Audited Consolidated Financial Statements

Planned Parenthood of South Florida and the Treasure Coast, Inc. and Subsidiaries d/b/a Planned Parenthood of South, East and North Florida

September 30, 2017 and 2016

CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC. AND SUBSIDIARIES
d/b/a
PLANNED PARENTHOOD OF
SOUTH, EAST AND NORTH FLORIDA

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

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Independent Auditor's Report

To the Board of Directors
Planned Parenthood of South Florida and the Treasure Coast, Inc.
d/b/a Planned Parenthood of South, East and North Florida
West Palm Beach, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Planned Parenthood of South Florida and the Treasure Coast, Inc. and Subsidiaries d/b/a Planned Parenthood of South, East and North Florida (a nonprofit organization, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood of South Florida and the Treasure Coast, Inc. and Subsidiaries d/b/a Planned Parenthood of South, East and North Florida as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.

West Palm Beach, Florida
January 8, 2018

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	September 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Cash and cash equivalents	$ 3,780,091	$ 1,980,064	$ -	$ 5,760,155
Receivables				
Accounts, net	632,104	-	-	632,104
Grants	95,619	-	-	95,619
Interest	3,354	-	-	3,354
Other	90,218	-	-	90,218
Inventory	321,934	-	-	321,934
Prepaid expenses	152,480	-	-	152,480
Contributions receivable, net	-	157,585	-	157,585
Long term investments	8,186,177	-	3,133,479	11,319,656
Assets held in trust	352,723	-	51,500	404,223
Property and equipment, net of accumulated depreciation	7,633,051	-	-	7,633,051
Other assets	100,328	-	-	100,328
TOTAL ASSETS	$ 21,348,079	$ 2,137,649	$ 3,184,979	$ 26,670,707
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 503,404	$ -	$ -	$ 503,404
Accrued expenses	580,849	-	-	580,849
Deferred revenue	5,741,714	-	-	5,741,714
Deferred rent	468,786	-	-	468,786
Capital lease obligation	-	-	-	-
Bond payable, net	-	-	-	-
TOTAL LIABILITIES	7,294,753	-	-	7,294,753
NET ASSETS				
Unrestricted	14,053,326	-	-	14,053,326
Temporarily restricted	-	2,137,649	-	2,137,649
Permanently restricted	-	-	3,184,979	3,184,979
TOTAL NET ASSETS	14,053,326	2,137,649	3,184,979	19,375,954
TOTAL LIABILITIES AND NET ASSETS	$ 21,348,079	$ 2,137,649	$ 3,184,979	$ 26,670,707

September 30, 2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 5,380,858	$ -	$ -	$ 5,380,858
455,532	-	-	455,532
143,514	-	-	143,514
9,374	-	-	9,374
35,518	-	-	35,518
281,494	-	-	281,494
103,110	-	-	103,110
-	366,583	-	366,583
6,938,149	-	3,133,479	10,071,628
323,163	-	51,500	374,663
4,825,210	-	-	4,825,210
91,123	-	-	91,123
$ 18,587,045	$ 366,583	$ 3,184,979	$ 22,138,607
$ 395,969	$ -	$ -	$ 395,969
567,191	-	-	567,191
2,016,590	-	-	2,016,590
445,197	-	-	445,197
5,585	-	-	5,585
2,517,666	-	-	2,517,666
5,948,198	-	-	5,948,198
12,638,847	-	-	12,638,847
-	366,583	-	366,583
-	-	3,184,979	3,184,979
12,638,847	366,583	3,184,979	16,190,409
$ 18,587,045	$ 366,583	$ 3,184,979	$ 22,138,607

See notes to consolidated financial statements.

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE				
Health centers revenue	$ 7,813,099	$ -	$ -	$ 7,813,099
Provision for bad debts	(106,000)	-	-	(106,000)
Net health centers revenue	7,707,099	-	-	7,707,099
Grant revenue	1,406,850	-	-	1,406,850
Contributions and bequests	4,520,186	2,154,215	-	6,674,401
Special event income, net of direct expenses of $139,551	814,250	-	-	814,250
Interest and dividends	289,218	-	-	289,218
Other income	361,888	-	-	361,888
TOTAL PUBLIC SUPPORT AND OPERATING REVENUE	15,099,491	2,154,215	-	17,253,706
NET ASSETS RELEASED FROM RESTRICTIONS	383,149	(383,149)	-	-
	15,482,640	1,771,066	-	17,253,706
EXPENSES				
Program services				
Health centers	9,895,992	-	-	9,895,992
Education	1,325,751	-	-	1,325,751
Public affairs	1,241,477	-	-	1,241,477
Total program services	12,463,220	-	-	12,463,220
Supporting services				
Fundraising	1,132,129	-	-	1,132,129
Management and general	1,766,154	-	-	1,766,154
Total supporting services	2,898,283	-	-	2,898,283
TOTAL EXPENSES	15,361,503	-	-	15,361,503
CHANGE IN NET ASSETS BEFORE OTHER GAINS (LOSSES)	121,137	1,771,066	-	1,892,203
OTHER GAINS (LOSSES)				
Net realized and unrealized gains on investments	1,330,652	-	-	1,330,652
Change in value of assets held in trust	44,167	-	-	44,167
Loss on extinguishment of debt	(81,477)	-	-	(81,477)
TOTAL OTHER GAINS	1,293,342	-	-	1,293,342
CHANGE IN NET ASSETS	1,414,479	1,771,066	-	3,185,545
NET ASSETS, BEGINNING OF YEAR	12,638,847	366,583	3,184,979	16,190,409
NET ASSETS, END OF YEAR	$ 14,053,326	$ 2,137,649	$ 3,184,979	$ 19,375,954

See notes to consolidated financial statements.

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE				
Health centers revenue	$ 6,999,027	$ -	$ -	$ 6,999,027
Provision for bad debts	(121,000)	-	-	(121,000)
Net health centers revenue	6,878,027	-	-	6,878,027
Grant revenue	1,185,449	-	-	1,185,449
Contributions and bequests	3,978,860	218,800	-	4,197,660
Special event income, net of direct expenses of $135,155	645,621	-	-	645,621
Interest and dividends	462,516	-	-	462,516
Other income	393,333	-	-	393,333
TOTAL PUBLIC SUPPORT AND OPERATING REVENUE	13,543,806	218,800	-	13,762,606
NET ASSETS RELEASED FROM RESTRICTIONS	664,929	(664,929)	-	-
	14,208,735	(446,129)	-	13,762,606
EXPENSES				
Program services				
Health centers	8,784,604	-	-	8,784,604
Education	1,635,013	-	-	1,635,013
Public affairs	1,135,709	-	-	1,135,709
Total program services	11,555,326	-	-	11,555,326
Supporting services				
Fundraising	984,749	-	-	984,749
Management and general	1,708,886	-	-	1,708,886
Total supporting services	2,693,635	-	-	2,693,635
TOTAL EXPENSES	14,248,961	-	-	14,248,961
CHANGE IN NET ASSETS BEFORE OTHER GAINS	(40,226)	(446,129)	-	(486,355)
OTHER GAINS				
Net realized and unrealized gains on investments	617,657	-	-	617,657
Change in value of assets held in trust	28,358	-	-	28,358
TOTAL OTHER LOSSES	646,015	-	-	646,015
CHANGE IN NET ASSETS	605,789	(446,129)	-	159,660
NET ASSETS, BEGINNING OF YEAR	12,033,058	812,712	3,184,979	16,030,749
NET ASSETS, END OF YEAR	$ 12,638,847	$ 366,583	$ 3,184,979	$ 16,190,409

See notes to consolidated financial statements.

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

	Program Services			
	Health Centers	Education	Public Affairs	Total
Salaries	$ 3,358,238	$ 795,278	$ 590,824	$ 4,744,340
Payroll taxes and employee benefits	612,036	143,572	117,894	873,502
	3,970,274	938,850	708,718	5,617,842
Advertising	128,007	1,000	16,866	145,873
Bank and credit card fees	131,305	7,429	6,962	145,696
Communication expense	552,908	18,404	11,884	583,196
Computer expense	170,094	6,863	7,831	184,788
Conferences, meetings and travel	226,113	46,173	100,803	373,089
Dues and subscriptions	56,883	6,668	163,529	227,080
Grant reimbursed expense	114	186,591	15	186,720
Facilities expense	1,116,329	28,301	14,106	1,158,736
Insurance expense	157,663	3,545	3,322	164,530
Interest expense	5,057	717	631	6,405
Medical expense	2,601,288	-	-	2,601,288
Professional fees	218,903	54,712	118,966	392,581
Other administrative expense	162,468	6,218	69,618	238,304
TOTAL EXPENSES BEFORE DEPRECIATION	9,497,406	1,305,471	1,223,251	12,026,128
Depreciation	398,586	20,280	18,226	437,092
TOTAL EXPENSES	$ 9,895,992	$ 1,325,751	$ 1,241,477	$ 12,463,220

Supporting Services			
Fundraising	Management and General	Total	Total Expenses
$ 724,982	$ 1,249,505	$ 1,974,487	$ 6,718,827
119,772	366,863	486,635	1,360,137
844,754	1,616,368	2,461,122	8,078,964
3,867	-	3,867	149,740
12,279	13,198	25,477	171,173
9,478	9,084	18,562	601,758
14,047	10,661	24,708	209,496
35,267	13,223	48,490	421,579
6,641	11,765	18,406	245,486
302	28	330	187,050
10,962	22,058	33,020	1,191,756
3,030	6,298	9,328	173,858
597	1,235	1,832	8,237
-	-	-	2,601,288
117,117	18,973	136,090	528,671
57,323	9,740	67,063	305,367
1,115,664	1,732,631	2,848,295	14,874,423
16,465	33,523	49,988	487,080
$ 1,132,129	$ 1,766,154	$ 2,898,283	$ 15,361,503

See notes to consolidated financial statements.

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

	Program Services			
	Health Centers	Education	Public Affairs	Total
Salaries	$ 3,119,722	$ 901,374	$ 520,364	$ 4,541,460
Payroll taxes and employee benefits	577,663	162,647	98,023	838,333
	3,697,385	1,064,021	618,387	5,379,793
Advertising	30,000	-	70,968	100,968
Bank and credit card fees	115,366	9,833	6,127	131,326
Communication expense	577,184	26,893	11,169	615,246
Computer expense	149,299	6,678	3,900	159,877
Conferences, meetings, and travel	208,556	51,972	118,937	379,465
Dues and subscriptions	123,742	21,032	217,837	362,611
Grant reimbursed expense	112	284,664	85	284,861
Facilities expense	1,093,141	33,668	14,735	1,141,544
Insurance expense	145,046	4,747	2,958	152,751
Interest expense	22,348	4,396	2,738	29,482
Medical expense	1,896,093	-	-	1,896,093
Professional fees	135,178	89,802	38,566	263,546
Other administrative expense	142,237	9,853	12,668	164,758
TOTAL EXPENSES BEFORE DEPRECIATION	8,335,687	1,607,559	1,119,075	11,062,321
Depreciation	448,917	27,454	16,634	493,005
TOTAL EXPENSES	$ 8,784,604	$ 1,635,013	$ 1,135,709	$ 11,555,326

Supporting Services			
Fundraising	Management and General	Total	Total Expenses
$ 605,207	$ 1,203,285	$ 1,808,492	$ 6,349,952
101,037	349,824	450,861	1,289,194
706,244	1,553,109	2,259,353	7,639,146
13,585	-	13,585	114,553
22,262	12,594	34,856	166,182
8,630	9,860	18,490	633,736
10,925	7,326	18,251	178,128
26,763	11,370	38,133	417,598
12,293	26,936	39,229	401,840
12	28	40	284,901
9,828	22,072	31,900	1,173,444
2,611	6,080	8,691	161,442
2,417	5,630	8,047	37,529
-	-	-	1,896,093
101,425	11,547	112,972	376,518
53,321	9,266	62,587	227,345
970,316	1,675,818	2,646,134	13,708,455
14,433	33,068	47,501	540,506
$ 984,749	$ 1,708,886	$ 2,693,635	$ 14,248,961

See notes to consolidated financial statements.

PLANNED PARENTHOOD OF SOUTH, EAST AND NORTH FLORIDA

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,185,545	$ 159,660
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	487,080	540,506
Amortization of bond discount and bond issuance costs	857	5,145
Net realized and unrealized gains on investments	(1,330,652)	(617,657)
Change in value of assets held in trust	(44,167)	(28,358)
Allowance for uncollectible accounts receivable	(74,978)	(182,897)
Contributions restricted for long term purposes	(281,869)	-
Loss on extinguishment of debt	81,477	-
Changes in operating assets and liabilities:		
Receivables	106,619	274,139
Inventory	(40,440)	(82,953)
Prepaid expenses	(49,370)	(19,692)
Other assets	(9,205)	(500)
Accounts payable	107,435	49,979
Accrued expenses	13,658	(25,363)
Deferred revenue	3,725,124	1,887,510
Deferred rent	23,589	204,328
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,900,703	2,163,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,294,921)	(358,459)
Distributions from assets held in trust	14,607	19,829
Purchase of investments	(1,617,508)	(4,796,562)
Proceeds from sale of investments	1,700,132	6,624,435
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,197,690)	1,489,243
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term purposes		
Capital expenditures	281,869	-
Payments on capital lease obligation	(5,585)	(11,351)
Repayment of bond payable	(2,600,000)	-
NET CASH USED IN FINANCING ACTIVITIES	(2,323,716)	(11,351)
NET INCREASE IN CASH AND CASH EQUIVALENTS	379,297	3,641,739
Cash and cash equivalents, beginning of year	5,380,858	1,739,119
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,760,155	$ 5,380,858
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 7,380	$ 32,384

See notes to consolidated financial statements.

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Planned Parenthood of South Florida and the Treasure Coast, Inc. d/b/a Planned Parenthood of South, East and North Florida (PPSENF) is a private not-for-profit corporation that operates as an independent affiliate of Planned Parenthood Federation of America, Inc., to which it pays annual membership dues. PPSENF and its subsidiaries, Protection Medical Archive, LLC and Health Services of South Florida, LLC, are collectively referred to as the "Organization".

Protection Medical Archive, LLC, a single member LLC owned by PPSENF, was formed in Florida, commenced operations on May 28, 2009, was voluntarily dissolved on July 31, 2014 and was reactivated February 17, 2015. It was formed to manage the archival oversight of patient records for defunct health centers. The entity was reactivated in 2015 to manage the archival oversight of patient records for the former Planned Parenthood of North Florida.

Health Services of South Florida, LLC, a single member LLC owned by PPSENF, was formed in Florida and commenced operations April 10, 2012. It was formed to provide family planning, reproductive health and preventative services.

The Organization believes in the fundamental right of each individual to manage his or her fertility. The Organization also believes each individual has the right to privacy and respect. The Organization believes that respect and value for diversity in the Organization and the community is essential to each individual's well-being. The Organization further believes that voluntary self-determination and universal access to sexual health services will enhance the quality of life of all individuals. Based on these convictions, the mission of the Organization is to provide comprehensive sexual health care through direct services and education; protect and respect the essential privacy, rights, dignity, and culture of each individual; and advocate public policies which preserve those rights and ensure access to services.

Organizational Structure: Founded in 1971, the Organization provides family planning services, reproductive healthcare, outreach, sexual health education, teen pregnancy prevention programs, and advocacy in Palm Beach, Broward, Miami-Dade, Monroe, Martin, St. Lucie, Indian River, Okeechobee, Duval, Alachua and Leon counties. The Organization is held to Planned Parenthood Federation of America brand standards, assuring compliance with clinical, fiscal, fundraising, Board, and administrative standards. The Organization is supported primarily through donor contributions, fundraising events, grants, and patient fees. For the years ended September 30, 2017 and 2016, approximately 45% and 50%, respectively, of the Organization's revenues were derived from patient fees earned in its health centers.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of PPSENF and its subsidiaries, Protection Medical Archive, LLC, and Health Services of South Florida, LLC. All significant intra-entity balances have been eliminated in consolidation.

Liquidity: The Organization's assets and liabilities have been sequenced in the consolidated statements of financial position according to their nearness of conversion to cash and the nearness of their maturity and resulting use of cash, respectively.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenue, gains and losses of the Organization are classified and reported based on the existence or absence of donor-imposed restrictions as follows:

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted net assets are those currently available for use in the current operation of the Organization under the direction of the Board, and those resources invested in property and equipment.

Temporarily restricted net assets are those stipulated by donors for specific operational purposes or for the acquisition of property and equipment; or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted net assets are those that are permanently restricted due to donor-imposed stipulations while permitting the Organization to use part or all of the derived income (or other economic benefit).

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including Board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Cash and Cash Equivalents: The Organization considers money market mutual fund accounts that are not held for long-term investment purposes to be cash equivalents. The Organization maintains its cash in deposit and money market accounts with financial institutions which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The total uninsured cash balances at September 30, 2017 and 2016, were approximately $5,628,000 and $4,969,000, respectively.

Receivables: Receivables of the Organization consist of amounts due from private insurance and patients for services rendered, pledges, and grants receivable from governmental entities and other organizations. An allowance for uncollectible accounts is provided for receivables where there is a question as to the ultimate collectability. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identifies trends for each of its health centers and the services provided, to estimate the appropriate allowance for uncollectable accounts. Management regularly reviews data about these trends and services provided in evaluating the sufficiency of the allowance for uncollectible accounts. Receivables are written off when management has determined that the amount will not be collected. Collections on accounts previously written off are included in income when received. The Organization records insurance receivables net of a contractual allowance. The Organization estimates the contractual allowance on a payor specific basis, given its interpretation of the applicable regulations, or contractual terms, however, the services rendered and the resulting reimbursement are often subject to interpretation. These interpretations sometimes result in payments that differ from the Organization’s estimates.

Inventory: Inventory, which consists primarily of medications and supplies, is stated at the lower of cost (first-in, first-out method) or market value.

Investments: Investments are presented in the consolidated financial statements at fair value, using quoted market prices for publicly traded securities and other relevant information generated by market transactions. The Organization invests in money market mutual funds, equity securities, equity and fixed income mutual funds, real estate investment trusts and publicly traded partnerships. The Organization contracts with an investment manager to perform ongoing investment functions. Investments are held by a trust company for the benefit of the Organization, but are not insured or collateralized. Investment transactions are recorded on a trade date basis.

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying consolidated statements of activities, unless their use is temporarily or permanently restricted by donor stipulation.

Assets Held in Trust: Assets held in trust consist of assets held and invested by The Community Foundation for Northeast Florida (the "Foundation") for the benefit of the Organization. The Organization's assets consist of its proportionate share of the Foundation's pooled investments and are reported at fair value as reported by the Foundation.

The Foundation also holds assets with a fair value of approximately $160,000, that were donated to the Foundation on behalf of the Organization, but for which the donors granted the Foundation variance power. Accordingly, these assets are not recorded in the accompanying consolidated financial statements because future distributions to the Organization are at the discretion of the Foundation. Amounts distributed from this fund are recorded by the Organization as revenue when received.

Property and Equipment: Property and equipment over $1,000 is capitalized and stated at cost, if purchased by the Organization or at the fair value of the asset on the date of the gift, if received as a donation. Donated assets are reported as unrestricted support 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 temporarily restricted net assets. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Lives
Building and improvements	40 years
Medical equipment	2-7 years
Furniture and equipment	5-10 years
Vehicles	5-8 years
Leasehold improvements	Lesser of life of assets or lease term

Bond Issue Costs: Bond issue costs are capitalized and amortized using the straight-line method, which approximates the interest method, over the life of the related debt. At September 30, 2017, bond issue costs totaled $121,979, less accumulated amortization of $56,925. Amortization expense for 2017 and 2016 was $678 and $4,066, respectively.

During 2017, the Organization was required to adopt the provision of FASB ASU No. 2015-03, *Interest – Imputation of Interest*, which requires debt issuance costs related to a recognized debt liability to be presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability. In addition, the amortization of debt issuance costs is recorded as interest expense.

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accordingly, certain amounts related to deferred bond issue costs have been reclassified in the 2016 financial statements to conform to this ASU. There was no effect on the change in net assets or total net assets for the years ended September 30, 2017 and 2016.

Deferred Revenue: Deferred revenue consists of amounts received in advance for future special events and grant funds received for which allowable expenditures have not yet been incurred or related conditions have not been met.

Deferred Rent: Deferred rent is comprised of the difference between the actual rental payments due under long-term operating leases and the straight-line rent expense recorded under U.S. generally accepted accounting principles.

Revenue and Expense Recognition: Health center revenues are deemed earned and recognized in the consolidated statements of activities when services are rendered. Patient service revenue is recorded at established billing rates or at the estimated amount realizable under agreements with third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors and are included as a reduction of health centers revenue. Revenue from self-pay patients was approximately 70% and 82% of total health center patient revenue for 2017 and 2016, respectively.

Contributions received, including unconditional promises to give, are recognized as revenues when received. Bequests are recorded as revenue when written communication is received by the Organization and the amount to be received is estimable and unconditional. Conditional promises to give are not included as support until the conditions are substantially met. Contributions collectable more than one year in the future are recorded at their discounted present value based on a risk free interest rate. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Permanently restricted support consists of amounts received that are stipulated by the donor to be maintained permanently.

Special event revenue is recognized when the event occurs. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Grants: The Organization receives various grants from federal, state, and local agencies for program and supporting services expenses. These grants are on a cost reimbursement or fee for service basis, including recoverable overhead. The revenues from grants are considered earned and recognized in the consolidated statements of activities when expenditures are made for allowable purposes under the grant. Grants generally require the fulfillment of certain conditions as set forth in each agreement. Amounts received or receivable from grantor agencies are subject to audit by those agencies and any disallowed expenses, including amounts already received, might constitute a liability of the Organization for return of those funds. Management believes that the Organization has met all requirements and objectives of the grantor agencies and considers it unlikely that any material amount of funds would be returned.

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services: Donated services are recognized as contributions if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Donated services are reflected in the consolidated financial statements at their estimated fair value at the date of receipt. However, many individuals volunteer their time and perform a variety of tasks that do not require specialized skills to assist the Organization in carrying out its mission which are not recorded in the consolidated financial statements.

Advertising: Advertising costs are charged to expense as incurred. Total advertising costs expensed for 2017 and 2016, amounted to $149,740 and $114,553, respectively.

Compensated Absences: The Organization combines all compensated absence categories into one program called Paid Time Off (PTO). The Organization accrues unused PTO when earned by employees. Employees of the Organization may accumulate unused PTO leave after one year of service depending on their job classification and length of service. Accumulated PTO is payable to employees with one or more years of service, upon either termination or retirement with proper notice, at 75% of the pay rate on that date.

Functional Allocation of Expenses: The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the accompanying consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, specific costs are charged to the program in which costs were incurred. Non-specific program costs are allocated among the programs and supporting services benefited.

Income Taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Protection Medical Archive, LLC and Health Services of South Florida, LLC, are disregarded entities for federal income tax purposes. Therefore, no provision for income taxes has been reflected in the Organization's consolidated financial statements.

The Organization evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Organization has any significant uncertain tax positions that would be material to the consolidated financial statements. The Organization remains subject to examinations by major tax jurisdictions for tax years ending after September 30, 2013.

Litigation: In the ordinary course of business, the Organization is periodically involved in litigation and/or disputes. Management, in consultation with legal counsel, does not believe that the outcome of such matters will materially affect the Organization's financial position.

Use of Accounting Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 consolidated financial statement presentation.

Subsequent Events: The Organization has evaluated subsequent events through January 8, 2018 which is the date the financial statements were available to be issued.

NOTE B - ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts and contributions receivable consist of the following as of September 30, 2017 and 2016:

	2017	2016
Accounts Receivable	$ 775,361	$ 673,767
Less allowance for uncollectible accounts	(143,257)	(218,235)
Accounts Receivable, net	$ 632,104	$ 455,532
Contributions Receivable		
Pledge amounts due in:		
Less than one year	$ 81,400	$ 271,450
One to five years	80,000	100,000
	161,400	371,450
Less discount to present value	(3,815)	(4,867)
Contributions Receivable, net	$ 157,585	$ 366,583

Contributions receivable due after one year are discounted at rates ranging from 1.45% to 1.84%.

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are maintained in managed accounts in accordance with the investment policy of the Organization. The Investment Committee is responsible for implementing the investment policy adopted by the Board of Directors. The Organization relies on investment advisors for making specific investment choices and portfolio management decisions based on general guidance of the Organization. These advisors are not aware of losses that are deemed to be other than temporary in nature. The Organization has the ability and intent to hold the investments until a market price recovery occurs.

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs are unobservable for the assets or liabilities.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Organization in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820:

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of the shares held by the Organization at year end as reported on the active market on which the mutual fund is traded.

Assets held in trust: Valued by The Community Foundation for Northeast Florida based on the Organization's proportionate share of the underlying fair value of the Foundation's portfolio of investments. The fair value of the underlying securities in the Foundation's portfolio is not observable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at September 30, 2017. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment. The Organization had no assets or liabilities measured at fair value on a nonrecurring basis.

Fair Value of Assets and Liabilities: There were no liabilities measured at fair value on a recurring basis at September 30, 2017 and 2016. The following tables set forth by level within the fair value hierarchy, the fair value of the Organization's financial assets measured at fair value on a recurring basis at September 30, 2017 and 2016.

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	Fair Values at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Equity securities				
Domestic	$ 2,749,311	$ -	$ -	$ 2,749,311
International	236,230	-	-	236,230
Publicly traded partnerships	605,811	-	-	605,811
Real estate investment trusts	243,119	-	-	243,119
Mutual funds				
Equity				
Large blend	1,545,188	-	-	1,545,188
Large growth	1,150,301	-	-	1,150,301
Large value	1,074,597	-	-	1,074,597
International small cap	752,814	-	-	752,814
International equity fund	1,125,198	-	-	1,125,198
Fixed income				
Ultra short bond	1,202,552	-	-	1,202,552
Real estate	492,163	-	-	492,163
Money market	142,372	-	-	142,372
Assets held in trust	-	-	404,223	404,223
	$ 11,319,656	$ -	$ 404,223	$ 11,723,879

	Fair Values at September 30, 2016			
	Level 1	Level 2	Level 3	Total
Equity securities				
Domestic	$ 2,419,175	$ -	$ -	$ 2,419,175
International	172,336	-	-	172,336
Publicly traded partnerships	648,983	-	-	648,983
Real estate investment trusts	141,519	-	-	141,519
Mutual funds				
Equity				
Large blend	1,297,434	-	-	1,297,434
Large growth	898,907	-	-	898,907
Large value	904,026	-	-	904,026
International small cap	624,496	-	-	624,496
International equity fund	895,277	-	-	895,277
Fixed income				
Ultra short bond	1,142,489	-	-	1,142,489
Real estate	489,017	-	-	489,017
Money market	437,969	-	-	437,969
Assets held in trust	-	-	374,663	374,663
	$ 10,071,628	$ -	$ 374,663	$ 10,446,291

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The assets held in trust were the only Level 3 financial asset held by the Organization at September 30, 2017 and 2016. The changes in the value of the assets held in trust were as follows for 2017 and 2016:

Fair value at September 30, 2015	$ 366,134
Change in value for 2016	28,358
Distributions to the Organization	(19,829)
Fair Value at September 30, 2016	374,663
Change in value for 2017	44,167
Distributions to the Organization	(14,607)
Fair Value at September 30, 2017	$ 404,223

Investment securities are exposed to various risks such as interest rate, market, foreign and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements. The value, liquidity, and related income of certain securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2017 and 2016, consists of the following:

	2017	2016
Land	$ 657,500	$ 657,500
Building	1,465,000	1,465,000
Building improvements	1,369,094	1,264,901
Medical equipment	521,427	506,978
Furniture and equipment	1,766,136	1,598,680
Leasehold improvements	2,639,503	2,557,980
Vehicles	34,410	34,410
Construction in progress	3,208,362	281,062
	11,661,432	8,366,511
Less accumulated depreciation	(4,028,381)	(3,541,301)
Net property and equipment	$ 7,633,051	$ 4,825,210

NOTE D - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense, including amortization of assets held under capital leases, totaled $487,080 and $540,506 for the years ended September 30, 2017 and 2016, respectively.

NOTE E - ASSETS HELD IN TRUST

On March 31, 2015, the Organization received various assets of Planned Parenthood of North Florida (PPNF) which included $393,562 of assets held in trust. The assets held in trust originated from an agreement between PPNF and The Community Foundation for Northeast Florida, whereby monies were transferred from PPNF to the Foundation to invest for unrestricted and endowment purposes. The fair value of the assets held in trust totaled $374,663 at September 30, 2016 and increased to $404,223 at September 30, 2017. Of these amounts, $352,723 and $323,163 were available for unrestricted purposes at September 30, 2017 and 2016, respectively, and $51,500 was permanently restricted endowment funds at September 30, 2017 and 2016.

NOTE F - LINE OF CREDIT

The Organization maintains a revolving line of credit in the amount of $750,000. The line of credit bears interest at a variable rate based on the overnight LIBOR rate plus 2.85% (4.032% at September 30, 2017), with a minimum interest rate of 1.75%. The line of credit is secured by cash and investments of the Organization with a fair value of $1,737,417 at September 30, 2017 and expires on October 1, 2017. On October 1, 2017 the line of credit was amended and restated with similar terms and now matures on September 1, 2019. There was no outstanding balance on the line of credit at September 30, 2017 and 2016.

NOTE G - BONDS PAYABLE

On September 30, 2002, the Organization received net proceeds of approximately $2,668,000 from the issuance of $2.7 million Palm Beach County, Florida, Variable Rate Demand Revenue Bonds, Series 2002 (Planned Parenthood of the Palm Beach and Treasure Coast Area, Inc. Project) dated September 1, 2002. The Organization paid the outstanding bonds in full on December 1, 2016, prior to maturity, with a final principal payment of $2,600,000. The accompanying consolidated statement of activities includes a loss on the extinguishment of the bonds in the amount of $81,477.

The bonds were collateralized by the land, building, related renovations and equipment of the Organization's Palm Beach County facility and were secured by an irrevocable letter of credit maintained by the Organization in the amount of $2.6 million with a local bank at a cost of approximately $20,000 annually. The letter of credit was collateralized by the Organization's Palm Beach County facility. As of September 30, 2017 and 2016, $0 and $2,517,666, respectively, were outstanding on the bonds payable, net of the unamortized discount and unamortized bond issue costs.

Interest on the bonds was payable monthly at a variable rate. The principal amount of the debt was payable at maturity on October 1, 2031.

NOTE G - BONDS PAYABLE (Continued)

Under the terms of the bonds payable, the Organization was subject to a number of covenants, including but not limited to, the requirement to maintain a ratio of unrestricted cash and investments to total debt of not less than 1.30 to 1.00, determined as of the last day of each fiscal year, for years ended September 30, 2011, and thereafter. Also, the Organization could not incur additional indebtedness, except as otherwise consented to in advance. Additionally, the Organization was required to maintain a breakeven annual operating performance as determined on the last day of each fiscal year. The Organization was in compliance with these debt covenants as of and for the year ended September 30, 2016.

The outstanding balance on the bonds as of September 30, 2017 and 2016 was as follows:

	2017	2016
Outstanding principal balance	$ -	$ 2,680,000
Less unamortized discount	-	(17,280)
Less unamortized bond issue costs	-	(65,054)
	$ -	$ 2,517,666

Total interest expense incurred on all debt and charged to expense for the years ended September 30, 2017 and 2016, was $8,237 and $37,529, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 and 2016, are restricted for the following purposes:

	2017	2016
Time Restrictions		
Pledges receivable	$ 157,585	$ 366,583
Purpose Restrictions		
Capital Campaign	1,294,353	-
Capital expenditures	233,763	-
Physical and cyber security	75,000	-
Expansion of surgical services	376,948	-
	1,980,064	-
Total temporarily restricted net assets	$ 2,137,649	$ 366,583

Net assets were released from restrictions as follows:

	2017	2016
Time restriction for contributions	$ 383,149	$ 664,929

NOTE I - PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS

Permanently restricted net assets consist of investments and assets held in trust in which the principal is to be held in perpetuity, otherwise known as endowments. Substantially all income from permanently restricted investments is available to support the operations of the Organization. Income from permanently restricted assets held in trust are available to support men's health. As of September 30, 2017 and 2016, the Organization had permanently restricted net assets of $3,184,979.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The State of Florida enacted a version of UPMIFA, known as the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) that governs the investment, management and spending of donor-restricted endowment funds by Florida not-for-profit organizations. Absent explicit donor stipulations, FUPMIFA generally requires prudent care in investing, managing and developing spending plans for donor-restricted endowment funds.

The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument (if applicable) at the time the accumulation is added to the fund, and (d) the portion of investment return added to the permanent endowment to maintain its purchasing power, if required.

The Organization classifies as temporarily restricted net assets (a) the portion of donor-restricted term endowment funds that is deemed to be restricted over a donor-specified period, and (b) the portion of donor-restricted endowment funds with donor-imposed purpose restrictions that have not yet been met. The Organization considers the following factors in making a determination to expend donor-restricted endowment funds:

(1) The purposes of the Organization
(2) The intent of the donors of the endowment fund
(3) The terms of the applicable instrument
(4) The long-term and short-term needs of the Organization in carrying out its purpose
(5) General economic conditions
(6) The possible effect of inflation and deflation
(7) The other resources of the Organization
(8) Perpetuation of the endowment

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that consists of equity

NOTE I - PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)

based investments and mutual funds. The Organization utilizes the services of a financial advisor that provides input into the investment strategy and policy. The Organization's annual appropriations are at the discretion of the Board of Directors unless specific instructions were provided by the endowment donors.

There were no changes in permanently restricted endowment net assets for the years ended September 30, 2017 and 2016.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. None of the endowments were below the donor required levels at September 30, 2017 and 2016.

NOTE J - RELATED PARTY TRANSACTIONS

The Organization is an affiliate of Planned Parenthood Federation of America ("PPFA"). Affiliates are assessed "National Support Program" fees determined by a formula incorporating a percentage of audited expenses for the prior year. Fees paid to national and state organizations were approximately $230,000 and $382,000, for the years ended September 30, 2017 and 2016, respectively, and are included in dues and subscriptions in the accompanying consolidated statements of functional expenses.

Deferred revenue on the accompanying consolidated statements of financial position includes refundable grant advances from PPFA of approximately $5,607,000 and $1,828,000 as of December 31, 2017 and 2016, respectively. The majority of the related party refundable grant advances are related to the build out and related start-up costs of a new full service health center.

NOTE K - PENSION PLANS

The Organization sponsors a 403(b) tax deferred annuity plan. Employees are eligible to participate in the Plan by making contributions and receiving employer contributions after one year of service. Employees may make contributions to the Plan from compensation up to the maximum permitted by the Internal Revenue Service. Employer contributions are determined at the discretion of management and are fully vested once the employee has completed two years of service under the Plan. Retirement plan expense for the years ended September 30, 2017 and 2016 was $95,385 and $91,876, respectively.

In addition, the Organization sponsors an Internal Revenue Service Code Section 457 deferred compensation plan for the benefit of its Chief Executive Officer. All contributions to this plan are 100% vested at the time of contribution. The Organization made contributions to this Plan in the amount of $18,000 in both 2017 and 2016.

NOTE L - LEASE COMMITMENTS

Operating Leases: Effective August 1, 2014, the Organization entered into a ten year operating lease agreement for a new health center. The lease agreement provided for a rent abatement of $550,000 in lieu of construction work paid for by the Organization. Rent expense is recognized on a straight-line basis over the lease term and the difference between the amounts charged to operations and the amounts paid are recorded as deferred rent in the accompanying consolidated statements of financial position.

In addition, the Organization leases health center facilities and office equipment under various operating leases with terms extending through August 2024. Total rent expense was approximately $865,000 and $830,000 for the years ended September 30, 2017 and 2016, respectively.

The following is a schedule of the estimated minimum payments required on operating leases as of September 30, 2017:

Year Ending September 30,	
2018	$ 673,000
2019	516,000
2020	441,000
2021	412,000
2022	410,000
Thereafter	680,000
	$ 3,132,000

Under the terms of a lease expiring in January 2019, the Organization is required to return part of its tenant improvement allowance in the amount of $33,300 if it does not exercise its first three year renewal option.

Capital Leases: The Organization leased medical equipment under capital lease agreements which expired in 2017. The assets and liabilities under capital leases were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets were amortized (or depreciated) over the lesser of the related lease terms or their estimated productive lives. Interest rates on capitalized leases varied from 1.4% to 8.6% and were imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Assets held under capital leases had a net carrying value of $0 and $10,539 (cost of $53,652 less accumulated amortization of $43,113) at September 30, 2017 and 2016, respectively.