

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Financial Statements

June 30, 2013 and 2012

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Table of Contents

| | <u>Page</u> |
|-----------------------------------|-------------|
| Report of Independent Accountants | 1 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
The Virginia League for Planned Parenthood, Incorporated
Richmond, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of The Virginia League for Planned Parenthood, Incorporated (the "League"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Virginia League for Planned Parenthood, Incorporated as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

October 24, 2013
Glen Allen, Virginia

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Financial Position
June 30, 2013 and 2012

| <u>Assets</u> | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 723,333 | \$ 576,776 |
| Patient accounts receivable | 23,749 | 21,983 |
| Pledges receivable, net | 108,565 | 163,081 |
| Inventory | 30,004 | 21,605 |
| Prepaid expenses | 58,203 | 124,358 |
| Due from related party | 16,195 | 4,562 |
| Total current assets | 960,049 | 912,365 |
| Pledges receivable, net, less current portion | 65,160 | 125,696 |
| Investments | 514,058 | 374,599 |
| Property and equipment, net | 3,979,194 | 4,084,812 |
| Loan costs | 13,002 | 20,432 |
| | <u>\$ 5,531,463</u> | <u>\$ 5,517,904</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Notes payable | \$ 135,766 | \$ 108,587 |
| Accounts payable | 80,178 | 77,651 |
| Accrued expenses | 4,866 | 4,671 |
| Compensated absences | 45,688 | 36,178 |
| Total current liabilities | 266,498 | 227,087 |
| Non-current liabilities: | | |
| Notes payable, less current portion | 1,008,192 | 1,143,958 |
| Total liabilities | 1,274,690 | 1,371,045 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 3,179,999 | 3,121,240 |
| Board designated - education | 240,270 | 182,754 |
| Board designated - other | 109,118 | 90,947 |
| Temporarily restricted | 727,386 | 751,918 |
| Total net assets | 4,256,773 | 4,146,859 |
| | <u>\$ 5,531,463</u> | <u>\$ 5,517,904</u> |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Activities
Year Ended June 30, 2013

| | Unrestricted | | Temporarily Restricted | Total |
|--|---------------------|---------------------|---------------------------|---------------------|
| | Undesignated | Board Designated | | |
| Revenue, gains and other support: | | | | |
| Contributions | \$ 464,482 | \$ 26,500 | \$ 924,961 | \$ 1,415,943 |
| Women's clinic income | 1,654,204 | - | - | 1,654,204 |
| Investment income | 40,040 | 49,187 | - | 89,227 |
| Other income | 24,837 | - | - | 24,837 |
| Total revenue, gains and other support | <u>2,183,563</u> | <u>75,687</u> | <u>924,961</u> | <u>3,184,211</u> |
| Net assets released from restriction | <u>949,493</u> | <u>-</u> | <u>(949,493)</u> | <u>-</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Patient services | 2,298,969 | - | - | 2,298,969 |
| Public affairs | 312,323 | - | - | 312,323 |
| Public health education and services | 119,568 | - | - | 119,568 |
| Supporting services: | | | | |
| Management and general | 165,368 | - | - | 165,368 |
| Fundraising | 178,069 | - | - | 178,069 |
| Total expenses | <u>3,074,297</u> | <u>-</u> | <u>-</u> | <u>3,074,297</u> |
| Change in net assets | 58,759 | 75,687 | (24,532) | 109,914 |
| Net assets, beginning of year | <u>3,121,240</u> | <u>273,701</u> | <u>751,918</u> | <u>4,146,859</u> |
| Net assets, end of year | <u>\$ 3,179,999</u> | <u>\$ 349,388</u> | <u>\$ 727,386</u> | <u>\$ 4,256,773</u> |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Activities
Year Ended June 30, 2012

| | Unrestricted | | Temporarily Restricted | Total |
|--|--------------|---------------------|---------------------------|--------------|
| | Undesignated | Board Designated | | |
| Revenue, gains and other support: | | | | |
| Contributions | \$ 388,984 | \$ - | \$ 966,475 | \$ 1,355,459 |
| Women's clinic income | 1,375,101 | - | - | 1,375,101 |
| Investment income | 15,698 | 10,489 | - | 26,187 |
| Total revenue, gains and other support | 1,779,783 | 10,489 | 966,475 | 2,756,747 |
| Net assets released from restriction | 657,039 | - | (657,039) | - |
| Expenses: | | | | |
| Program services: | | | | |
| Patient services | 1,771,230 | - | - | 1,771,230 |
| Public affairs | 196,694 | - | - | 196,694 |
| Public health education and services | 120,878 | - | - | 120,878 |
| Supporting services: | | | | |
| Management and general | 144,422 | - | - | 144,422 |
| Fundraising | 167,353 | - | - | 167,353 |
| Total expenses | 2,400,577 | - | - | 2,400,577 |
| Change in net assets | 36,245 | 10,489 | 309,436 | 356,170 |
| Net assets, beginning of year | 3,084,995 | 263,212 | 442,482 | 3,790,689 |
| Net assets, end of year | \$ 3,121,240 | \$ 273,701 | \$ 751,918 | \$ 4,146,859 |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Functional Expenses
Year Ended June 30, 2013

| | Program Services | | | | Supporting Services | | | Total Functional Expenses |
|---------------------------------------|---------------------|-------------------|--|---------------------------|---------------------------|-------------------|---------------------------------|---------------------------------|
| | Patient Services | Public Affairs | Public Health Education and Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries and wages | \$ 941,640 | \$ 153,180 | \$ 60,866 | \$ 1,155,686 | \$ 71,036 | \$ 56,423 | \$ 127,459 | \$ 1,283,145 |
| Medical supplies | 397,656 | - | - | 397,656 | 74 | - | 74 | 397,730 |
| Professional fees | 120,077 | 56,109 | 3,042 | 179,228 | 28,042 | 67,367 | 95,409 | 274,637 |
| Depreciation and amortization | 104,084 | 6,505 | 6,505 | 117,094 | 13,935 | 6,505 | 20,440 | 137,534 |
| Laboratory fees | 94,360 | - | - | 94,360 | - | - | - | 94,360 |
| Taxes, payroll | 76,246 | 12,520 | 4,969 | 93,735 | 4,805 | 3,568 | 8,373 | 102,108 |
| Employee benefits | 68,546 | 10,137 | 5,225 | 83,908 | 4,277 | 5,290 | 9,567 | 93,475 |
| Printing and advertising | 47,613 | 794 | 124 | 48,531 | 65 | 7,863 | 7,928 | 56,459 |
| Repairs and maintenance | 203,359 | 5,225 | 3,005 | 211,589 | 5,243 | 7,077 | 12,320 | 223,909 |
| Interest | 35,483 | 5,205 | 2,603 | 43,291 | 6,161 | 2,603 | 8,764 | 52,055 |
| Insurance, malpractice | 49,917 | - | - | 49,917 | - | - | - | 49,917 |
| Payments to national organizations | 18,848 | 26,257 | 1,257 | 46,362 | 2,513 | 1,257 | 3,770 | 50,132 |
| Meetings and conferences | 4,465 | 5,442 | 9,748 | 19,655 | 5,067 | 5,774 | 10,841 | 30,496 |
| Supplies, office and general | 20,098 | 1,872 | 14,144 | 36,114 | 3,945 | 836 | 4,781 | 40,895 |
| Telephone | 18,245 | 2,904 | 1,580 | 22,729 | 3,168 | 902 | 4,070 | 26,799 |
| Utilities | 18,552 | 2,650 | 1,325 | 22,527 | 2,650 | 1,325 | 3,975 | 26,502 |
| Taxes and licenses | 14,879 | 1,144 | 833 | 16,856 | 2,025 | 1,053 | 3,078 | 19,934 |
| Cleaning services and supplies | 14,731 | 2,085 | 1,048 | 17,864 | 2,038 | 1,048 | 3,086 | 20,950 |
| Advocacy | - | 11,607 | - | 11,607 | - | - | - | 11,607 |
| Travel | 5,516 | 5,105 | 1,445 | 12,066 | 6,983 | 5 | 6,988 | 19,054 |
| Membership dues | 11,686 | 780 | 705 | 13,171 | 860 | 2,541 | 3,401 | 16,572 |
| Bank fees | 17,772 | 14 | 22 | 17,808 | 27 | 557 | 584 | 18,392 |
| Insurance, general | 12,084 | 806 | 806 | 13,696 | 1,611 | 806 | 2,417 | 16,113 |
| Postage and shipping | 2,221 | 1,898 | 208 | 4,327 | 445 | 5,122 | 5,567 | 9,894 |
| Miscellaneous | 891 | 84 | 108 | 1,083 | 398 | 147 | 545 | 1,628 |
| | <u>\$ 2,298,969</u> | <u>\$ 312,323</u> | <u>\$ 119,568</u> | <u>\$ 2,730,860</u> | <u>\$ 165,368</u> | <u>\$ 178,069</u> | <u>\$ 343,437</u> | <u>\$ 3,074,297</u> |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Functional Expenses
Year Ended June 30, 2012

| | Program Services | | | | Supporting Services | | | Total Functional Expenses |
|------------------------------------|---------------------|-------------------|--------------------------------------|------------------------|------------------------|-------------------|---------------------------|---------------------------|
| | Patient Services | Public Affairs | Public Health Education and Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries and wages | \$ 619,624 | \$ 94,263 | \$ 67,979 | \$ 781,866 | \$ 61,172 | \$ 49,075 | \$ 110,247 | \$ 892,113 |
| Medical supplies | 305,053 | - | - | 305,053 | - | - | - | 305,053 |
| Professional fees | 211,967 | 701 | 3,026 | 215,694 | 27,258 | 61,008 | 88,266 | 303,960 |
| Depreciation and amortization | 101,495 | 6,343 | 6,343 | 114,181 | 13,773 | 6,343 | 20,116 | 134,297 |
| Laboratory fees | 80,360 | - | - | 80,360 | - | - | - | 80,360 |
| Taxes, payroll | 51,761 | 8,019 | 5,843 | 65,623 | 5,042 | 3,309 | 8,351 | 73,974 |
| Employee benefits | 50,044 | 10,160 | 3,279 | 63,483 | 4,305 | 1,241 | 5,546 | 69,029 |
| Printing and advertising | 50,262 | 2,104 | 217 | 52,583 | 800 | 13,170 | 13,970 | 66,553 |
| Repairs and maintenance | 46,498 | 3,560 | 4,029 | 54,087 | 3,729 | 6,544 | 10,273 | 64,360 |
| Interest | 42,227 | 5,630 | 2,815 | 50,672 | 2,815 | 2,815 | 5,630 | 56,302 |
| Insurance, malpractice | 45,666 | - | - | 45,666 | - | - | - | 45,666 |
| Payments to national organizations | 14,059 | 21,959 | 879 | 36,897 | 879 | 879 | 1,758 | 38,655 |
| Meetings and conferences | 8,108 | 5,268 | 11,653 | 25,029 | 5,423 | 6,117 | 11,540 | 36,569 |
| Supplies, office and general | 19,404 | 1,600 | 7,233 | 28,237 | 4,096 | 1,379 | 5,475 | 33,712 |
| Telephone | 17,657 | 2,720 | 1,538 | 21,915 | 2,277 | 860 | 3,137 | 25,052 |
| Utilities | 17,487 | 2,332 | 1,166 | 20,985 | 1,166 | 1,166 | 2,332 | 23,317 |
| Taxes and licenses | 14,509 | 3,476 | 812 | 18,797 | 1,263 | 3,065 | 4,328 | 23,125 |
| Cleaning services and supplies | 16,717 | 2,079 | 1,040 | 19,836 | 1,040 | 1,040 | 2,080 | 21,916 |
| Advocacy | - | 20,902 | - | 20,902 | - | - | - | 20,902 |
| Travel | 5,948 | 2,337 | 1,245 | 9,530 | 5,814 | 52 | 5,866 | 15,396 |
| Membership dues | 13,310 | 741 | 441 | 14,492 | 441 | 441 | 882 | 15,374 |
| Bank fees | 14,896 | - | 28 | 14,924 | 8 | 304 | 312 | 15,236 |
| Insurance, general | 11,389 | 712 | 712 | 12,813 | 712 | 712 | 1,424 | 14,237 |
| Postage and shipping | 1,714 | 1,012 | 110 | 2,836 | 376 | 7,395 | 7,771 | 10,607 |
| Rent | 5,818 | 776 | 388 | 6,982 | 388 | 388 | 776 | 7,758 |
| Miscellaneous | 2,643 | - | 102 | 2,745 | 1,645 | 50 | 1,695 | 4,440 |
| Uncollectible accounts | 2,614 | - | - | 2,614 | - | - | - | 2,614 |
| | <u>\$ 1,771,230</u> | <u>\$ 196,694</u> | <u>\$ 120,878</u> | <u>\$ 2,088,802</u> | <u>\$ 144,422</u> | <u>\$ 167,353</u> | <u>\$ 311,775</u> | <u>\$ 2,400,577</u> |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 109,914 | \$ 356,170 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 137,534 | 134,297 |
| Loss on disposal of property and equipment | - | 2,708 |
| Realized and unrealized gain on investments | (79,742) | (18,159) |
| (Increase) decrease in assets: | | |
| Patient accounts receivable | (1,766) | 6,034 |
| Pledges receivable, net | 115,052 | (12,874) |
| Inventory | (8,399) | 3,632 |
| Prepaid expenses | 66,155 | (71,961) |
| Due from related party | (11,633) | 4,866 |
| Increase in liabilities: | | |
| Accounts payable | 2,527 | 23,462 |
| Accrued expenses | 195 | 47 |
| Compensated absences | <u>9,510</u> | <u>9,016</u> |
| Net cash provided by operating activities | <u>339,347</u> | <u>437,238</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (24,486) | (60,892) |
| Purchase of investments | (115,650) | (43,124) |
| Proceeds from sale of investments | <u>55,933</u> | <u>25,977</u> |
| Net cash used in investing activities | <u>(84,203)</u> | <u>(78,039)</u> |
| Net cash used in financing activities: | | |
| Net payments on notes payable | <u>(108,587)</u> | <u>(120,469)</u> |
| Net change in cash and cash equivalents | 146,557 | 238,730 |
| Cash and cash equivalents, beginning of year | <u>576,776</u> | <u>338,046</u> |
| Cash and cash equivalents, end of year | <u>\$ 723,333</u> | <u>\$ 576,776</u> |
| Supplemental cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 52,055</u> | <u>\$ 56,302</u> |

See accompanying notes to financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Operations: The Virginia League for Planned Parenthood, Incorporated (“the League”) is a non-profit, non-stock, tax-exempt corporation dedicated to providing a program of family planning and responsible human sexuality to the entire community through education, advocacy, and health care services. The League was incorporated in 1940 and is headquartered in Richmond, Virginia.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

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

Cash and Cash Equivalents: The League considers all highly liquid debt securities that were purchased with a maturity of three months or less to be cash equivalents.

Accounts and Pledges Receivable: Patient receivables, primarily from third-party insurance providers, are based on insurance agreements. Accounts receivable are primarily the result of amounts billed to insurance companies.

Pledges receivable includes unconditional promises which are recognized at their fair values (see Note 4). Contributions that are to be collected more than one year into the future are recorded at their discounted present value (see Note 3).

Uncollectible delinquent receivables are determined on a case by case basis. Receivables past due more than one hundred twenty days are considered to be delinquent. When management has determined a delinquent receivable to be uncollectible, it will be written-off against operations at that time. There were no receivables over one hundred twenty days old as of June 30, 2013 and 2012 and management did not include an allowance for doubtful accounts specific to the patient accounts receivable. Due to the longer payment schedule of certain pledges receivable, management included an allowance for doubtful accounts specific to pledges of \$6,700 at June 30, 2013 and June 30, 2012.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Credit risk: Financial instruments which potentially subject the League to concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, and pledges receivable. The League maintains its cash in two financial institutions with balances that periodically exceed federally insured limits. Risk from accounts receivable is limited due to the nature of the customers. Risk from pledges receivable is limited due to the large number of donors.

Inventory: Inventory consists of pharmacy inventory and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Investments: Investments with readily determinable fair values are reported at fair value (see Notes 2 and 4). Unrealized gains and losses are reported in the statement of activities. In calculating realized gains and losses, the cost of the securities sold is determined by the specific-identification method. Investments received by gift are recorded at the fair value on the date received. Investments are exposed to various risks, such as interest rate, market, and credit.

Property and Equipment: Property and equipment are stated at cost, or in the case of gifts, at fair market value as of the date of the donation. Depreciation is computed by the straight-line method over the estimated useful lives of three to 40 years. Expenditures for maintenance and repairs are expensed currently, while expenditures for major additions and betterment's costing more than \$500 are capitalized. The lines of credit were used to fund building construction. Interest incurred on the lines of credit during the construction period was capitalized as part of building costs.

The League has implemented the Financial Accounting Standards Board ("FASB") guidance related to accounting for the impairment of long-lived assets, which requires the League under certain circumstances to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows the recorded amounts of the assets will be reduced to their fair value. No impairments were identified during fiscal years 2013 and 2012.

Loan Costs: Loan costs are stated at cost, net of accumulated amortization of \$24,147 as of June 30, 2013 and \$16,717 as of June 30, 2012. Costs are amortized on a straight-line basis over the five year term of the related borrowings. Amortization amounted to \$7,430 for 2013 and 2012. Amortization expense is expected to be \$7,430 for 2014 and \$5,572 for 2015.

Compensated Absences: The League reports a liability for vested compensated absences for each employee. The League reports the expense in the year it is incurred rather than paid.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Net Assets Classification: The League classifies net assets in four classes – unrestricted net assets (undesignated and board designated), temporarily restricted, and permanently restricted. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets:

Undesignated net assets include funds that are not subject to donor-imposed stipulations on the League as to their use or purpose.

Board designated net assets amounts are those which the board has set aside for specified purposes (see Note 7).

Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the League and/or the passage of time.

Permanently restricted net assets include funds that are subject to donor-imposed stipulations that the League maintains permanently. There were no permanently restricted net assets at June 30, 2013 and 2012.

Contributions: Contributions and support are reported as increases in the unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on long-term investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or law.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Functional Allocation of Expense: The costs of providing medical, educational and other various services shown in the schedule of functional expenses have been allocated by management among the services benefiting from those costs.

Advertising Costs: The League expenses advertising expenses as they are incurred. Advertising expense amounted to \$42,332 for the year ended June 30, 2013 and \$41,454 for the year ended June 30, 2012.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Income Taxes: The League qualifies as exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code per a determination letter dated June 17, 2004.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the League has no significant financial statement exposure to uncertain income tax positions at June 30, 2013 and 2012. The League's income tax returns for years since 2010 remain open for examination by tax authorities. The League is not currently under audit by any tax jurisdiction.

Subsequent Events: Management has evaluated subsequent events through October 24, 2013, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

2. Investments:

Costs and fair values as of June 30, 2013 and 2012 are summarized as follows:

| | 2013 | | 2012 | |
|---------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Common stocks | \$ 172,907 | \$ 221,170 | \$ 112,145 | \$ 139,517 |
| Mutual funds | <u>219,081</u> | <u>292,888</u> | <u>206,669</u> | <u>235,082</u> |
| | <u>\$ 391,988</u> | <u>\$ 514,058</u> | <u>\$ 318,814</u> | <u>\$ 374,599</u> |

Investment transactions are reported as follows for the years ended June 30, 2013 and June 30, 2012:

| | 2013 | 2012 |
|------------------------|------------------|------------------|
| Interest and dividends | \$ 9,485 | \$ 8,028 |
| Realized gain | 13,457 | 1,290 |
| Unrealized gain | <u>66,285</u> | <u>16,869</u> |
| | <u>\$ 89,227</u> | <u>\$ 26,187</u> |

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

3. Pledges Receivable:

Pledges receivable included the following unconditional promises to give at June 30:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Pledges: | | |
| Restricted to capital campaign | \$ 100,977 | \$ 145,240 |
| Other | <u>85,950</u> | <u>156,739</u> |
| | 186,927 | 301,979 |
| | | |
| Less: discount for present value (4.4% in 2013 and 2012) | (6,502) | (6,502) |
| Less: allowance for uncollectible pledges | <u>(6,700)</u> | <u>(6,700)</u> |
| | <u>\$ 173,725</u> | <u>\$ 288,777</u> |
| | | |
| Amounts due in: | | |
| Less than one year | \$ 108,565 | \$ 163,081 |
| One to five years | <u>65,160</u> | <u>125,696</u> |
| | <u>\$ 173,725</u> | <u>\$ 288,777</u> |

4. Fair Value Measurements:

The FASB established a framework for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the League has the ability to access.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

The asset's or liability's fair value measurement level 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.

Following is a description of the valuation methodologies used for assets measured at fair value:

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

Mutual funds: Valued at the closing net asset value reported on the active market on which the individual funds are traded.

Pledges receivable: Valued at the future contribution amount, discounted to present value.

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 that League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the League's net assets at fair value as of June 30, 2013:

| | Assets at Fair Value as of June 30, 2013 | | | |
|-------------------------------|---|---------|------------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Investments: | | | | |
| Common stocks: | | | | |
| Consumer discretionary | \$ 14,307 | \$ - | \$ - | \$ 14,307 |
| Consumer staples | 36,598 | - | - | 36,598 |
| Energy | 26,751 | - | - | 26,751 |
| Financials | 48,801 | - | - | 48,801 |
| Healthcare | 20,436 | - | - | 20,436 |
| Industrials | 32,843 | - | - | 32,843 |
| Information technology | 10,519 | - | - | 10,519 |
| Materials | 7,088 | - | - | 7,088 |
| Miscellaneous | 9,020 | - | - | 9,020 |
| Real estate investment trusts | 8,807 | - | - | 8,807 |
| Telecommunications | 2,875 | - | - | 2,875 |
| Utilities | 3,125 | - | - | 3,125 |
| Mutual funds: | | | | |
| Large growth | 292,888 | - | - | 292,888 |
| | 514,058 | - | - | 514,058 |
| Pledges receivable | - | - | 173,725 | 173,725 |
| Total assets at fair value | \$ 514,058 | \$ - | \$ 173,725 | \$ 687,783 |

As discussed in Note 1 and 3, the net balance of pledges receivable include an allowance for uncollectable receivables of \$6,700 and a discount of \$6,502 at June 30, 2013 and 2012. The allowance was determined by reserving a portion of the receivable of pledges where the installment payment was not received during the year.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

The following tables set forth by level, within the fair value hierarchy, the League's assets measured at fair value as of June 30, 2012:

| | Assets at Fair Value as of June 30, 2012 | | | |
|--------------------------------|---|-----------------|-----------------------|-----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets: | | | | |
| Investments: | | | | |
| Common stocks: | | | | |
| Consumer discretionary | \$ 8,749 | \$ - | \$ - | \$ 8,749 |
| Consumer staples | 28,046 | - | - | 28,046 |
| Energy | 17,411 | - | - | 17,411 |
| Financials | 22,185 | - | - | 22,185 |
| Healthcare | 14,208 | - | - | 14,208 |
| Industrials | 18,184 | - | - | 18,184 |
| Information technology | 8,887 | - | - | 8,887 |
| Materials | 5,206 | - | - | 5,206 |
| Real estate investment trusts | 9,849 | - | - | 9,849 |
| Telecommunications | 2,818 | - | - | 2,818 |
| Utilities | 3,974 | - | - | 3,974 |
| Mutual funds: | | | | |
| Large growth | <u>235,082</u> | <u>-</u> | <u>-</u> | <u>235,082</u> |
| | <u>374,599</u> | <u>-</u> | <u>-</u> | <u>374,599</u> |
| Pledges receivable | <u>-</u> | <u>-</u> | <u>288,777</u> | <u>288,777</u> |
| Total assets at fair value | <u>\$ 374,599</u> | <u>\$ -</u> | <u>\$ 288,777</u> | <u>\$ 663,376</u> |

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

4. Fair Value Measurements, Continued:

The following table provides reconciliation between the beginning and ending balances of assets measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

| | <u>Pledges Receivable</u> |
|---|-------------------------------|
| Balance at July 1, 2011 | \$ 275,903 |
| New pledges | 104,359 |
| Pledge payments received | (97,790) |
| Change in pledges discount | 380 |
| Change in allowance for uncollectible pledges | <u>5,925</u> |
| | |
| Balance at June 30, 2012 | 288,777 |
| Pledge payments received | <u>(115,052)</u> |
| | |
| Balance at June 30, 2013 | <u>\$ 173,725</u> |

5. Property and Equipment:

Property and equipment consisted of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 262,000 | \$ 262,000 |
| Building | 4,067,930 | 4,067,930 |
| Furniture and equipment | 144,696 | 132,074 |
| Computer equipment | <u>117,202</u> | <u>105,337</u> |
| | 4,591,828 | 4,567,341 |
| Less accumulated depreciation | <u>(612,634)</u> | <u>(482,529)</u> |
| | <u>\$ 3,979,194</u> | <u>\$ 4,084,812</u> |

Depreciation expense was \$130,104 for 2013 and \$126,867 for 2012.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

6. Notes Payable:

The League entered into an agreement with a bank for two notes payable on March 30, 2010. One note was for an original amount of \$1,000,000 with monthly payments of \$5,539, including interest at 4.40% and scheduled to mature on March 31, 2035. The outstanding balance was \$923,958 on June 30, 2013 and \$948,602 on June 30, 2012. The second note was for an original amount of \$550,000 scheduled to mature on March 31, 2015. This note requires monthly interest only payments at the prime rate plus .50% (3.75% at June 30, 2013 and 2012), with annual principal payments of \$110,000 commencing on March 31, 2011. The League prepaid \$26,057 of the 2013 principal payment in 2012. The outstanding balance was \$220,000 as of June 30, 2013 and \$303,943 as of June 30, 2012. These notes are collateralized by the new health center.

The note in an original amount of \$1,000,000 is subject to an option of the noteholder to put the note on March 31, 2015, with payment or purchase from the noteholder at a purchase price of the outstanding principal and interest upon notice of such exercise. The option to put this note shall be considered exercised on the put date unless and until the noteholder has provided notice to the borrower of its intent not to put this note.

Notes payable was comprised of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|---------------------------------|---------------------|---------------------|
| Total outstanding notes payable | \$ 1,143,958 | \$ 1,252,545 |
| Less current portion | <u>135,766</u> | <u>108,587</u> |
| Long-term portion | <u>\$ 1,008,192</u> | <u>\$ 1,143,958</u> |

Aggregate annual principal payments of notes payable are as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------------|
| 2014 | \$ 135,766 |
| 2015 | <u>1,008,192</u> |
| | <u>\$ 1,143,958</u> |

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

7. Board-Designated Funds:

The Board of Directors had designated a portion of unrestricted net assets as endowment funds to support the mission of the League. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets in the accompanying financial statements.

The League has an endowment policy that functions as its investment policy and spending policy. The policy states that it is the League's intention that the growth of endowment balances at least keep pace with inflation, in order to ensure that they maintain the same spending power into future years. The growth will be achieved by investing endowment funds for a total return in equities for long-term growth and to pay out any interest and dividend income for the League's operating needs.

Composition of and changes in board-designated net assets for the years ended June 30, 2013 and 2012 were as follows:

| | Education | Other | Total |
|------------------------|------------|------------|------------|
| Balance, July 1, 2011 | \$ 176,250 | \$ 86,962 | \$ 263,212 |
| Investment income: | | | |
| Interest and dividends | 1,116 | 552 | 1,668 |
| Unrealized gain | 5,388 | 3,433 | 8,821 |
| Balance, June 30, 2012 | 182,754 | 90,947 | 273,701 |
| Investment income: | | | |
| Interest and dividends | 2,484 | 1,230 | 3,714 |
| Unrealized gain | 28,532 | 16,941 | 45,473 |
| Contributions | 26,500 | - | 26,500 |
| Balance, June 30, 2013 | \$ 240,270 | \$ 109,118 | \$ 349,388 |

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets roll-forward consisted of the following at June 30, 2013:

| | June 30, 2012 | Additions | Releases/ Transfers | June 30, 2013 |
|--|-------------------|-------------------|------------------------|-------------------|
| Campaign to purchase/renovate a new operating facility | \$ 133,041 | \$ - | \$ (45,267) | \$ 87,774 |
| Assist low-income women with medical cost | 48,684 | 266,500 | (271,127) | 44,057 |
| Advocacy efforts for women's health issues | 83,893 | 155,879 | (155,698) | 84,074 |
| Support for women's health education | 34,177 | 162,180 | (110,018) | 86,339 |
| Technology improvements | 276,067 | - | (130,487) | 145,580 |
| Expanding women's health initiatives | 58,241 | 293,902 | (168,303) | 183,840 |
| Other | <u>117,815</u> | <u>46,500</u> | <u>(68,593)</u> | <u>95,722</u> |
| | <u>\$ 751,918</u> | <u>\$ 924,961</u> | <u>\$ (949,493)</u> | <u>\$ 727,386</u> |

Temporarily restricted net assets roll-forward consisted of the following at June 30, 2012:

| | June 30, 2011 | Additions | Releases/ Transfers | June 30, 2012 |
|--|-------------------|-------------------|------------------------|-------------------|
| Campaign to purchase/renovate a new operating facility | \$ 229,929 | \$ - | \$ (96,888) | \$ 133,041 |
| Assist low-income women with medical cost | 85,958 | 158,000 | (195,274) | 48,684 |
| Advocacy efforts for women's health issues | 11,515 | 145,492 | (73,114) | 83,893 |
| Support for women's health education | 13,425 | 135,520 | (114,768) | 34,177 |
| Technology improvements | 75,000 | 201,192 | (125) | 276,067 |
| Expanding women's health initiatives | - | 174,511 | (116,270) | 58,241 |
| Other | <u>26,655</u> | <u>151,760</u> | <u>(60,600)</u> | <u>117,815</u> |
| | <u>\$ 442,482</u> | <u>\$ 966,475</u> | <u>\$ (657,039)</u> | <u>\$ 751,918</u> |

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Notes to Financial Statements, Continued

9. Commitments:

The League entered into lease agreements for office equipment that expire in March 2015 with monthly payments of \$300. Future commitments on the leases are \$3,600 in 2014 and \$2,400 in 2015.

Rent expense and the cost of maintaining the building maintenance contract and other building repairs amounted to \$80,252 for the year ended June 30, 2013 and \$71,537 for the year ended June 30, 2012.

During 2012, the League entered into an agreement to convert to an electronic medical records system. The agreement required an up-front payment of \$110,000 and continuing monthly payments of \$6,932. These related expenses were \$143,657 for 2013 and are included in repairs and maintenance expense.

10. Retirement Plan:

The League sponsored a special contributory tax sheltered annuity plan (the "Plan") in accordance with Section 403(b) of the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974. Once certain eligibility requirements were met, employees, in order to participate in the Plan, agreed to have mandatory salary reduction contributions made to the Plan equal to a minimum of two percent of their basic monthly compensation. The employer then made a monthly matching contribution of up to five percent of the monthly base compensation for participating employees. This plan was ended on December 31, 2009 and a new Simple IRA plan was adopted whereby employees' contributions are matched up to a maximum of three percent of their salary reduction contributions. The employer's total contributions were \$15,483 for the year ended June 30, 2013 and \$15,702 for the year ended June 30, 2012.

11. Guarantees:

Pursuant to its Articles of Incorporation, the League has certain obligations to indemnify its offices and directors for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of the League. The term of the indemnification period is for the officer's or director's lifetime. The maximum liability under these obligations is limited by the Code of Virginia and the League's insurance policies serve to further limit its exposure.

12. Related Party Transactions:

The League has an affiliate that serves as a statewide advocacy organization and is responsible for legislative activity, public education, and electoral activity. The League pays dues to the affiliate and pays some expenses on behalf of the affiliate. The affiliate owed the League \$16,195 as of June 30, 2013 and \$4,562 as of June 30, 2012 for these expenses.