

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

Consolidated Financial Statements

Independent Auditors' Report

March 31, 2016 and 2015



INDEPENDENT AUDITORS' REPORT

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

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Planned Parenthood of Southern New England, Incorporated, and subsidiary ("PPSNE"), which comprise the consolidated statements of financial position as of March 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PPSNE'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 PPSNE'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood of Southern New England, Incorporated and subsidiary as of March 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Whittlesey & Hadley, P.C.*

Hartford, Connecticut  
June 20, 2016

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

Consolidated Statements of Financial Position

March 31, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,896,176	\$ 1,578,800
Current portion marketable securities (Notes 2 and 3)	7,885,659	7,953,477
Accounts receivable, net (Notes 2 and 4)	1,541,694	1,866,512
Grants receivable (Note 5)	1,454,213	1,782,175
Current portion of contributions receivable, net (Note 6)	1,597,841	2,173,353
Inventory (Note 2)	780,191	875,926
Prepays and other current assets	1,564,908	1,017,939
Total current assets	16,720,682	17,248,182
Non-current assets:		
Security deposits	52,363	50,920
Marketable securities, less current portion (Notes 2 and 3)	1,309,547	1,309,547
Contributions receivable, less current portion, net (Note 6)	2,033,296	1,565,323
Fixed assets, net (Notes 2 and 7)	16,562,973	12,899,036
Total non-current assets	19,958,179	15,824,826
Total assets	\$ 36,678,861	\$ 33,073,008
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,455,894	\$ 2,366,697
Due to grant subcontractors	161,576	97,976
Note payable (Note 8)	2,000,000	1,170,000
Total liabilities	4,617,470	3,634,673
Net assets:		
Unrestricted	20,846,386	20,100,182
Temporarily restricted (Note 9)	9,905,458	8,028,606
Permanently restricted	1,309,547	1,309,547
Total net assets	32,061,391	29,438,335
Total liabilities and net assets	\$ 36,678,861	\$ 33,073,008

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

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

Consolidated Statements of Activities

For the years ended March 31, 2016 and 2015

	2016	2015
<b>Change in unrestricted net assets:</b>		
Revenues and support		
Net patient service revenue (Note 10)	\$ 19,136,950	\$ 19,646,313
Provision for bad debts	(700,000)	(832,145)
Net patient service revenue less provision for bad debts	18,436,950	18,814,168
Government grants (Note 5)	5,000,737	5,190,849
Contributions	4,527,684	4,124,319
Investment return designated for current operations	320,196	320,196
Other	2,079,294	838,157
Net assets released from restrictions (Note 9)	1,418,844	1,515,591
Total revenues and support	<u>31,783,705</u>	<u>30,803,280</u>
Expenses		
Program services	24,274,124	24,127,249
Management and general	4,892,040	4,808,739
Development	1,366,636	1,248,933
Total expenses	<u>30,532,800</u>	<u>30,184,921</u>
Revenues and support over expenses before other income/(expenses)	<u>1,250,905</u>	<u>618,359</u>
Other income/(expenses)		
Investment return greater/(less) than amounts designated for current operations	(460,925)	162,227
Interest expense	(43,776)	(17,882)
Loss on disposal of fixed assets	-	(2,089,480)
Total other income/(expenses)	<u>(504,701)</u>	<u>(1,945,135)</u>
Change in unrestricted net assets	<u>746,204</u>	<u>(1,326,776)</u>
<b>Change in temporarily restricted net assets:</b>		
Contributions	3,328,284	1,086,798
Investment income, net of fees	16,283	17,101
Realized and unrealized gains/(losses) on investments	(48,871)	87,496
Net assets released from restrictions (Note 9)	(1,418,844)	(1,515,591)
Change in temporarily restricted net assets	<u>1,876,852</u>	<u>(324,196)</u>
Change in net assets	2,623,056	(1,650,972)
Net assets, beginning of year	<u>29,438,335</u>	<u>31,089,307</u>
Net assets, end of year	<u>\$ 32,061,391</u>	<u>\$ 29,438,335</u>

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

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

**Consolidated Statements of Functional Expenses**

For the years ended March 31, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Development	Totals	Program Services	Management and General	Development	Totals
Salaries	\$ 9,992,972	\$ 2,454,680	\$ 776,799	\$ 13,224,451	\$ 9,424,754	\$ 2,542,515	\$ 707,923	\$ 12,675,192
Employee health and retirement benefits (Note 11)	1,518,124	411,078	119,408	2,048,610	1,436,827	445,124	108,370	1,990,321
Payroll taxes	744,673	192,217	58,850	995,740	697,821	216,027	53,936	967,784
Physicians	604,702	-	-	604,702	626,460	-	-	626,460
Contracted labor	38,237	29,083	-	67,320	36,054	1,423	-	37,477
Total labor and related expenses	12,898,708	3,087,058	955,057	16,940,823	12,221,916	3,205,089	870,229	16,297,234
Occupancy	1,182,213	46,563	16,438	1,245,214	1,280,069	60,666	19,243	1,359,978
Professional fees	246,120	246,609	61,355	554,084	262,705	227,984	73,407	564,096
Patient billing services	1,736,828	-	-	1,736,828	1,741,734	-	-	1,741,734
Contraceptives and medications	2,939,676	-	-	2,939,676	3,135,429	-	-	3,135,429
Laboratory fees	219,145	-	-	219,145	246,530	-	-	246,530
Office expense	338,795	340,072	56,247	735,114	571,312	220,789	61,889	853,990
Other	224,506	357,016	138,836	720,358	222,561	334,556	106,806	663,923
Depreciation	974,640	254,089	23,595	1,252,324	984,962	231,678	23,363	1,240,003
Insurance	299,372	48,703	84	348,159	306,885	57,132	98	364,115
Repairs, maintenance and security	364,035	47,944	14,230	426,209	344,734	45,806	12,363	402,903
Other clinic supplies	826,525	-	-	826,525	764,851	-	-	764,851
Telephone	427,437	85,670	15,705	528,812	463,925	83,604	14,985	562,514
Training and development	21,614	108,039	3,465	133,118	9,730	88,865	2,064	100,659
Outside printing	43,615	91,472	47,267	182,354	33,085	93,682	38,549	165,316
Purchases and rental of minor equipment	152,306	52,217	8,391	212,914	174,718	45,706	8,372	228,796
Public relations and educational material	288,663	79,958	710	369,331	292,954	24,229	504	317,687
Travel	182,666	21,216	14,321	218,203	152,552	32,243	8,850	193,645
Conferences	62,633	25,414	10,935	98,982	71,250	56,710	8,211	136,171
Total expenses before membership payments and payments to contracting agencies	23,429,497	4,892,040	1,366,636	29,688,173	23,281,902	4,808,739	1,248,933	29,339,574
Membership payments to PPFA	332,700	-	-	332,700	313,993	-	-	313,993
Payments to contracting agencies	511,927	-	-	511,927	531,354	-	-	531,354
Total expenses	<u>\$ 24,274,124</u>	<u>\$ 4,892,040</u>	<u>\$ 1,366,636</u>	<u>\$ 30,532,800</u>	<u>\$ 24,127,249</u>	<u>\$ 4,808,739</u>	<u>\$ 1,248,933</u>	<u>\$ 30,184,921</u>

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

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,623,056	\$ (1,650,972)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	1,252,324	1,240,003
Provision for bad debts	700,000	832,145
Loss on disposal of fixed assets	-	2,089,480
Realized and unrealized (gains)/losses on investments	260,746	(493,086)
(Increase)/decrease in assets:		
Accounts receivable	(375,182)	(795,154)
Grants receivable	327,962	(63,961)
Contributions receivable, net	107,539	611,843
Inventory	95,735	(153,940)
Prepays and other current assets	(546,969)	(128,437)
Security deposits	(1,443)	(12,568)
(Increase)/decrease in liabilities:		
Accounts payable and accrued expenses	89,197	396,368
Due to grant subcontractors	63,600	(82,950)
Net change in cash from operating activities	4,596,565	1,788,771
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(4,916,261)	(3,658,414)
Purchases of marketable securities	(234,384)	(139,945)
Proceeds from sale of marketable securities	41,456	94,917
Net change in cash from investing activities	(5,109,189)	(3,703,442)
<b>Cash flows from financing activities:</b>		
Proceeds from note payable	4,600,000	600,000
Payments of note payable	(3,770,000)	-
Net change in cash from financing activities	830,000	600,000
Net change in cash	317,376	(1,314,671)
Cash, beginning of year	1,578,800	2,893,471
Cash, end of year	\$ 1,896,176	\$ 1,578,800
Supplemental information:		
Interest paid	\$ 20,649	\$ 17,882

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

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

Notes to the Consolidated Financial Statements

March 31, 2016 and 2015

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**NOTE 1 - NATURE OF ACTIVITIES**

Nature of Activities

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”). PPSNE reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. PPSNE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are received and spent in the same year are recorded as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that have been restricted by the donor to be maintained in perpetuity by PPSNE are reported as permanently restricted net assets. Unrestricted net assets, temporarily restricted net assets and permanently restricted net assets are described below:

*Unrestricted net assets* - Net assets not subject to donor imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor imposed stipulations that may or will be met by actions of the Association and/or passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that PPSNE maintains permanently. Generally, the donors of these assets permit PPSNE to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Credit Risk

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



## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Marketable Securities

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

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

The spending policy for using endowment funds for operating purposes is intended to grow the real (inflation-adjusted) value of the funds over the long term, emphasizing total return and providing some predictability of future distribution levels. Under this policy, the annual distribution from the funds into PPSNE's operating accounts is based on the needs of PPSNE. However, it is the general policy of PPSNE to budget no more than 6% of the average of the funds' market values for the trailing twelve quarters at the time the withdrawal amount is established. It is the practice of PPSNE to budget not more than 5% of the average of the funds' market values for the trailing twelve quarters.

### Revenue Recognition and Accounts Receivable

PPSNE recognizes revenues in the period in which services are performed. Accounts receivable primarily consist of amounts due from third-party payors and patients. PPSNE's ability to collect outstanding receivables is critical to its results of operations and cash flows. Amounts PPSNE receives for treatment of patients covered by governmental programs such as Medicaid and other third-party payors such as health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and other private insurers are generally less than PPSNE's established billing rates. Based on contractual agreements with each provider, a contractual allowance is netted to each charge based on the difference between PPSNE's published charge rate and the insurance company's contractual reimbursement rate. Additionally, to provide for accounts receivable that could become uncollectible in the future, PPSNE establishes an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in PPSNE's consolidated financial statements are recorded at the net amount expected to be received.

PPSNE provides an allowance for uncollectible accounts based on a review of the current status of existing receivables, historical collection experience, and management's evaluation of the effect of existing economic conditions. Uncollectible receivables are charged to the allowance account.

### Charity Care

Self-pay revenues are derived primarily from patients who do not have any form of healthcare coverage. The revenues associated with self-pay patients are generally reported at PPSNE's gross charges. PPSNE evaluates these patients for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid, or other governmental assistance programs. PPSNE does not report a charity care patient's charges in revenues or in the provision for doubtful accounts, as it is PPSNE's policy not to pursue collection of amounts related to these patients.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventory

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

### Fixed Assets

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

### Federal and State Income Taxes

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

### Use of Estimates

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

### Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statement presentation to correspond to the current year’s format. Total net assets and change in net assets are unchanged due to these reclassifications.

### Subsequent Events

PPSNE monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its consolidated financial statements for the fiscal year ended March 31, 2016 through June 20, 2016, the date on which the consolidated financial statements were available to be issued.

### NOTE 3 - MARKETABLE SECURITIES

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

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

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

Marketable securities are stated at fair value and are composed of the following as of March 31,:

	2016			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 5,538,893	\$ -	\$ -	\$ 5,538,893
Bond mutual funds	3,262,402	-	-	3,262,402
Money market funds	293,911	-	-	293,911
Preferred stock	-	-	100,000	100,000
	<u>\$ 9,095,206</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 9,195,206</u>
	2015			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 6,164,136	\$ -	\$ -	\$ 6,164,136
Bond mutual funds	2,818,752	-	-	2,818,752
Money market funds	180,136	-	-	180,136
Preferred stock	-	-	100,000	100,000
	<u>\$ 9,163,024</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 9,263,024</u>

**NOTE 3 - MARKETABLE SECURITIES (CONTINUED)**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investments, April 1, 2014	\$ 7,103,480	\$ 311,878	\$ 1,309,547	\$ 8,724,905
Interest and dividends	114,358	25,587	-	139,945
Investment fees	(37,529)	(8,486)	-	(46,015)
Net appreciation	405,595	87,496	-	493,091
Appropriations	-	(48,902)	-	(48,902)
Investments, March 31, 2015	7,585,904	367,573	1,309,547	9,263,024
Interest and dividends	105,299	23,586	-	128,885
Investment fees	(34,153)	(7,303)	-	(41,456)
Net depreciation	(211,875)	(48,871)	-	(260,746)
Contributions	105,499	-	-	105,499
Investments, March 31, 2016	<u>\$ 7,550,674</u>	<u>\$ 334,985</u>	<u>\$ 1,309,547</u>	<u>\$ 9,195,206</u>

**NOTE 4 - ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following as of March 31,:

	2016	2015
Insurance	\$ 3,685,520	\$ 3,213,561
Medicaid	2,106,064	1,650,197
Private pay	1,580,595	914,327
	<u>7,372,179</u>	<u>5,778,085</u>
Less: contractual allowance	(4,728,286)	(3,087,326)
	<u>2,643,893</u>	<u>2,690,759</u>
Less: allowance for doubtful accounts	(1,102,199)	(824,247)
	<u>\$ 1,541,694</u>	<u>\$ 1,866,512</u>

**NOTE 5 - GRANTS RECEIVABLE AND GOVERNMENT GRANT REVENUE**

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

	2016		2015	
	Grants Receivable	Grant Revenue	Grants Receivable	Grant Revenue
Federal grants	\$ 1,031,760	\$ 3,916,815	\$ 1,314,738	\$ 4,059,798
State grants	422,453	1,083,922	467,437	1,131,051
Federal and State grants	<u>\$ 1,454,213</u>	<u>\$ 5,000,737</u>	<u>\$ 1,782,175</u>	<u>\$ 5,190,849</u>

**NOTE 6 - CONTRIBUTIONS RECEIVABLE**

	<u>2016</u>	<u>2015</u>
Contributions receivable consist of unconditional promises to give that are expected to be collected within one to five years.	\$ 3,008,109	\$ 3,184,742

PPSNE is the beneficiary of several charitable remainder unitrusts for which PPSNE is not the trustee. The charitable remainder unitrusts are recorded as contributions receivable on the Consolidated Statements of Financial Position. PPSNE has recorded the present value of the estimated future benefits to be received. The values as of March 31, 2016 and 2015 were calculated based upon the annuitants' life expectancies; current assets adjusted for 1.78% and 1.96% return on investments and inflation rate of 0% for both years; and expected future distributions present valued with a discounted rate of 3.25%. Yearly, the assumptions are assessed and the receivables are adjusted for any changes.

	<u>623,028</u>	<u>553,934</u>
Total	3,631,137	3,738,676
Less: current portion of contributions receivable	<u>(1,597,841)</u>	<u>(2,173,353)</u>
Contributions receivable, less current portion	<u><u>\$ 2,033,296</u></u>	<u><u>\$ 1,565,323</u></u>

Unconditional contributions receivable as of March 31, 2016 and 2015 are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 1,597,841	\$ 2,173,353
Receivable in one to five years	2,087,216	960,502
Receivable in more than five years	<u>55,000</u>	<u>723,008</u>
	3,740,057	3,856,863
Less: five year treasury bond discount to net present value (1.22% and 1.37% for 2016 and 2015, respectively)	(77,746)	(86,928)
Allowance for doubtful accounts	<u>(31,174)</u>	<u>(31,259)</u>
Net contribution receivable	<u><u>\$ 3,631,137</u></u>	<u><u>\$ 3,738,676</u></u>

**NOTE 7 - FIXED ASSETS, NET**

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

	<u>2016</u>	<u>2015</u>
Land	\$ 2,235,521	\$ 1,877,471
Buildings	13,077,791	11,945,988
Equipment	8,063,561	7,249,279
Leasehold improvements	4,912,727	2,440,927
	<u>28,289,600</u>	<u>23,513,665</u>
Less: accumulated depreciation	<u>(11,726,627)</u>	<u>(10,614,629)</u>
	<u>\$ 16,562,973</u>	<u>\$ 12,899,036</u>

During the 2015 fiscal year, management elected to replace their medical records system. Management estimated the remaining useful life of the current medical record system to be five months as of March 31, 2015. At March 31, 2015, fixed assets totaling \$2,839,744, with accumulated depreciation of \$631,692 for a net carrying value of \$2,208,052, were disposed in fiscal year 2016. For the year ended March 31, 2015, \$2,089,480 was recorded as a loss on disposal of fixed assets on the consolidated statement of activities and the remaining \$123,467 was depreciated over the remaining five months in fiscal year 2016.

**NOTE 8 - FINANCING ARRANGEMENTS**

PPSNE has financing arrangements with a bank for a commercial revolving promissory note and a line of credit. The commercial revolving promissory note (the "Agreement") is for a maximum of \$6,000,000 and has a maturity date of January 23, 2019. Under the Agreement, a portion of PPSNE's investments secure the note. Terms of the Agreement are interest only payable on the last day of each month. The interest rate is equal to the LIBOR rate, 2.19% to the outstanding balance of \$2,000,000 at March 31, 2016. The interest rate on the note was 2.21% on the balance of \$1,170,000 at March 31, 2015.

PPSNE has a line of credit availability of \$1,500,000, secured by the assets of PPSNE. No amounts were borrowed at March 31, 2016 or 2015.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at March 31,:

	<u>2016</u>	<u>2015</u>
Program services	\$ 42,131	\$ 41,671
Time restrictions	644,247	716,740
Major Gifts Campaign	9,219,080	7,270,195
	<u>\$ 9,905,458</u>	<u>\$ 8,028,606</u>

The Board of PPSNE approved a \$22 million Major Gifts Campaign with an anticipated completion date of December 31, 2017. The three component goals of the Campaign include renovating health centers, increasing reserves, and expanding youth programs.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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

	<u>2016</u>	<u>2015</u>
Program services	\$ 7,406	\$ 114,610
Time restrictions	-	114,968
Major Gifts Campaign	<u>1,411,438</u>	<u>1,286,013</u>
	<u>\$ 1,418,844</u>	<u>\$ 1,515,591</u>

**NOTE 10 - NET PATIENT SERVICE REVENUE**

Patient revenue and contraceptive sales are reported at net realizable amounts from patients, third party payers and others for services rendered. The following summarizes net patient revenue and contraceptive sales for the years ended March 31,:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue	\$ 43,400,678	\$ 40,613,312
Less contractual allowances	<u>(24,263,728)</u>	<u>(20,966,999)</u>
Net patient service revenue	<u>\$ 19,136,950</u>	<u>\$ 19,646,313</u>

For the years ended March 31, 2016 and 2015, approximately 52% and 52%, respectively, of net patient revenue were reimbursable under the Medicaid program. Laws and regulations governing the Medicaid program are complex and subject to interpretation. PPSNE believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program. Changes in the Medicaid programs and the reduction of funding levels could have an adverse impact on PPSNE.

PPSNE provides care to patients who meet certain criteria under its income-based sliding fee scale policy without charge or at amounts less than its established rates. The income-based sliding fee scale is based on current federal poverty guidelines. The cost of providing charity care was approximately \$6.0 million and \$5.7 million for the years ended March 31, 2016 and 2015, respectively.

**NOTE 11 - RETIREMENT PLAN**

PPSNE participates in a defined contribution pension plan with PPFA and its affiliates which was established January 1, 1986. This plan covers substantially all employees of PPSNE. Under the terms of this plan, eligible employees may contribute at any time during their employment. In addition, once employees have been employed by PPSNE for at least one year and are at least nineteen years of age, PPSNE will match 100% of a participant's voluntary contribution up to a maximum of 3% of salary plus 50% of the voluntary contribution in excess of 3% salary up to a maximum of 5% of salary. Employees are automatically vested in the matching fund contribution portion of the plan. Retirement plan expense for the years ended March 31, 2016 and 2015 were \$276,291 and \$258,383, respectively.

**NOTE 11 - RETIREMENT PLAN (CONTINUED)**

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

**NOTE 12 - OPERATING LEASES**

PPSNE leases properties, a vehicle and equipment for operation of its clinics. Total lease expense for the years ended March 31, 2016 and 2015 was \$1,080,313 and \$1,162,656, respectively.

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

2017	\$	483,325
2018		300,636
2019		226,092
2020		183,243
2021		187,912

**NOTE 13 - CONTINGENT LIABILITIES**

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

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

**NOTE 14 - COST SETTLEMENT**

PPSNE's contracts with government agencies are subject to audits. Like other agencies, audit reports are completed which recommend that certain awards should be reduced to comply with various government regulations. PPSNE's policy is to negotiate with government agencies and make refunds where appropriate. Liabilities are accrued associated with those matters that are probable and can be reasonably estimated. The most likely settlement amount to be incurred is accrued based upon a range of estimates. Where no amount within a range of estimates is more likely, then the minimum amounts are accrued.