The Virginia League for Planned Parenthood, Incorporated

Consolidated Financial Statements

June 30, 2016

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2016 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 Consolidated 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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. 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 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 opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Virginia League for Planned Parenthood, Incorporated as of June 30, 2016 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Keiter

November 9, 2016
Glen Allen, Virginia

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Consolidated Statement of Financial Position
June 30, 2016

Assets	
Current assets:	
Cash and cash equivalents	$ 648,305
Patient accounts receivable	98,137
Inventory	38,619
Prepaid expenses	74,488
Due from related party	37,350
Total current assets	896,899
Investments	751,566
Property and equipment, net	7,991,190
Loan costs, net	29,669
Other assets	3,216
	$ 9,672,540
Liabilities and Net Assets	
Current liabilities:	
Notes payable	$ 109,825
Accounts payable	130,025
Accrued expenses	17,110
Compensated absences	95,596
Total current liabilities	352,556
Notes payable, less current portion	2,609,402
Total liabilities	2,961,958
Net assets:	
Unrestricted:	
Undesignated	5,051,541
Board designated - education	332,611
Board designated - other	143,068
Total unrestricted	5,527,220
Temporarily restricted	1,183,362
Total net assets	6,710,582
	$ 9,672,540

See accompanying notes to consolidated financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted			
	Undesignated	Board Designated	Temporarily Restricted	Total
Revenue, gains and other support:				
Contributions	$ 907,303	$ -	$ 2,080,653	$ 2,987,956
Women's clinic income	4,495,440	-	-	4,495,440
Investment income (loss)	7,798	(3,649)	-	4,149
Other income	27,829	-	-	27,829
Total revenue, gains and other support	5,438,370	(3,649)	2,080,653	7,515,374
Net assets released from restriction	1,747,929	-	(1,747,929)	-
Expenses:				
Program services:				
Patient services	5,556,888	-	-	5,556,888
Public affairs	616,630	-	-	616,630
Public health education and services	528,734	-	-	528,734
Supporting services:				
Management and general	454,522	-	-	454,522
Fundraising	262,807	-	-	262,807
Total expenses	7,419,581	-	-	7,419,581
Bad debt expense	31,001	-	-	31,001
Total expense and loss	7,450,582	-	-	7,450,582
Change in net assets	(264,283)	(3,649)	332,724	64,792
Net assets, beginning of year	5,315,824	479,328	850,638	6,645,790
Net assets, end of year	$ 5,051,541	$ 475,679	$ 1,183,362	$ 6,710,582

See accompanying notes to consolidated financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services				Supporting Services			
	Patient Services	Public Affairs	Public Health Education and Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries and wages	$ 2,426,482	$ 377,751	$ 369,799	$ 3,174,032	$ 146,605	$ 82,775	$ 229,380	$ 3,403,412
Medical supplies	1,087,626	-	-	1,087,626	-	-	-	1,087,626
Professional fees	451,440	30,566	12,190	494,196	69,023	98,182	167,205	661,401
Depreciation and amortization	141,505	-	-	141,505	161,465	-	161,465	302,970
Laboratory fees	66,122	-	-	66,122	-	-	-	66,122
Taxes, payroll	181,258	29,981	26,122	237,361	8,407	6,114	14,521	251,882
Interest	119,233	2,095	2,083	123,411	3,220	2,083	5,303	128,714
Printing and advertising	18,815	26,657	11,923	57,395	3,376	19,726	23,102	80,497
Repairs and maintenance	346,110	5,921	4,661	356,692	13,250	15,995	29,245	385,937
Employee benefits	202,763	33,086	35,017	270,866	6,473	7,730	14,203	285,069
Insurance, malpractice	97,581	-	-	97,581	-	-	-	97,581
Meetings and conferences	10,605	4,512	17,303	32,420	8,251	6,471	14,722	47,142
Payments to national organizations	57,760	48,339	3,410	109,509	1,918	1,776	3,694	113,203
Taxes and licenses	19,464	595	311	20,370	947	311	1,258	21,628
Advocacy	-	13,754	-	13,754	-	-	-	13,754
Supplies, office and general	40,037	1,200	20,894	62,131	3,818	1,023	4,841	66,972
Telephone	50,863	4,205	4,978	60,046	4,626	1,638	6,264	66,310
Utilities	45,810	1,198	1,198	48,206	1,646	1,198	2,844	51,050
Cleaning services and supplies	44,266	1,326	1,326	46,918	1,686	1,326	3,012	49,930
Bank fees	44,304	160	22	44,486	81	1,701	1,782	46,268
Insurance, general	31,327	2,761	2,481	36,569	1,060	940	2,000	38,569
Travel	47,213	30,238	13,037	90,488	15,768	2,997	18,765	109,253
Membership dues	16,991	1,782	1,662	20,435	2,369	1,261	3,630	24,065
Postage and shipping	9,313	503	317	10,133	533	9,560	10,093	20,226
	$ 5,556,888	$ 616,630	$ 528,734	$ 6,702,252	$ 454,522	$ 262,807	$ 717,329	$ 7,419,581

See accompanying notes to consolidated financial statements.

THE VIRGINIA LEAGUE FOR PLANNED PARENTHOOD, INCORPORATED

Consolidated Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities:		
Change in net assets	$	64,792
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization		302,970
Realized and unrealized loss on investments		9,677
(Increase) decrease in assets:		
Patient accounts receivable		20,778
Pledges receivable, net		398,502
Inventory		30,268
Prepaid expenses		(38,391)
Due from related party		(13,791)
Increase (decrease) in liabilities:		
Accounts payable		(87,317)
Accrued expenses		11,996
Compensated absences		(23,328)
Net cash provided by operating activities		676,156
Cash flows from investing activities:		
Purchase of property and equipment		(113,184)
Purchase of investments		(70,564)
Proceeds from sale of investments		49,691
Net cash used in investing activities		(134,057)
Cash flows from financing activities:		
Payments on notes payable		(100,991)
Net cash used in financing activities		(100,991)
Net change in cash and cash equivalents		441,108
Cash and cash equivalents, beginning of year		207,197
Cash and cash equivalents, end of year	$	648,305
Supplemental cash flow information:		
Cash paid during the year for interest	$	128,714

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

Nature of Operations: The Virginia League for Planned Parenthood, Incorporated (the "League") is a non-profit, non-stock, tax-exempt corporation dedicated to providing a program of family planning and responsible human sexuality to the entire community through education, advocacy, and health care services. The League was incorporated in 1940 and is headquartered in Richmond, Virginia 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 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates: The preparation of the 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.

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.

1. Summary of Significant Accounting Policies, Continued:

Accounts and Pledges Receivable, Continued: 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 31, 2016, there were no pledges receivable or other contribution receivables.

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, 2016 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 statement of activities. In calculating realized gains and losses, the cost of the securities sold is determined by the specific-identification method. Investments received by gift are recorded at the fair value on the date received. Investments are exposed to various risks, such as interest rate, market, and credit.

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

The 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 2016.

1. Summary of Significant Accounting Policies, Continued:

Loan Costs: Loan costs are stated at cost, net of accumulated amortization, and amounted to $29,669 as of June 30, 2016. Costs are amortized on a straight-line basis over the term of the related borrowings. Amortization amounted to $5,159 for 2016. Amortization expense is expected to be $5,160 annually through 2021 and $3,869 in 2022.

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.

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

Unrestricted net assets:

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

Board designated net assets amounts are those which the board has set aside for specified purposes (see Note 6).

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

Permanently restricted net assets include funds that are subject to donor-imposed stipulations that the League maintains permanently. There were no permanently restricted net assets at June 30, 2016.

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

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

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

1. Summary of Significant Accounting Policies, Continued:

Advertising Costs: The League expenses advertising expenses as they are incurred. Advertising expense amounted to $37,202 for the year ended June 30, 2016.

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, 2016. The League is not currently under audit by any tax jurisdiction.

New Accounting Pronouncement - *Deferred Financing Costs:* In April 2015, the Financial Accounting Standards Board ("FASB") approved Accounting Standards Update ("ASU") 2015-03, which amends Accounting Standards Codification ("ASC") 835, *Interest*. The amendment requires The League to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendment will be effective for annual periods beginning after December 15, 2015.

Subsequent Events: Management has evaluated subsequent events through November 9, 2016, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Investments:

Costs and fair values as of June 30, 2016 are summarized as follows:

	Cost	Fair Value
Common stocks	$228,325	$ 295,889
Mutual funds	355,179	455,677
	$583,504	$ 751,566

Investment transactions are reported as follows for the year ended June 30, 2016:

Interest and dividends	$ 13,826
Realized gain	4,055
Unrealized loss, net	(13,732)
	$ 4,149

3. Fair Value Measurements:

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

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

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

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

Level 3 Inputs are unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimizes the use of unobservable inputs.

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

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

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the League are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the League are deemed to be actively traded.

Pledges receivable: Valued at the future contribution amount, discounted to present value. There were no pledges receivable at June 30, 2016.

3. Fair Value Measurements, Continued:

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

The following table sets forth by level, within the fair value hierarchy, the League's net assets at fair value as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Common stocks:				
Consumer discretionary	$ 30,282	$ -	$ -	$ 30,282
Consumer staples	49,622	-	-	49,622
Energy	22,489	-	-	22,489
Financials	52,748	-	-	52,748
Healthcare	20,884	-	-	20,884
Industrials	41,757	-	-	41,757
Information technology	9,707	-	-	9,707
Materials	19,142	-	-	19,142
Real estate investment trusts	32,797	-	-	32,797
Telecommunications	10,616	-	-	10,616
Utilities	5,845	-	-	5,845
Mutual funds:				
Large Growth	455,677	-	-	455,677
Total assets at fair value	$ 751,566	$ -	$ -	$ 751,566

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

Balance at June 30, 2015	$ 398,502
Pledge payments received	(383,839)
Write-off of pledges deemed uncollectible	(25,000)
Change in pledges discount	3,637
Change in allowance for uncollectible pledges	6,700
Balance at June 30, 2016	$ -

4. Property and Equipment:

Property and equipment consisted of the following at June 30, 2016:

Land	$ 930,780
Building	7,852,336
Building improvements	396,893
Furniture and equipment	781,425
Computer equipment	396,309
	10,357,743
Less accumulated depreciation	(2,366,553)
	$ 7,991,190

Depreciation expense was $297,811 for 2016.

5. Notes Payable:

On March 24, 2015, the League refinanced two notes payable with a bank 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. This note is collateralized by the Richmond health center facility. The outstanding balance was $944,724 on June 30, 2016.

This 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.

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 11, 2012. The note was for an original amount of $1,500,000 with monthly payments 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 $1,285,361 at June 30, 2016. 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 at 6.75% and scheduled to mature on June 15, 2033. This note is collateralized by the Hampton Roads health center. The outstanding balance was $356,018 at June 30, 2016.

5. Notes Payable, Continued:

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 $133,124 at June 30, 2016.

Notes payable was comprised of the following at June 30, 2016:

Total outstanding notes payable	$ 2,719,227
Less current portion	109,825
Long-term portion	$ 2,609,402

The principal payment requirements on existing debt for future years ending after June 30, 2016 are as follows:

Year Ended June 30,	Amount
2017	$ 109,825
2018	114,959
2019	120,340
2020	125,696
2021	127,733
Thereafter	2,120,674
	$ 2,719,227

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 dividend income for the League's operating needs.

6. Board-Designated Funds, Continued:

Composition of and changes in board-designated net assets for the year ended June 30, 2016 was as follows:

	Education	Other	Total
Balance, June 30, 2015	$ 335,114	$ 144,214	$ 479,328
Investment income:			
Interest and dividends	10,614	4,857	15,471
Unrealized loss	(13,117)	(6,003)	(19,120)
Balance, June 30, 2016	$ 332,611	$ 143,068	$ 475,679

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets roll-forward consisted of the following at June 30, 2016:

	June 30, 2015	Additions	Releases/ Transfers	June 30, 2016
Renovate the operating facility	$ 184,455	$ 161,118	$ (127,943)	$ 217,630
Assist low-income women with medical cost	137,703	749,978	(702,205)	185,476
Advocacy efforts for women's health issues	242,459	472,291	(278,214)	436,536
Support for women's health education	20,998	404,909	(428,827)	(2,920)
Technology improvements	20,000	163,962	(102,868)	81,094
Expanding women's health initiatives	122,900	128,395	(107,872)	143,423
Other	122,123	-	-	122,123
	$ 850,638	$ 2,080,653	$ (1,747,929)	$ 1,183,362

8. Commitments:

The League has various lease agreements which are payable in aggregate monthly installments ranging from $95 to $140 through 2020. Future commitments on the leases are as follows:

Year ended June 30,	Amount
2017	$ 2,820
2018	2,820
2019	2,820
2020	1,700

Rent expense and the cost of maintaining the building maintenance contract and other building repairs amounted to $163,288 for the year ended June 30, 2016.

During 2012, the League entered into an agreement to convert to an electronic medical records system. The agreement required an up-front payment of $110,000 and continuing monthly payments of $9,512. During 2016, the monthly payments increased to $10,195 and the agreement was terminated in April 2016. 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 three agreements were $220,251 for 2016 and are included in repairs and maintenance expense on the consolidated statement of functional expenses.

9. 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 $35,602 for the year ended June 30, 2016.

10. Guarantees:

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

11. 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 $37,350 as of June 30, 2016 for these expenses.