

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

Financial Statements

Independent Auditors' Report

March 31, 2015 and 2014

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

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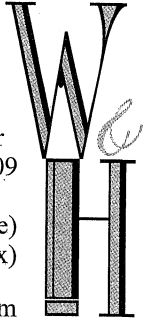
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Planned Parenthood of Southern New England, Incorporated, ("PPSNE"), which comprise the statements of financial position as of March 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PPSNE'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 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 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 PPSNE as of March 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
June 16, 2015

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

Statements of Financial Position

March 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash	\$ 1,950,201	\$ 3,264,872
Current portion marketable securities (Notes 2 and 3)	7,953,477	7,415,363
Accounts receivable, net (Notes 2 and 4)	1,866,512	1,903,503
Grants receivable (Note 5)	1,782,175	1,718,214
Current portion of contributions receivable, net (Note 6)	2,173,353	2,210,228
Inventory (Note 2)	875,926	721,986
Prepays and other current assets	646,538	518,101
Total current assets	17,248,182	17,752,267
Non-current assets:		
Security deposits	50,920	38,352
Marketable securities, less current portion (Notes 2 and 3)	1,309,547	1,309,547
Contributions receivable, less current portion, net (Note 6)	1,565,323	2,140,291
Fixed assets, net (Notes 2 and 7)	12,899,036	12,570,105
Total non-current assets	15,824,826	16,058,295
Total assets	\$ 33,073,008	\$ 33,810,562
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,366,697	\$ 1,970,329
Due to grant subcontractors	97,976	180,926
Note payable (Note 8)	1,170,000	570,000
Total current liabilities	3,634,673	2,721,255
Net assets:		
Unrestricted	20,100,182	21,426,958
Temporarily restricted (Note 9)	8,028,606	8,352,802
Permanently restricted	1,309,547	1,309,547
Total net assets	29,438,335	31,089,307
Total liabilities and net assets	\$ 33,073,008	\$ 33,810,562

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

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

Statements of Activities

For the years ended March 31, 2015 and 2014

	2015	2014
Change in unrestricted net assets:		
Revenues and support		
Net patient service revenue (Note 10)	\$ 19,646,313	\$ 18,733,934
Provision for bad debts	(832,145)	(545,044)
Net patient service revenue less provision for bad debts	18,814,168	18,188,890
Government grants (Note 5)	5,190,849	5,444,224
Contributions	4,124,319	3,545,890
Investment return designated for current operations	320,196	320,196
Other	838,157	880,488
Net assets released from restrictions (Note 9)	1,515,591	1,514,700
Total revenues and support	30,803,280	29,894,388
Expenses		
Program services	24,131,791	23,346,618
Management and general	4,808,739	4,749,112
Development	1,244,391	1,365,672
Total expenses	30,184,921	29,461,402
Revenues and support over expenses before other income/(expenses)	618,359	432,986
Other income/(expenses)		
Investment return greater than amounts designated for current operations	162,227	506,241
Interest	(17,882)	(17,685)
Loss on disposal of fixed assets	(2,089,480)	-
Total other income/(expenses)	(1,945,135)	488,556
Change in unrestricted net assets	(1,326,776)	921,542
Change in temporarily restricted net assets:		
Contributions	1,086,798	3,209,379
Investment income, net of fees	17,101	13,433
Realized and unrealized gains on investments	87,496	195,691
Net assets released from restrictions (Note 9)	(1,515,591)	(1,514,700)
Change in temporarily restricted net assets	(324,196)	1,903,803
Change in net assets	(1,650,972)	2,825,345
Net assets, beginning of year	31,089,307	28,263,962
Net assets, end of year	\$ 29,438,335	\$ 31,089,307

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

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

Statements of Functional Expenses

For the years ended March 31, 2015 and 2014

	2015			2014				
	Program Services	Management and General	Development	Totals	Program Services	Management and General	Development	Totals
Salaries	\$ 9,428,087	\$ 2,542,515	\$ 707,923	\$ 12,678,525	\$ 9,217,128	\$ 2,461,449	\$ 690,171	\$ 12,368,748
Employee health and retirement benefits (Note 11)	1,436,827	445,124	108,370	1,990,321	1,407,211	433,254	108,747	1,949,212
Payroll taxes	697,821	216,027	53,936	967,784	723,636	202,246	56,258	982,140
Physicians	626,460	-	-	626,460	704,493	-	-	704,493
Contracted labor	33,166	1,423	-	34,589	41,850	34,119	-	75,969
Total labor and related expenses	12,222,361	3,205,089	870,229	16,297,679	12,094,318	3,131,068	855,176	16,080,562
Occupancy	1,280,069	60,666	19,243	1,359,978	1,217,793	59,220	18,943	1,295,956
Professional fees	262,373	227,984	73,407	563,764	279,875	324,405	125,039	729,319
Patient billing services	1,741,734	-	-	1,741,734	1,653,378	-	-	1,653,378
Contraceptives and medications	3,135,429	-	-	3,135,429	2,843,352	-	-	2,843,352
Laboratory fees	246,530	-	-	246,530	362,826	213	-	363,039
Office expense	570,769	220,789	61,889	853,447	548,217	237,205	86,256	871,678
Other	222,561	334,556	102,264	659,381	276,005	165,612	117,989	559,606
Depreciation and amortization	984,962	231,678	23,363	1,240,003	899,516	220,654	22,251	1,142,421
Insurance	306,885	57,132	98	364,115	299,000	55,199	-	354,199
Repairs, maintenance and security	344,748	47,755	12,363	404,866	334,977	51,684	10,170	396,831
Other clinic supplies	764,851	-	-	764,851	736,888	10	193	737,091
Telephone	463,925	83,604	14,985	562,514	396,193	94,571	14,445	505,209
Training and development	9,850	88,865	2,130	100,845	10,186	87,492	144	97,822
Outside printing	33,085	93,682	38,549	165,316	26,028	140,112	95,446	261,586
Purchases and rental of minor equipment	175,134	43,757	8,372	227,263	177,036	49,095	6,072	232,203
Public relations and educational material	297,376	24,229	438	322,043	83,323	29,953	1,697	114,973
Travel	168,658	32,243	9,100	210,001	145,640	35,159	9,003	189,802
Conferences	55,144	56,710	7,961	119,815	52,436	67,460	2,848	122,744
Total expenses before membership payments and payments to contracting agencies	23,286,444	4,808,739	1,244,391	29,339,574	22,436,987	4,749,112	1,365,672	28,551,771
Membership payments to PPF A	313,993	-	-	313,993	299,948	-	-	299,948
Payments to contracting agencies	531,354	-	-	531,354	609,683	-	-	609,683
Total expenses	\$ 24,131,791	\$ 4,808,739	\$ 1,244,391	\$ 30,184,921	\$ 23,346,618	\$ 4,749,112	\$ 1,365,672	\$ 29,461,402

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

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

Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (1,650,972)	\$ 2,825,345
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	1,240,003	1,142,421
Provision for bad debts	832,145	545,044
Loss on disposal of fixed assets	2,089,480	-
Realized and unrealized gains on investments	(493,086)	(961,257)
(Increase)/decrease in assets:		
Accounts receivable	(795,154)	(620,406)
Grants receivable	(63,961)	148,617
Contributions receivable, net	611,843	(56,474)
Inventory	(153,940)	(19,313)
Prepays and other current assets	(128,437)	(2,015)
Security deposits	(12,568)	648
(Increase)/decrease in liabilities:		
Accounts payable and accrued expenses	396,368	47,254
Due to grant subcontractors	(82,950)	(22,670)
Net change in cash from operating activities	<u>1,788,771</u>	<u>3,027,194</u>
Cash flows from investing activities:		
Purchase of fixed assets	(3,658,414)	(2,601,305)
Purchases of marketable securities	(139,945)	(165,842)
Proceeds from sale of marketable securities	94,917	122,137
Net change in cash from investing activities	<u>(3,703,442)</u>	<u>(2,645,010)</u>
Cash flows from financing activities:		
Proceeds from/(payments of) note payable	600,000	(250,000)
Net change in cash	(1,314,671)	132,184
Cash, beginning of year	3,264,872	3,132,688
Cash, end of year	<u>\$ 1,950,201</u>	<u>\$ 3,264,872</u>
Supplemental information:		
Interest paid	<u>\$ 17,882</u>	<u>\$ 17,685</u>

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

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

Notes to the Financial Statements

March 31, 2015 and 2014

NOTE 1 - NATURE OF ACTIVITIES

Nature of Activities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”). PPSNE reports information regarding its 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 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.

Credit Risk

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

Marketable Securities

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

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

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

Marketable Securities - (Continued)

The spending policy for using endowment funds for operating purposes is intended to grow the real (inflation-adjusted) value of the funds over the long term, emphasizing total return and providing some predictability of future distribution levels. Under this policy, the annual distribution from the funds into PPSNE's operating accounts is based on the needs of PPSNE. However, it is the general policy of PPSNE to budget no more than six percent 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 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.

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. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected on the statements of activities.

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

Federal and State Income Taxes

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

FASB has issued *Accounting for Uncertainty in Income Taxes* (ASC 740). PPSNE continually evaluates expiring statutes of limitations, proposed settlements, changes to tax law and new authoritative rulings to determine if it has any uncertain tax positions. As of March 31, 2015, PPSNE does not believe it is exposed to any uncertain tax positions. PPSNE's federal informational returns for the years ended March 31, 2012 through 2014 remain open to inspection by the IRS.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the 2014 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 financial statements for the fiscal year ended March 31, 2015 through June 16, 2015, the date on which the 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.

NOTE 3 - MARKETABLE SECURITIES - (CONTINUED)

- 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,:

	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>

	2014			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 5,735,659	\$ -	\$ -	\$ 5,735,659
Bond mutual funds	2,589,907	-	-	2,589,907
Money market funds	299,344	-	-	299,344
Preferred stock	-	-	100,000	100,000
	<u>\$ 8,624,910</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 8,724,910</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investments, April 1, 2013	\$ 6,307,648	\$ 102,754	\$ 1,309,547	\$ 7,719,949
Interest and dividends	97,630	22,212	-	119,842
Investment fees	(36,759)	(8,779)	-	(45,538)
Net appreciation	765,566	195,691	-	961,257
Contributions	46,000	-	-	46,000
Withdrawals	(76,600)	-	-	(76,600)
Investments, March 31, 2014	7,103,485	311,878	1,309,547	8,724,910
Interest and dividends	114,358	25,587	-	139,945
Investment fees	(37,529)	(8,486)	-	(46,015)
Net appreciation	405,590	87,496	-	493,086
Appropriations	-	(48,902)	-	(48,902)
Investments, March 31, 2015	<u>\$ 7,585,904</u>	<u>\$ 367,573</u>	<u>\$ 1,309,547</u>	<u>\$ 9,263,024</u>

NOTE 4 - ACCOUNTS RECEIVABLE, NET

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

	<u>2015</u>	<u>2014</u>
Insurance	\$ 3,213,561	\$ 3,350,224
Medicaid	1,650,197	1,764,119
Private pay	914,327	933,459
	<u>5,778,085</u>	<u>6,047,802</u>
Less: contractual allowance	<u>(3,087,326)</u>	<u>(3,170,893)</u>
	2,690,759	2,876,909
Less: allowance for doubtful accounts	<u>(824,247)</u>	<u>(973,406)</u>
	<u>\$ 1,866,512</u>	<u>\$ 1,903,503</u>

NOTE 5 - GRANTS RECEIVABLE

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,:

	<u>2015</u>		<u>2014</u>	
	<u>Grants Receivable</u>	<u>Grant Revenue</u>	<u>Grants Receivable</u>	<u>Grant Revenue</u>
Federal grants	\$ 1,314,738	\$ 4,059,798	\$ 1,593,896	\$ 4,260,024
State grants	<u>467,437</u>	<u>1,131,051</u>	<u>124,318</u>	<u>1,184,200</u>
Federal and State grants	<u>\$ 1,782,175</u>	<u>\$ 5,190,849</u>	<u>\$ 1,718,214</u>	<u>\$ 5,444,224</u>

NOTE 6 - CONTRIBUTIONS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Contributions receivable consist of unconditional promises to give that are expected to be collected within one to five years.	\$ 3,184,742	\$ 3,932,782

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 Statements of Financial Position. PPSNE has recorded the present value of the estimated future benefits to be received. The value as of March 31, 2015 and 2014 was calculated based upon the annuitants' life expectancies; current assets adjusted for 1.96% and 3.25% return on investments and inflation rate of 0% and 2.9%, respectively; 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>553,934</u>	<u>417,737</u>
Total	3,738,676	4,350,519
Less: current portion of contributions receivable	<u>(2,173,353)</u>	<u>(2,210,228)</u>
Contributions receivable, less current portion	<u>\$ 1,565,323</u>	<u>\$ 2,140,291</u>

Unconditional contributions receivable as of March 31, 2015 and 2014 are expected to be collected as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 2,173,353	\$ 2,210,228
Receivable in one to five years	960,502	1,574,891
Receivable in more than five years	<u>723,008</u>	<u>756,367</u>
	3,856,863	4,541,486
Less: five year treasury bond discount to net present value (1.37% and 1.73% for 2015 and 2014, respectively)	(86,928)	(151,234)
Allowance for doubtful accounts	<u>(31,259)</u>	<u>(39,733)</u>
Net contribution receivable	<u>\$ 3,738,676</u>	<u>\$ 4,350,519</u>

NOTE 7 - FIXED ASSETS, NET

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

	<u>2015</u>	<u>2014</u>
Land	\$ 1,877,471	\$ 686,700
Buildings	11,945,988	10,858,637
Equipment	7,249,279	8,993,500
Leasehold improvements	2,440,927	2,037,604
	<u>23,513,665</u>	<u>22,576,441</u>
Less: accumulated depreciation and amortization	<u>(10,614,629)</u>	<u>(10,006,336)</u>
	<u>\$ 12,899,036</u>	<u>\$ 12,570,105</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. As of March 31, 2015, fixed assets totaling \$2,839,744, with accumulated depreciation of \$631,692 for a net carrying value of \$2,208,052, are to be disposed in fiscal year 2016. As of March 31, 2015, \$2,089,480 was recorded as a loss on disposal of fixed assets on the statements of activities and the remaining \$123,467 will be 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 \$5,000,000 and has a maturity date of October 31, 2015. Under the Agreement, all the assets of PPSNE secure the note. Terms of the Agreement are interest only payable monthly 30 days in arrears. PPSNE has one outstanding note under the Agreement. The interest rate on the note was 2.21% on the balance of \$1,170,000 at March 31, 2015. The interest rate on the note was 2.15% on the balance of \$570,000 at March 31, 2014.

PPSNE has a line of credit availability of \$1,500,000, secured by the assets of PPSNE. No amounts were borrowed at March 31, 2015 or 2014.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Program services	\$ 41,671	\$ 127,805
Time restrictions	716,740	617,913
Major Gifts Campaign	7,270,195	7,607,084
	<u>\$ 8,028,606</u>	<u>\$ 8,352,802</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 to satisfy the restricted purposes specified by the donors for the years ended March 31 as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 114,610	\$ 374,592
Time restrictions	114,968	63,838
Major Gifts Campaign	<u>1,286,013</u>	<u>1,076,270</u>
	<u>\$ 1,515,591</u>	<u>\$ 1,514,700</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 as of March 31,:

	<u>2015</u>	<u>2014</u>
Gross patient service revenue	\$ 40,613,312	\$ 38,815,785
Less contractual allowances	<u>(20,966,999)</u>	<u>(20,081,851)</u>
Net patient service revenue	<u>\$ 19,646,313</u>	<u>\$ 18,733,934</u>

For the years ended March 31, 2015 and 2014, approximately 52% and 49% of net patient revenue were reimbursable under the Medicaid program, respectively. 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 \$5.7 million and \$7.2 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 were \$258,383 and \$249,197, respectively.

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, 2015 and 2014 was \$1,162,656 and \$1,085,510, respectively.

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

2016	\$	785,443
2017		456,090
2018		232,155
2019		148,525
2020		119,209

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.