



**Meadows Urquhart Acree & Cook, LLP**  
Certified Public Accountants

1802 Bayberry Court  
Suite 102  
Henrico, VA 23226

p 804 249 5786  
f 804 249 5781  
[www.muacllp.com](http://www.muacllp.com)

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- Kelli P. Meadows
- Douglas A. Urquhart
- David C. Acree
- Shannon W. Cook

## Independent Auditor's Report

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

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Virginia League for Planned Parenthood, Incorporated, ("the League") which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the League as of June 30, 2018, 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.

### Prior Period Financial Statements

The financial statements of the League as of June 30, 2017, were audited by other auditors, whose report dated December 2, 2017, expressed an unmodified opinion on those financial statements.

### Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Meadow Urgulant Creech + Cook, LLP*

Henrico, Virginia  
December 8, 2018

The Virginia League for Planned Parenthood, Incorporated

Consolidated Statements of Financial Position

June 30, 2018 and 2017

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Assets</b>                                |                      |                      |
| <b>Current assets</b>                        |                      |                      |
| Cash and cash equivalents                    | \$ 1,788,152         | \$ 1,261,748         |
| Patient accounts receivable                  | 231,285              | 149,206              |
| Grant receivable                             | 213,235              | -                    |
| Current portion of pledges receivable        | 195,000              | 155,000              |
| Inventory                                    | 250,885              | 77,586               |
| Prepaid expenses                             | 131,496              | 140,662              |
| Due from related party                       | 123,872              | 56,434               |
| <b>Total current assets</b>                  | <b>2,933,925</b>     | <b>1,840,636</b>     |
| Pledges receivable, less current portion     | -                    | 155,000              |
| Investments                                  | 953,348              | 873,732              |
| Property and equipment, net                  | 8,427,776            | 7,843,736            |
| Other assets                                 | -                    | 3,216                |
| <b>Total assets</b>                          | <b>\$ 12,315,049</b> | <b>\$ 10,716,320</b> |
| <b>Liabilities and Net Assets</b>            |                      |                      |
| <b>Current liabilities</b>                   |                      |                      |
| Current portion of notes payable             | \$ 120,864           | \$ 114,959           |
| Accounts payable                             | 236,271              | 249,640              |
| Accrued expenses                             | 306,612              | 98,698               |
| <b>Total current liabilities</b>             | <b>663,747</b>       | <b>463,297</b>       |
| Notes payable - long term, net of loan costs | 3,021,578            | 2,470,408            |
| <b>Total Liabilities</b>                     | <b>3,685,325</b>     | <b>2,933,705</b>     |
| <b>Net assets</b>                            |                      |                      |
| <b>Unrestricted</b>                          |                      |                      |
| Undesignated                                 | 6,144,928            | 5,344,956            |
| Board designated - education                 | 429,987              | 392,305              |
| Board designated - other                     | 187,634              | 170,389              |
| <b>Total unrestricted</b>                    | <b>6,762,549</b>     | <b>5,907,650</b>     |
| Temporarily restricted                       | 1,867,175            | 1,874,965            |
| <b>Total net assets</b>                      | <b>8,629,724</b>     | <b>7,782,615</b>     |
| <b>Total liabilities and net assets</b>      | <b>\$ 12,315,049</b> | <b>\$ 10,716,320</b> |

See Notes to Consolidated Financial Statements.

The Virginia League for Planned Parenthood, Incorporated

Consolidated Statement of Activities

Year Ended June 30, 2018 with 2017 Comparative Totals

|                                      | Unrestricted        |                   |                        | Totals              |                     |
|--------------------------------------|---------------------|-------------------|------------------------|---------------------|---------------------|
|                                      | Undesignated        | Board Designated  | Temporarily Restricted | 2018                | 2017                |
| Support and revenue                  |                     |                   |                        |                     |                     |
| Contributions                        | \$ 1,711,618        | \$ -              | \$ 2,057,577           | \$ 3,769,195        | \$ 3,563,206        |
| Women's clinic income                | 6,321,191           | -                 | -                      | 6,321,191           | 5,333,795           |
| Investment income                    | 27,104              | 54,927            | -                      | 82,031              | 126,927             |
| Other income                         | 64,966              | -                 | -                      | 64,966              | 32,372              |
| <b>Total support and revenue</b>     | <b>8,124,879</b>    | <b>54,927</b>     | <b>2,057,577</b>       | <b>10,237,383</b>   | <b>9,056,300</b>    |
| Net assets released from restriction | 2,065,367           | -                 | (2,065,367)            | -                   | -                   |
| Expenses                             |                     |                   |                        |                     |                     |
| Program services:                    |                     |                   |                        |                     |                     |
| Patient services                     | 7,035,015           | -                 | -                      | 7,035,015           | 6,161,802           |
| Public affairs                       | 837,200             | -                 | -                      | 837,200             | 549,951             |
| Public health education and services | 598,690             | -                 | -                      | 598,690             | 539,800             |
| Supporting services:                 |                     |                   |                        |                     |                     |
| Management and general               | 593,973             | -                 | -                      | 593,973             | 409,443             |
| Fundraising                          | 314,896             | -                 | -                      | 314,896             | 303,081             |
| <b>Total expenses</b>                | <b>9,379,774</b>    | <b>-</b>          | <b>-</b>               | <b>9,379,774</b>    | <b>7,964,077</b>    |
| Bad debt expense                     | 10,500              | -                 | -                      | 10,500              | 20,190              |
| <b>Total expense and loss</b>        | <b>9,390,274</b>    | <b>-</b>          | <b>-</b>               | <b>9,390,274</b>    | <b>7,984,267</b>    |
| <b>Change in net assets</b>          | <b>799,972</b>      | <b>54,927</b>     | <b>(7,790)</b>         | <b>847,109</b>      | <b>1,072,033</b>    |
| Net assets, beginning of year        | 5,344,956           | 562,694           | 1,874,965              | 7,782,615           | 6,710,582           |
| Net assets, end of year              | <u>\$ 6,144,928</u> | <u>\$ 617,621</u> | <u>\$ 1,867,175</u>    | <u>\$ 8,629,724</u> | <u>\$ 7,782,615</u> |

See Notes to Consolidated Financial Statements.

The Virginia League for Planned Parenthood, Incorporated

Consolidated Statement of Activities

Year Ended June 30, 2017

|                                      | Unrestricted     |                     | Temporarily<br>Restricted | Total            |
|--------------------------------------|------------------|---------------------|---------------------------|------------------|
|                                      | Undesignated     | Board<br>Designated |                           |                  |
| Support and revenue                  |                  |                     |                           |                  |
| Contributions                        | \$ 1,497,209     | \$ -                | \$ 2,065,997              | \$ 3,563,206     |
| Women's clinic income                | 5,333,795        | -                   | -                         | 5,333,795        |
| Investment income                    | 39,912           | 87,015              | -                         | 126,927          |
| Other income                         | 32,372           | -                   | -                         | 32,372           |
| <b>Total support and revenue</b>     | <b>6,903,288</b> | <b>87,015</b>       | <b>2,065,997</b>          | <b>9,056,300</b> |
| Net assets released from restriction | 1,374,394        | -                   | (1,374,394)               | -                |
| Expenses                             |                  |                     |                           |                  |
| Program services:                    |                  |                     |                           |                  |
| Patient services                     | 6,161,802        | -                   | -                         | 6,161,802        |
| Public affairs                       | 549,951          | -                   | -                         | 549,951          |
| Public health education and services | 539,800          | -                   | -                         | 539,800          |
| Supporting services:                 |                  |                     |                           |                  |
| Management and general               | 409,443          | -                   | -                         | 409,443          |
| Fundraising                          | 303,081          | -                   | -                         | 303,081          |
| <b>Total expenses</b>                | <b>7,964,077</b> | <b>-</b>            | <b>-</b>                  | <b>7,964,077</b> |
| Bad debt expense                     | 20,190           | -                   | -                         | -                |
| <b>Total expense and loss</b>        | <b>7,984,267</b> | <b>-</b>            | <b>-</b>                  | <b>7,984,267</b> |
| Change in net assets                 | 293,415          | 87,015              | 691,603                   | 1,072,033        |
| Net assets, beginning of year        | 5,051,541        | 475,679             | 1,183,362                 | 6,710,582        |
| Net assets, end of year              | \$ 5,344,956     | \$ 562,694          | \$ 1,874,965              | \$ 7,782,615     |

See Notes to Consolidated Financial Statements.

The Virginia League for Planned Parenthood, Incorporated

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018 and 2017 Comparative Totals

|                                    | Program Services    |                   |   |                              | Supporting Services          |                   |                              |                     | Total<br>2018       | Total<br>2017 |
|------------------------------------|---------------------|-------------------|---|------------------------------|------------------------------|-------------------|------------------------------|---------------------|---------------------|---------------|
|                                    | Patient<br>Services | Public<br>Affairs | Public<br>Health<br>Education<br>and Services | Total<br>Program<br>Expenses | Management<br>and<br>General | Fundraising       | Total<br>Support<br>Expenses |                     |                     |               |
| Salaries and wages                 | \$ 3,030,959        | \$ 556,613        | \$ 416,209                                    | \$ 4,003,781                 | \$ 305,341                   | \$ 102,089        | \$ 407,430                   | \$ 4,411,211        | \$ 3,581,354        |               |
| Medical supplies                   | 1,197,507           | -                 | 22,187  | 1,219,694                    | -                            | -                 | -                            | 1,219,694           | 1,051,980           |               |
| Professional fees                  | 624,726             | 14,044            | 4,785   | 643,555                      | 121,014                      | 102,796           | 223,810                      | 867,365             | 734,070             |               |
| Repairs and maintenance            | 411,875             | 6,325             | 5,880   | 424,080                      | 22,888                       | 20,036            | 42,924                       | 467,004             | 418,209             |               |
| Employee benefits                  | 273,304             | 48,406            | 54,616  | 376,326                      | 21,735                       | 9,341             | 31,076                       | 407,402             | 326,454             |               |
| Depreciation                       | 325,008             | -                 | -   | 325,008                      | -                            | -                 | -                            | 325,008             | 305,852             |               |
| Taxes, payroll                     | 219,298             | 38,290            | 28,408  | 285,996                      | 25,180                       | 8,312             | 33,492                       | 319,488             | 260,095             |               |
| Laboratory fees                    | 250,308             | -                 | -   | 250,308                      | -                            | -                 | -                            | 250,308             | 264,715             |               |
| Insurance, malpractice             | 148,104             | -                 | -   | 148,104                      | -                            | -                 | -                            | 148,104             | 121,911             |               |
| Travel                             | 48,476              | 33,273            | 24,437  | 106,186                      | 32,966                       | 3,003             | 35,969                       | 142,155             | 126,551             |               |
| Interest                           | 128,914             | 1,495             | 1,495   | 131,904                      | 2,946                        | 1,495             | 4,441                        | 136,345             | 130,995             |               |
| Telephone                          | 82,585              | 15,060            | 6,150   | 103,795                      | 4,479                        | 1,851             | 6,330                        | 110,125             | 99,347              |               |
| Meetings and conferences           | 29,080              | 10,031            | 18,347  | 57,458                       | 14,644                       | 14,783            | 29,427                       | 86,885              | 62,093              |               |
| Supplies, office and general       | 53,228              | 1,614             | 7,919   | 62,761                       | 14,472                       | 3,510             | 17,982                       | 80,743              | 55,184              |               |
| Cleaning services and supplies     | 58,034              | 1,615             | 1,615   | 61,264                       | 1,539                        | 1,739             | 3,278                        | 64,542              | 61,608              |               |
| Payments to national organizations | -                   | 53,000            | -   | 53,000                       | -                            | -                 | -                            | 53,000              | 82,316              |               |
| Utilities                          | 41,713              | 947               | 947   | 43,607                       | 6,736                        | 1,024             | 7,760                        | 51,367              | 53,188              |               |
| Membership dues                    | 27,361              | 7,317             | 1,930   | 36,608                       | 7,051                        | 5,755             | 12,806                       | 49,414              | 39,800              |               |
| Printing and advertising           | 12,822              | 2,509             | 1,384   | 16,715                       | 615                          | 31,250            | 31,865                       | 48,580              | 40,347              |               |
| Insurance, general                 | 39,523              | 2,451             | 1,636   | 43,610                       | 2,321                        | 1,149             | 3,470                        | 47,080              | 39,773              |               |
| Advocacy                           | -                   | 29,457            | -   | 29,457                       | -                            | 524               | 524                          | 29,981              | 53,839              |               |
| Taxes and licenses                 | 17,477              | 586               | 279   | 18,342                       | 6,153                        | 462               | 6,615                        | 24,957              | 17,099              |               |
| Equipment                          | 2,083               | 12,895            | -   | 14,978                       | -                            | -                 | -                            | 14,978              | -                   |               |
| Postage and shipping               | 7,711               | 924               | 438   | 9,073                        | 1,058                        | 4,689             | 5,747                        | 14,820              | 18,339              |               |
| Bank fees                          | 4,240               | 328               | 8   | 4,576                        | 1,339                        | 1,048             | 2,387                        | 6,963               | 18,958              |               |
| Rent                               | 679                 | 20                | 20  | 719                          | 1,496                        | 40                | 1,536                        | 2,255               | -                   |               |
|                                    | <u>\$ 7,035,015</u> | <u>\$ 837,200</u> | <u>\$ 598,690</u>                             | <u>\$ 8,470,905</u>          | <u>\$ 593,973</u>            | <u>\$ 314,896</u> | <u>\$ 908,869</u>            | <u>\$ 9,379,774</u> | <u>\$ 7,964,077</u> |               |

See Notes to Consolidated Financial Statements.



The Virginia League for Planned Parenthood, Incorporated

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

|                                    | Program Services    |                   |                                      |                        | Supporting Services    |                   |                        |                     |
|------------------------------------|---------------------|-------------------|--------------------------------------|------------------------|------------------------|-------------------|------------------------|---------------------|
|                                    | Patient Services    | Public Affairs    | Public Health Education and Services | Total Program Expenses | Management and General | Fundraising       | Total Support Expenses | Total               |
| Salaries and wages                 | \$ 2,552,931        | \$ 338,859        | \$ 365,979                           | \$ 3,257,769           | \$ 229,492             | \$ 94,093         | \$ 323,585             | \$ 3,581,354        |
| Medical supplies                   | 1,035,929           | -                 | 16,051                               | 1,051,980              | -                      | -                 | -                      | 1,051,980           |
| Professional fees                  | 540,940             | 2,758             | 38,631                               | 582,329                | 53,670                 | 98,071            | 151,741                | 734,070             |
| Repairs and maintenance            | 353,635             | 8,837             | 6,347                                | 368,819                | 20,146                 | 29,244            | 49,390                 | 418,209             |
| Employee benefits                  | 235,769             | 32,949            | 35,811                               | 304,529                | 15,098                 | 6,827             | 21,925                 | 326,454             |
| Depreciation                       | 305,852             | -                 | -                                    | 305,852                | -                      | -                 | -                      | 305,852             |
| Laboratory fees                    | 264,715             | -                 | -                                    | 264,715                | -                      | -                 | -                      | 264,715             |
| Taxes, payroll                     | 189,249             | 23,616            | 25,983                               | 238,848                | 14,314                 | 6,933             | 21,247                 | 260,095             |
| Interest                           | 118,647             | 1,713             | 1,713                                | 122,073                | 7,209                  | 1,713             | 8,922                  | 130,995             |
| Travel                             | 48,719              | 23,991            | 19,627                               | 92,337                 | 26,135                 | 8,079             | 34,214                 | 126,551             |
| Insurance, malpractice             | 121,911             | -                 | -                                    | 121,911                | -                      | -                 | -                      | 121,911             |
| Telephone                          | 85,725              | 2,953             | 5,006                                | 93,684                 | 3,880                  | 1,783             | 5,663                  | 99,347              |
| Payments to national organizations | 34,553              | 43,699            | 2,032                                | 80,284                 | 1,016                  | 1,016             | 2,032                  | 82,316              |
| Meetings and conferences           | 18,284              | 5,064             | 11,870                               | 35,218                 | 14,601                 | 12,274            | 26,875                 | 62,093              |
| Cleaning services and supplies     | 55,950              | 1,376             | 1,376                                | 58,702                 | 1,530                  | 1,376             | 2,906                  | 61,608              |
| Supplies, office and general       | 40,894              | 1,958             | 1,480                                | 44,332                 | 8,908                  | 1,944             | 10,852                 | 55,184              |
| Advocacy                           | -                   | 53,839            | -                                    | 53,839                 | -                      | -                 | -                      | 53,839              |
| Utilities                          | 48,512              | 1,169             | 1,169                                | 50,850                 | 1,169                  | 1,169             | 2,338                  | 53,188              |
| Printing and advertising           | 12,379              | 1,880             | 915                                  | 15,174                 | 2,334                  | 22,839            | 25,173                 | 40,347              |
| Membership dues                    | 27,612              | 1,360             | 2,450                                | 31,422                 | 6,278                  | 2,100             | 8,378                  | 39,800              |
| Insurance, general                 | 31,654              | 2,983             | 2,661                                | 37,298                 | 1,490                  | 985               | 2,475                  | 39,773              |
| Bank fees                          | 16,634              | 115               | 34                                   | 16,783                 | 757                    | 1,418             | 2,175                  | 18,958              |
| Postage and shipping               | 6,186               | 424               | 382                                  | 6,992                  | 413                    | 10,934            | 11,347                 | 18,339              |
| Taxes and licenses                 | 15,122              | 408               | 283                                  | 15,813                 | 1,003                  | 283               | 1,286                  | 17,099              |
|                                    | <u>\$ 6,161,802</u> | <u>\$ 549,951</u> | <u>\$ 539,800</u>                    | <u>\$ 7,251,553</u>    | <u>\$ 409,443</u>      | <u>\$ 303,081</u> | <u>\$ 712,524</u>      | <u>\$ 7,964,077</u> |

See Notes to Consolidated Financial Statements.

The Virginia League for Planned Parenthood, Incorporated

Consolidated Statements of Cash Flows  
Years Ended June 30, 2018 and 2017

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities  |                     |                     |
| Change in net assets  | \$ 847,109          | \$ 1,072,033        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Realized and unrealized gain on investments   | (68,333)            | (106,787)           |
| Depreciation  | 325,008             | 305,852             |
| Amortization of loan costs  | 5,160               | 5,160               |
| Decrease (increase) in:   |                     |                     |
| Patient accounts receivable   | (82,079)            | (51,069)            |
| Grant receivable  | (213,235)           | -                   |
| Pledges receivable  | 115,000             | (310,000)           |
| Inventory   | (173,299)           | (38,967)            |
| Prepaid expenses  | 9,166               | (66,174)            |
| Due from related party  | (67,438)            | (19,084)            |
| Other asset   | 3,216               | -                   |
| Increase (decrease) in:   |                     |                     |
| Accounts payable  | (13,369)            | 119,615             |
| Accrued expenses  | 207,914             | (14,008)            |
| Net cash provided by operating activities   | <u>894,820</u>      | <u>896,571</u>      |
| Cash Flows From Investing Activities  |                     |                     |
| Purchases of property and equipment   | (244,048)           | (158,398)           |
| Purchases of investments  | (136,814)           | (89,711)            |
| Proceeds from sale of investments   | 125,531             | 74,332              |
| Net cash used in investing activities   | <u>(255,331)</u>    | <u>(173,777)</u>    |
| Cash Flows From Financing Activities  |                     |                     |
| Payments on notes payable   | (113,085)           | (109,351)           |
| Net cash used in financing activities   | <u>(113,085)</u>    | <u>(109,351)</u>    |
| Net increase in cash  | 526,404             | 613,443             |
| Cash and cash equivalents, beginning of year  | <u>1,261,748</u>    | <u>648,305</u>      |
| Cash and cash equivalents, end of year  | <u>\$ 1,788,152</u> | <u>\$ 1,261,748</u> |
| Supplemental cash flow information  |                     |                     |
| Cash paid during the year for interest  | <u>\$ 136,344</u>   | <u>\$ 125,835</u>   |
| Supplemental schedule of noncash investing activities                                       |                     |                     |
| Acquisition of property and equipment   | <u>\$ 665,000</u>   | <u>\$ -</u>         |

See Notes to Consolidated Financial Statements.

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 1—Nature of Organization and Significant Accounting Policies

Nature of operations: The Virginia League for Planned Parenthood, Incorporated (the “League”) is a non-profit, non stock, tax-exempt corporation dedicated to providing a program of family planning and responsible human sexuality to the entire community through education, advocacy, and health care services. The League was incorporated in 1940 and is headquartered in Richmond, Virginia with additional offices in Virginia Beach, Virginia and Hampton Roads, Virginia. The League also includes NTSH, LLC which holds the Richmond, Virginia building and related debt. On January 1, 2015, Planned Parenthood of Southeastern Virginia (“PPSEV”) realigned with the League, along with PHHC, LLC. As a loan still existed in PPSEV and PHHC, LLC’s name at the time of realignment, the entities still exist for legal and tax purposes and hold the Virginia Beach, Virginia building and the related debt.

Principles of consolidation and basis of presentation: According to the articles of incorporation and by-laws of the League, the League’s purpose is to perform activities described above exclusively for the benefit of the League. For financial reporting purposes, in accordance with Generally Accepted Accounting Principles (“GAAP”), all intercompany transactions and balances have been eliminated and the League’s financial statements have been consolidated.

Basis of accounting: The consolidated financial statements of the League are prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses when incurred.

Basis of presentation: The financial statement presentation follows the requirements of Accounting Standards Codification (“ASC”) 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the League is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the League pursuant to those stipulations. Net assets may be temporarily restricted for various purposes; such as use in future periods or use for specified purposes.

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor otherwise removed by the League’s actions.

The League had no permanently restricted net assets as of June 30, 2018 and 2017.

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

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 1—Nature of Organization and Significant Accounting Policies (continued)

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

Accounts and pledges receivable: Patient receivables, primarily from third-party insurance providers, are based on insurance agreements. Accounts receivable are primarily the result of amounts billed to insurance companies. Pledges receivable includes unconditional promises which are recognized at their fair values. Contributions that are to be collected more than one year into the future are recorded at their discounted present value. As of June 30, 2018, pledges receivable consists of various unconditional promises to give all due within the next year. As of June 30, 2017, the various unconditional promises to give were all due within two years.

Uncollectible delinquent receivables are determined on a case by case basis. Receivables past due more than one hundred twenty days are considered to be delinquent. When management has determined a delinquent receivable to be uncollectible, it will be written-off against operations at that time. There were no patient accounts receivables over one hundred twenty days old as of June 30, 2018 or 2017 and management did not believe it necessary to include an allowance for doubtful accounts specific to these receivables.

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

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

Investments: Investments with readily determinable fair values are reported at fair value (see Notes 2 and 3). Unrealized gains and losses are reported in the consolidated statements of activities. In calculating realized gains and losses, the cost of the securities sold is determined by the specific-identification method. Investments received by gift are recorded at the fair value on the date received. Investments are exposed to various risks, such as interest rate, market, and credit.

Property and equipment: Property and equipment are stated at cost, or in the case of gifts, at fair market value as of the date of the donation. Depreciation is computed by the straight-line method over the estimated useful lives of three to 40 years. Expenditures for maintenance and repairs are expensed currently, while expenditures for major additions and betterment's costing more than \$500 are capitalized.

The League has implemented Financial Accounting Standards Board ("FASB") guidance related to accounting for the impairment of long-lived assets, which requires the League under certain circumstances to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows the recorded amounts of the assets will be reduced to their fair value. No impairments were identified during fiscal year 2018 or 2017.

The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

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Note 1—Nature of Organization and Significant Accounting Policies (continued)

Loan cost: Loan costs totaling \$19,349 as of June 30, 2018 and \$24,509 as of June 30, 2017 are shown net of accumulated amortization and are presented as a deduction to notes payable in the consolidated statements of financial position. Costs are amortized on a straight-line basis over the term of the related borrowings. Amortization amounted to \$5,160 for the years ended June 30, 2018 and 2017. Amortization expenses is expected to be \$5,160 annually through 2021 and \$3,869 in 2022.

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

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

Compensated absences: The League reports a liability for vested compensated absences for each employee. The League reports the expense in the year it is incurred rather than paid. Compensated absences totaled \$127,351 as of June 30, 2018 and \$99,016 as of June 30, 2017 and are included in accrued expenses on the accompanying consolidated statements of financial position.

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

Advertising costs: The League expenses advertising expenses as they are incurred. Advertising expense amounted to \$10 for the year ended June 30, 2018 and \$137 for the year ended June 30, 2017.

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

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the League has no significant financial statement exposure to uncertain income tax positions at June 30, 2018 and 2017. The League is not currently under audit by any tax jurisdiction.

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

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 1—Nature of Organization and Significant Accounting Policies (continued)

New accounting pronouncements: 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*. ASU 2016-14 represents phase 1 of FASB's Not-for-Profit financial reporting projects and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method as well as includes various other additional disclosure requirements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 with retrospective application. Early adoption of ASU 2016-14 is permitted. The requirements of this statement are effective for the League for the year ended June 30, 2019. The League is currently evaluating the impact of this statement.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all lease assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure regarding the nature and extent of leasing activities. ASU 2016-02 is effective for non-public entities for annual reporting periods beginning after December 15, 2019. The requirements of this statement are effective for the League for the year ending June 30, 2021. The League is currently evaluating the impact of this statement.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes 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. ASU 2014-09 is effective for non-public entities for annual reporting periods beginning after December 15, 2017. The requirements of this statement are effective for the League for the year ended June 30, 2019. The League is currently evaluating the impact of this statement.

#### Note 2—Fair Value Measurements

In determining fair value, the League employs various valuation techniques. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the League. Unobservable inputs reflect the League's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the League has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets and liabilities in inactive markets.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 2—Fair Value Measurements (continued)

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

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

Following is a description of the valuation methodologies and level within the fair value hierarchy used to measure assets at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the League are open-end mutual funds that are registered with the SEC. The funds are required to publish their daily net asset value (NAV). The mutual funds held by the League are deemed to be actively traded.

*Common stocks:* Valued at the closing price reported on public exchanges, which is derived from observable market-based inputs.

*Pledges receivable:* Valued at the future contribution amount. All pledges receivable are due within one year at June 30, 2018. All pledges receivable were due within two years as of June 30, 2017.

The methods described above may produce a fair calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

Note 2—Fair Value Measurements (continued)

The following table presents by level, within the fair value hierarchy, the League's assets at fair value as of June 30, 2018:

|                            | Level 1           | Level 2     | Level 3           | Total               |
|----------------------------|-------------------|-------------|-------------------|---------------------|
| Pledges receivable         | \$ -              | \$ -        | \$ 195,000        | \$ 195,000          |
| Common stocks              | 355,727           | -           | -                 | 355,727             |
| Mutual funds               | 597,621           | -           | -                 | 597,621             |
| Total assets at fair value | <u>\$ 953,348</u> | <u>\$ -</u> | <u>\$ 195,000</u> | <u>\$ 1,148,348</u> |

The following table presents by level, within the fair value hierarchy, the League's assets at fair value as of June 30, 2017:

|                            | Level 1           | Level 2     | Level 3           | Total               |
|----------------------------|-------------------|-------------|-------------------|---------------------|
| Pledges receivable         | \$ -              | \$ -        | \$ 310,000        | \$ 310,000          |
| Common stocks              | 331,039           | -           | -                 | 331,039             |
| Mutual funds               | 542,693           | -           | -                 | 542,693             |
| Total assets at fair value | <u>\$ 873,732</u> | <u>\$ -</u> | <u>\$ 310,000</u> | <u>\$ 1,183,732</u> |

The following table provides a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis in the 2018 table above that used significant unobservable inputs (Level 3):

|                          |                   |
|--------------------------|-------------------|
| Balance at June 30, 2017 | \$ 310,000        |
| Pledges received         | (115,000)         |
| Balance at June 30, 2018 | <u>\$ 195,000</u> |

Note 3—Investments

Investments in marketable securities at June 30, 2018 consist of the following:

|               | Cost              | Fair Value        |
|---------------|-------------------|-------------------|
| Common stocks | \$ 272,480        | \$ 355,727        |
| Mutual funds  | 399,299           | 597,621           |
|               | <u>\$ 671,779</u> | <u>\$ 953,348</u> |



The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

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Note 3—Investments (continued)

Investments in marketable securities at June 30, 2017 consist of the following:

|               | Cost              | Fair Value        |
|---------------|-------------------|-------------------|
| Common stocks | \$ 241,960        | \$ 331,039        |
| Mutual funds  | 374,061           | 542,693           |
|               | <u>\$ 616,021</u> | <u>\$ 873,732</u> |

Investment return for the years ended June 30 is comprised of the following:

|                            | 2018             | 2017              |
|----------------------------|------------------|-------------------|
| Interest and dividends     | \$ 13,698        | \$ 20,140         |
| Realized gains             | 44,475           | 17,138            |
| Change in unrealized gains | 23,858           | 89,649            |
|                            | <u>\$ 82,031</u> | <u>\$ 126,927</u> |

Note 4—Property and Equipment

Property and equipment consisted of the following at June 30:

|                               | 2018                | 2017                |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 1,036,031        | \$ 930,780          |
| Building                      | 8,535,206           | 7,852,336           |
| Building improvements         | 424,241             | 424,241             |
| Furniture and equipment       | 884,240             | 856,361             |
| Computer equipment            | 550,472             | 457,424             |
|                               | <u>11,430,190</u>   | <u>10,521,142</u>   |
| Less accumulated depreciation | (3,002,414)         | (2,677,406)         |
|                               | <u>\$ 8,427,776</u> | <u>\$ 7,843,736</u> |

Depreciation expense was \$325,008 for 2018 and \$305,852 for 2017.

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 5—Notes Payable

On March 24, 2015, the League refinanced two notes payable into one note with a principal amount of \$989,541 and monthly payments of \$5,611, including interest at 3.2%. The scheduled maturity is December 31, 2029. The note is collateralized by the Richmond health center facility. The outstanding balance was \$869,545 as of June 30, 2018 and \$907,492 as of June 30, 2017. The note is subject to an option of the noteholder to put the note on March 31, 2022 with payment and or purchase from the noteholder at a purchase price of the outstanding principal and interest upon notice of such exercise. The option to put this note shall be considered exercised on the put date unless and until the noteholder has provided notice to the borrower of its intent not to put this note.

On November 30, 2017, the League entered into a note agreement with a principal balance of \$665,000 and a scheduled maturity date of November 30, 2020. The note requires monthly payments consisting of interest only. Interest for the first six months of the note is to be assessed at 0% per annum. For the next eighteen months, the note is to bear an interest rate of 3%. The interest for the remaining twelve months is to be assessed at 4.5%. The principal is due upon maturity, at which time a balloon payment of principal and any accrued interest are due. The note is collateralized by property located in Richmond, Virginia. The outstanding balance as of June 30, 2018 is \$665,000.

As part of its realignment, the League assumed two notes payable at January 1, 2015. The first was an agreement originally entered into on July 15, 2010 and assumed by PPSEV on September 22, 2012. The note was for an original amount of \$1,500,000 with monthly payment of \$8,674, including interest at 4.82% and scheduled to mature on July 15, 2035. This note is collateralized by the Virginia Beach health center. The outstanding balance was \$1,197,240 on June 30, 2018 and \$1,242,414 on June 30, 2017. The second note was entered into on June 9, 2008 by PPSEV for an original amount of \$425,000 with monthly payments of \$2,967, including interest of 6.75% and scheduled to mature on June 15, 2033. This note is collateralized by the Hampton Roads health center. The outstanding balance was \$333,784 as of June 30, 2018 and \$345,702 as of June 30, 2017.

In addition to the notes payable, on January 1, 2015, the League assumed a line of credit entered into by PPSEV on August 20, 2014 for an original amount of \$150,000, scheduled to mature on January 30, 2015. The line of credit was extended on a monthly basis through July 31, 2015 and was refinanced and converted to a term loan in August 2015. The term loan was for an original amount of \$148,045 with monthly payments of \$2,098, including interest at 5%, and is scheduled to mature on August 19, 2022. The outstanding balance was \$96,222 on June 30, 2018 and \$114,268 on June 30, 2017.

Notes payable was comprised of the following at June 30:

|                                 | 2018                | 2017                |
|---------------------------------|---------------------|---------------------|
| Total outstanding notes payable | \$ 3,161,791        | \$ 2,609,876        |
| Less current portion            | 120,864             | 114,959             |
| Less loan costs, net            | 19,349              | 24,509              |
| Long-term portion               | <u>\$ 3,021,578</u> | <u>\$ 2,470,408</u> |

The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

Note 5—Notes Payable (continued)

The principal payment requirements on existing debt for future years ending after June 30, 2018 are as follows:

| Year ended June 30, | Amount              |
|---------------------|---------------------|
| 2019                | \$ 120,864          |
| 2020                | 126,309             |
| 2021                | 797,498             |
| 2022                | 138,810             |
| 2023                | 123,943             |
| Thereafter          | 1,854,367           |
|                     | <u>\$ 3,161,791</u> |

Note 6—Board-Designated Funds

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

The League has an endowment policy that functions as its investment policy and spending policy. The policy states that it is the League's intention that the growth of endowment balances at least keep pace with inflation, in order to ensure that they maintain the same spending power into future years.

The growth will be achieved by investing endowment funds for a total return in equities for long-term growth and to pay out any interest and dividends income for the League's operating needs.

Composition of and changes in board-designated net assets for the year ended June 30, 2018 is as follows:

|                        | Education         | Other             | Total             |
|------------------------|-------------------|-------------------|-------------------|
| Balance, June 30, 2017 | \$ 392,305        | \$ 170,389        | \$ 562,694        |
| Investment income:     |                   |                   |                   |
| Interest and dividends | 3,925             | 1,796             | 5,721             |
| Unrealized gain        | 33,757            | 15,449            | 49,206            |
| Balance, June 30, 2018 | <u>\$ 429,987</u> | <u>\$ 187,634</u> | <u>\$ 617,621</u> |

The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

Note 6—Board-Designated Funds (continued)

Composition of and changes in board-designated net assets for the year ended June 30, 2017 is as follows:

|                        | Education         | Other             | Total             |
|------------------------|-------------------|-------------------|-------------------|
| Balance, June 30, 2016 | \$ 332,611        | \$ 143,068        | \$ 475,679        |
| Investment income:     |                   |                   |                   |
| Interest and dividends | 12,954            | 5,928             | 18,882            |
| Unrealized gain        | 46,740            | 21,393            | 68,133            |
| Balance, June 30, 2017 | <u>\$ 392,305</u> | <u>\$ 170,389</u> | <u>\$ 562,694</u> |

Note 7—Temporarily Restricted Net Assets

Temporarily restricted net assets roll-forward consisted of the following at June 30, 2018:

|  | June 30, 2017       | Additions           | Releases/<br>Transfers | June 30, 2018       |
|--|---------------------|---------------------|------------------------|---------------------|
| Renovate the operating facility            | \$ 217,630          | \$ -                | \$ (217,630)           | \$ -                |
| Assist low-income women with medical cost  | 269,170             | 308,000             | (512,387)              | 64,783              |
| Suffolk educational program                | 210,000             | -                   | (197,500)              | 12,500              |
| Advocacy efforts for women's health issues | 472,783             | 360,200             | (371,064)              | 461,919             |
| Support for women's health education       | 50,215              | 438,880             | (405,761)              | 83,334              |
| Technology improvements                    | 282,159             | 493,462             | (73,584)               | 702,037             |
| Expanding women's health initiatives       | 250,885             | 243,800             | (165,318)              | 329,367             |
| Disease prevention                         | -                   | 213,235             | -                      | 213,235             |
| Other                                      | 122,123             | -                   | (122,123)              | -                   |
|  | <u>\$ 1,874,965</u> | <u>\$ 2,057,577</u> | <u>\$ (2,065,367)</u>  | <u>\$ 1,867,175</u> |

The Virginia League for Planned Parenthood, Incorporated

Notes to Consolidated Financial Statements

Note 7—Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets roll-forward consisted of the following at June 30, 2017:

|  | June 30, 2016       | Additions           | Releases/<br>Transfers | June 30, 2017       |
|--|---------------------|---------------------|------------------------|---------------------|
| Renovate the operating facility            | \$ 217,630          | \$ -                | \$ -                   | \$ 217,630          |
| Assist low-income women with medical cost  | 185,476             | 550,249             | (466,555)              | 269,170             |
| Suffolk educational program                | -                   | 210,000             | -                      | 210,000             |
| Advocacy efforts for women's health issues | 436,536             | 275,000             | (238,753)              | 472,783             |
| Support for women's health education       | (2,920)             | 482,142             | (429,007)              | 50,215              |
| Technology improvements                    | 81,094              | 253,606             | (52,541)               | 282,159             |
| Expanding women's health initiatives       | 143,423             | 295,000             | (187,538)              | 250,885             |
| Other                                      | 122,123             | -                   | -                      | 122,123             |
|  | <u>\$ 1,183,362</u> | <u>\$ 2,065,997</u> | <u>\$ (1,374,394)</u>  | <u>\$ 1,874,965</u> |

Note 8—Commitments

The League has various lease agreements which are payable in aggregate monthly installments ranging from \$95 to \$140 through 2021. Future commitments on the leases are as follows:

| Year ending June 30, | Amount          |
|----------------------|-----------------|
| 2019                 | \$ 2,820        |
| 2020                 | 1,700           |
| 2021                 | 950             |
|                      | <u>\$ 5,470</u> |

Rent expense and the cost of maintaining the building maintenance contract and other building repairs amounted to \$259,878 for the year ended June 30, 2018 and \$227,687 for the year ended June 30, 2017.

During 2015, the League entered into an agreement for network management. The agreement requires monthly payments of \$4,500. This agreement automatically renews each year until cancelled.

In January 2016, the League entered into a three-year agreement for a new electronic medical record system. The agreement required an up-front payment of \$32,495 and continuing monthly payments of \$10,275. Expenses related to these agreements were \$202,175 for 2018 and \$185,896 for 2017 and are included in repairs and maintenance expense on the consolidated statements of functional expenses.

## The Virginia League for Planned Parenthood, Incorporated

### Notes to Consolidated Financial Statements

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#### Note 9—Rental Income

During 2017, the League became the lessor in an operating lease of real property. The lease terms expire within one year and contain renewal options. Rental income was \$15,750 for 2018 and \$2,250 for 2017 and is reported in other income on the consolidated statements of activities.

#### Note 10—Retirement Plan

The League sponsors a Simple IRA plan whereby employees' contributions are matched up to a maximum of three percent of their salary reduction contributions. The employer's total contributions were \$34,320 and \$32,502 for the years ended June 30, 2018 and 2017 respectively.

#### Note 11—Guarantees

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

#### Note 12—Related Party Transactions

The League has an affiliate that serves as a statewide advocacy organization and is responsible for legislative activity, public education, and electoral activity. The League pays dues to the affiliate and pays some expenses on behalf of the affiliate. The affiliate owed the League \$123,872 as of June 30, 2018 and \$56,434 as of June 30, 2017 for these expenses.

#### Note 13—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued which was December 8, 2018.