



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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

(with Comparative Totals for the Six Months Ended June 30, 2020)

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

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

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 June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for 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. 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 PPNNE'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 June 30, 2021, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Other Matter

Report on Summarized Comparative Information

We have previously audited PPNNE's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the six months ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 10, 2021
Registration No. 92-0000278

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

Consolidated Statement of Financial Position

June 30, 2021

(With Comparative Totals for June 30, 2020)

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Current assets				
Cash	\$ 6,060,134	\$ 1,944,439	\$ 8,004,573	\$ 9,814,257
Accounts receivable, net	1,620,934	-	1,620,934	1,332,203
Contributions receivable, net	206,119	435,186	641,305	681,914
Other	<u>886,269</u>	<u>-</u>	<u>886,269</u>	<u>1,612,741</u>
Total current assets	<u>8,773,456</u>	<u>2,379,625</u>	<u>11,153,081</u>	<u>13,441,115</u>
Property and equipment				
Land	35,657	-	35,657	35,657
Buildings	2,747,527	-	2,747,527	2,726,586
Leasehold improvements	7,434,010	-	7,434,010	7,324,312
Furniture, fixtures and equipment	<u>4,017,393</u>	<u>-</u>	<u>4,017,393</u>	<u>3,773,511</u>
	14,234,587	-	14,234,587	13,860,066
Less accumulated depreciation and amortization	<u>(9,910,118)</u>	<u>-</u>	<u>(9,910,118)</u>	<u>(8,853,265)</u>
Property and equipment, net	<u>4,324,469</u>	<u>-</u>	<u>4,324,469</u>	<u>5,006,801</u>
Other assets				
Contributions receivable, net of current portion	-	923,128	923,128	19,324
Long-term investments	4,807,996	1,785,379	6,593,375	5,049,747
Other	<u>125,677</u>	<u>649,523</u>	<u>775,200</u>	<u>664,232</u>
Total other assets	<u>4,933,673</u>	<u>3,358,030</u>	<u>8,291,703</u>	<u>5,733,303</u>
Total assets	<u>\$ 18,031,598</u>	<u>\$ 5,737,655</u>	<u>\$ 23,769,253</u>	<u>\$ 24,181,219</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>	2021 <u>Total</u>	2020 <u>Total</u>
Current liabilities				
Current portion of long-term debt	\$ 11,745	\$ -	\$ 11,745	\$ 11,195
Accounts payable and other current liabilities	1,520,308	-	1,520,308	1,921,933
Accrued salaries and benefits	1,735,534	-	1,735,534	1,703,712
Paycheck Protection Program (PPP) loan	<u>2,717,300</u>	<u>-</u>	<u>2,717,300</u>	<u>2,717,300</u>
Total current liabilities	5,984,887	-	5,984,887	6,354,140
Long-term debt, net of current portion	<u>221,682</u>	<u>-</u>	<u>221,682</u>	<u>233,267</u>
Total liabilities	<u>6,206,569</u>	<u>-</u>	<u>6,206,569</u>	<u>6,587,407</u>
Net assets				
Without donor restrictions	11,825,029	-	11,825,029	14,031,345
With donor restrictions	<u>-</u>	<u>5,737,655</u>	<u>5,737,655</u>	<u>3,562,467</u>
Total net assets	<u>11,825,029</u>	<u>5,737,655</u>	<u>17,562,684</u>	<u>17,593,812</u>
Total liabilities and net assets	<u>\$ 18,031,598</u>	<u>\$ 5,737,655</u>	<u>\$ 23,769,253</u>	<u>\$ 24,181,219</u>

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

Consolidated Statement of Activities and Changes in Net Assets

**Year Ended June 30, 2021
(With Comparative Totals for the Six Months Ended June 30, 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Operating revenue and support				
Net patient service revenue	\$ 10,866,335	\$ -	\$ 10,866,335	\$ 5,104,963
Grants and contracts	4,544,553	593,000	5,137,553	2,249,721
Contributions and bequests	7,862,232	2,426,059	10,288,291	4,524,572
Investment income (losses)	1,041,646	379,267	1,420,913	(326,220)
Other	<u>528,162</u>	<u>-</u>	<u>528,162</u>	<u>104,463</u>
	24,842,928	3,398,326	28,241,254	11,657,499
Net assets released from restrictions	<u>1,260,134</u>	<u>(1,260,134)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>26,103,062</u>	<u>2,138,192</u>	<u>28,241,254</u>	<u>11,657,499</u>
Operating expenses				
Program services				
Direct patient services	20,169,411	-	20,169,411	10,277,165
Education and outreach	239,915	-	239,915	123,941
Public policy	2,786,314	-	2,786,314	1,070,793
Marketing and communication	<u>204,482</u>	<u>-</u>	<u>204,482</u>	<u>154,937</u>
Total program services	<u>23,400,122</u>	<u>-</u>	<u>23,400,122</u>	<u>11,626,836</u>
Support services				
General and administrative	3,399,626	-	3,399,626	1,474,276
Fundraising	<u>1,509,630</u>	<u>-</u>	<u>1,509,630</u>	<u>804,940</u>
Total support services	<u>4,909,256</u>	<u>-</u>	<u>4,909,256</u>	<u>2,279,216</u>
Total expenses	<u>28,309,378</u>	<u>-</u>	<u>28,309,378</u>	<u>13,906,052</u>
Changes in net assets from operations	<u>(2,206,316)</u>	<u>2,138,192</u>	<u>(68,124)</u>	<u>(2,248,553)</u>
Other changes				
Contributions	<u>-</u>	<u>36,996</u>	<u>36,996</u>	<u>-</u>
Total other changes	<u>-</u>	<u>36,996</u>	<u>36,996</u>	<u>-</u>
Change in net assets	(2,206,316)	2,175,188	(31,128)	(2,248,553)
Net assets, beginning of year	<u>14,031,345</u>	<u>3,562,467</u>	<u>17,593,812</u>	<u>19,842,365</u>
Net assets, end of year	<u>\$ 11,825,029</u>	<u>\$ 5,737,655</u>	<u>\$ 17,562,684</u>	<u>\$ 17,593,812</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 June 30, 2021

(With Comparative Totals for the Six Months Ended June 30, 2020)

	Direct Patient Services	Education and Outreach	Public Policy	Marketing and Communication	Total Program Services	General and Administrative	Fundraising	Total Support Services	2021 Total	2020 Total
Payroll and related costs	\$ 13,517,993	\$ 186,966	\$ 1,742,394	\$ 112,722	\$ 15,560,075	\$ 1,453,279	\$ 1,259,102	\$ 2,712,381	\$ 18,272,456	\$ 9,240,486
Contraceptive supplies	1,322,667	-	-	-	1,322,667	-	-	-	1,322,667	605,582
Outside laboratory fees	205,839	-	-	-	205,839	-	-	-	205,839	108,482
Occupancy costs	2,002,325	28,378	161,471	17,213	2,209,387	161,485	66,036	227,521	2,436,908	1,225,315
Medical supplies	826,165	957	-	-	827,122	-	-	-	827,122	430,342
Professional services	483,912	45	118,292	6,420	608,669	1,407,110	14,538	1,421,648	2,030,317	838,262
Advertising	-	-	525,248	60,605	585,853	14,891	-	14,891	600,744	137,534
Insurance and taxes	257,979	630	3,609	324	262,542	11,847	1,193	13,040	275,582	146,813
Printing and postage	124,494	2,806	5,700	6,200	139,200	3,773	56,070	59,843	199,043	87,157
Dues and materials	82,547	4,854	70,938	-	158,339	6,155	1,588	7,743	166,082	60,501
Interest expense	11,816	-	-	-	11,816	-	-	-	11,816	6,125
Other	<u>389,459</u>	<u>13,538</u>	<u>131,956</u>	<u>998</u>	<u>535,951</u>	<u>271,083</u>	<u>96,915</u>	<u>367,998</u>	<u>903,949</u>	<u>467,029</u>
Total expenses before depreciation and amortization	19,225,196	238,174	2,759,608	204,482	22,427,460	3,329,623	1,495,442	4,825,065	27,252,525	13,353,628
Depreciation and amortization	<u>944,215</u>	<u>1,741</u>	<u>26,706</u>	<u>-</u>	<u>972,662</u>	<u>70,003</u>	<u>14,188</u>	<u>84,191</u>	<u>1,056,853</u>	<u>552,424</u>
Total expenses	\$ <u>20,169,411</u>	\$ <u>239,915</u>	\$ <u>2,786,314</u>	\$ <u>204,482</u>	\$ <u>23,400,122</u>	\$ <u>3,399,626</u>	\$ <u>1,509,630</u>	\$ <u>4,909,256</u>	\$ <u>28,309,378</u>	\$ <u>13,906,052</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 June 30, 2021
(With Comparative Totals for the Six Months Ended June 30, 2020)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (31,128)	\$ (2,248,553)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	1,056,853	552,424
Revenue from contributed securities	(629,774)	(402,550)
Proceeds of contributed securities	629,774	402,550
Unrealized/realized (gain) loss on investments	(1,359,662)	366,968
Change in value of beneficial interest in trusts	(117,190)	(1,608)
(Increase) decrease in		
Accounts receivable	(288,731)	385,945
Contributions receivable	(863,195)	111,202
Other current assets	726,472	132,201
Other long-term assets	6,222	33,558
(Decrease) increase in		
Accounts payable and other current liabilities	(363,218)	244,028
Accrued salaries and benefits	31,822	785,433
PPP loan	-	2,717,300
	<u>(1,201,755)</u>	<u>3,078,898</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(412,928)	(382,830)
Proceeds from sale of investments	5,943,570	757,198
Purchases of investments	<u>(6,127,536)</u>	<u>(774,061)</u>
Net cash used by investing activities	<u>(596,894)</u>	<u>(399,693)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(11,035)</u>	<u>(5,301)</u>
Net cash used by financing activities	<u>(11,035)</u>	<u>(5,301)</u>
Net (decrease) increase in cash	(1,809,684)	2,673,904
Cash, beginning of year	<u>9,814,257</u>	<u>7,140,353</u>
Cash, end of year	\$ <u>8,004,573</u>	\$ <u>9,814,257</u>
Supplemental disclosure:		
Noncash investing and financing transactions		
Purchases of property and equipment included in accounts payable and other current liabilities	\$ <u>29,831</u>	\$ <u>68,238</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

June 30, 2021
(With Comparative Totals for June 30, 2020)

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.

PPNNE has established nonprofit corporations for the purpose of expanding lobbying activities for the states of Maine, New Hampshire and Vermont. 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. 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, therefore requiring the operations of the Action Funds to be consolidated with the operations of PPNNE.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of PPNNE and the Action Funds (collectively known as PPNNE). 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. generally accepted accounting principles (U.S. GAAP). Accordingly, such information should be read in conjunction with PPNNE's consolidated financial statements for the six months ended June 30, 2020, 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.

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 classifications:

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

Notes to the Consolidated Financial Statements

June 30, 2021

(With Comparative Totals for June 30, 2020)

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 consolidated statement of activities and changes in net assets.

Uncertainty Related to Coronavirus

In March 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic and the United States federal government declared COVID-19 a national emergency. PPNNE implemented an emergency response to ensure the safety of its patients, staff and the community. In adhering to guidelines issued by local states and the Center for Disease Control, PPNNE took steps to create safe distances between both staff and patients. Patient visits were done through telehealth when appropriate.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services (HHS). PPNNE received PRF in the amount of \$683,514 during the year ended June 30, 2021. These funds were to be used for qualifying expenses and to cover lost revenue due to COVID-19 through June 30, 2022. The PRF are considered contributions and are recognized as income when qualifying expenditures or lost revenues have been incurred. PPNNE incurred qualifying COVID-19 related expenses and revenue losses to fully recognize the PRF at June 30, 2021. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, the amount of income allowed to be recognized may change. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in the consolidated statement of activities and changes in net assets in the year that such amounts become known.

On April 13, 2020, PPNNE received a loan in the amount of \$2,717,300 pursuant to the PPP, a program implemented by the U.S. Small Business Administration (SBA) under the CARES Act. The principal amount of the PPP was subject to forgiveness, upon PPNNE's request, to the extent that the proceeds were used to pay qualifying expenditures, including payroll costs, interest on mortgages, rent and utilities, incurred by PPNNE during a specific covered period. Forgiveness is subject to approval by the lending institution and the SBA. The full amount of the PPP loan received is reported as a refundable advance in the current liabilities section of the statement of financial position at June 30, 2021 and June 30, 2020, as PPNNE has chosen to follow the conditional contribution model to account for the PPP loan. In September 2021, PPNNE received notification of full forgiveness of the PPP loan.

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

Notes to the Consolidated Financial Statements

June 30, 2021
(With Comparative Totals for June 30, 2020)

In November 2021, HHS released American Rescue Plan Rural Payments to providers who serve rural Medicaid and Medicare beneficiaries. PPNNE received approximately \$197,000 of American Rescue Plan Rural Payments.

Donor-Restricted Gifts

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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

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, Net

Net 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. 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. In evaluating the collectibility of patient accounts receivable, PPNNE analyzes past results regularly and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances.

The beginning balance of accounts receivable, as of January 1, 2020, was \$1,718,148.

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

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

Notes to the Consolidated Financial Statements

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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.

Investments

PPNNE reports its investments in the consolidated statement of financial position at fair value with any realized or unrealized gains and losses reported as a change in net assets from operations in the consolidated statement of activities and changes in net assets. Investments include all equity securities with readily determinable fair values and all investments in debt securities.

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.

Change in Net Assets from Operations

The consolidated statement of activities and changes in net assets report the change in net assets from operations. The changes in net assets which are excluded from this measurement include 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 and Accounts Receivable

Net patient service revenue is reported at the amount that reflects consideration to which PPNNE expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others. Generally, PPNNE bills the patients and third-party payors after services are performed. Revenues are recognized on the date of service as the service and products are delivered to the patient by PPNNE. Net revenue and the related receivables are recorded at amounts estimated to be received under reimbursement arrangements with patients and third-party payors, including private insurers, health maintenance organizations, Medicare, and Medicaid. The basis for payment under these arrangements includes payor fee schedules, standard charge rates, and discounted rates. PPNNE determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. PPNNE determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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

Notes to the Consolidated Financial Statements

June 30, 2021
(With Comparative Totals for June 30, 2020)

Due to the reimbursement environment in which PPNNE operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for services may result in adjustment to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial, account review, or payor postpayment audit.

PPNNE recognizes patient service revenue associated with services rendered to patients who have third-party coverage on the basis of contractual rates for such services. For uninsured patients that do not qualify for charity care, PPNNE recognizes revenue on the basis of its standard rates (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical trends, a significant portion of PPNNE's uninsured patients will be unable or unwilling to pay for the services rendered.

The net patient service revenue percentage by third-party payors and patients for the year ended June 30, 2021 and the six months ended June 30, 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Commercial	58 %	61 %
Medicare and Medicaid	30	26
Private pay	<u>12</u>	<u>13</u>
	<u>100 %</u>	<u>100 %</u>

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 year ended June 30, 2021 and the six months ended June 30, 2020:

	<u>2021</u>	<u>2020</u>
Charges foregone, based on established rates	\$ <u>5,378,592</u>	\$ <u>3,264,953</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>5,308,000</u>	\$ <u>3,070,000</u>
Equivalent percentage of charity care charges to gross patient charges	<u>18.75%</u>	<u>22.08%</u>

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

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

Notes to the Consolidated Financial Statements

June 30, 2021
(With Comparative Totals for June 30, 2020)

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 December 10, 2021, 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.

In September 2021, PPNNE received notification of full forgiveness of the PPP loan. PPNNE is expected to recognize these funds as revenue in the year ending June 30, 2022.

Throughout the fiscal year, union negotiations for PPNNE's employees were taking place. In September 2021, three-year collective bargaining agreements were ratified for its Maine employees and its New Hampshire and Vermont employees under separate contracts. Approximately 75% of PPNNE's workforce will be covered by the agreements.

2. Availability and Liquidity 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 \$2,788,569 and \$5,387,996 at June 30, 2021 and 2020, respectively. PPNNE had average days (based on normal expenditures) cash and investments without donor restrictions on hand of 146 at June 30, 2021 and 169 at June 30, 2020.

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(With Comparative Totals for June 30, 2020)

At June 30, the following financial assets could readily be available within one year of the consolidated statement of financial position date to meet general expenditure:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 6,060,134	\$ 8,563,930
Accounts receivable, net	1,620,934	1,332,203
Contributions receivable, net	641,305	233,262
Grants receivable due in one year or less for operations	248,863	447,434
Investments without board-designation or donor-restrictions	1,907,774	837,694
Estimated appropriation of donor-restricted endowed funds for use over the next 12 months	60,500	56,000
Estimated appropriation of board-designated endowed funds for use over the next 12 months	<u>151,800</u>	<u>140,700</u>
Total financial assets expected to be available within 12 months	10,691,310	11,611,223
Financial assets with restrictions		
Board-designated cash for capital acquisitions	<u>(403,016)</u>	<u>(512,411)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,288,294</u>	<u>\$ 11,098,812</u>

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 6.

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3. **Contributions Receivable**

Contributions receivable consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Contributions for		
Operating purposes	\$ 1,621,153	\$ 327,760
Operating purposes, time restriction	20,152	30,152
Laura Fund	<u>-</u>	<u>346,443</u>
Contributions receivable, gross	1,641,305	704,355
Less allowance for uncollectible contributions and unamortized discounts of approximately 0.8%	<u>(76,872)</u>	<u>(3,117)</u>
Contributions receivable, net	1,564,433	701,238
Less contributions receivable, current portion	<u>641,305</u>	<u>681,914</u>
Contributions receivable, net of current portion	<u>\$ 923,128</u>	<u>\$ 19,324</u>

Contributions are due as follows at June 30:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 641,305	\$ 681,914
Two to five years	<u>1,000,000</u>	<u>22,441</u>
Contributions receivable, gross	<u>\$ 1,641,305</u>	<u>\$ 704,355</u>

4. **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 period 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).

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The beneficial interest in these trusts is calculated based on the present value of the underlying assets using the beneficiaries' life expectancies and a 0.78% and 0.45% discount rate as of June 30, 2021 and 2020, respectively.

Beneficial interest in trusts, included in other long-term assets in the consolidated statement of financial position, consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities	\$ 124,547	\$ 72,243
Charitable remainder unitrusts	<u>524,976</u>	<u>460,090</u>
	<u>\$ 649,523</u>	<u>\$ 532,333</u>

5. Investments

The market value of the investments at June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 254,713	\$ 69,516
Mutual funds	3,653,735	4,702,863
Common stocks	2,273,254	-
Exchange traded funds	393,215	277,368
Other	<u>18,458</u>	<u>-</u>
	<u>\$ 6,593,375</u>	<u>\$ 5,049,747</u>

Investment income (loss) is summarized as follows for the year ended June 30, 2021 and the six months ended June 30, 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 83,961	\$ 53,010
Realized gain	121,912	44,602
Unrealized gain (loss)	1,237,750	(411,570)
Investment fees	<u>(22,710)</u>	<u>(12,262)</u>
	<u>\$ 1,420,913</u>	<u>\$ (326,220)</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.

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6. 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 (4.00% at June 30, 2021). The line of credit agreement expires on February 15, 2022. 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 June 30, 2021 and 2020.

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 not in compliance with this ratio for the year ended June 30, 2021 and obtained a waiver from the bank.

7. Long-Term Debt

Long-term debt consisted of the following:

	<u>2021</u>	<u>2020</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.	\$ 233,427	\$ 244,462
Less current portion	<u>11,745</u>	<u>11,195</u>
Long-term debt, excluding current portion	<u>\$ 221,682</u>	<u>\$ 233,267</u>

Future maturities of long-term debt are as follows:

2022	\$ 11,745
2023	12,329
2024	12,943
2025	13,588
2026	<u>182,822</u>
	<u>\$ 233,427</u>

Cash paid for interest approximates interest expense for the year ended June 30, 2021 and the six months ended June 30, 2020.

Under the terms of the People's United Bank mortgage note agreement, PPNNE is required to maintain the same debt service coverage ratio as described in Note 6. PPNNE was not in compliance with this covenant for the year ended June 30, 2021 and obtained a waiver from the bank.

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8. 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 \$1,349,158 and \$690,865 for the year ended June 30, 2021 and the six months ended June 30, 2020, respectively. Total equipment lease expense was \$26,103 and \$13,252 for the year ended June 30, 2021 and the six months ended June 30, 2020, respectively.

Future minimum lease commitments are approximately as follows:

2022	\$ 1,048,000
2023	977,000
2024	999,000
2025	1,028,000
2026	775,000
Thereafter	<u>1,330,000</u>
	<u>\$ 6,157,000</u>

9. 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 incident 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 has properly accounted for them in the consolidated financial statements as of June 30, 2021 and 2020. 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.

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10. Net Assets

Net assets without donor restrictions were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 8,924,807	\$ 11,131,123
Board-designated endowment funds	<u>2,900,222</u>	<u>2,900,222</u>
	<u>\$ 11,825,029</u>	<u>\$ 14,031,345</u>

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

	<u>2021</u>	<u>2020</u>
Funds maintained in perpetuity:		
Key to the Future Fund, income unrestricted	\$ 944,717	\$ 944,717
Laura Fund, income restricted	142,868	140,872
The David Wagner Fund, income restricted	50,559	50,559
Maine endowment, income unrestricted	76,209	76,209
Other endowment funds, income unrestricted	<u>148,284</u>	<u>113,284</u>
Total funds maintained in perpetuity	<u>1,362,637</u>	<u>1,325,641</u>
Funds maintained with donor restrictions temporary in nature:		
Accumulated earnings (loss) on funds maintained in perpetuity	\$ 325,242	\$ (3,364)
Planned gifts	649,523	532,333
Laura Fund	858,852	432,356
PPFA grants for various programs	829,830	802,201
Other programs	1,701,571	454,419
Time restriction	<u>10,000</u>	<u>18,881</u>
Total funds maintained with donor restrictions temporary in nature	<u>4,375,018</u>	<u>2,236,826</u>
Total net assets with donor restrictions	<u>\$ 5,737,655</u>	<u>\$ 3,562,467</u>

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Net assets released from restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Operating purpose or time restrictions accomplished		
Planned gifts	\$ 4,425	\$ -
Laura Fund	83,476	46,297
Cancer Screening Access Fund	3,901	6,111
CAPS Grant	45,908	25,675
Restricted to other programs	1,012,424	633,914
Time restrictions met	<u>110,000</u>	<u>35,000</u>
	<u>\$ 1,260,134</u>	<u>\$ 746,997</u>

11. 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. The Board of Trustees has adopted a policy 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.

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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.

Endowment Composition and Changes in Endowment

The endowment net assets composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,687,879	\$ 1,687,879
Board-designated endowment funds	<u>2,900,222</u>	<u>-</u>	<u>2,900,222</u>
Total funds	<u>\$ 2,900,222</u>	<u>\$ 1,687,879</u>	<u>\$ 4,588,101</u>

The changes in endowment net assets for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 2,900,222	\$ 1,322,277	\$ 4,222,499
Investment gain	1,027,619	376,627	1,404,246
Contributions	-	35,000	35,000
Transfers (to) from undesignated net assets	(886,908)	9,938	(876,970)
Endowment assets appropriated for expenditure	<u>(140,711)</u>	<u>(55,963)</u>	<u>(196,674)</u>
Endowment net assets, June 30, 2021	<u>\$ 2,900,222</u>	<u>\$ 1,687,879</u>	<u>\$ 4,588,101</u>

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The endowment net assets composition by type of fund as of June 30, 2020 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,322,277	\$ 1,322,277
Board-designated endowment funds	<u>2,900,222</u>	<u>-</u>	<u>2,900,222</u>
Total funds	<u>\$ 2,900,222</u>	<u>\$ 1,322,277</u>	<u>\$ 4,222,499</u>

The changes in endowment net assets for the six months ended June 30, 2020 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ 2,900,222	\$ 1,445,330	\$ 4,345,552
Investment loss	(227,051)	(123,053)	(350,104)
Transfers from undesignated net assets	<u>227,051</u>	<u>-</u>	<u>227,051</u>
Endowment net assets, June 30, 2020	<u>\$ 2,900,222</u>	<u>\$ 1,322,277</u>	<u>\$ 4,222,499</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 existed in three donor-restricted endowment funds, which together had an original gift value of \$1,151,355, a current fair value of \$1,144,696, and an accumulated deficiency of \$6,659 as of June 30, 2020. 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 were deemed prudent by the Board of Trustees. There were no deficiencies of this nature as of June 30, 2021.

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 5% 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 \$196,675 and \$0 for operating purposes during the year ended June 30, 2021 and the six months ended June 30, 2020, respectively, which are included in investment income in the consolidated statement of activities and changes in net assets.

12. Fair Value Measurement

Financial Accounting Standards Board (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:

Fair Value Measurements at June 30, 2021

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 254,713	\$ 254,713	\$ -	\$ -
Mutual funds	3,653,735	3,653,735	-	-
Common stocks	2,273,254	2,273,254	-	-
Exchange traded funds	393,215	393,215	-	-
Other	<u>18,458</u>	<u>18,458</u>	-	-
Investments	<u>\$ 6,593,375</u>	<u>\$ 6,593,375</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 1,564,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,564,433</u>
Charitable gift annuities	\$ 124,547	\$ -	\$ 124,547	\$ -
Charitable remainder unitrusts	<u>524,976</u>	-	<u>524,976</u>	-
Beneficial interest in trusts	<u>\$ 649,523</u>	<u>\$ -</u>	<u>\$ 649,523</u>	<u>\$ -</u>

Fair Value Measurements at June 30, 2020

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 69,516	\$ 69,516	\$ -	\$ -
Mutual funds	4,702,863	4,702,863	-	-
Exchange traded funds	<u>277,368</u>	<u>277,368</u>	-	-
Investments	<u>\$ 5,049,747</u>	<u>\$ 5,049,747</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 701,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,238</u>
Charitable gift annuities	\$ 72,243	\$ -	\$ 72,243	\$ -
Charitable remainder unitrusts	<u>460,090</u>	-	<u>460,090</u>	-
Beneficial interest in trusts	<u>\$ 532,333</u>	<u>\$ -</u>	<u>\$ 532,333</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.

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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.

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

	<u>Contributions Receivable, Net</u>
December 31, 2019	\$ 812,440
New pledges	753,361
Receipts	<u>(864,563)</u>
June 30, 2020	701,238
New pledges	2,227,988
Receipts	<u>(1,364,793)</u>
June 30, 2021	<u>\$ 1,564,433</u>