



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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for June 30, 2022)

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, 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.

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, 2023, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of PPNNE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, PPNNE adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*, and related guidance, during the year ended June 30, 2023. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PPNNE's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PPNNE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Report on Summarized Comparative Information

We have previously audited PPNNE's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
December 11, 2023
Registration No. 92-0000278

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

Consolidated Statement of Financial Position

June 30, 2023

(With Comparative Totals for June 30, 2022)

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Current assets				
Cash	\$ 1,329,797	\$ 2,388,299	\$ 3,718,096	\$ 8,273,152
Accounts receivable, net	2,065,530	-	2,065,530	1,704,274
Current portion of contributions receivable	149,987	291,838	441,825	1,010,441
Employee Retention Tax Credit (ERTC) receivable	5,209,227	-	5,209,227	-
Other	<u>1,151,292</u>	<u>-</u>	<u>1,151,292</u>	<u>1,174,687</u>
Total current assets	<u>9,905,833</u>	<u>2,680,137</u>	<u>12,585,970</u>	<u>12,162,554</u>
Right-of-use assets (ROU) - operating	<u>3,785,785</u>	<u>-</u>	<u>3,785,785</u>	<u>-</u>
Property and equipment				
Land	23,500	-	23,500	35,657
Buildings	2,562,130	-	2,562,130	2,908,975
Leasehold improvements	7,415,136	-	7,415,136	7,488,549
Furniture, fixtures and equipment	4,111,845	-	4,111,845	4,067,363
Construction-in-progress	<u>308,187</u>	<u>-</u>	<u>308,187</u>	<u>-</u>
	14,420,798	-	14,420,798	14,500,544
Less accumulated depreciation and amortization	<u>(11,085,290)</u>	<u>-</u>	<u>(11,085,290)</u>	<u>(10,709,273)</u>
Property and equipment, net	<u>3,335,508</u>	<u>-</u>	<u>3,335,508</u>	<u>3,791,271</u>
Other assets				
Contributions receivable, net	-	712,916	712,916	908,653
Long-term investments	4,227,518	1,603,331	5,830,849	5,548,637
Other	<u>117,115</u>	<u>455,057</u>	<u>572,172</u>	<u>594,696</u>
Total other assets	<u>4,344,633</u>	<u>2,771,304</u>	<u>7,115,937</u>	<u>7,051,986</u>
Total assets	<u>\$ 21,371,759</u>	<u>\$ 5,451,441</u>	<u>\$ 26,823,200</u>	<u>\$ 23,005,811</u>

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

LIABILITIES AND NET ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Current liabilities				
Current portion of long-term debt	\$ 12,928	\$ -	\$ 12,928	\$ 12,322
Current portion of operating lease obligations	852,684	-	852,684	-
Accounts payable and other current liabilities	2,059,832	-	2,059,832	1,829,957
Accrued salaries and benefits	<u>821,338</u>	<u>-</u>	<u>821,338</u>	<u>1,491,649</u>
Total current liabilities	3,746,782	-	3,746,782	3,333,928
Long-term debt, net of current portion	196,732	-	196,732	209,510
Operating lease obligations, net of current portion	<u>2,995,278</u>	<u>-</u>	<u>2,995,278</u>	<u>-</u>
Total liabilities	<u>6,938,792</u>	<u>-</u>	<u>6,938,792</u>	<u>3,543,438</u>
Net assets				
Without donor restrictions	14,432,967	-	14,432,967	13,628,916
With donor restrictions	<u>-</u>	<u>5,451,441</u>	<u>5,451,441</u>	<u>5,833,457</u>
Total net assets	<u>14,432,967</u>	<u>5,451,441</u>	<u>19,884,408</u>	<u>19,462,373</u>
Total liabilities and net assets	<u>\$ 21,371,759</u>	<u>\$ 5,451,441</u>	<u>\$ 26,823,200</u>	<u>\$23,005,811</u>

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

Consolidated Statement of Activities and Changes in Net Assets

**Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Operating revenue and support				
Net patient service revenue	\$ 10,093,046	\$ -	\$ 10,093,046	\$ 11,753,291
Grants and contracts	4,044,248	1,427,089	5,471,337	6,649,446
Forgiveness of Paycheck Protection Program (PPP) loan	-	-	-	2,717,300
Contributions and bequests	10,879,721	1,054,935	11,934,656	11,369,863
Investment income (loss)	406,456	208,566	615,022	(746,709)
ERTC revenue	5,209,227	-	5,209,227	-
Other	173,810	-	173,810	88,027
	<u>30,806,508</u>	<u>2,690,590</u>	<u>33,497,098</u>	<u>31,831,218</u>
Total operating revenue and support before net assets released from restrictions				
	30,806,508	2,690,590	33,497,098	31,831,218
Net assets released from restrictions	<u>3,077,606</u>	<u>(3,077,606)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support	<u>33,884,114</u>	<u>(387,016)</u>	<u>33,497,098</u>	<u>31,831,218</u>
Operating expenses				
Program services				
Direct patient services	21,398,240	-	21,398,240	21,741,748
Education and outreach	286,879	-	286,879	317,255
Public policy	4,663,277	-	4,663,277	2,580,950
Marketing and communication	217,094	-	217,094	169,170
Total program services	<u>26,565,490</u>	<u>-</u>	<u>26,565,490</u>	<u>24,809,123</u>
Support services				
General and administrative	4,971,678	-	4,971,678	3,826,240
Fundraising	1,542,895	-	1,542,895	1,306,166
Total support services	<u>6,514,573</u>	<u>-</u>	<u>6,514,573</u>	<u>5,132,406</u>
Total operating expenses	<u>33,080,063</u>	<u>-</u>	<u>33,080,063</u>	<u>29,941,529</u>
Changes in net assets from operations	<u>804,051</u>	<u>(387,016)</u>	<u>417,035</u>	<u>1,889,689</u>
Other changes				
Contributions	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>
Total other changes	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>
Change in net assets	804,051	(382,016)	422,035	1,899,689
Net assets, beginning of year	<u>13,628,916</u>	<u>5,833,457</u>	<u>19,462,373</u>	<u>17,562,684</u>
Net assets, end of year	<u>\$ 14,432,967</u>	<u>\$ 5,451,441</u>	<u>\$ 19,884,408</u>	<u>\$ 19,462,373</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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

	Direct Patient Services	Education and Outreach	Public Policy	Marketing and Communication	Total Program Services	General and Administrative	Fundraising	Total Support Services	2023 Total	2022 Total
Payroll and related costs	\$ 13,912,178	\$ 226,235	\$ 2,089,460	\$ 140,961	\$ 16,368,834	\$ 1,572,240	\$ 1,205,691	\$ 2,777,931	\$ 19,146,765	\$ 19,093,140
Contraceptive supplies	1,322,655	-	-	-	1,322,655	-	-	-	1,322,655	1,380,914
Outside laboratory fees	187,405	-	-	-	187,405	-	-	-	187,405	243,728
Occupancy costs	1,876,958	26,018	147,354	16,199	2,066,529	113,869	58,120	171,989	2,238,518	2,483,528
Medical supplies	777,372	-	-	-	777,372	-	-	-	777,372	1,082,283
Professional services	1,834,642	1,545	247,035	-	2,083,222	2,920,078	12,270	2,932,348	5,015,570	2,785,073
Advertising	-	-	682,130	4,808	686,938	19,379	-	19,379	706,317	373,998
Insurance and taxes	269,366	763	4,207	402	274,738	12,406	1,753	14,159	288,897	270,177
Printing and postage	85,670	2,279	25,569	43,503	157,021	12,525	68,285	80,810	237,831	213,227
Dues and materials	60,395	6,354	774,999	-	841,748	8,779	3,153	11,932	853,680	252,619
Interest expense	10,681	-	-	-	10,681	-	-	-	10,681	11,259
Other	<u>464,605</u>	<u>22,079</u>	<u>685,367</u>	<u>11,123</u>	<u>1,183,174</u>	<u>265,080</u>	<u>189,694</u>	<u>454,774</u>	<u>1,637,948</u>	<u>860,885</u>
Total expenses before depreciation and amortization	20,801,927	285,273	4,656,121	216,996	25,960,317	4,924,356	1,538,966	6,463,322	32,423,639	29,050,831
Depreciation and amortization	<u>596,313</u>	<u>1,606</u>	<u>7,156</u>	<u>98</u>	<u>605,173</u>	<u>47,322</u>	<u>3,929</u>	<u>51,251</u>	<u>656,424</u>	<u>890,698</u>
Total operating expenses	\$ <u>21,398,240</u>	\$ <u>286,879</u>	\$ <u>4,663,277</u>	\$ <u>217,094</u>	\$ <u>26,565,490</u>	\$ <u>4,971,678</u>	\$ <u>1,542,895</u>	\$ <u>6,514,573</u>	\$ <u>33,080,063</u>	\$ <u>29,941,529</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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 422,035	\$ 1,899,689
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	656,424	890,698
Unrealized/realized (gain) loss on investments	(352,044)	855,539
Change in value of beneficial interest in trusts	16,058	176,303
Gain on sale of property and equipment	(137,525)	(3,566)
Change in ROU assets - operating, net of operating lease obligations	62,177	-
Forgiveness of PPP loan	-	(2,717,300)
Change in operating assets and liabilities		
Accounts receivable	(361,256)	(83,340)
Contributions receivable	764,353	(354,661)
ERTC receivable	(5,209,227)	-
Other current assets	23,395	(288,418)
Other long-term assets	6,466	4,201
Accounts payable and other current liabilities	214,509	324,804
Accrued salaries and benefits	<u>(670,311)</u>	<u>(243,885)</u>
Net cash (used) provided by operating activities	<u>(4,564,946)</u>	<u>460,064</u>
Cash flows from investing activities		
Purchases of property and equipment	(425,847)	(382,210)
Proceeds from sale of property and equipment	378,078	13,120
Proceeds from sale of investments	503,230	762,829
Purchases of investments	<u>(433,399)</u>	<u>(573,629)</u>
Net cash provided (used) by investing activities	<u>22,062</u>	<u>(179,890)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(12,172)</u>	<u>(11,595)</u>
Net (decrease) increase in cash	<u>(4,555,056)</u>	268,579
Cash, beginning of year	<u>8,273,152</u>	<u>8,004,573</u>
Cash, end of year	\$ <u>3,718,096</u>	\$ <u>8,273,152</u>
Supplemental disclosure:		
Noncash investing and financing transactions		
Purchases of property and equipment included in accounts payable and other current liabilities	\$ <u>30,521</u>	\$ <u>15,155</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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

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

Newly Adopted Accounting Principle

Effective July 1, 2022, PPNNE adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, *Leases* and related guidance (Topic 842). The new standard increases transparency and comparability among organizations by recognizing lease assets and lease liabilities in the consolidated statement of financial position and disclosing key information about leasing arrangements. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. PPNNE adopted Topic 842 using the modified retrospective approach. As a result, PPNNE has recognized ROU assets - operating with lease obligations in the amount of \$4,651,311 as of July 1, 2022. PPNNE elected the "package of practical expedients," an option which permits it to not reassess prior conclusions about lease identification, lease classification and initial direct costs under Topic 842.

Results for June 30, 2023 are presented under the new standard, while the consolidated financial statements as of and for the year ended June 30, 2022 and prior periods have not been changed and continue to reflect the lease accounting standards in effect during those periods.

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 as of and for the year ended June 30, 2022, from which the summarized information was derived.

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

Notes to the Consolidated Financial Statements

June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

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.

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:

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 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 consolidated statement of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give are not recorded until specified obligations or barriers such as milestones or performance targets are met.

Income Taxes

The Internal Revenue Service has determined that PPNNE and its related entities, 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.

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

Notes to the Consolidated Financial Statements

June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

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 collectability 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 balance of net accounts receivable, as of July 1, 2021, was \$1,620,934.

Leases

At the inception of an arrangement, PPNNE determines if an arrangement is, or contains, a lease based on the unique facts and circumstances present in that arrangement. Lease classification, recognition and measurement are then determined as of the lease commencement date. For arrangements that contain a lease, PPNNE (i) identifies lease and non-lease components, (ii) determines the consideration in the contract, (iii) determines whether the lease is an operating or finance lease, and (iv) recognizes the lease ROU asset and lease obligation. Lease obligations and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as such, PPNNE used the risk free rate based on the information available at the lease commencement date, a rate which represents one that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Some leases include options to renew and/or terminate the lease, which can impact the lease term. The exercise of these options is at PPNNE's discretion and PPNNE does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised.

Fixed, or in-substance fixed, lease payments on operating leases are recognized over the expected term of the lease on a straight-line basis. Variable lease expenses that are not considered fixed, or in-substance fixed, are recognized as incurred. Fixed and variable lease expense on operating leases is recognized within other operating expenditures in the statements of activities. The Organization has elected the short-term lease exemption and, therefore, does not recognize a ROU asset or corresponding lease liability for lease arrangements with an original term of 12 months or less. PPNNE did not have any finance leases as of June 30, 2023.

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

Notes to the Consolidated Financial Statements

June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

Property and Equipment

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

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.

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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

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 post-payment 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 years ended June 30, were as follows:

	<u>2023</u>	<u>2022</u>
Commercial	58 %	59 %
Medicare and Medicaid	26	30
Private pay	<u>16</u>	<u>11</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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Charges foregone, based on established rates	\$ <u>3,973,202</u>	\$ <u>5,130,835</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>4,666,000</u>	\$ <u>4,928,000</u>
Equivalent percentage of charity care charges to gross patient charges	<u>14.10%</u>	<u>16.46%</u>

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

Functional Allocation of Expenses

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

Change in Net Assets from Operations

The consolidated statement of activities and changes in net assets reports 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.

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 11, 2023, which is 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.

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 board approved budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings.

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

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 1,329,797	\$ 5,924,176
Accounts receivable, net	2,065,530	1,704,274
Current portion of contributions receivable, net	441,825	1,010,441
ERTC receivable	5,209,227	-
Grants receivable due in one year or less for operations	550,496	609,968
Investments without board-designation or donor-restrictions	1,327,296	1,195,187
Estimated appropriation of donor-restricted endowed funds for use over the next 12 months	69,000	65,700
Estimated appropriation of board-designated endowed funds for use over the next 12 months	<u>166,000</u>	<u>163,100</u>
Total financial assets expected to be available within 12 months	11,159,171	10,672,846
Less board-designated cash for capital acquisitions	<u>(516,947)</u>	<u>(276,559)</u>
Financial assets available to meet general expenditures within one year	<u>\$10,642,224</u>	<u>\$10,396,287</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 5.

3. Contributions Receivable

Contributions receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Contributions for		
Operating purposes	\$ 1,322,137	\$ 2,056,102
Laura Fund	<u>88</u>	<u>4,338</u>
Contributions receivable, gross	1,322,225	2,060,440
Less allowance for uncollectible contributions	(17,878)	(21,137)
Less unamortized discounts of 4.5% and 2.7%, respectively	<u>(149,606)</u>	<u>(120,209)</u>
Contributions receivable, net	1,154,741	1,919,094
Less current portion of contributions receivable	<u>441,825</u>	<u>1,010,441</u>
Contributions receivable, net of current portion	<u>\$ 712,916</u>	<u>\$ 908,653</u>

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Contributions are due as follows at June 30:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 441,825	\$ 1,010,441
Two to five years	<u>880,400</u>	<u>1,049,999</u>
Contributions receivable, gross	<u>\$ 1,322,225</u>	<u>\$ 2,060,440</u>

During the year ended June 30, 2023, PPNNE was awarded a grant totaling approximately \$600,000 and received approximately \$200,000. The receipt of the remaining award is conditional upon the submission and acceptance of progress reports and restricted revenue will be recognized in the period in which conditions have been fulfilled.

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).

The beneficial interest in these trusts is calculated based on the present value of the underlying assets using the beneficiaries' life expectancies and a 4.5% and 2.7% discount rate as of June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Charitable gift annuities	\$ 104,424	\$ 76,718
Charitable remainder unitrusts	<u>350,633</u>	<u>396,502</u>
	<u>\$ 455,057</u>	<u>\$ 473,220</u>

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5. Line of Credit

PPNNE has a \$1,500,000 line of credit agreement at M&T Bank. The line of credit bears interest at the Wall Street Journal prime rate, subject to a floor (8.25% at June 30, 2023). The line of credit agreement expires on February 28, 2024. 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, 2023.

In connection with the line of credit agreement, PPNNE is required to maintain a debt service coverage ratio of 1.2-to-1. PPNNE was in compliance with this ratio for the year ended June 30, 2023 and 2022.

6. Long-Term Debt

Long-term debt consisted of the following:

	<u>2023</u>	<u>2022</u>
Mortgage note payable to M&T 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.	\$ 209,660	\$ 221,832
Less current portion	<u>12,928</u>	<u>12,322</u>
Long-term debt, excluding current portion	<u>\$ 196,732</u>	<u>\$ 209,510</u>

Future maturities of long-term debt are as follows:

2024	\$ 12,928
2025	13,572
2026	<u>183,160</u>
	<u>\$ 209,660</u>

Cash paid for interest approximates interest expense for the years ended June 30, 2023 and 2022.

Under the terms of the M&T Bank mortgage note agreement, PPNNE is required to maintain the same debt service coverage ratio as described in Note 5, which was met as of June 30, 2023.

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7. ROU Assets and Lease Obligations

PPNNE leases space in Vermont, Maine and New Hampshire under the terms of operating lease agreements. Rent payments range from \$1,519 to \$26,666 through the end of the lease terms and with maturities ranging from May 2024 to March 2031. Rent payments increase at various points in time as described in the operating lease agreements. Certain lease agreements include renewal options. At June 30, 2023, management is reasonably certain the renewal options will not be exercised and as a result those renew options have not factored into the ROU assets and lease obligations.

Under the terms of certain operating lease agreements, PPNNE is responsible for Common Area Maintenance (CAM) charges which are excluded from the monthly payments above.

The weighted average remaining lease term is 5.02 years and the weighted average discount rate is 2.89%. Total operating lease costs, including short-term lease costs and CAM charges, for the year ended June 30, 2023 was \$1,404,944 and is included in occupancy costs on the consolidated statement of functional expenses. Cash paid for operating lease obligations approximates operating lease costs for the year ended June 30, 2023.

The future maturities of the operating lease obligations is as follows:

2024	\$	950,401
2025		961,913
2026		754,986
2027		452,405
2028		403,235
Thereafter		<u>618,664</u>
		4,141,604
Less imputed interest		<u>(293,642)</u>
Operating lease obligations	\$	<u><u>3,847,962</u></u>

8. 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.

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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, 2023 and 2022. 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 consolidated financial position.

9. Net Assets

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 11,015,798	\$ 10,452,135
Board-designated cash for capital acquisitions	516,947	276,559
Board-designated endowment funds	<u>2,900,222</u>	<u>2,900,222</u>
	<u>\$ 14,432,967</u>	<u>\$ 13,628,916</u>

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

	<u>2023</u>	<u>2022</u>
Funds maintained in perpetuity:		
Key to the Future Fund, income unrestricted	\$ 944,717	\$ 944,717
Laura Fund, income restricted	142,868	142,868
The David Wagner Fund, income restricted	50,559	50,559
Maine endowment, income unrestricted	76,209	76,209
Other endowment funds, income unrestricted	<u>163,284</u>	<u>158,284</u>
Total funds maintained in perpetuity	<u>1,377,637</u>	<u>1,372,637</u>

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	<u>2023</u>	<u>2022</u>
Funds maintained with donor restrictions temporary in nature:		
Accumulated earnings on funds maintained in perpetuity	230,694	80,591
Planned gifts	455,057	473,220
Laura Fund	1,191,360	900,451
PPFA grants for various programs	640,014	1,104,602
Other programs	1,458,279	1,631,956
Time restriction	<u>98,400</u>	<u>270,000</u>
Total funds maintained with donor restrictions temporary in nature	<u>4,073,804</u>	<u>4,460,820</u>
Total net assets with donor restrictions	<u>\$ 5,451,441</u>	<u>\$ 5,833,457</u>

Net assets released from restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Operating purpose or time restrictions accomplished		
Planned gifts	\$ 2,106	\$ -
Laura Fund	160,339	158,128
Cancer Screening Access Fund	6,651	7,029
CAPS Grant	89,474	39,212
Restricted to other programs	2,639,036	1,538,635
Time restrictions met	<u>180,000</u>	<u>10,000</u>
	<u>\$ 3,077,606</u>	<u>\$ 1,753,004</u>

10. 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.

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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.

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, 2023 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,608,331	\$ 1,608,331
Board-designated endowment funds	<u>2,900,222</u>	<u>-</u>	<u>2,900,222</u>
Total funds	<u>\$ 2,900,222</u>	<u>\$ 1,608,331</u>	<u>\$ 4,508,553</u>

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The changes in endowment net assets for the year ended June 30, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 2,900,222	\$ 1,453,228	\$ 4,353,450
Investment income	285,496	215,770	501,266
Contributions	-	5,000	5,000
Transfers to undesignated net assets	(122,445)	-	(122,445)
Endowment assets appropriated for expenditure	<u>(163,051)</u>	<u>(65,667)</u>	<u>(228,718)</u>
Endowment net assets, June 30, 2023	<u>\$ 2,900,222</u>	<u>\$ 1,608,331</u>	<u>\$ 4,508,553</u>

The endowment net assets composition by type of fund as of June 30, 2022 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,453,228	\$ 1,453,228
Board-designated endowment funds	<u>2,900,222</u>	<u>-</u>	<u>2,900,222</u>
Total funds	<u>\$ 2,900,222</u>	<u>\$ 1,453,228</u>	<u>\$ 4,353,450</u>

The changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 2,900,222	\$ 1,687,879	\$ 4,588,101
Investment loss	(569,959)	(184,129)	(754,088)
Contributions	-	10,000	10,000
Transfers from undesignated net assets	721,740	-	721,740
Endowment assets appropriated for expenditure	<u>(151,781)</u>	<u>(60,522)</u>	<u>(212,303)</u>
Endowment net assets, June 30, 2022	<u>\$ 2,900,222</u>	<u>\$ 1,453,228</u>	<u>\$ 4,353,450</u>

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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. There were no deficiencies of this nature as of June 30, 2023. Deficiencies of this nature existed in one donor-restricted endowment fund, which had an original gift value of \$142,867, a current fair value of \$139,227, and an accumulated deficiency of \$3,640 as of June 30, 2022. 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.

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.

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 \$228,718 and \$212,303 for operating purposes during the years ended June 30, 2023 and 2022, respectively, which are included in investment income in the consolidated statement of activities and changes in net assets.

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11. Fair Value Measurement

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.

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

	<u>Fair Value Measurements at June 30, 2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 70,764	\$ 70,764	\$ -	\$ -
Mutual funds	3,145,906	3,145,906	-	-
Common stocks	2,284,459	2,284,459	-	-
Exchange traded funds	292,376	292,376	-	-
Other	<u>37,344</u>	<u>37,344</u>	-	-
Investments	<u>\$ 5,830,849</u>	<u>\$ 5,830,849</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable, net	<u>\$ 1,154,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,741</u>
Charitable gift annuities	\$ 104,424	\$ -	\$ 104,424	\$ -
Charitable remainder unitrusts	<u>350,633</u>	-	<u>350,633</u>	-
Beneficial interest in trusts	<u>\$ 455,057</u>	<u>\$ -</u>	<u>\$ 455,057</u>	<u>\$ -</u>

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Fair Value Measurements at June 30, 2022

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 68,373	\$ 68,373	\$ -	\$ -
Mutual funds	3,222,353	3,222,353	-	-
Common stocks	1,905,502	1,905,502	-	-
Exchange traded funds	319,249	319,249	-	-
Other	<u>33,160</u>	<u>33,160</u>	<u>-</u>	<u>-</u>
Investments	\$ <u>5,548,637</u>	\$ <u>5,548,637</u>	\$ <u>-</u>	\$ <u>-</u>
Contributions receivable, net	\$ <u>1,919,094</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,919,094</u>
Charitable gift annuities	\$ 76,718	\$ -	\$ 76,718	\$ -
Charitable remainder unitrusts	<u>396,502</u>	<u>-</u>	<u>396,502</u>	<u>-</u>
Beneficial interest in trusts	\$ <u>473,220</u>	\$ <u>-</u>	\$ <u>473,220</u>	\$ <u>-</u>

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

The fair value for the beneficial interest in trusts is primarily based on an estimate of the fair value of underlying securities invested in by the trusts, discounted to their present value based on actuarially determined life expectancy tables. 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.

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

	<u>Contributions Receivable, Net</u>
June 30, 2021	\$ 1,564,433
New pledges	1,646,524
Receipts	<u>(1,291,863)</u>
June 30, 2022	1,919,094
New pledges	453,280
Change in value	93,216
Receipts	<u>(1,310,849)</u>
June 30, 2023	<u>\$ 1,154,741</u>

12. Pandemic Relief Funding

During 2020, PPNNE obtained \$2,717,300 under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act PPP loan program. The PPP loan program has specific criteria for eligibility and provides for forgiveness of the funds under the program if PPNNE meets certain requirements. Any portion of the funds that are not forgiven are to be repaid within 5 years at a 1% interest rate. During 2022, PPNNE received notification of full forgiveness from the Small Business Administration (SBA) and the revenue was included in grants and contracts in the consolidated statement of activities and changes in net assets. The loan forgiveness is subject to audit from the SBA for six years from the date of forgiveness.

The CARES Act also established the Provider Relief Funds (PRF) to support healthcare providers in the battle against the coronavirus disease (COVID-19) outbreak. The PRF is being administered by the U.S. Department of Health and Human Services (HHS). These funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF are recognized as income when qualifying expenditures have been incurred, or lost revenues have been identified.

During the year ended June 30, 2022, PPNNE received Phase 3 of PRF reconsideration funds in the amount of \$1,330,796 and Phase 4 of PRF in the amount of \$1,064,098. Additionally, during 2022, HHS released the American Rescue Plan Act (ARPA) Rural Payments to providers who serve rural Medicaid and Medicare beneficiaries. PPNNE received \$197,308 of ARPA Rural Payments. During the year ended June 30, 2022, management believed PPNNE had met the conditions necessary to recognize the PRF funds and ARPA Rural Payments which is included in grants and contracts in the consolidated statement of activities and changes in net assets.

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

Notes to the Consolidated Financial Statements

June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

In September 2023, PPNNE applied for the ERTC for eligible compensation and qualifying expenses paid during the first, second and third quarters of 2021. This credit of \$5,209,227 was recognized as revenue on the consolidated statement of activities and changes in net assets for the year ended June 30, 2023. At June 30, 2023, PPNNE had yet to receive the ERTC which is reported as the ERTC receivable on the consolidated statement of financial position. The ERTC is expected to be received in 2024. The credits received could be subject to audit for up to five years from the date of the credit filing.

Management believes the position taken is a reasonable interpretation of the rules currently available. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is possibility the amount of income recognized may change. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.