Accounting for the Government Funding of Non-Profits and The Planned Parenthood Federation of America

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Abstract

Accounting creates a framework for providing transparency in an organization. This foundation is especially important in not-for-profit entities because government grants and contributions often compose significant portions of overall revenues and receipts. An overview of non-profit standards and the government system of distributing funds provides insight into non-profits as a whole and enables the study of specific organizations. As the nation's largest provider of abortion and family planning services, the Planned Parenthood Federation of America is an especially important organization to study and understand. It receives significant funds from federal and state governments and should receive equally significant evaluation by government decision-makers and public taxpayers.

Accounting for the Government Funding of Non-Profits

And the Planned Parenthood Federation of America

The United States federal government funds the work of hundreds of nonprofit organizations (NPOs) in order to provide public welfare services and stimulate the economy. Some organizations are directly paid grants to perform services and provide goods to citizens; others are paid indirectly through their participation in government welfare programs such as the Supplemental Nutrition Assistance Program (SNAP) and the Women, Infants, and Children (WIC) program. The Planned Parenthood Federation of America (PPFA) and its affiliates receive millions of these government dollars through their numerous health services and projects. The funds are delivered through various programs and often restricted to specific goods and services provided. Planned Parenthood is the largest abortion provider in the nation and one of the largest names in women's health and family planning. Its receipt of government funding enables it to perform most of its services and is an essential part of their budget (PPFA, 2014e). Planned Parenthood is also one of the most controversial nonprofit organizations in the nation and has faced intense scrutiny following the release of investigative video footage in the summer of 2015 by the Center for Medical Progress (CMP, 2015). The information presented by this organization and the subsequent call for the defunding of Planned Parenthood have caused many to begin studying exactly how Planned Parenthood receives federal funds and how it utilizes them in daily operations and services.

Understanding exactly how the government decides to fund specific organizations and how much funding is actually budgeted can become exceedingly complex. The process for determining a federal department's budget begins with long deliberations in Congress and goes through multiple stages of budgeting proposals and correspondence with the actual NPOs ("The grant lifecycle," 2015). There is also a long process after the money has been received to verify that funding was used for its intended purpose. A further area of complication and confusion occurs when NPOs report their financial positions at the end of their fiscal years. The system of accounting for NPOs differs slightly from standard public reporting and can make understanding the operations and allocations of funds difficult to information users. Accounting standards have been developed and regulated to control how NPOs record transactions and how those transactions ultimately relate and must be reported in year-end statements. Just as public corporations and businesses do not have to provide complete business information and accounting entries to the public, nonprofits are able to condense their activities to required financial statements.

An examination of the annual report and related financial statements of PPFA gives adequate preliminary information as to the extent and amount of government funding received by the corporation and its affiliates (PPFA, 2015e). A further in depth study of the accounting standards required for nonprofits and the flow of funding through a nonprofit entity helps to connect the budgeted amounts of government grants to the final reported figures in PPFA and other nonprofit annual reports. Accounting is the language of business and the tool used to organize regulatory, production, and monetary information. Understanding the accounting information for Planned Parenthood and other not-for-profits allows users to better understand and interpret their mission statements, service claims, and legal requirements.

An Overview of Non-Profit Organization

A *not-for-profit* organization is one whose focus is "to further cultural, educational, religious, or public service objectives" (Bottiglieri, Kroleski, & Conway, 2011, p. 51). Some NPOs are medical in nature, ranging from small clinics that meet specific needs to hospitals that provide a wide range of services. Others focus on community development, whether by allowing children to participate in team sports or uniting people in environmental care initiatives. Many of these organizations are also religious in nature, using community service to both practice and share their faith. Profit is still earned by NPOs; goods and services are produced for compensation, and donations and grants are received to add capital and cash flow. However, the revenue gained by a non-profit's operations is not given to shareholders as it would be in a regular corporation. Proceeds are instead recycled into company operations and used to fund free goods and services, pay expenses, and expand company goals (Bottiglieri et al., 2011).

Section 501

Section 501 of the U.S. Code details the criteria that qualify organizations to receive tax-exempt status and regulate their operations. An NPO must be organized as either a corporation, trust, or unincorporated association. According to subsection (c) part (3) of section 501, this organization must operate for religious, charitable, scientific, testing for public safety, literary or educational purposes. It also can be organized for amateur sports competition or the prevention of cruelty to children or animals (IRS, 2014). Companies that qualify for this exemption status have several restrictions, including not being allowed to participate in political campaigning. However, other businesses are included in tax exemption under the other points of subsection (c).

Veteran organizations, cemeteries, credit unions, and some retirement pension funds are all allotted these benefits through parts (19), (13), (14), and (18) respectively. The majority of businesses seeking tax-exempt status nevertheless file under 501(c)(3) status, and most regulation and guidance is applied to this type of non-profit organization (Bottiglieri et al., 2011).

IRS Form 990

As a part of an NPO's transparency with the government and public, it is required to submit Form 990 at the end of each fiscal period. This form details the contributions received and expenses paid by the organization for the year (Bottiglieri et al., 2011). It must be filed the 15th day of the 5th month after the period has ended, but two three-month extensions can be requested, allowing six extra months to complete the form. Form 990-EZ is a simplified version available to those who fall within a lower income threshold, generally between $200,000 and $500,000. For those that fall lower than $50,000, only Form 990-N must be completed. This form is also referred to as the *e-Postcard*, and only requires NPOs to report basic information (IRS, 2014). Specific tax-exempt organizations may be required to follow other regulations, depending on their type and purpose. In addition, Form 990-T must be filed by organizations with *unrelated business income*, a form of revenue that is subject to certain kinds of income tax (Dougherty, 2013).

Annual Financial Reports

Under Generally Accepted Accounting Principles (GAAP), annual financial reports are required to be disclosed to the public, and more in-depth reports are often required under state regulations (Scot, 2010). At least the three most recent years must be published at no expense to promote the transparency and reliability of tax-exempt organizations. Furthermore, certain organizations may be required by law to perform regular audits from a registered public accounting firm (IRS, 2014). In especially large NPOs, this process is crucial to avoiding breaking regulations and maintaining public approval.

Public for-profit entities are required to report their balance sheet, income statement, statement of stockholder's equity, and statement of cash flows for the current fiscal year, as well as all related notes and disclosures. Each of these forms provides further detail into the financial standing and overall performance of the company throughout the year. Nonprofit entities produce very similar reports, but their scope and account titles are different because of the treatment of revenues and gains by the organization. The balance sheet, often referred to as the *statement of financial position*, and statement of cash flows are nearly identical to for-profit layouts, with the various assets, liabilities, and uses of cash listed out for public inspection and understanding (Scot, 2010).

However, the income statement is changed significantly for nonprofit entities. Because the revenues collected and utilized throughout the year are not allowed to benefit owners and stakeholders, they are reinvested into the company and its operations. This distinction changes the layout of the income statement, and is therefore referred to as a *statement of activities* to demonstrate the service and charity work done by the organization and the flow of profits back into that work (FASB, 1993b). Statements of stockholder's equity are not included because no equity accounts are maintained by the NPO. However, the IRS does require a more detailed report of operational expenses.

The *statement of functional expenses* lists out in detail all relevant business expenses and allocates them between program, fundraising, and other management activities (IRS, 2013). This detailed report highlights the NPO's use of donations and grants, and it also provides further explanation for the figures reported on the statement of revenues/activity. The statement of functional expenses gives users insight into the effectiveness and efficiency of an NPO, and when paired with the statement of activities allows donors and contributors to make decisions about future giving.

Non-Profit Accounting

The daily transactions and record keeping behind annual reports are also very similar between for-profit and not-for-profit entities. The majority of classifications for invoices and recording of receivables and payables remain consistent between the two systems (FASB, 1993b). However, the nature of revenues and sources of income for NPOs, as well as the restrictions on and various sources of assets and cash necessitate several clear distinctions between the systems. Nonprofits often receive funding from donors with time or purpose restrictions placed on them. Government grants require strict budgets to be developed and a careful record of costs to be kept to ensure that only necessary amounts of money are given and spent accordingly ("The grant lifecycle," 2015).

Private donors often make pledges to contribute money or other gifts throughout the year, and NPOs using the accrual method must ensure that revenues are recorded as they are actually received. Donors also often contribute to specific causes and projects being promoted by the organization, and a record of which funds may be used without restriction and which funds must go to specific programs is kept internally by the entity

(FASB, 1993a). The distinct accounts and classifications also assist nonprofits in demonstrating their effectiveness and areas of growth in ways that net income and similar figures cannot.

Account Classifications

Accounts are classified within three major categories: assets, liabilities, and net assets. Assets and liabilities are nearly identical between many for-profit and not-for-profit organizations. Categories for cash, inventory, and other receivables are handled identically as NPOs create products and receive revenue for goods and services provided. NPOs are still able to purchase investments and sell bonds and other notes to raise capital for programs and supplement their main income sources. The activities of the organization must be carefully recorded, however, because unrelated business income is required to be reported separately for the IRS and is taxed like other for-profit organizations (IRS, 2013).

The major distinction between for-profit and nonprofit entities is reporting the differences between assets and liabilities. All for-profit entities maintain equity accounts to demonstrate ownership interests and retained earnings from previous years of income. However, no actual ownership interests are maintained in NPOs, and all profits and revenues earned by tax-exempt organizations must be recycled into company programs and projects (Scot, 2010). Board directors and investors do not gain any return on their contributions. Assets in excess of liabilities are therefore classified in the category of *net assets*. Under FAS 117, each category of asset must not only be recorded by whether it is a short or long-term item, but also by whether a donor or contributor has placed any level of restriction on the gift (FASB, 1993b). Net assets fall into three distinct subcategories:

unrestricted, temporarily restricted, or permanently restricted. On the statement of financial position, all net assets are lumped together within these three distinctions, but notes and disclosures accompanying the financial statements give a more in depth look at the breakdown of specific asset and liability accounts within the levels of restriction (FASB, 1993b).

Unrestricted net assets represent the most versatile and accessible resources of the nonprofit. Unrestricted assets are often received through program revenues or general fundraising by the organization. They are also gained through investments held by nonprofits and other unique sources of fundraising (Scot, 2010). Unrestricted net assets are often used for administrative costs and salaries for employees because of the great numbers of funds often already earmarked for company programs and initiatives. The only limit on the use of these funds is found in the mission statement and purpose of the organization as a whole. Companies may not use donations and contributions for purposes outside their approved business purpose without facing potential unrelated business income tax or a loss of tax-exempt status (IRS, 2014).

Temporarily restricted net assets are limited in use for the company because of either a time or purpose requirement (FASB, 1993b). Donors often give money and other goods for companies to be used within specific programs, to purchase specific assets, or to be invested in certain sources of income. Donors also often require a certain amount of time to pass before money is spent to ensure that the business is utilizing funds well or to make sure that adequate capital will be available for future projects. These restrictions can make accounting for revenues and expenses difficult, but can also help outside users to understand how much control a company has over its assets and funds (Scot, 2010).

Temporarily restricted net assets are a common and major part of not-for-profit accounting. After the NPO satisfies the time or purpose restrictions, it is able to reclassify the temporarily restricted net assets to unrestricted.

The final subcategory of net assets is that which is permanently restricted by grant or donor stipulations. Contributors often earmark funds to be kept permanently in specific programs or donate fixed assets to remain as they are for permanent use. Land, art, and equipment are often categorized as permanently restricted and required to be used for specific purposes and programs. Donors also often give money to be invested in specific funds or endowments with the purpose of providing steady sources of funding for nonprofit programs and grants (Scot, 2010). NPOs receiving such investments are only able to use the income generated by these trusts and investments. The principal remains fixed in the fund and cannot be altered by the organization. Permanently restricted net assets are forfeited if misused, so it is imperative for an NPO to carefully monitor its records and use of such items. They give helpful insight into the going concern and working capabilities of a not-for-profit organization (FASB, 1993b).

Contributions and Funding

Under FAS 116, a contribution is an "unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner" (FASB, 1993a, p. 57). A contribution is the gift of an asset or the forgiveness of a debt to a nonprofit organization. It is unconditional and given without the receipt or expectation of receipt of a good or service in return. Under the accounting standard, a contribution is separate from a *conditional promise to give*, which is not given until a "specified future and uncertain event" occurs and is confirmed (FASB, 1993a, p. 57). Conditional promises to give and other donations are not recorded until after they are actually received.

When contributions are earned from donors and other sources, they must first be categorized by level of restriction. Contributions are recorded with a debit to the form of asset gained or the promise for payment received and a credit to the appropriate net asset account. Liabilities forgiven are similarly debited to remove them from the NPO's books, and an increase in net assets is recorded (Scot, 2010). Once the contribution is properly received, the NPO must determine its level of restriction. Using the scope outlined for unrestricted, temporarily restricted, and permanently restricted assets, each form of funding is recorded in the ledger and applied to its appropriate program or function. Difficulties arise when a nonprofit receives goods and services as contributions, but a system of measurement and fair value determination has been established for those areas (FASB, 1993a).

An NPO must properly classify each level of restriction on annual financial statements and provide further details in the accompanying notes and disclosures (FASB, 1993a). Although the categories within net assets provide good information to users of the level of control a nonprofit has over its resources, the statement of financial position does not provide enough detail on which assets and liabilities fall into which categories. Notes connected to the statements often provide tables and other charts to detail the separation of assets and liabilities within the categories (Scot, 2010). Net assets are separated by their liquidity and purpose and divided by the amount of control the entity has over each. These accompanying disclosures provide adequate information to users and donors and enable them to make decisions on whether or not to give and the amount and form of contribution most useful to the NPO.

Government Funding

The government often provides significant funding to nonprofits through grant and welfare programs. Federal and state departments often promote projects and opportunities for nonprofits and other agencies in which to participate. The Department of Education promotes grants for research in disability education, and the National Endowment for the Arts encourages nonprofit art organizations to become involved in their restoration and community engagement grant initiatives ("Search grants," 2015). The Department of Health and Human Services (DHHS) provides the greatest and most diverse number of grants and grant projects to nonprofits; hospitals, clinics, and education centers may receive funds for research, community awareness, and healthcare services done in a variety of fields ("Search grants," 2015). In order for nonprofits to discover new grant programs or determine changes to current grant regulation, a simple query may be made through Grants.gov, the federal department and site focused on compiling and reporting federal funding information.

The process used by federal and state governments to determine the amount and recipients for grant dollars is often complicated and very involved. To receive initial funding, an organization must go through several steps to explain its purposes and projects to government departments and submit budgets and required dollar amounts ("The grant lifecycle," 2015). After grants have been established and organizations are consistently requesting and utilizing money for the same projects, the process is simplified and becomes a regular part of the project routine. Strict budget analyses and reviews are required and submitted during and after the project to ensure quality use and investment of government dollars.

Accounting for Government Receipts

The recording and reporting of government grants is very similar to the accounting processes for private contributions and donations (Scot, 2010). However, with the strict budgeting and complicated communications that are required by government departments, it can become confusing to differentiate grant contributions from promises to give and other fees and forms of payment. It is therefore imperative to carefully study grant agreements and contracts before making the initial record of receipt in accounting books. Every grant functions in a slightly different manner, and funds are received at different times based on the purpose of the program and the method in which goods and services are produced and distributed.

When funds are received, they are recorded by debiting the appropriate asset, usually cash, and crediting the grant revenue based on its level of restriction. Many grants are temporarily restricted and are given in order to purchase specific goods or other assets for the NPO’s beneficiaries or to be used for future research or program initiatives. However, grants are also given for an organization’s programs and work as a whole and may be recorded as unrestricted funds (Scot, 2010). Although the organization is still required to report specific budgets and expense listings to the department, the funds are only externally reported as unrestricted net assets on the statement of financial position and listed simply as a government grant on the statement of activities (FASB, 1993b).

Other Forms of Funding

The government also provides funds to nonprofits through contracts, Medicaid and Medicare reimbursement, and cooperative agreements. Some grants also contain clauses and stipulations that function very similarly to these sources of funding ("Search grants," 2015). Under federal guidelines and definition, a contract is "a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award" ("Contract," 2015, p. 3). Contracts involve a much greater level of involvement from the federal agency awarding the funding and are much more heavily regulated by its contract program. Reimbursement through federal insurance programs comes to nonprofits that engage in specific health and welfare programs and provide goods and services either corresponding with or on behalf of government initiatives. Medical centers receive payment for patient services in part from the patients themselves but also in large part through Medicaid and Medicare insurance programs (Fowler, Gable, Wang, & Lasater, 2014). Prescriptions and other medicines are often purchased from nonprofits by patients through their government insurance programs.

A cooperative agreement is similar to a grant award but is distinguished because it "provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award" ("Cooperative agreement," 2015, p. 3). Nonprofits receive funding from a federal department for a specific program or service; the goods and services created through this award go directly to the public and public welfare instead of assisting the nonprofit or federal agencies themselves ("Cooperative agreement," 2015). The terms and agreements entered in by nonprofits with government programs must be carefully studied before determining the proper course of accounting. Federal contracts and agreements often act more as *fee for service* or *exchange* transactions. Government funds are received to reimburse expenses and provide specific products and services; these revenues cannot be recorded until the product or service has been adequately produced under the terms of the contract. If money is received in advance, it is credited as a refundable advance until the project expenses are incurred. Contract and agreement income is credited when the good and service is recognized as being complete, regardless of when award money is received. Insurance reimbursement is treated in the same manner; when products are delivered to clients, a debit is made to the insurance receivable and a credit to the program revenue (Scot, 2010).

Title X

The Office of Population Affairs (OPA), situated within the Department of Health and Human Services, provides a wide source of funding and grants through the Title X Family Planning Program (OPA, 2014). OPA was established to directly oversee the Family Planning Program as well as other reproductive education and prevention services. Title X exists to “assist individuals in determining the number and spacing of their children through the provision of affordable, voluntary family planning services” (OPA, 2014, p. 5). The Department of Health and Human Services allocates funds to OPA, and those funds are awarded through grants to private and nonprofit organizations that operate family planning services and clinics. Family planning services include testing and treatment for sexually transmitted infections, contraceptive supply and education, and women’s health services. Providers offer counseling services, medical treatment, and referrals for further family planning services. Abortion "as a method of family planning" is specifically prohibited from being included in programs receiving federal funding through Title X (OPA, 2014, p. 11).

Clinics and health centers applying for grants through Title X must complete a thorough application and go through a lengthy process to be vetted and chosen for the funding. Grant awards are given for specific family planning projects, and the purposes, detailed costs, expected reach and outcome, and capability of staff are all taken into account by the federal department (OPA, 2014). In 2014, Title X received $286,400,000 in federal funds to be distributed in grants and other project funding (OPA, 2015a). This number was increased from the $278,349,286 appropriated in 2013 but was only increased slightly in 2015 to $286,479,000 (OPA, 2015a). Grants are either distributed to state agencies or directly to private and nonprofit entities. The amount of funding given through grants varies based on the size and focus of the specific family planning program. Revenues and further fundraising are then gained by the family planning organizations from either clients themselves or third-party payers such as Medicaid or WIC. Further budgeting and disbursement information is available through Title X's annual national report (Fowler et al., 2014).

The Planned Parenthood Federation of America

Many of the largest recipients of government funding through Title X are the health and medical affiliates of the Planned Parenthood Federation of America. In its fiscal year ending in 2014, Planned Parenthood as a whole received $528.4 million dollars from government grants and funds (PPFA, 2014a). It has become such a major part of the Title X grant program that its name is listed as a separate example of providers among health centers, hospitals, and other private nonprofits (OPA, 2015b). This organization has grown to become the leading provider of family planning services in the minds of many in the government and public as a whole. Its operations have expanded over the years both nationally and internationally, and it now operates more than 700 centers across the United States and has branches focused on lobbying, education, and international outreach (PPFA, 2014a).

History

Planned Parenthood began in 1916 as a birth control clinic in New York City operated by Margaret Sanger (PPFA, 2014d). The clinic was established to provide contraceptives and information about birth control before birth control was legalized and was targeted at lower income and immigrant women and families. Sanger was a strong proponent of birth control services and woman's liberation and worked to limit the number of children born into difficult situations and allow women greater choice in when and how they would have children (PPFA, 2014d). Authorities closed the first clinic shortly after it opened, but Sanger continued working with her colleagues to disseminate information and provide contraceptives to those who were interested.

As the public opinion on birth control began to shift, Sanger was able to gain more favor for her work and begin doing research on actual oral contraceptives and the precursors to modern pills and medicines (PPFA, 2014d). Her newsletter, *The Birth Control Review*, was one of her main mediums for recruiting people to her cause and spreading news. She also helped establish the American Birth Control League and the Birth Control Clinical Research Bureau to provide other avenues for her work (PPNYC, 2016). The release of the first birth control pill provided an important gateway for her public acceptance and also triggered much of the sexual revolution that led to Planned Parenthood's establishment and success (PPFA, 2014d).

The increase in contraception use and delay of wanting to have children by so many in America also began to lay the foundation for the Supreme Court decision in *Roe v. Wade* (Balter, 2000). This decision was predicated by two earlier important Supreme Court decisions. In 1965, *Griswold v. Connecticut* determined that married couples had the right to use contraceptives because of a right to privacy within marriage. This right of privacy was extended to unmarried women and couples through the 1972 decision in *Eisenstadt v. Baird* (Yenor, 2013). The right to privacy over reproductive choices was later extended to the reproductive system as a whole through *Roe v. Wade*, and in 1973 abortion was legalized and began to dramatically change the climate of the culture on every level. As Americans began to understand the impact of legalized abortion, Planned Parenthood began to establish clinics across the nation to provide the service to women and gain the confidence of people experiencing unplanned pregnancies (PPNYC, 2016). Clinics began to spread throughout the United States and greater numbers of people began turning to Planned Parenthood for family planning services on every level.

Organization

The Planned Parenthood Federation of America currently works in numerous sectors and consolidates its operations with several different related entities. In 1942, the American Birth Control League joined with the Birth Control Clinical Research Bureau and changed its name to *Planned Parenthood*; all related organizations and efforts have used the name since that time (PPFA, 2014d). In 1952, the International Planned Parenthood Federation (IPPF) was established, and Planned Parenthood of America became one of several member associations in its international efforts. IPPF is based in London but has expanded over time to every continent and major area of the world (IPPF, 2012). The Planned Parenthood Federation of America maintains its connection with IPPF through its international division, Planned Parenthood Global (PPFA, 2014b).

Planned Parenthood clinics began in New York City, but are now established in almost every state and give access to contraceptives, family planning services, and abortion in every major region in the United States (PPFA, 2014a). Clinics are operated by regional affiliate organizations; 59 independent nonprofit organizations manage their own offices and medical services and do their own staffing, fundraising, and expansion. Currently, there are over 650 clinics that operate under these affiliates, scattered throughout metropolitan and other community areas, although this number fluctuates with the many openings and closings of offices that occur each year (PPFA, 2014a). The Planned Parenthood Federation of America supervises each of these affiliates and their related clinics. It gives organizations license to use the Planned Parenthood name and provides support to each affiliate in exchange for the payment of annual dues (PPFA, 2014b). The Federation does not provide any actual medical services through its offices and staff; contraceptive and abortion work is carried out solely through the affiliates and their own clinics. It instead focuses on expanding public connections, generating major forms of funding, and uniting the efforts of each clinic and office.

PPFA does not consolidate affiliate work into its audited financial statements (PPFA, 2014b). Affiliate services and data are included with the PPFA-created annual report but are not required to be included in GAAP financial statements or IRS filings (PPFA, 2014a). Each affiliate office is organized as a separate nonprofit entity or corporation and produces its own reports and annual figures along with PPFA's overarching report. The Planned Parenthood Federation of America is required to consolidate its audited statements and Form 990 with several other organizations, however. Contained in the statements and accompanying notes of its audited reports is the work of the Federation as well as the Planned Parenthood Foundation, Planned Parenthood Action Fund, Inc., and Voxent (PPFA, 2014b).

The Planned Parenthood Foundation was initially incorporated in 1994 for "raising funds and making grants to the Federation and its affiliates," but was dissolved several years later in 2013, and its assets were transferred completely to the Federation (PPFA, 2014b, p. 9). The Foundation's fundraising and money transfers are now completely included in the records of the Federation and its public statements. The Planned Parenthood Action Fund, Inc., was created in 1989 to be a lobbying and political action wing for PPFA and has continued its work in Washington, D.C., and different political spheres within its abilities as a tax-exempt organization (PPFA, 2014b). The final nonprofit entity consolidated within PPFA, Voxent, is a technological and computer system organization (Voxent, 2016). Voxent is a lesser-known counterpart of Planned Parenthood and its affiliates; its purpose is to provide uniform recording and reporting systems for affiliates and connect each office to others and to the national PPFA office. The Federation is also connected with the Guttmacher Institute, a nonprofit research and policy organization that does extensive studies and reporting on sexual and reproductive health (Guttmacher, 2014).

The Planned Parenthood organization is a highly complicated network, with businesses and offices located in almost every sector and work that permeates almost every industry and geographic region. Interpreting the data for the national office as well as its connected national organizations and each of the 57 affiliate clinics requires an intense amount of time and thorough understanding of the internal structure of the Federation. Planned Parenthood limits the information that it releases to the public to only those disclosures required by public law. Although a complete study is not possible, interpreting the disclosures and reports provided by the Federation and one of its major affiliate clinics provides insight for interpreting the entire organization.

Government Contributions to Planned Parenthood

Planned Parenthood reports its contributions and government funding through its annual report, audited financial statements, and IRS Form 990. Dollar amounts are netted and presented as single line items in financial statements, and Form 990 requires reporting government grants on both Part I, line 8, and Part VIII, line 1e (IRS, 2013). Financial statements contain accounts listing the amount of funding received from grants and government contributions, and some organizations are required to report a separate *schedule of expenditures of federal awards* if they pass a certain threshold and receive a significant amount of federal funding (Scot, 2010). In the IRS instructions for filing Form 990, more detailed information as to the source and purpose of these grants and receipts are not needed (IRS, 2013). Because the Planned Parenthood Federation of America is headquartered in New York City, it also falls under certain state requirements. New York requires all nonprofits receiving over $250,000 in revenues to perform annual audits of their organizations (Scot, 2010). Planned Parenthood meets this requirement and includes an auditor’s report with its fiscal year-end statements.

Public Reports by the Federation

The focus of this study is on the financial statements and Form 990 for the fiscal year July 2013 to June 2014. PPFA is audited by KPMG, one of the four largest accounting firms in the nation, and its report is included with the Federation's statements and notes (PPFA, 2014b). Because the Planned Parenthood Federation does not perform any medical services or provide contraceptives and medication to clients, it does not receive a significant amount of the $528 million in funding from federal and state governments. In its financial statements, it lists a total of $186,178,007 in contributions and grants for the fiscal period (PPFA, 2014b). This number includes affiliate support, private donations, and other sources along with grants from local and federal governments. The specific categories for contribution funding sources are "Direct response; Major donors, foundations, and corporations; Bequests and other planned giving; Affiliates, National Program Support; Affiliates, other support; Special events; and Federated fund-raising" (PPFA, 2014b, p. 4). None of these categories specifically detail funding from federal sources, although *Major donors* may include grants given for specific programs.

Accompanying notes to the statements include a section on contributions and grants. Note 1(h) defines the accounting policies used in classifying contributions as either restricted or unrestricted (PPFA, 2014b). This classification is consistent with GAAP and other regulations but does not provide further insight into the sources and designations of received grants and funding. The consolidated balance sheet for the Federation contains a contributions receivable account that is separated further in the notes as well. Receivables from non-affiliates totaled $697,525 as of June 30, 2014, (PPFA, 2014b). Note 3 indicates which receivables are due within one year versus one to five years, but again there is no indication as to the source and purpose of contribution and grant receivables. The Federation does a thorough job of allocating revenues and expenses among its seven major programs and services. Each area of community engagement, leadership, fund-raising, advocacy and others has detailed cost breakdowns and expenses (PPFA, 2014b). Although the sources of funding remain unclear, the categories of expenses and costs are listed out much more thoroughly.

The IRS has more comprehensive requirements for nonprofits when reporting the source and utilization of funding. On the first page of the report, contributions and grants are listed on line 8 of Part I, and they are given more detail in Part VIII of the return (IRS, 2013). For the fiscal year ended June 30, 2014, PPFA completed IRS Form 990 for tax year 2013. The total contributions and grants from private and government sources listed on Part I were $169,312,084; the combined revenue amount was $176,617,285 (PPFA, 2014c). A clear discrepancy exists between the reported revenue figures of the audited statements and the IRS form. This may be attributed to several factors, one of the largest being a reclassification of revenues and expenses within tax-exempt forms (Fischer, Gordon, & Kraut, 2002). Schedule D on Form 990 contains a section devoted to reconciling the differences between IRS and GAAP-reported revenues (IRS, 2013). Part XI and Part XII of Schedule D separate the differences between the two figures and provide explanation for their discrepancies. Although this schedule does not contain a line for government funding, it provides reasonable assurance that numbers are accurate and reliable.

Although different, the separated contribution figures listed on Part VIII of Form 990 still provide reliable insight on the sources and purposes of those funds. On line 1e of the Statement of Revenue, government grants and contributions are listed to be $9,846, an immaterial part of the $528 million total (PPFA, 2014c). Planned Parenthood provides no further explanation, but the form instructions stipulate “the payment is recorded on line 1e if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect” (IRS, 2013, p. 37). Clear insight into Federation receipts and uses of government funding is not easily available for the public through the financial statements or tax forms. These statements only provide year-end information and do not reveal transactions and adjustments made during the period.

Public Reports by the Planned Parenthood of New York, Inc.

Although the Federation is the overarching leader for Planned Parenthood, it is important to highlight the work of one of its affiliates to demonstrate how government funding is recorded when medical and health services are being provided. Planned Parenthood of New York, Inc., (PPNYC) represents the clinics first owned and established by Margaret Sanger and her collaborators in the early twentieth century (PPFA, 2014d). PPNYC performed 18,648 abortions in 2014 and 25,997 HIV tests on clients (PPNYC, 2014a). Its fiscal year ends on December 31, instead of June 30 like its parent office, but the figures still correspond when comparing intra-office receipts and payments (PPNYC, 2014a).

On its website, Planned Parenthood of New York releases an Annual Report and the IRS Form 990 (PPNYC, 2014a; PPNYC, 2014b). Like many affiliates, it does not have audited financial statements available online but requires direct contact to be made with its office. However, figures in the annual report remain consistent with reporting standards. The Annual Report states that 17% of funding was received from government grants in 2014, to a total of $8,070,54 (PPNYC, 2014a). *Patient service fees and sales of supplies* comprises the largest amount of revenues, reaching $22,462,129 for the year in unrestricted funds (PPNYC, 2014a). This figure includes money paid by clients for services but also includes a large portion of money paid by Medicaid for contraceptives and other family planning services. No further descriptions of funding or details into the sources of insurance and patient payments are given in the report.

The IRS return for PPNYC gives further detail into the government funding of this affiliate. On Part I line 8, the organization lists that it received $21,400,396 in contributions and grants; line 9 lists that it received $22,608,907 in program service revenue (PPNYC, 2014b). Part VIII expands these two figures. Within the contributions and grants, $8,034,79 is listed as being from government grants and contributions (PPNYC, 2014b). Medicare and Medicaid contributed $8,083,053 for patient service costs and revenues (PPNYC, 2014b). In total, Planned Parenthood of New York, Inc., received over $16.1 million from the government to support its contraceptive and family planning services. Half of that amount was received as reimbursement for contraceptives and services through government insurance programs. These funds are disclosed in the tax forms far more efficiently than in the annual report, but there is still great uncertainty as to the use and accountability of this revenue.

Government reporting

Numerous departments on both the federal and state level give contributions and funding to Planned Parenthood and its affiliates. On the federal level, most money is given through the Department of Health and Human Services through its Title X Family Planning program and other offices (DHHS, 2014). Medicare and Medicaid also provide a significant amount of funding through insurance reimbursements and medical cost coverage. In a report released in March 2015, the Government Accountability Office (GAO) detailed the funding received by PPFA and related organizations from 2010-2012. Planned Parenthood and its affiliates received $344.52 million from HHS, USAID, and other federal offices (GAO, 2015). Further information later in the report lists out the various programs and grants money was used for: $176.42 million was for *family planning services*, $10.48 million went towards preventing teen pregnancy, and $21.80 million came from the Department of Agriculture to assist in supplemental food programs through WIC (GAO, 2015). The report also lists that affiliates also received a sum of $24.17 million during that period that was not reported individually because it fell below reporting requirements (GAO, 2015).

Such a detailed government report has not yet been complied for the 2013 and 2014 years, but a recent memorandum by a committee in the House of Representatives gave similar specifics on funding in 2014 (House Committee, 2015). Due to the 2015 release of several videos allegedly revealing the selling of fetal tissue for profit, an investigation was performed to understand the extent and need of government funding by PPFA and affiliates. The report detailed that $528 million was given to Planned Parenthood from the government; $450 million of these funds were from federal departments, with Medicare making up $390 million of that total. $60 million came from Title X in 2014 (House Committee, 2015). The amounts and specific figures are difficult to understand when they are sourced in such varied state and federal departments, and understanding the magnitude of government funding for Planned Parenthood is also difficult without examining the effect on each affiliate organization. However, the total amount of $528 million given to this nonprofit in 2014 demonstrates that a significant investment of taxpayer dollars has been made in this institution, and in response, a high level of transparency and integrity should be required with that level of contribution.

The Hyde Amendment

A vital step in comprehending the government funding of Planned Parenthood and other abortion providers requires a foundational study of the Hyde Amendment, originally passed in 1976. The purpose of the Hyde Amendment is to prevent federal government funding from being used to cover the costs of an abortion. Exceptions to this ban have been made for cases of rape, incest, and the risk of life to the mother. Although the Amendment has been changed throughout the years to add further limitations on Medicaid disbursement and adjust for changes in medical care and terminology, it was upheld by the Supreme Court in 1980 and is still in effect today (PPFA, 2014d). States and local governments are still able to provide direct funding for abortions through state-funded Medicare and other programs, but the federal government still maintains the Hyde Amendment in its legislation.

The Hyde Amendment prevents Title X funding from directly being used for an abortion, but Planned Parenthood and its affiliates are still able to support their abortion work through their accounting systems and use of budgets and overhead costs. Money is received through Medicare for direct contraception and medical costs, but other grants are given without such direct purposes and are able to be used for other expenses in clinics and offices. Using a well-designed system of cost accounting and overhead allocations, government funding can be utilized to cover the costs of the abortion clinic buildings, administrative costs, and employee salaries (Torre, 2015). Utilizing government funds for infrastructure and indirect costs allows private funding and nongovernmental contributions to be spent directly on abortions. This use of cost accounting and allocation has caused many to call for the federal defunding of Planned Parenthood and the transfer of its funds to qualified centers that do not provide abortion.

An Internal Perspective

Many of the external reports and figures provided by Planned Parenthood and government departments are given without much detail or explanation. Dollar amounts are stated with single line item descriptions, but actual uses and allocations of government funds remain ambiguous (Torre, 2015). Because of the private nature of the organization and the limits on reporting required by the IRS and GAAP, much of this financial and operational information is only available for internal staff and directors. Public awareness is further limited through privacy agreements and organizational culture. However, testimonies received by former workers and footage gathered through investigative studies reveal insight to help the public understand the nature and purposes of Planned Parenthood's services.

The Center for Medical Progress and Live Action News have provided much of the investigative research currently available (CMP, 2015). One of the most significant testimonies from workers has come from Abby Johnson, a former clinic director in Texas who made a dramatic switch from Planned Parenthood to the Coalition for Life in 2009. The story of her employment and reason for quitting the industry has been condensed into the autobiography, *Unplanned*, and reveals key insights into the inner workings of Planned Parenthood (Johnson, 2010).

Abby Johnson began working for Planned Parenthood right after she graduated from college and quickly rose to become the director of her local clinic. She was very involved in the daily operations and decision making of the organization. Johnson initially began working out of a desire to help women in crisis and lower the number of abortions through education and counseling. However, in her role as director, she quickly learned that abortion was not only one of the major aspects of the organization's operations but something that was pursued and increased. Abortions provided the main source of income for the center and needed to continue in order to grow and expand the affiliate center (Johnson, 2010). While addressing a period of financial loss during a board meeting, one supervisor told Johnson, "nonprofit is a tax status, not a business status" (Johnson, 2010, p. 114). She said it became very clear when she entered a leadership role that the priorities of the organization were revenue-driven and abortion-focused. Her budget meetings and talks with regional directors were always focused on increasing revenues and abortion quotas, the far more "lucrative" aspect of the business (Johnson, 2010, p. 85).

Clinic objectives and records always maintained a separation between abortion services and family planning services, but the actual operations of the center often intertwined the two as certain family planning services were performed before and after abortions. Relationships made through contraceptive and women's health programs also established connections for abortions (Johnson, 2010). The tension between Johnson's dedication to helping women and distain for the abortion procedure increased steadily throughout her career, but it was not until she assisted in performing an actual abortion that Abby Johnson decided to leave her position at Planned Parenthood. She witnessed the painful reality of the procedure and decided that she could not stay with the organization, despite the good that many of its workers and volunteers provided to men and women.

Planned Parenthood was found to be a business, not just a nonprofit service provider. Government funding was used as stated to cover contraceptive and family planning services, but those funds were only used to augment the profit created by providing abortion (Johnson, 2010). The testimonies of this woman and of the many other workers who have left are the only internal evidence that the public and the government have when making funding decisions. The positive results that Planned Parenthood's family planning services provide must be examined in relation to the truths revealed by these witnesses.

Conclusion

The Planned Parenthood Federation of America is a highly complicated and intricate network of family planning services and reproductive rights advocacy in the United States. Its position as the largest and often primary source of reproductive care as well as the largest provider of abortions in the nation makes it an important organization to study and understand. Planned Parenthood began before the legalization of contraception and the sexual revolution in America but has quickly spread to reach every state in the nation and other countries around the world through its connection with the

International Planned Parenthood Federation. Its national office and affiliates received over $528 million in government funding in 2014 (PPFA, 2014a).

Understanding its financial reports and process of gaining federal funding first requires an analysis of nonprofit accounting and the process of applying for and receiving appropriate government grants and contributions. The vast differences between nonprofit and for-profit organizations require differences in overall accounting structures and financial reports. A nonprofit exists to serve the community and not to amass profits or expand business operations, and its account titles and annual statements reflect this distinction. Federal and local governments also provide significant amounts of funding to nonprofits to finance and enhance their service programs. Because of the nature and source of this money, added transparency and accounting is often required by and for the public.

The government funds that Planned Parenthood and its related entities provide are not directly used for abortion services but instead go towards contraceptives, testing, counseling, and related services (House Committee, 2015). However, the external reporting of the entity does not provide significant insight into the actual internal treatment of these funds. Although government funds are earmarked for specific programs, private funds and revenues are able to be utilized in abortion and related services. The nature of cost accounting demonstrates that overhead costs such as rent, utilities, and administrative expenses still relate to the production of goods and services in an industry, and paying for those expenses with government funds indirectly covers some of the cost of services such as abortion and other prohibited items. If the government funds the work of Planned Parenthood in any of its areas, it indirectly funds the work in everything that it does. Providing a grant for a building that provides contraceptives as well as abortions necessarily funds the work both of birth control dissemination and abortion.

Planned Parenthood's external reporting only provides line item amounts about the nature and use of resources. Internal testimonies by current and former workers provide an additional level of insight for funding decisions. The heart of an organization receiving such significant funds must be understood before funds are received, and these testimonies often leave a negative impression (Johnson, 2010). Planned Parenthood receives its government funding through various offices and departments on federal and state levels. The decision-makers in each department have the responsibility to study this information and critically evaluate the need and purpose of their government dollars. The public must also examine these reports and decide if taxpayer dollars are being allocated and reported in a fair and transparent manner. An understanding of the basic principles of accounting facilitates this examination and provides a foundation for a more holistic evaluation of grant decisions.

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