating purposes	\$ 755,098	\$ 861,850
Operating purposes, time restriction	65,000	170,000
Capital projects	<u>1,000</u>	<u>32,000</u>
Contributions receivable, gross	821,098	1,063,850
Less allowance for uncollectible contributions and unamortized discounts of approximately 2% at December 31, 2018 and 2017	<u>(6,895)</u>	<u>(9,251)</u>
Contributions receivable, net	814,203	1,054,599
Less contributions receivable, current portion	<u>748,296</u>	<u>1,031,221</u>
Contributions receivable, net of current portion	<u>\$ 65,907</u>	<u>\$ 23,378</u>

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Contributions are due as follows at December 31:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 750,458	\$ 1,038,846
One to five years	<u>70,640</u>	<u>25,004</u>
Contributions receivable, gross	<u>\$ 821,098</u>	<u>\$ 1,063,850</u>

5. Beneficial Interest in Trusts

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

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

The beneficial interest in these trusts is calculated based on the present value of the underlying assets using the beneficiaries' life expectancies and a 2.56% and 2.16% discount rate in 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Charitable gift annuities	\$ 78,778	\$ 112,553
Charitable remainder unitrusts	<u>327,138</u>	<u>573,268</u>
	<u>\$ 405,916</u>	<u>\$ 685,821</u>

6. Investments

The market value of the investments is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 195,052	\$ 94,371
Mutual funds	4,028,205	4,415,409
Exchange traded funds	<u>358,086</u>	<u>337,646</u>
	<u>\$ 4,581,343</u>	<u>\$ 4,847,426</u>

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Investment income (loss) is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 268,862	\$ 170,639
Realized gain	12,976	16,778
Unrealized (loss) gain	(597,422)	416,612
Investment fees	<u>(24,557)</u>	<u>(25,222)</u>
	<u>\$ (340,141)</u>	<u>\$ 578,807</u>

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

	<u>2018</u>	<u>2017</u>
Operating investment income	\$ 184,076	\$ 182,000
Non-operating investment (loss) income	<u>(524,217)</u>	<u>396,807</u>
	<u>\$ (340,141)</u>	<u>\$ 578,807</u>

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

7. Line of Credit

PPNNE has a \$1,500,000 line of credit agreement at People's United Bank. The line of credit bears interest at the Wall Street Journal prime rate, subject to a floor (5.50% at December 31, 2018). The agreement expires August 1, 2019. Under the terms of the agreement, investments without donor restrictions not to exceed \$2,300,000, margined at 70% and subject to securities mix and bond rates, as well as 70% of PPNNE's pledged endowment account plus eligible accounts receivable aged 90 days and less, are pledged as collateral. There was no outstanding balance on the line of credit as of December 31, 2018 and 2017.

In connection with the line of credit agreement, PPNNE is required to maintain a debt service coverage ratio of 1.2-to-1. PPNNE was in compliance with this ratio for the year ended December 31, 2018.

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8. Long-Term Debt

Long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Mortgage note payable to People's United Bank, with monthly installments due of \$1,904, including interest at 4.87%, through September 2025, with a balloon payment for the remaining balance due at maturity, collateralized by buildings.	\$ 260,011	\$ 269,767
Less current portion	<u>10,500</u>	<u>10,000</u>
Long-term debt, excluding current portion	<u>\$ 249,511</u>	<u>\$ 259,767</u>

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

2019	\$ 10,500
2020	11,000
2021	11,500
2022	12,000
2023	12,500
Thereafter	<u>202,511</u>
	<u>\$ 260,011</u>

Cash paid for interest approximates interest expense for the years ended December 31, 2018 and 2017.

Under the terms of People's United mortgage note agreement, PPNNE is required to maintain financial covenants, which were met as of December 31, 2018 and 2017.

9. Operating Leases

PPNNE rents certain facilities and leases office equipment from third-parties under agreements reflected as operating leases. The total facility rent expense was \$1,223,186 and \$1,120,768 in 2018 and 2017, respectively. Total equipment lease expense was \$43,315 and \$48,010 in 2018 and 2017, respectively.

Future minimum lease commitments are approximately as follows:

2019	\$ 949,000
2020	889,000
2021	668,000
2022	410,000
2023	342,000
Thereafter	<u>709,000</u>
	<u>\$ 3,967,000</u>

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Rental income relating to subleases under these leases was \$12,700 and \$17,100 in 2018 and 2017, respectively.

10. Commitments and Contingencies

Grants and Contracts

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

Risk Management

PPNNE maintains medical malpractice insurance coverage on a claims-made basis. PPNNE is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP requires PPNNE to accrue the ultimate cost of malpractice claims when the indicant that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. PPNNE has evaluated its exposure to losses arising from potential claims and determined no such accrual is necessary for the years ended December 31, 2018 and 2017. PPNNE intends to renew coverage on a claims-made basis and anticipates coverage will be available in future periods.

Litigation

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

11. Net Assets

Net assets without donor restrictions were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 11,766,564	\$ 10,485,456
Board-designated endowment funds	<u>2,874,333</u>	<u>2,872,758</u>
	<u>\$ 14,640,897</u>	<u>\$ 13,358,214</u>

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

	<u>2018</u>	<u>2017</u>
Funds maintained in perpetuity:		
Key to the Future Fund, income unrestricted	\$ 944,717	\$ 944,717
Laura Fund, income unrestricted	130,429	130,429
The David Wagner Fund, income restricted	50,559	50,559
Maine endowment, income unrestricted	76,209	76,209
Other endowment funds, income unrestricted	<u>113,284</u>	<u>113,284</u>
Total funds maintained in perpetuity	<u>1,315,198</u>	<u>1,315,198</u>
Funds maintained with donor restrictions temporary in nature		
Accumulated (loss) earnings on funds maintained in perpetuity	\$ (51,622)	\$ 117,455
Planned Gifts	405,916	685,821
Laura Fund	51,571	80,014
Other programs	210,689	432,575
Time restriction	65,000	220,299
Capital projects	<u>750,484</u>	<u>1,277,627</u>
Total funds maintained with donor restrictions temporary in nature	<u>1,432,038</u>	<u>2,813,791</u>
Total net assets with donor restrictions	<u>\$ 2,747,236</u>	<u>\$ 4,128,989</u>

Net assets released from restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Operating purpose or time restrictions accomplished		
PPFA - planned gifts	\$ 183,961	\$ -
Laura Fund	124,699	35,341
Cancer Screening Access Fund	18,718	19,079
CAPS Grant	50,000	58,826
Restricted to other programs	31,488	9,120
Time restrictions met	<u>564,514</u>	<u>1,064,240</u>
	<u>\$ 973,380</u>	<u>\$ 1,186,606</u>
Nonoperating purpose restrictions accomplished		
Acquisition of long-term assets	<u>\$ 527,143</u>	<u>\$ 49,460</u>

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12. Endowments

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

Interpretation of Relevant Law

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

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

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

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Endowment Composition and Changes in Endowment

The endowment net assets composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,263,576	\$ 1,263,576
Board-designated endowment funds	<u>2,874,333</u>	<u>-</u>	<u>2,874,333</u>
Total funds	<u>\$ 2,874,333</u>	<u>\$ 1,263,576</u>	<u>\$ 4,137,909</u>

The changes in endowment net assets for the year ended December 31, 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ 2,872,758	\$ 1,432,653	\$ 4,305,411
Investment return			
Investment income	136,653	55,072	191,725
Net depreciation	<u>(414,479)</u>	<u>(169,968)</u>	<u>(584,447)</u>
Total investment loss	(277,826)	(114,896)	(392,722)
Contributions	1,575	-	1,575
Transfers from undesignated net assets	407,721	-	407,721
Endowment assets appropriated for expenditure	<u>(129,895)</u>	<u>(54,181)</u>	<u>(184,076)</u>
Endowment net assets, December 31, 2018	<u>\$ 2,874,333</u>	<u>\$ 1,263,576</u>	<u>\$ 4,137,909</u>

The endowment net assets composition by type of fund as of December 31, 2017 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,432,653	\$ 1,432,653
Board-designated endowment funds	<u>2,872,758</u>	<u>-</u>	<u>2,872,758</u>
Total funds	<u>\$ 2,872,758</u>	<u>\$ 1,432,653</u>	<u>\$ 4,305,411</u>

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The changes in endowment net assets for the year ended December 31, 2017 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 2,737,758	\$ 1,300,677	\$ 4,038,435
Investment return			
Investment income	30,162	40,429	70,591
Net appreciation	<u>98,515</u>	<u>129,790</u>	<u>228,305</u>
Total investment return	128,677	170,219	298,896
Contributions	135,000	15,080	150,080
Endowment assets appropriated for expenditure	<u>(128,677)</u>	<u>(53,323)</u>	<u>(182,000)</u>
Endowment net assets, December 31, 2017	<u>\$ 2,872,758</u>	<u>\$ 1,432,653</u>	<u>\$ 4,305,411</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires PPNNE to retain as a fund of perpetual duration. Deficiencies of this nature exist in 4 donor-restricted endowment funds, which together have an original gift value of \$1,264,640, a current fair value of \$1,212,005, and an accumulated deficiency of \$52,635 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no deficiencies of this nature as of December 31, 2017.

Return Objectives and Risk Parameters

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

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Strategies Employed for Achieving Objectives

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

Spending Policy

PPNNE's investment policy states that spendable investment income will be calculated as 4% of the average endowment portfolio value based on the portfolio market value at the end of the most recent 12 quarters. Appropriations and withdrawals in excess of this policy must be approved by the Board of Trustees. Under this policy, PPNNE appropriated for distribution \$184,076 and \$182,000 for operating purposes for the years ended December 31, 2018 and 2017, respectively, which are included in other operating revenue and support in the consolidated statement of activities. Earnings on board-designated endowment funds in excess of appropriations are available for operations and are reported as investment return without donor restrictions.

13. Fair Value Measurements

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

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

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

	<u>Fair Value Measurements at December 31, 2018</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 195,052	\$ 195,052	\$ -	\$ -
Mutual funds	4,028,205	4,028,205	-	-
Exchange traded funds	358,086	358,086	-	-
Investments	<u>\$ 4,581,343</u>	<u>\$ 4,581,343</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable	<u>\$ 814,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814,203</u>
Charitable gift annuities	\$ 78,778	\$ -	\$ 78,778	\$ -
Charitable remainder unitrusts	327,138	-	327,138	-
Beneficial interest in trusts	<u>\$ 405,916</u>	<u>\$ -</u>	<u>\$ 405,916</u>	<u>\$ -</u>
	<u>Fair Value Measurements at December 31, 2017</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 94,371	\$ 94,371	\$ -	\$ -
Mutual funds	4,415,409	4,415,409	-	-
Exchange traded funds	337,646	337,646	-	-
Investments	<u>\$ 4,847,426</u>	<u>\$ 4,847,426</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable	<u>\$ 1,054,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,599</u>
Charitable gift annuities	\$ 112,553	\$ -	\$ 112,553	\$ -
Charitable remainder unitrusts	573,268	-	573,268	-
Beneficial interest in trusts	<u>\$ 685,821</u>	<u>\$ -</u>	<u>\$ 685,821</u>	<u>\$ -</u>

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2018
(With Comparative Totals for December 31, 2017)

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

	<u>Contributions Receivable</u>
December 31, 2016	\$ 1,461,229
Contributions/additions	1,236,932
Receipts	<u>(1,643,562)</u>
December 31, 2017	1,054,599
Contributions/additions	1,666,355
Receipts	<u>(1,906,751)</u>
December 31, 2018	<u>\$ 814,203</u>