

**Planned Parenthood Orange and
San Bernardino Counties, Inc.**

Financial Statements
and Single Audit Reports and Schedules

June 30, 2023

(With Comparative Totals for 2022)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Planned Parenthood Orange and San Bernardino Counties, Inc.
Anaheim, California

Opinion

We have audited the accompanying financial statements of Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood Orange and San Bernardino Counties, Inc. as of June 30, 2023, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Planned Parenthood Orange and San Bernardino Counties, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, Planned Parenthood has adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Planned Parenthood Orange and San Bernardino Counties, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Planned Parenthood Orange and San Bernardino Counties, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, on our consideration of Planned Parenthood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Planned Parenthood's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Planned Parenthood's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Planned Parenthood Orange and San Bernardino Counties, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

November 22, 2023

Planned Parenthood Orange and San Bernardino Counties, Inc.
Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 41,275,407	\$ 35,578,501
Investments in securities	22,491,119	20,618,398
Patient accounts receivable, net	10,926,347	12,306,841
Contributions and grants receivable	2,652,185	1,710,287
Inventory	2,443,873	1,218,042
Other receivables	80,645	20,008
Prepaid expenses	842,450	726,930
Total current assets	80,712,026	72,179,007
Other assets		
Property and equipment, net	37,668,161	38,132,466
Other long-term investment	742,768	250,000
Charitable gift annuity receivable	17,422	9,200
Deposits	92,349	65,826
Interest rate swap receivable	447,722	-
Operating right-of-use assets	11,494,010	-
Total other assets	50,462,432	38,457,492
Total assets	\$ 131,174,458	\$ 110,636,499
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 2,855,002	\$ 2,735,953
Accrued expenses	4,688,197	4,111,976
Refundable advance	2,157	-
Current portion of notes payable	839,691	798,347
Other liability	-	111,804
Current portion of deferred rent	-	46,469
Charitable gift annuity liability	11,760	9,648
Current portion of operating lease liabilities	1,546,843	-
Total current liabilities	9,943,650	7,814,197
Long-term liabilities		
Deferred rent	-	186,918
Notes payable, net of current portion	12,980,326	13,822,041
Interest rate swap liability	-	366,796
Operating lease liabilities, net of current	10,221,013	-
Total long-term liabilities	23,201,339	14,375,755
Total liabilities	33,144,989	22,189,952
Net assets		
Without donor restrictions	98,023,807	88,426,098
With donor restrictions	5,662	20,449
Total net assets	98,029,469	88,446,547
Total liabilities and net assets	\$ 131,174,458	\$ 110,636,499

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

Planned Parenthood Orange and San Bernardino Counties, Inc.
Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues and other support				
Patient service revenue, net	\$ 94,810,673	\$ -	\$ 94,810,673	\$ 86,521,764
Contributions and grants	6,921,365	-	6,921,365	3,966,681
Government grants and contracts	3,739,598	-	3,739,598	4,976,677
Other revenues	441,506	-	441,506	205,911
In-kind contributions	38,215	-	38,215	147,782
Net assets released from restriction	<u>14,787</u>	<u>(14,787)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>105,966,144</u>	<u>(14,787)</u>	<u>105,951,357</u>	<u>95,818,815</u>
Functional expenses				
Program services	78,584,400	-	78,584,400	70,312,844
Support services	<u>20,579,413</u>	<u>-</u>	<u>20,579,413</u>	<u>17,868,700</u>
Total functional expenses	<u>99,163,813</u>	<u>-</u>	<u>99,163,813</u>	<u>88,181,544</u>
Change in net assets from operations	<u>6,802,331</u>	<u>(14,787)</u>	<u>6,787,544</u>	<u>7,637,271</u>
Non-operating revenue (expenses)				
Interest and dividend income, net of fees	669,972	-	669,972	698,685
Realized and unrealized gains (losses) on investments	1,472,281	-	1,472,281	(3,156,981)
Gain (loss) on interest swap valuation	814,518	-	814,518	(366,796)
Loss on disposal of assets	<u>(161,393)</u>	<u>-</u>	<u>(161,393)</u>	<u>(10,410)</u>
Total non-operating revenue (expenses)	<u>2,795,378</u>	<u>-</u>	<u>2,795,378</u>	<u>(2,835,502)</u>
Change in net assets	9,597,709	(14,787)	9,582,922	4,801,769
Net assets, beginning of year	<u>88,426,098</u>	<u>20,449</u>	<u>88,446,547</u>	<u>83,644,778</u>
Net assets, end of year	<u>\$ 98,023,807</u>	<u>\$ 5,662</u>	<u>\$ 98,029,469</u>	<u>\$ 88,446,547</u>

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

Planned Parenthood Orange and San Bernardino Counties, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services				Support Services			2023 Total	2022 Total	
	Clinical Healthcare	Public Affairs	WIC	Education	Total Program Services	Management and General	Fundraising			Total Support Services
Personnel expenses										
Salaries and wages	\$ 34,041,571	\$ 740,917	\$ 1,824,868	\$ 1,060,410	\$ 37,667,766	\$ 9,450,855	\$ 531,663	\$ 9,982,518	\$ 47,650,284	\$ 41,298,166
Employee benefits and payroll taxes	6,730,392	129,295	431,477	202,367	7,493,531	1,726,643	98,965	1,825,608	9,319,139	7,671,007
Total personnel expenses	40,771,963	870,212	2,256,345	1,262,777	45,161,297	11,177,498	630,628	11,808,126	56,969,423	48,969,173
Medical supplies	15,510,986	-	-	-	15,510,986	-	-	-	15,510,986	14,501,843
Bad debt expense	3,626,532	-	-	-	3,626,532	-	-	-	3,626,532	4,316,611
Occupancy	2,976,959	61,043	467,505	78,484	3,583,991	922,944	30,223	953,167	4,537,158	4,045,625
Other operating expenses	484,311	101,268	10,662	7,902	604,143	2,920,914	113,089	3,034,003	3,638,146	2,207,191
Depreciation and amortization	2,316,982	45,544	2,338	58,251	2,423,115	885,724	30,346	916,070	3,339,185	3,113,084
Outside services	3,246,537	2,788	53,789	8,696	3,311,810	1,733,482	1,368	1,734,850	5,046,660	3,914,355
Legal and professional fees	580,876	-	-	-	580,876	648,043	-	648,043	1,228,919	1,039,980
Furniture/equipment expenses	320,684	1,794	37,289	2,923	362,690	462,498	5,371	467,869	830,559	1,652,165
Communication and mailing	731,321	14,154	126,909	16,111	888,495	186,055	25,735	211,790	1,100,285	901,255
Insurance	892,845	-	-	-	892,845	25,012	-	25,012	917,857	684,770
Office expenses	336,009	2,513	34,600	26,620	399,742	149,275	518	149,793	549,535	446,859
Travel	111,148	9,077	15,960	20,064	156,249	76,059	161	76,220	232,469	117,482
Printing and publications	9,088	-	9	700	9,797	48,938	-	48,938	58,735	68,110
Books and subscriptions	1,016	-	23,350	-	24,366	3,612	1,920	5,532	29,898	35,478
Grant expenses	-	-	-	-	-	500,000	-	500,000	500,000	1,137,282
Resources sharing expense	-	1,047,466	-	-	1,047,466	-	-	-	1,047,466	1,030,281
	<u>\$ 71,917,257</u>	<u>\$ 2,155,859</u>	<u>\$ 3,028,756</u>	<u>\$ 1,482,528</u>	<u>\$ 78,584,400</u>	<u>\$ 19,740,054</u>	<u>\$ 839,359</u>	<u>\$ 20,579,413</u>	<u>\$ 99,163,813</u>	<u>\$ 88,181,544</u>

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

Planned Parenthood Orange and San Bernardino Counties, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 9,582,922	\$ 4,801,769
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,339,185	3,113,084
Amortization of operating lease right-of-use assets	1,459,103	-
Change in allowance for bad debts	1,564,655	2,543,275
Reinvested interest and dividends	(386,470)	(672,198)
Realized and unrealized (gains) losses on investments	(1,472,281)	3,156,981
Loss on disposal of assets	161,393	10,410
(Gain) loss on interest rate swap valuation	(814,518)	366,796
Changes in operating assets and liabilities		
Patient accounts receivable	(184,161)	(371,768)
Contributions and grants receivable	(941,898)	(335,058)
Inventory	(1,225,831)	66,037
Other receivables	(60,637)	172,409
Prepaid expenses	(115,520)	132,270
Charitable gift annuity receivable	(26,523)	(3,865)
Deposits	(8,222)	130,861
Accounts payable	119,049	535,620
Accrued expenses	576,221	(440,656)
Refundable advance	2,157	(1,488,288)
Operating lease liabilities	(1,185,257)	-
Charitable gift annuity liability	2,112	2,127
Deferred rent	(233,387)	(61,414)
Other liability	(111,804)	(137,390)
Net cash provided by operating activities	<u>10,040,288</u>	<u>11,521,002</u>
Cash flows from investing activities		
Purchase of property and equipment	(3,036,273)	(9,340,574)
Purchase of investments	(506,738)	(3,024,591)
Net cash used in investing activities	<u>(3,543,011)</u>	<u>(12,365,165)</u>
Cash flows from financing activities		
Principal payments on notes payable	(800,371)	(162,486)
Net cash used in financing activities	<u>(800,371)</u>	<u>(162,486)</u>
Net increase (decrease) in cash and cash equivalents	5,696,906	(1,006,649)
Cash and cash equivalents, beginning of year	<u>35,578,501</u>	<u>36,585,150</u>
Cash and cash equivalents, end of year	<u>\$ 41,275,407</u>	<u>\$ 35,578,501</u>

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

Planned Parenthood Orange and San Bernardino Counties, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 685,139	\$ 76,227
Supplemental schedule of noncash investing and financing activities		
Property and equipment purchases included in accounts payable	\$ 105,901	\$ 471,107
New mortgage loan for the purchase of property	\$ -	\$ 13,448,000
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ 12,913,223	\$ -

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

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

1. NATURE OF OPERATIONS

Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood") dba Melody Health is a not-for-profit California corporation whose primary purpose is to provide confidential, affordable, high-quality health care. Planned Parenthood protects and promotes the fundamental right of all individuals to make their own personal health decisions. Planned Parenthood provides comprehensive health education and information, which enables individuals to make responsible and informed choices. Planned Parenthood believes that respect and value for diversity in all aspects of its work is essential to achieving this mission. Planned Parenthood is an affiliate member of the Planned Parenthood Federation of America, Inc. ("PPFA") and Planned Parenthood Affiliates of California and is assessed dues accordingly.

In addition to patient fees and reimbursement from third party programs, Planned Parenthood receives funding from the U.S. Department of Health and Human Services, the California Department of Public Health, and other local granting agencies to support its services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement preparation

The financial statements of Planned Parenthood have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) specific to nonprofit organizations. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor imposed restrictions that will be met by the passage of time and/or actions of Planned Parenthood in accordance with donor restrictions. Other donor restrictions are perpetual in nature. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Planned Parenthood had no net assets with donor restriction to be held in perpetuity as of June 30, 2023.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") introduced ASC 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

Planned Parenthood adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Planned Parenthood elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, Planned Parenthood recognized on July 1, 2022, an initial lease liability of \$13,146,611, which represents the present value of the remaining operating lease payments discounted using the Daily Treasury Par Yield Curve Rates ranging from 2.81% to 3.80%, and a right-of-use asset of \$12,913,223, which represents the operating lease liability of \$13,146,611 adjusted for accrued rent of \$233,388.

The standard had a material impact on Planned Parenthood's statement of financial position as of June 30, 2023, but did not have a material impact on Planned Parenthood's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of June 30, 2023.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions used reside in accounts receivable contractual allowances, allowance for bad debts and useful lives of property and equipment. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from these estimates.

Cash and cash equivalents

Planned Parenthood has defined cash and cash equivalents as cash in bank and short-term highly liquid money market deposits.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Planned Parenthood records its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Investments include any cash and money market accounts held in the portfolio.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Planned Parenthood determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3).

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that Planned Parenthood has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability. Unobservable inputs reflect Planned Parenthood's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include Planned Parenthood's own data.

Patient accounts receivable, net

Patient accounts receivable, net consists of amounts billed for services provided and is reduced by allowances for contractual adjustments and an allowance for bad debts. In evaluating the collectability of patient accounts receivable, Planned Parenthood analyzes its historical collections and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances for both contractual adjustments and doubtful accounts on a monthly basis. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of these allowances.

At June 30, 2023, Planned Parenthood has an allowance for bad debts of \$1,966,438.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable

Contributions and grants receivable are recorded at their realizable value and are due within one year of June 30, 2023. Pledges receivable that are expected to be collected in future years are measured on a non-recurring basis at the date of the pledge and are recorded at the present value of their estimated future cash flows. No allowance for uncollectible contributions and grants receivable has been recorded at June 30, 2023 as they are deemed fully collectible.

Inventory

Inventory consists of medical and contraceptive supplies maintained for the use and benefit of, or sale to, patients throughout the year. Supplies inventory is stated at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis.

Other long-term investment

The investment totaling \$742,768 as of June 30, 2023 includes 2,500 shares of Series A preferred stock, par value \$0.01 per share issued by Afaxys, Inc. Planned Parenthood's holding of \$250,000 represents 4.2% of \$5,895,000 of the preferred stock issued by Afaxys, Inc. in December 2010. This investment is the result of an exchange of a note receivable for the preferred stock. The investment is accounted for using the cost method.

The investment also includes the purchase of 58 common shares issued by Afaxys, Inc. in June 2023 with an aggregate purchase price of \$492,768.

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of an asset is greater than or equal \$2,500 and the useful life is greater than one year. Maintenance and repair costs are charged to expense as incurred.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings, building improvements and leasehold improvements	5 - 40 years
Furniture and equipment	3 - 10 years
Computer equipment and software	3 - 5 years

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Planned Parenthood reviews all long-term assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment loss provision was recorded during the year ended June 30, 2023.

Charitable gift annuity

In previous years a charitable gift annuity was received to support the work of Planned Parenthood. The annuity agreement provides for periodic distributions to the grantor over the trust's terms at an agreed rate. Upon maturity, the remaining trust assets will be transferred to Planned Parenthood for general operating purposes.

Contributed assets were recorded at their fair value at the date of the initial gift. The present value of the future benefits to be received by Planned Parenthood is recorded as "with donor restrictions" in the Statement of Activities. The liability portion, measured at the present value of the expected future payments to the beneficiaries based on the terms of the trust, is revalued annually based on changes in actuarial assumptions.

The charitable gift annuity, which is administered by PPFA, is valued at \$17,422, and the present value of the estimated future payments to beneficiaries is \$11,760 as of June 30, 2023. These amounts are reflected as charitable gift annuity receivable and charitable gift annuity liability in the accompanying statement of financial position.

Leases

Planned Parenthood leases health centers and equipment in Orange and San Bernardino Counties under operating leases. Planned Parenthood determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the statement of financial position. Planned Parenthood does not have any finance leases as of June 30, 2023.

ROU assets represent Planned Parenthood's right to use an underlying asset for the lease term and lease liabilities represent Planned Parenthood's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As Planned Parenthood's leases do not provide an implicit rate, Planned Parenthood uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Planned Parenthood's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Planned Parenthood has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. Planned Parenthood only has a small number of short-term leases and the short-term lease cost is nominal.

Derivative financial instruments

Planned Parenthood has an interest rate swap associated with their mortgage loan that was entered into to mitigate rising interest rates in the future. The fair value of the interest rate swap derivative is reflected in the statement of financial position with related gains and losses reflected in the statement of activities. The fair value of the interest rate swap is based on the present value of estimated monthly net future cash flows resulting from the swap agreement.

Cash outflows per this valuation are based on the contractual fixed interest rate required to be paid by Planned Parenthood of 4.75% on the notional loan balance over the swap term. Estimated cash inflows are based on the variable interest required to be paid by the bank of 1.65% over the projected future secured bank financing rate, as defined in the swap agreement, as definitive futures rates are not available upon which such cash inflows are based.

Revenue recognition

Patient service revenue, net – Approximately 90% of Planned Parenthood's net patient services revenue for the fiscal year ended June 30, 2023 is from patients who are covered by California State Family PACT, MediCal and other government programs. These payors reimburse for services based upon their respective schedules of usual, customary, and reasonable fees. These reimbursements also include Proposition 56 supplemental payments based upon eligible service performed. Contractual adjustments result from the difference between the payment based on the usual, customary, and reasonable fee and the Organization's standard charge. Contractual allowances, along with charity care adjustments, are recorded as a reduction to patient service revenues at the time the patient service is provided. Patient service revenue is recognized as the underlying performance obligation is satisfied; when the specific patient care visit is completed. Retroactive payment adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions – Contributions, including unconditional promises to give, are recognized as support in the period the contribution or promise is received. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as net assets with donor restrictions. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Planned Parenthood has elected to report all donor restricted contributions for which the restriction has been met in the same year, as without donor restriction. Contributions and unconditional promises to give that are expected to be collected or paid in future years are discounted using a net present value method.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time the gift is recognized as contribution revenue with or without donor restriction.

Government Grants and Contracts - Planned Parenthood generates grant revenue from providing services for children and adults through cost reimbursement state and federally funded programs. Planned Parenthood has elected a simultaneous release option to account for these grants whereby they are recorded as government grant revenue without donor restriction upon satisfaction of the conditions. In the event funds are received and have not been earned, Planned Parenthood records such amounts as refundable advances until they are earned by satisfying the grant agreement objectives. At June 30, 2023, Planned Parenthood had conditional contributions related to an ongoing federal government grant contracts in the approximate amount of \$7,100,000.

In-kind contributions

Contributed assets are recorded at fair value on the date they are received and recognized as expense when utilized. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on the date received. Planned Parenthood recognized in-kind contributions totaling \$38,215 during the year ended June 30, 2023, which included medical supplies used for patient services totaling \$37,495 and \$720 for donated professional services.

Charity care

Planned Parenthood provides care without charge, or at amounts less than its established rates, to patients who meet certain criteria. Because Planned Parenthood does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue in the accompanying statements of activities. The cost of charges foregone for services furnished by Planned Parenthood totaled approximately \$2,400,000 during the year ended June 30, 2023.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

Costs of providing Planned Parenthood's programs and other activities have been presented in the accompanying Statement of Functional Expenses. During the year, shared costs are allocated among various programs and support services by a method that best measures the relative degree of benefit. Planned Parenthood uses expenses and headcount to allocate indirect costs.

Income tax status

Planned Parenthood is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. Accordingly, no provision for federal or state income taxes has been recorded. Planned Parenthood's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

Planned Parenthood has evaluated its current tax positions and has concluded that as of June 30, 2023 Planned Parenthood does not have any uncertain tax positions for which a reserve would be necessary.

Comparative financial 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 Planned Parenthood's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent events

Planned Parenthood has evaluated subsequent events through November 22, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of Planned Parenthood's financial statements.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

Cash and cash equivalents	\$ 449,574
Money market funds	1,270,000
Equities	10,808,164
Equity funds	1,432
Exchange traded funds	1,240,200
Bond funds	812,439
Fixed income	7,651,370
Other assets	<u>257,940</u>
	<u><u>\$ 22,491,119</u></u>

The following table sets forth by level, within the fair value hierarchy, the Planned Parenthood's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Investments in securities				
Cash and cash equivalents	\$ 449,574	\$ -	\$ -	\$ 449,574
Money market funds	1,270,000	-	-	1,270,000
Equities	10,808,164	-	-	10,808,164
Equity funds	1,432	-	-	1,432
Exchange traded funds	1,240,200	-	-	1,240,200
Bond funds	812,439	-	-	812,439
Fixed income	-	7,651,370	-	7,651,370
Other assets	<u>257,940</u>	<u>-</u>	<u>-</u>	<u>257,940</u>
	<u>14,839,749</u>	<u>7,651,370</u>	<u>-</u>	<u>22,491,119</u>
Other assets:				
Interest rate swap receivable	<u>-</u>	<u>-</u>	<u>447,722</u>	<u>447,722</u>
	<u>-</u>	<u>-</u>	<u>447,722</u>	<u>447,722</u>
	<u><u>\$ 14,839,749</u></u>	<u><u>\$ 7,651,370</u></u>	<u><u>\$ 447,722</u></u>	<u><u>\$ 22,938,841</u></u>

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 5,777,776
Buildings and building improvements	35,279,085
Furniture and equipment	5,021,500
Leasehold improvements	6,564,124
Computer equipment	3,405,696
Construction in progress	<u>959,446</u>
	57,007,627
Accumulated depreciation	<u>(19,339,466)</u>
	<u>\$ 37,668,161</u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$3,339,185.

5. ACCRUED EXPENSES

Accrued expenses consisted of the following:

Accrued vacation	\$ 2,190,924
Accrued payroll and payroll taxes	1,763,866
Grants payable to affiliates	500,000
Accrued pension related	66,712
Other	<u>166,695</u>
	<u>\$ 4,688,197</u>

6. LINE OF CREDIT

Planned Parenthood had a \$3,250,000 line of credit with a commercial bank due on June 1, 2023, and another line of credit agreement with the same commercial bank, with a line of credit amount of \$5,000,000, due on June 1, 2023. Planned Parenthood canceled all existing lines of credit with the commercial bank on May 10, 2022.

On May 11, 2022, Planned Parenthood entered into a new line of credit agreement with a different commercial bank, with a line of credit amount of \$8,250,000, due on May 31, 2025. The line of credit is collateralized by Planned Parenthood's cash and investments. The line of credit agreements has certain covenants which Planned Parenthood is in compliance with at June 30, 2023. There was no outstanding balance on the line of credit at June 30, 2023.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

7. NOTES PAYABLE

Notes payable consisted of the following:

Note payable to a bank, secured by a deed of trust on the real property, variable interest at 1.65% over the bank's secured overnight financing rate, which is fixed at 4.75% through maturity under an interest rate swap agreement, payable in monthly installments of approximately \$105,000 beginning on July 1, 2022 and maturing on June 1, 2037.	\$ 12,817,947
Note payable to a bank, secured by a deed of trust on real property, with monthly payments of \$8,967, including interest at 4.75% per annum, fixed for 15 years, due August 2029.	572,305
Note payable to a bank, secured by a deed of trust on real property, with monthly payments of \$9,486, including interest at 4.44% per annum, due August 2027.	429,765
	13,820,017
Less: current portion of notes payable	(839,691)
	\$ 12,980,326

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2024	\$ 839,691
2025	877,691
2026	920,265
2027	964,922
2028	915,368
Thereafter	9,302,080
	\$ 13,820,017

The mortgage loan in the amount of \$12,817,947 for the corporate headquarters building contains certain covenants. At June 30, 2023, Planned Parenthood is in compliance with the loan covenants.

8. EMPLOYEE BENEFIT PLAN

Planned Parenthood has a voluntary defined contribution retirement plan. Planned Parenthood makes a discretionary contribution of up to 2% of eligible employees annual salary. The discretionary percentage is established annually. Planned Parenthood also makes a safe harbor contribution of 3% of the eligible employees annual salary. In addition, Planned Parenthood makes a matching contribution on a 50% basis up to a maximum of 6% of an employee's annual salary. The employer contribution for the year ended June 30, 2023 was \$2,131,330.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

9. LEASES

Planned Parenthood leases real property and equipment under operating leases with various terms and lease escalation clauses through September 2035.

Additional information related to leases is as followed:

Operating lease cost	\$ 1,746,974
Operating cash flows from operating leases	\$ 1,666,626
Operating ROU assets obtained in exchange for lease liabilities	\$ 12,913,223
Weighted-average remaining lease term - operating lease	8.87 years
Weighted-average discount rate - operating lease	3.28 %

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2024	\$ 1,903,876
2025	1,460,447
2026	1,404,116
2027	1,381,775
2028	1,197,640
Thereafter	<u>6,388,556</u>
	13,736,410
Less: discount to present value	<u>(1,968,554)</u>
	<u>\$ 11,767,856</u>

Total lease expense recognized under these operating leases for the year ended June 30, 2023 was \$1,746,974 and is included in occupancy expense in the statement of activities.

10. COMMITMENTS AND CONTINGENCIES

Healthcare reform

As a result of the Patient Protection and Affordable Care Act, as well as the Health Care and Education Reconciliation Act of 2010 and related health care reform legislation and regulations (collectively "ACA Health Care Reform"), significant changes to the current U.S. healthcare system have occurred and more changes are anticipated. ACA Health Care Reform includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, payments to healthcare providers, and the legal obligations of health insurers, providers and employers. Such provisions include measures designed to promote quality and cost efficiency in healthcare delivery and to generate budgetary savings, including with respect to MediCal, Family PACT and other State programs pursuant to which Planned Parenthood is reimbursed for the services it provides.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

10. COMMITMENTS AND CONTINGENCIES (continued)

Regulatory environment

Laws and regulations governing MediCal programs are extremely complex and subject to interpretation. During the last few years, as a result of investigations by federal and state governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which investigations have resulted in some instances in organizations entering into significant settlement agreements. Planned Parenthood's compliance with such laws and regulations may be subject to future government review and interpretation. Planned Parenthood's management does not believe that the result of any future government audit or review would have a material impact on amounts recorded in their financial statements. To foster compliance with applicable laws and regulations, Planned Parenthood maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

Undetermined impact

During the last five years, the State of California (the "State") has made changes to the laws and regulations governing certain programs pursuant to which Planned Parenthood is reimbursed for its services, and the State has indicated that additional changes are in process. These changes have included reductions and increases in the rates at which Planned Parenthood is reimbursed for its services, including retroactive reductions the applicable governmental agencies have asserted a right of recoupment. The State has also made changes to the manner in which it administers and interprets such laws and regulations, which changes may give rise to assertions by certain governmental agencies that Planned Parenthood may be obligated to repay certain amounts relating to alleged overpayments made. As a result of these various changes, there is a reasonable possibility that recorded amounts will change by a material amount in the near-term. At this time Planned Parenthood is unable to predict with any certainty the degree to which these changes will impact Planned Parenthood. Planned Parenthood anticipates that it may dispute both the validity of the alleged recoupment and repayment obligations and the amounts due, if any. As a result of these changes, Planned Parenthood continues to experience delays in reimbursement for services provided to patients.

Litigation

In the normal course of business, Planned Parenthood is occasionally named as a defendant in various claims and lawsuits. It is the opinion of management that the outcome of any potential lawsuits will not materially affect the operation or the financial position of Planned Parenthood.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

10. COMMITMENTS AND CONTINGENCIES (continued)

Malpractice insurance

Planned Parenthood and health care providers employed by Planned Parenthood are insured by a third-party insurer. The insurance company provides claims-made malpractice insurance coverage, which covers only asserted malpractice claims within policy limits. The insurance policy has a \$1,000,00 per claim limit and a \$3,000,000 aggregate limit. Planned Parenthood purchases tail insurance coverage when necessary and includes the cost of the premiums in the year the tail is purchased. Management does not believe there were any material outstanding malpractice liabilities at June 30, 2023.

Government grants and contracts

Planned Parenthood has grants and contracts with government agencies that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grant or contracts, management believes that any resulting liability from such audits would not be material.

11. CONCENTRATIONS

Credit risk

At times Planned Parenthood's bank accounts exceed federally insured limits. Planned Parenthood has not experienced any losses in such accounts and management believes that Planned Parenthood is not exposed to any significant credit risk on its cash and cash equivalents.

Investments are exposed to various risks, such as interest rates, credit, and overall market volatility. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the consolidated financial statements.

Revenue and receivables

A substantial amount of Planned Parenthood's revenue is received from the State of California ("State") MediCal Program. Approximately 90% of total revenues during the fiscal year ended June 30, 2023, and approximately 97% of total net patient receivables at June 30, 2023 are related to the State MediCal program. Planned Parenthood's ability to service patients will be dependent on the stability and consistency of payments and reimbursement rates by the State of California.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

12. RELATED PARTIES

Community Action Fund of Planned Parenthood Orange and San Bernardino Counties ("Community Action Fund") is an affiliate of Planned Parenthood. The primary purpose of the Community Action Fund is to encourage and protect informed individual choice regarding reproductive health and to advocate public policies which guarantee the right and access to such care. In accordance with a grant agreement with Planned Parenthood and Community Action Fund, Planned Parenthood provides grant funding to Community Action Fund to support their charitable and educational activities. During the year ended June 30, 2023, Planned Parenthood provided \$1,047,466 to the Community Action Fund under the terms of the grant agreement. At June 30, 2023, Planned Parenthood has a receivable from the Community Action Fund of \$77,720, which is included in other receivables, and a payable to the Community Action Fund of \$7,931 which is included in accrued expenses.

Planned Parenthood, one of many affiliates of Planned Parenthood Federation of America, Inc. ("PPFA"), is an autonomous organization but operates within the framework of standards set by PPFA. PPFA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). As part of an affiliation agreement, Planned Parenthood is required to pay membership dues, which were \$225,375 for the year ended June 30, 2023.

Planned Parenthood is a member of the Planned Parenthood Affiliates of California ("PPAC"). PPAC is a 501(c)(4) Organization that leads the state-wide policy and advocacy work on behalf of the seven Planned Parenthood affiliates in California.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Time restrictions:

Charitable gift annuity receivable, net	<u>\$ 5,662</u>
	<u><u>\$ 5,662</u></u>

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

Planned Parenthood monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. Planned Parenthood's income is generated from receiving contributions, with or without donor restrictions, providing program services, and receiving interest from investments less expenses incurred for providing program activities, raising contributions and performing administrative functions.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Financial Statements
June 30, 2023

14. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following shows the financial assets available within one year for general operations:

Cash	\$ 41,275,407
Investments in securities	22,491,119
Patient accounts receivable, net	10,926,347
Contributions and grants receivable	2,652,185
Other receivables	<u>80,645</u>
	<u>\$ 77,425,703</u>

Planned Parenthood also has a line of credit available in the amount of \$8,250,000 available to meet its operating needs. See Note 6.

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Planned Parenthood Orange and San Bernardino Counties, Inc.
Anaheim, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Planned Parenthood's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Planned Parenthood's internal control. Accordingly, we do not express an opinion on the effectiveness of Planned Parenthood's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Planned Parenthood's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Planned Parenthood's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Planned Parenthood's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Francisco, California

November 22, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors
Planned Parenthood Orange and San Bernardino Counties, Inc.
Anaheim, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Planned Parenthood's major federal programs for the year ended June 30, 2023. Planned Parenthood's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Planned Parenthood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Planned Parenthood and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Planned Parenthood's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Planned Parenthood's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Planned Parenthood's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Planned Parenthood's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Planned Parenthood's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Planned Parenthood's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Planned Parenthood's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

November 22, 2023

Planned Parenthood Orange and San Bernardino Counties, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Contract Number	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>					
U.S. Department of Health and Human Services					
Affordable Care Act (ACA) Personal Responsibility					
Education Program					
Pass-through program from:					
State of California Department of Public Health: Maternal, Child and Adolescent Health	18-10250	93.092	NA	\$ 1,200,081	\$ 360,795
Total U.S. Department of Health and Human Services				<u>1,200,081</u>	<u>360,795</u>
U.S. Department of Agriculture					
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)					
Pass-through program from:					
State of California Department of Public Health	22-10274	10.557	NA	<u>9,747,001</u>	<u>3,309,961</u>
Total U.S. Department of Agriculture				<u>9,747,001</u>	<u>3,309,961</u>
Total Expenditures of Federal Awards				<u>\$ 10,947,082</u>	<u>\$ 3,670,756</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Planned Parenthood Orange and San Bernardino Counties, Inc. ("Planned Parenthood") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Planned Parenthood, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Planned Parenthood.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. AWARDS TO SUB-RECIPIENTS

Planned Parenthood did not provide any federal awards to sub-recipients during the year ended June 30, 2023.

4. INDIRECT COST RATE

Planned Parenthood did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Planned Parenthood Orange and San Bernardino Counties, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Planned Parenthood Orange and San Bernardino Counties, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

None identified

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Planned Parenthood Orange and San Bernardino Counties, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.