PLANNED PARENTHOOD
OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2018

TAIT | WELLER
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Planned Parenthood of Metropolitan Washington, D.C., Inc. and Affiliate
Washington, D.C.

We have audited the accompanying combined financial statements of Planned Parenthood of Metropolitan Washington, D.C., Inc. and affiliate ("PPMW"), which comprise the combined statement of financial position as of September 30, 2018, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PPMW as of September 30, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Planned Parenthood of Metropolitan Washington, D.C., Inc. and Affiliate
Washington, D.C.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION

We have previously audited PPMW's 2017 consolidated financial statements, and our report dated April 30, 2018, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 29, 2019

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	$ 1,987,887	$ 2,624,651
Contributions receivable, net	955,696	1,216,219
Grants receivable	82,395	90,854
Patient receivables, net	211,035	248,393
Other receivables	71,106	-
Prepaid expenses and other current assets	193,416	101,521
Investments	6,104,490	3,257,664
Inventory	212,450	117,755
Property and equipment, net of accumulated depreciation	20,421,519	20,763,052
Total assets	$ 30,239,994	$ 28,420,109
LIABILITIES AND NET ASSETS		
LIABILITIES		
Lines of credit	$ -	$ 5,250
Accounts payable and accruals	774,164	668,640
Deferred revenue	8,047	21,750
Note payable	757,595	1,000,000
Total liabilities	1,539,806	1,695,640
COMMITMENTS		
NET ASSETS		
Unrestricted	27,036,153	24,780,979
Temporarily restricted	789,603	1,069,058
Permanently restricted	874,432	874,432
Total net assets	28,700,188	26,724,469
Total liabilities and net assets	$ 30,239,994	$ 28,420,109

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2018 With Summarized Financial Information for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	$ 8,128,491	$ 89,933	$ -	$ 8,218,424	$ 9,224,703
Grants and contracts revenue	584,993	-	-	584,993	441,135
Interest and dividend income	39,994	12,401	-	52,395	58,853
Contributed services	410,540	-	-	410,540	94,287
Patient service fees, net of charge adjustments	5,331,858	-	-	5,331,858	5,154,276
Special events	-	-	-	-	22,658
Other revenue	113,619	-	-	113,619	216,583
	14,609,495	102,334	-	14,711,829	15,212,495
Net assets released from restrictions	408,080	(408,080)	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	15,017,575	(305,746)	-	14,711,829	15,212,495
EXPENSES					
Program Services					
Patient Services	7,515,984	-	-	7,515,984	6,265,127
External Affairs	1,034,921	-	-	1,034,921	817,036
Community Education	335,697	-	-	335,697	170,308
PPADMV	214,688	-	-	214,688	86,016
Total Program Services	9,101,290	-	-	9,101,290	7,338,487
Supporting Services					
Management and General	2,165,775	-	-	2,165,775	2,819,473
Fundraising	1,571,578	-	-	1,571,578	1,064,381
Total Supporting Services	3,737,353	-	-	3,737,353	3,883,854
TOTAL EXPENSES	12,838,643	-	-	12,838,643	11,222,341
CHANGE IN NET ASSETS FROM OPERATIONS	2,178,932	(305,746)	-	1,873,186	3,990,154
OTHER CHANGES					
Net appreciation on investments	76,242	26,291	-	102,533	166,516
CHANGE IN NET ASSETS	2,255,174	(279,455)	-	1,975,719	4,156,670
NET ASSETS AT BEGINNING OF YEAR	24,780,979	1,069,058	874,432	26,724,469	22,567,799
NET ASSETS AT END OF YEAR	$ 27,036,153	$ 789,603	$ 874,432	$ 28,700,188	$ 26,724,469

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2018 With Summarized Financial Information for 2017

	Program Services				Supporting Services			
	Patient Services	**External Affairs**	**Community Education**	**PPADMV**	**Management General**	**Fundraising**	**2018 Total**	**2017**
Salaries & Fringe Benefits	3,420,665	586,186	185,950	111,915	1,936,518	716,543	6,957,777	5,363,496
Medical and Direct Program Supplies	1,022,728	44,275	3,520	35	523	90	1,071,171	1,246,093
Contract Physicians	287,452	-	-	-	-	-	287,452	265,045
Professional Fees	1,163,803	55,040	4,379	63,461	347,911	268,493	1,903,087	1,740,881
Occupancy	117,445	2,461	1,794	1,435	151,775	1,907	276,817	406,395
Interest Expense	-	-	-	-	40,789	-	40,789	109,581
Supplies	38,865	36,038	12,672	(870)	91,325	14,743	192,773	231,369
Telephone	74,383	15,805	13,289	-	119,934	13,594	237,005	201,656
Postage & Shipping	952	246	238	32	5,028	34,081	40,577	36,326
Maintenance & Repairs	43,151	1,471	1,057	-	106,272	673	152,624	160,889
Equipment Rental	10,762	5,179	4,782	2,330	25,448	4,624	53,125	50,608
Conferences, Conventions & Meetings	37,395	7,993	41,130	11,391	132,534	207,673	438,116	238,654
Advertising and Publications	37,928	99,939	353	4,402	5,604	65,741	213,967	184,134
Insurance & Dues	176,537	4,915	511	83	36,956	50,716	269,718	279,598
Depreciation	306,917	66,744	32,582	1,787	153,635	36,799	598,464	597,563
Miscellaneous	31,412	12	139	3,342	70,276	-	105,181	110,053
Total expenses before allocations	6,770,395	926,304	302,396	199,343	3,224,528	1,415,677	12,838,643	11,222,341
Allocation of management and general	745,589	108,617	33,301	15,345	(1,058,753)	155,901	-	-
Total expenses	$ 7,515,984	$ 1,034,921	$ 335,697	$ 214,688	$ 2,165,775	$ 1,571,578	$ 12,838,643	$ 11,222,341

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,975,719	$ 4,156,670
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	598,464	597,563
Net appreciation on investments	(102,533)	(166,516)
Change in reserve in contributions	(153,581)	(360)
Change in reserve in patient receivables	(437,786)	(653,273)
Loss on disposal of furniture and equipment	-	49,128
(Increase) decrease in:		
Contributions receivable	414,104	1,463,495
Grants receivable	8,459	(72,483)
Patient Receivables	475,144	577,039
Other receivables	(71,106)	58,939
Prepaid expenses and other current assets	(91,895)	63,145
Inventory	(94,695)	45,942
Increase (decrease) in:		
Accounts payable and accruals	105,524	(860,298)
Deferred revenue	(13,703)	19,360
Net cash provided by operating activities	2,612,115	5,278,351
Cash flows from investing activities		
Decrease (Increase) in money market funds	130,966	(858,008)
Purchase of property and equipment	(256,931)	(2,640,579)
Net purchase of investments	(2,875,259)	(20,469)
Net cash used in investing activities	(3,001,224)	(3,519,056)
Cash flows from financing activities		
Net change in line of credit	(5,250)	5,250
Repayment of loan payable	(242,405)	(3,506,104)
Net cash used in financing activities	(247,655)	(3,500,854)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(636,764)	(1,741,559)
Cash and cash equivalents, beginning of the year	2,624,651	4,366,210
Cash and cash equivalents, end of the year	$ 1,987,887	$ 2,624,651
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid during the year	$ 41,331	$ 93,496

PLANNED PARENTHOOD
OF METROPOLITAN WASHINGTON, D.C., INC.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

ORGANIZATION

Planned Parenthood of Metropolitan Washington, D.C., Inc. *("PPMW")* is a non-profit organization committed to providing high-quality, affordable reproductive health care; promoting educational programs that empower all individuals to make informed and responsible reproductive choices; and protecting the right to make those choices. PPMW establishes, maintains, and operates health centers within the Washington, D.C. metropolitan area which provide and furnish reproductive health care and education.

Planned Parenthood of Metropolitan Washington, D.C. Action Fund, Inc. (*"PPMWAF"*) was a separate, 501(c)(4) corporation. PPMW maintained ancillary control of this separate organization via approval of PPMWAF's Board of Directors. Effective June 7, 2018, the by-laws of PPMWAF were amended and the name of the organization was changed to Planned Parenthood Advocates for DC, Maryland and NoVa (*"PPADMV"*). In addition, four of the board members are now appointed by PPMW and three are appointed by Planned Parenthood of Maryland, Inc. (*"PPM"*). The purpose of PPADMV is to encourage and protect informed individual choice regarding reproductive health care, advocate public policies that guarantee the right to choose and full and nondiscriminatory access to reproductive health care; and to foster and preserve a social and political climate favorable to the exercise of reproductive choice.

BASIS OF PRESENTATION

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities.*

The combined financial statements include the accounts of PPMW and its affiliate, PPADMV. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

PPMW considers all cash, money market funds and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (*"FDIC"*) up to a limit of $250,000. At times during the year, PPMW maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

INVESTMENTS

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in net appreciation (depreciation) on investments in the Statement of Activities and Change in Net Assets. Donated securities are recorded at their fair value on the donation date. Gain or loss on securities sales is computed using the first-in, first-out (FIFO) method, or where possible, the specific identification method.

ACCOUNTS, GRANTS AND PLEDGES RECEIVABLE

Accounts, grants and pledges receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Accounts receivable are recorded at their net realizable value, which approximates fair value. Grants and pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue.

THIRD-PARTY PATIENT RECEIVABLES

Third-party patient receivables are related to billed patient services fees. Patient services fees receivable are reported at the estimated net realizable value from patients and third-party payers for services rendered. An allowance for doubtful accounts (a percentage of the receivables balance) is determined based on past collection experience.

Revenue under third-party payer agreements is subject to audit and retroactive adjustments. Revenues for estimated third-party payer settlements are recorded in the period in which the related services are rendered.

Differences between the estimated amounts accrued and the interim and final settlements are reported in revenues in the year of settlement. Due to the variability in the timing of settlement of these receivables, PPMW does not have a formal policy for considering the receivables past due.

INVENTORY

Inventory consists of medical supplies, contraceptives, and medications held for sale at each of PPMW's clinics. Inventory is recorded at cost using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or estimated fair value at the time of donation. Acquisitions of property and equipment in excess of $1,000 are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets. The classes of assets and their estimated useful lives are as follows:

Building and Improvements	10-40 Years
Furniture and Equipment	3-10 Years
Leasehold Improvements	Original Lease Term

During 2013, PPMW began a capital campaign for the purchase of the new building. PPMW moved into the building in 2017. The building and building costs are recorded at cost and are depreciated over the estimated useful lives on individual additions. All unspent portions from the capital campaign are included in temporarily restricted net assets at fiscal year end.

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

DEFERRED REVENUE

Revenue for the CAPS Justice Fund is distributed by Planned Parenthood Federation of America (PPFA). The funding is to provide abortion services for lower income women and is recognized on a monthly basis based on services performed.

NET ASSET CLASSIFICATION

The net assets are reported in three categories as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of PPMW and include both internally designated and undesignated resources.

  In 1995, the Board of Directors voted to create a board designated class of net assets by transferring all unrestricted bequests to this net asset class. Revenues and expenses associated with any related transactions are considered undesignated.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of PPMW and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by PPMW.

CONTRIBUTIONS AND GRANTS

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is completed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

PPMW receives funding under grants and contracts from the U.S. government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

CONTRIBUTED SERVICES

Contributed services consist of pro-bono legal services. Contributed services are recorded at their fair value as of the date of the gift.

INCOME TAXES

PPMW is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. PPMW is not a private foundation.

For the year ended September 30, 2018, PPMW has documented its consideration of FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The PPMW's federal information returns are generally subject to examination by the Internal Revenue Service for three years, including the fiscal years ended September 30, 2015, 2016 and 2017, as well as the return to be filed for the fiscal year ended September 30, 2018.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

RECLASSIFICATION

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

RISKS AND UNCERTAINTIES

PPMW invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

FAIR VALUE MEASUREMENT

PPMW adopted the provisions of FASB ASC 820, Fair Value Measurement. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. PPMW accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information, in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of PPMW, as of, and for the year ended, September 30, 2017, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of PPMW's financial statements, it is not expected to alter PPMW's reported financial position. PPMW plans to adopt the new ASU at the required implementation date.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. PPMW plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. PPMW plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. PPMW plans to adopt the new ASU at the required implementation date.

(2) INVESTMENTS

Investments at fair value consisted of the following at September 30, 2018 and 2017:

	2018	2017
Money market funds	$ 803,863	$ 934,829
Exchange traded funds	2,867,388	1,540,332
Fixed income bond funds	446,658	780,443
U.S. Treasury bills	1,985,649	-
Mortgage pools	932	2,060
TOTAL INVESTMENTS	$ 6,104,490	$ 3,257,664

Included in investment income for the years ended September 30, 2018 and 2017 are the following:

	2018	2017
Interest and dividends	$ 52,395	$ 58,853
Net appreciation on investments	102,533	166,516
TOTAL INVESTMENT INCOME	$ 154,928	$ 225,369

Investment income is net of $16,226 of investment management fees for the year ended September 30, 2018. Investment management fees of $15,785 are included in management and general expenses for the year ended September 30, 2017.

(3) FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, Fair Value Measurement, PPMW has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market PPMW has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

- Exchange traded funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

- Fixed income bond funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

- Mortgage pools - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, PPMW's investments as of September 30, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 803,863	$ -	$ -	$ 803,863
Exchange traded funds	2,867,388	-	-	2,867,388
Fixed income bond funds	446,658	-	-	446,658
U.S. Treasury bills	-	1,985,649	-	1,985,649
Mortgage pools	-	932	-	932
TOTAL INVESTMENTS	$4,117,909	$1,986,581	$ -	$6,104,490

	2017			
	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 934,829	$ -	$ -	$ 934,829
Exchange traded funds	1,540,332	-	-	1,540,332
Fixed income bond funds	780,443	-	-	780,443
Mortgage pools	-	2,060	-	2,060
TOTAL INVESTMENTS	$3,255,604	$2,060	$ -	$3,257,664

There were no transfers between Levels 1 and 2 during the year ended September 30, 2018 and 2017.

(4) PLEDGES RECEIVABLE

The proceeds of all pledges collected by PPMW for the capital campaign shall either be used to prepay its note payable (Note 7) or shall be deposited in a cash collateral account with the bank to be used to pay remaining project costs. The balance of the pledges for the capital campaign was $530,699 and $948,846 as of September 30, 2018 and 2017, respectively. Pledges due in more than one year have been recorded at the net present value of the estimated cash flows, using a discount rate of 2.86% and 1.92% as of September 30, 2018 and 2017, respectively.

Pledges received but not collected as of September 30, 2018 and 2017 are due as follows:

	2018	2017
Less than one year	$ 774,012	$ 893,227
One to five years	220,700	501,656
Total	994,712	1,394,883
Less: Allowance to discount balance to present value	(15,016)	(25,083)
Less: Allowance for doubtful accounts	-	(153,581)
NET PLEDGES RECEIVABLE	$ 979,696	$ 1,216,219

(5) PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2018 and 2017 are comprised of the following:

	2018	2017
Land	$ 5,510,226	$ 5,510,226
Building and improvements	14,844,821	14,787,038
Furniture and equipment	865,839	784,725
Computer equipment	699,688	623,042
Leasehold improvements	309,580	309,580
Construction in progress	41,388	-
	22,271,542	22,014,611
Less: Accumulated depreciation	(1,850,023)	(1,251,559)
	$ 20,421,519	$ 20,763,052

(6) LINES OF CREDIT

PPMW has a line of credit for $500,000 with Union Bank & Trust. Interest is due at a rate of Federal prime (5.25% and 4.50% at September 30, 2018 and 2017, respectively). As of September 30, 2018 and 2017, there were no outstanding draws on the line of credit. The expiration date of the line of credit is June 30, 2019. There was no interest expense incurred on this line of credit during the years ended September 30, 2018 and 2017.

In July of 2016, PPMW signed a promissory note for a revolving $500,000 loan with Capital Bank N.A., with an initial maturity date of July 14, 2017 and an option for annual renewal. The loan has a variable interest rate with a current index rate of 4.25%. PPMW has renewed the loan, extending the maturity date until January 14, 2020. There was no outstanding balance on the line at September 30, 2018. There was $5,250 outstanding balance on the line of credit at September 30, 2017. Total interest incurred on the line of credit for the years ended September 30, 2018 and 2017 was $105 and $183, respectively.

(7) NOTE PAYABLE

In August 2013, PPMW entered into an $8,000,000 Deed of Trust note payable to a financial institution with a construction loan rider in order to purchase and renovate property for its new administrative headquarters. The note is collateralized by the land, improvements and other real and personal property owned by PPMW. The loan has been amended over the years for interest rate, term and payment requirements.

In March 2017, when the loan had been paid down to $1,500,000, the term of the loan was amended. The interest rate was changed from the Wall Street Journal prime rate, plus 0.25% to the Gateway Bank Preferred Prime Rate (4.25% as of September 30, 2017). The loan maturity date was changed to March 26, 2018. PPMW was required to pay the accrued loan interest monthly. In June 2017, a principal payment of $500,000 was made. As of September 30, 2017, the outstanding principal balance of the note was $1,000,000.

In July 2018, when the principal balance was $849,250, the loan was amended again. The interest rate became fixed at 4.75%, and the maturity date was extended to June 30, 2022. Principal payments of no less than $212,500 are required to be made by the end of each year ended June 30 through the maturity date. As of September 30, 2018, the outstanding principal of the note payable was $757,595. A principal payment of $244,048 was made in November 2018. As a result, remaining principal payments of $89,297, $212,500, and $211,750 are due in 2020, 2021 and 2022, respectively.

For the year ended September 30, 2018 and 2017, the note accrued interest of $40,683 and $99,447, respectively.

The loan agreements contain various covenants, which among other things, place restrictions on PPMW's ability to incur additional indebtedness and require PPMW to maintain certain financial ratios.

(8) NET ASSETS

Included in unrestricted net assets are board designated net assets totaling $2,367,971 and $2,263,020 as of September 30, 2018 and 2017, respectively relating to unrestricted bequests net of amounts used in operations.

Temporarily restricted net assets consisted of the following at September 30, 2018 and 2017:

	2018	2017
4th Street Campaign	$ 530,699	$ 948,846
Gaithersburg – Capital	100,000	-
Accumulated unrealized gains on endowments	158,904	120,212
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$ 789,603	$ 1,069,058

The following temporarily restricted net assets were released from donor restrictions for the year ended September 30, 2018 and 2017 by incurring expenses, or through the passage of time, which satisfied the restricted purposes specified by the donors:

	2018	2017
4th Street Campaign	$ 408,080	$ 5,061,876
Long Acting Reversible Contraception (LARCs)	-	53,905
Other Clinic Use	-	15,835
PG County Campaign	-	12,500
Other	-	2,549
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	$ 408,080	$ 5,146,665

Permanently restricted net assets were $874,432 at September 30, 2018 and 2017, respectively.

(9) ENDOWMENT

PPMW's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PPMW 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, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 158,904	$ 874,432	$ 1,033,336

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 120,212	$ 874,432	$ 994,644

Permanently restricted net assets are restricted endowments in which the principal is invested in-perpetuity and the income is expendable to support general operations.

Changes in endowment net assets for the year ended September 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 120,212	$ 874,432	$ 994,644
Investment return:				
Investment income	-	12,401	-	12,401
Net appreciation (realized and unrealized)	-	26,291	-	26,291
Total investment return	-	38,692	-	38,692
ENDOWMENT NET ASSETS, END OF YEAR	$ -	$ 158,904	$ 874,432	$ 1,033,336

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 41,673	$ -	$ 874,432	$ 916,105
Investment return:				
Investment income	-	15,858	-	15,858
Net appreciation (realized and unrealized)	-	62,681	-	62,681
Total investment return	-	78,539	-	78,539
Transfers	(41,673)	41,673	-	-
ENDOWMENT NET ASSETS, END OF YEAR	$ -	$ 120,212	$ 874,432	$ 994,644

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature as of September 30, 2018 and 2017.

RETURN OBJECTIVES AND RISK PARAMETERS

PPMW has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in-perpetuity.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to protect the principal identified to meet short-term cash flow needs; to protect the purchasing power of capital identified to meet intermediate-term needs; to achieve appreciation in the value of investments with long-term time horizon that is sufficient to offset cumulative impact of inflation on purchasing power over time; to avoid investments and strategies that would compromise PPMW's tax exempt status; and to avoid material investments that are inconsistent with PPMW's mission.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

PPMW'S investment strategy is to emphasize net total return; that is, the aggregate return from capital appreciation (both realized and unrealized), dividends, and interest, after investment expenses. PPMW is prepared to accept the risk of short-term volatility in exchange for an increased likelihood of earning a net total return over a 10-year time horizon that fulfills the primary goals for the invested assets, i.e., a net total return of more than 4.5% after inflation and investment expenses.

Consistent with PPMW's perspective, objectives, and time horizon, publicly traded equities, including common stocks, mutual funds, and exchange traded funds investing primarily in common stocks traded on United States exchanges or NASDAQ, should represent 60 to 70% of the portfolio absent a specific vote by the Finance Committee.

Fixed income holdings, bank deposits insured by the FDIC, money market funds, and investment grade publicly traded bonds and preferred stocks (including mutual funds and exchange traded funds investing primarily in investment grade fixed income assets), should represent 30% of the portfolio absent a specific vote by the Finance Committee. Cash, bank deposits that can be accessed without penalty, and money market funds should comprise at least 5% of the portfolio absent a specific vote by the Finance Committee.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

PPMW has adopted a "total return" approach to the definition of investment income. PPMW's primary goals relating to the invested assets are for the assets to provide at least 3.5% of the average invested assets (calculated based on quarterly invested assets for the prior 3 years) to PPMW's operating budget. In establishing this policy, PPMW considered the long-term expected return on its endowment. Accordingly, PPMW is prepared to accept the risk of short-term volatility in exchange for an increased likelihood of earning a net total return over a 10-year time horizon that fulfills the primary goals for the Invested Assets, i.e., a total return of more than 4.5% after inflation and investment expenses. This is consistent with PPMW's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(10) LEASE COMMITMENT

PPMW leases certain building spaces for clinical services in the Washington, D.C. metropolitan area, which expire at various times through March 2028. In addition, PPMW leases various office equipment under a lease which expires in December 2021.

Minimum future rental commitments for these leases at September 30, 2018 and 2017 are as follows:

Year Ending September 30,	
2019	$ 121,900
2020	112,900
2021	96,000
2022	47,000
2023	40,800
Thereafter	105,000
	$ 523,600

Rent expense, which is included in occupancy and related expenses in the Statement of Functional Expenses, was $130,483 and $241,246 for the years ended September 30, 2018 and 2017, respectively.

(11) CONTRIBUTED SERVICES

PPMW receives contributions of legal services which are recorded as support (revenue) and management and general expense based on the fair value of those services totaling $410,534 and $94,287 during the years ended September 30, 2018 and 2017, respectively.

(12) PENSION PLAN

PPMW participates in a defined contribution plan sponsored by Planned Parenthood Federation of America, Inc. Employees become eligible to participate on the first of the month, coincident with or following the date on which the employee attains age 19 and completes one year of service with PPMW. PPMW matches 50% of the employee's contribution up to 6% of the employee's salary. Total contributions to the plan totaled $185,234 and $162,517 for the years ended September 30, 2018 and 2017, respectively.

(13) AFFILIATED ORGANIZATIONS

Annually, the PPMW receives from PPFA a percentage of donations made to the Federation from individuals residing in regions serviced by the organization. For the years ended September 30, 2018 and 2017, the organization received contributions of $2,289,217 and $3,161,530, respectively. In addition, the PPMW received $111,000 and $150,000 for the years ending September 30, 2018 and 2017, respectively, for the Consortium of Abortion Providers (CAPS) funding which is administered by PPFA. The Organization also received $562,704 and $608,147 in various grants from PPFA during the years ended September 30, 2018 and 2017, respectively.

A fee was charged by PPFA for support services provided to each affiliate. This fee is based on a percentage of the Organization's unrestricted operating expenses and was $49,264 for the year ending September 30, 2017. PPOL dues were $36,000 and $27,000 for the years ended September 2018 and 2017. The amount due to PPFA from the Organization was $9,000 and $450 at September 30, 2018 and 2017, respectively.

Beginning in 2018, PPMW is reimbursed by PPM for services performed and certain costs incurred on their behalf. At September 30, 2018, $71,106 was due from PPM. PPM was reimbursed for costs incurred on behalf of PPMW for services they provided to PPADMV. PPADMV owed $13,381 to PPM at September 30, 2018.

PPMW pays dues to Planned Parenthood Advocates of Virginia. Due expense was $47,166 and $26,667 for the years ended September 30, 2018 and 2017, respectively.

PPMW is a member of BetterHealth: A Planned Parenthood Partnership ***("BetterHealth")***, a Pennsylvania nonprofit corporation. BetterHealth is a service organization whose mission is to leverage purchase power for Planned Parenthood affiliate members for strategic business initiatives. The President/CEO of PPMW is a director of BetterHealth. In addition, PPMW uses the services of BetterHealth's information technology consulting group. The total amount paid to BetterHealth was $139,326 and $88,662 in 2018 and 2017, respectively. For the first six months of 2017, the services provided by BetterHealth were provided by Planned Parenthood Southeastern Pennsylvania in the amount of $75,996.

(14) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date the financial statements were available for issuance, March 29, 2019, have been evaluated in the preparation of the financial statements. Management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

SUPPLEMENTAL INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

Board of Directors
Planned Parenthood of Metropolitan Washington, D.C., Inc. and Affiliate
Washington, D.C.

We have audited the combined financial statements of Planned Parenthood of Metropolitan Washington, D.C., Inc, Inc. and affiliate as of and for the year ended September 30, 2018 and have issued our report thereon dated March 29, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2018 combined financial statements as a whole. The combining statements of financial position and combining statements of activities and changes in net assets is presented for the purpose of additional analysis and is not a required part of the 2018 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 29, 2019

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINING STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS	Planned Parenthood	PPADMV	Elimination	Total
Cash and cash equivalents	$ 1,718,602	269,285	$ -	$ 1,987,887
Contributions receivable, net	858,614	97,082	-	955,696
Grants receivable	82,395			82,395
Patient receivables, net	211,035	-	-	211,035
Other receivables	74,918	-	(3,812)	71,106
Prepaid expenses and other current assets	193,416	-	-	193,416
Investments	6,104,490	-	-	6,104,490
Inventory	212,450	-	-	212,450
Property and equipment, net of accumulated depreciation	20,421,519	-	-	20,421,519
Total assets	$ 29,877,439	$ 366,367	$ (3,812)	$ 30,239,994
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accruals	757,033	$ 20,943	$ (3,812)	$ 774,164
Deferred revenue	8,047	-	-	8,047
Note payable	757,595	-	-	757,595
Total liabilities	1,522,675	20,943	(3,812)	1,539,806
COMMITMENTS				
NET ASSETS				
Unrestricted	26,690,729	345,424	-	27,036,153
Temporarily restricted	789,603	-	-	789,603
Permanently restricted	874,432	-	-	874,432
Total net assets	28,354,764	345,424	-	28,700,188
Total liabilities and net assets	$ 29,877,439	$ 366,367	$ (3,812)	$ 30,239,994

PLANNED PARENTHOOD OF METROPOLITAN WASHINGTON, D.C., INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Planned Parenthood Total	PPADMV	Eliminating Entries	Total
REVENUES, GAINS AND OTHER SUPPORT							
Contributions	$ 7,796,540	$ 89,933	$ -	7,886,473	$ 331,951	$ -	$ 8,218,424
Grants and contracts revenue	559,993	-	-	559,993	85,000	(60,000)	584,993
Interest and dividend income	39,994	12,401	-	52,395	-	-	52,395
Contributed services	410,540	-	-	410,540	-	-	410,540
Patient service fees, net of charge adjustments	5,331,858	-	-	5,331,858	-	-	5,331,858
Special events	-	-	-	-	-	-	-
Other revenue	331,079	-	-	331,079	-	(217,460)	113,619
	14,470,004	102,334	-	14,572,338	416,951	(277,460)	14,711,829
Net assets released from restrictions	408,080	(408,080)	-	-	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	14,878,084	(305,746)	-	14,572,338	416,951	(277,460)	14,711,829
EXPENSES							
Program Services							
Patient Services	7,515,984	-	-	7,515,984	-	-	7,515,984
External Affairs	1,094,921	-	-	1,094,921	-	(60,000)	1,034,921
Community Education	335,697	-	-	335,697	-	-	335,697
PPADMV	196,528	-	-	196,528	235,620	(217,460)	214,688
Total Program Services	9,143,130	-	-	9,143,130	235,620	(277,460)	9,101,290
Supporting Services							
Management and General	2,165,775	-	-	2,165,775	-	-	2,165,775
Fundraising	1,571,578	-	-	1,571,578	-	-	1,571,578
Total Supporting Services	3,737,353	-	-	3,737,353	-	-	3,737,353
TOTAL EXPENSES	12,880,483	-	-	12,880,483	235,620	(277,460)	12,838,643
CHANGE IN NET ASSETS FROM OPERATIONS	1,997,601	(305,746)	-	1,691,855	181,331	-	1,873,186
OTHER CHANGES							
Net appreciation on investments	76,242	26,291	-	102,533	-	-	102,533
CHANGE IN NET ASSETS	2,073,843	(279,455)	-	1,794,388	181,331	-	1,975,719
NET ASSETS AT BEGINNING OF YEAR	24,616,886	1,069,058	874,432	26,560,376	164,093	-	26,724,469
NET ASSETS AT END OF YEAR	$ 26,690,729	$ 789,603	$ 874,432	$ 28,354,764	$ 345,424	$ -	$ 28,700,188