

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates  
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill  
Ernest R. Harper

The Board of Directors  
Planned Parenthood of Middle and  
East Tennessee, Inc.

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We have audited the statements of financial position of Planned Parenthood of Middle and East Tennessee, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood of Middle and East Tennessee, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hill, Harper & Associates*

November 29, 2007

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Statements of Financial Position**

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b><u>Assets</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents		
Cash in bank	\$ 114,514	293,305
Money market accounts	147,349	127,265
Total cash and cash equivalents	261,863	420,570
Investments	429,989	313,809
Accounts receivable:		
Grants receivable	2,924	2,548
Pledges receivable	22,925	31,010
Other	1,488	707
Total receivables	27,337	34,265
Prepaid expenses	50,350	42,109
Inventory	43,948	17,303
Total current assets	813,487	828,056
<b>Property and equipment:</b>		
Land	101,975	101,975
Building	846,267	846,267
Office furniture and equipment	234,801	210,043
Leasehold improvements	22,857	22,857
	1,205,900	1,181,142
Less accumulated depreciation	(528,441)	(472,862)
Net property and equipment	677,459	708,280
<b>Other assets:</b>		
Beneficial interest at Community Foundation	66,511	52,495
	<u>\$ 1,557,457</u>	<u>1,588,831</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 40,572	48,785
Accrued expenses	65,600	70,544
Mortgage payable due on demand	-	32,334
Total current liabilities	106,172	151,663
<b>Net assets:</b>		
Unrestricted	1,304,717	1,339,904
Temporarily restricted	80,057	44,769
Permanently restricted	66,511	52,495
Total net assets	1,451,285	1,437,168
	<u>\$ 1,557,457</u>	<u>1,588,831</u>

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Statements of Activities and Changes in Net Assets**

For the years ended June 30, 2007 and 2006

	2007						2007					
	Unrestricted Fund Groups											
	Surgical Services	Family Planning and Teen Clinic		Education	J. P. Davis Fund	Fund Raising	Community Services & Public Affairs	Total Unrestricted Fund Groups	Temporarily Restricted Fund Groups	Permanently Restricted Fund Groups	2007 Total	2006 Total
	Grant	Non Grant										
<b>Public support and revenue:</b>												
Public support - United Way	\$ -	-	-	-	-	42,836	-	42,836	7,378	-	50,214	43,605
Grants from government agencies	-	-	-	-	-	-	-	-	484,710	-	484,710	490,580
Grants from other agencies	-	-	-	-	-	-	-	-	65,156	-	65,156	35,000
Contributions and memberships	-	-	-	-	-	189,140	-	189,140	32,158	-	221,298	247,801
Patient fees	1,374,506	197,844	198,016	4,932	-	-	-	1,775,298	-	-	1,775,298	1,680,038
Interest income	-	-	-	-	-	27,262	-	27,262	1,360	-	28,622	16,657
Realized and unrealized gains	-	-	-	-	-	(648)	-	(648)	-	-	(648)	363
Gain from funds held in trust with Community Foundation	-	-	-	-	-	-	-	-	-	9,316	9,316	3,547
Special events	-	-	-	-	-	26,452	-	26,452	-	-	26,452	41,840
<b>Total support and revenue</b>	<b>1,374,506</b>	<b>197,844</b>	<b>198,016</b>	<b>4,932</b>	<b>-</b>	<b>285,042</b>	<b>-</b>	<b>2,060,340</b>	<b>590,762</b>	<b>9,316</b>	<b>2,660,418</b>	<b>2,559,431</b>
Net assets released from restrictions	-	404,200	-	117,673	22,230	-	-	550,774	(555,474)	4,700	-	-
	1,374,506	602,044	198,016	122,605	22,230	285,042	-	2,611,114	35,288	14,016	2,660,418	2,559,431
<b>Expenses:</b>												
Program services	783,527	701,492	149,648	347,683	22,230	-	-	2,004,580	-	-	2,004,580	1,811,107
Supporting services:												
General and administrative	69,933	121,337	31,135	79,615	-	16,090	30,160	348,270	-	-	348,270	347,967
Fund raising	-	-	-	-	-	126,886	-	126,886	-	-	126,886	137,695
Community services and Public affairs	-	-	-	-	-	-	166,565	166,565	-	-	166,565	104,858
<b>Total supporting services</b>	<b>69,933</b>	<b>121,337</b>	<b>31,135</b>	<b>79,615</b>	<b>-</b>	<b>142,976</b>	<b>196,725</b>	<b>641,721</b>	<b>-</b>	<b>-</b>	<b>641,721</b>	<b>590,520</b>
<b>Total expenses</b>	<b>853,460</b>	<b>822,829</b>	<b>180,783</b>	<b>427,298</b>	<b>22,230</b>	<b>142,976</b>	<b>196,725</b>	<b>2,646,301</b>	<b>-</b>	<b>-</b>	<b>2,646,301</b>	<b>2,401,627</b>
<b>Increase (decrease) in net assets \$</b>	<b>521,046</b>	<b>(220,785)</b>	<b>17,233</b>	<b>(304,693)</b>	<b>-</b>	<b>142,066</b>	<b>(196,725)</b>	<b>(35,187)</b>	<b>35,288</b>	<b>14,016</b>	<b>14,117</b>	<b>157,804</b>
Net assets at beginning of year								1,339,904	44,769	52,495	1,437,168	1,279,364
Net assets at end of year, as restated								\$ 1,304,717	80,057	66,511	1,451,285	1,437,168

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Statements of Functional Expenses**

**For the years ended June 30, 2007 and 2006**

	2007					2007					
	Program Services					Supporting Services					
	Surgical Services	Family Planning & Teen Clinic	Non Grant	Education	J.P. Davis Fund	Manage- ment and General	Fund Raising	Community Services & Public Affairs	2007 Total	2006 Total	
Personnel costs:											Personnel costs:
Salaries	\$ 184,412	319,958	82,111	209,966	-	208,051	42,384	79,536	1,126,418	1,038,807	Salaries
Payroll taxes	14,784	25,623	6,504	16,801	-	16,613	4,567	5,113	90,005	81,871	Payroll taxes
Fringe benefits	30,941	47,828	7,993	23,658	-	23,951	11,452	6,676	152,499	144,308	Fringe benefits
Contract Labor	520	1,340	740	7,100	-	980	1,680	39,150	51,510	41,799	Contract Labor
Physicians	228,512	-	-	-	-	-	-	-	228,512	173,025	Physicians
Total personnel costs	459,169	394,749	97,348	257,525	-	249,595	60,083	130,475	1,648,944	1,479,810	Total personnel costs
Medical supplies	163,193	83,836	17,040	3,915	-	-	-	-	267,984	222,790	Medical supplies
Office and other supplies	3,562	6,568	685	11,775	-	5,833	569	1,526	30,518	32,803	Office and other supplies
Equipment rental and maintenance	2,960	1,613	240	276	-	457	109	265	5,920	7,006	Equipment rental and maintenance
Telephone	9,643	15,701	1,882	6,885	-	5,891	2,681	1,301	43,984	40,426	Telephone
Contract services	14,066	36,189	6,497	196	-	13,539	91	46	70,624	67,160	Contract services
Postage and freight	300	1,153	264	3,443	-	3,652	6,251	379	15,442	10,359	Postage and freight
Occupancy	29,619	42,537	2,888	1,889	-	1,248	837	1,400	80,418	84,612	Occupancy
Rent	1,089	14,811	4,501	16,373	-	13,055	7,253	3,626	60,708	60,299	Rent
Printing and publications	3,859	5,647	371	3,674	-	6,634	24,281	1,262	45,728	34,878	Printing and publications
Security services	950	2,016	551	243	-	106	13	93	3,972	2,212	Security services
Travel	2,167	12,490	3,426	16,426	-	13,382	3,150	4,488	55,529	44,979	Travel
Employee development	531	757	40	411	-	565	240	167	2,711	10,704	Employee development
Malpractice insurance	42,967	8,702	2,719	-	-	-	-	-	54,388	56,843	Malpractice insurance
Interest	-	-	-	-	-	1,293	-	-	1,293	3,632	Interest
Marketing	18,054	37,981	5,626	16,898	-	500	2,127	17,389	98,575	79,228	Marketing
Assistance to individuals	-	-	-	-	22,230	-	-	-	22,230	11,865	Assistance to individuals
Depreciation	22,231	21,120	3,891	4,446	-	2,779	1,112	-	55,579	60,733	Depreciation
Dues	4,488	7,987	900	3,168	-	30,271	2,290	3,848	52,952	27,581	Dues
Events	-	-	-	140	-	-	15,380	300	15,820	50,580	Events
Bank fees	4,679	7,635	779	-	-	(530)	419	-	12,982	13,127	Bank fees
Total program services	783,527	701,492	149,648	347,683	22,230	348,270	126,886	166,565	2,646,301	2,401,627	Total program expenses
Allocation of general and administrative expenses	69,933	121,337	31,135	79,615	-	(348,270)	16,090	30,160	-	-	Allocation of general and administrative allowance
Total expenses	\$ 853,460	822,829	180,783	427,298	22,230	-	142,976	196,725	2,646,301	2,401,627	Total expenses

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Statements of Cash Flows**

**For the years ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash received from:		
Clients and public support	\$ 2,141,803	2,044,777
Federal, state and local governments	484,334	503,890
Interest income	28,622	15,596
Cash paid for:		
Employees and vendors	(2,638,253)	(2,336,235)
Interest	(1,293)	(3,632)
Net operating activities	<u>15,213</u>	<u>224,396</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of equipment	(24,758)	(10,085)
Proceeds from sale of investments	368,819	354,817
Purchase of investments	(485,647)	(505,426)
Net investing activities	<u>(141,586)</u>	<u>(160,694)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Principal payments of long term debt	(32,334)	(29,932)
Net increase (decrease) in cash and cash equivalents	(158,707)	33,770
Cash and cash equivalents at beginning of year	<u>420,570</u>	<u>386,800</u>
	<u>\$ 261,863</u>	<u>420,570</u>
<b><u>Reconciliation of change in net assets to cash flows from operating activities</u></b>		
Change in net assets	\$ 14,117	157,804
Depreciation	55,579	60,733
Realized and unrealized gains	648	(363)
Increase in funds held in trust	(14,016)	(4,608)
(Increase) decrease in current assets:		
Grants and contracts receivable	(376)	13,310
Pledges receivable	8,085	(3,507)
Other receivables	(781)	(172)
Prepaid expenses	(8,241)	(18,356)
Inventory	(26,645)	17,511
Increase (decrease) in current liabilities:		
Accounts payable	(8,213)	(385)
Accrued payroll, benefits and other expenses	(4,944)	2,429
Net operating activities	<u>\$ 15,213</u>	<u>224,396</u>

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**General**

On July 1, 2000, Planned Parenthood of Middle Tennessee and Planned Parenthood of East Tennessee were merged with the new name being Planned Parenthood of Middle and East Tennessee, Inc. (the "Affiliate") and affiliated with Planned Parenthood Federation of America. The Affiliate is primarily engaged in providing education and medical treatment options to individuals concerning reproductive and health - related decisions.

**(1) Summary of Significant Accounting Policies**

**Basis of Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made" and No. 117 "Financial Statements of Not for Profit Organizations". This has been accomplished by classification of fund transactions into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted assets which have donor-imposed restrictions that expire in the future, and permanently restricted net assets which have donor imposed restrictions that do not expire, if any.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Pledges Receivable**

The amounts, if any, less an appropriate reserve, will be recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows.

**Inventory**

Inventory consists of drugs, medical, contraceptive and laboratory supplies. Inventory is stated at the lower of cost or market, with cost being determined by use of the first - in, first-out method.

**Income Taxes**

The Affiliate is exempt from federal income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

**Property and Equipment**

Expenditures for property and equipment are stated at cost or estimated fair value at date of gift. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings and improvements	35 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	Life of lease

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Notes to Financial Statements, continued**

**(1) Summary of Significant Accounting Policies, continued**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash on hand, deposits in financial institutions and highly liquid debt instruments with an original maturity of three months or less are considered to be cash and cash equivalents.

**Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the following programs:

**Unrestricted Fund Groups**

Surgical Services - resources are utilized in the performance of surgical services.

Family Planning and Teen Clinic - resources are utilized to encourage family involvement with respect to family planning services provided to individuals and comprehensive services to teens. No state or federal grant resources are used for providing abortion services.

Non Grant - resources provide a fee - for - service base for patients capable of paying modest fees for high quality medical services and supplies.

Education - resources are utilized for providing family planning education to youth, youth serving agencies, and to adults. Educational programs and materials emphasize the connection between behavior and consequences, and encourage the development of responsible decision making skills. No education resources are used for providing surgical services.

J. P. Davis Fund - Contributions to this fund are temporarily restricted to providing abortions to indigent or low income women. As assistance is extended to these individuals the donor imposed restriction is released.

**Contributed Services**

Contributed services are reflected in the financial statements at the fair value of the services received, if those services (a) create or enhance non financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2007 and 2006 the Affiliate recognized no contributed services.

**Compensated Absences**

Employees are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. A liability has been provided in the financial statements for compensated absences relating to vacations earned not paid. It is impractical to estimate the amount of compensation for future absences related to sick days and personal days off, accordingly, this liability has not been recorded in the accompanying financial statements. The policy is to recognize the cost of these other compensated absences when actually paid to employees.

**Fair Value of Financial Instruments**

The carrying value of cash, accounts receivable, inventory, prepaid expenses, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying values of other liabilities and long term debt are not materially different from the estimated fair values of these instruments.

**Financial Statement Presentation**

Certain reclassifications may have been made to the prior year figures in order to conform to current year presentation. These reclassifications, if any, have no effect on reported net assets.



# PLANNED PARENTHOOD OF MIDDLE AND EAST TENNESSEE, INC.

## Notes to Financial Statements, continued

(1) **Summary of Significant Accounting Policies, continued**

**Investments and Realized and Unrealized Gains and Losses**

Investments are reported at market value to comply with Financial Accounting Standards No. 124, "Accounting for Certain Investments of Not for Profit Organizations".

The excess (deficit) of proceeds from the sale of investments as compared to cost is recognized as a realized gain or loss. The measurement of increase (decrease) in market values of investments from the beginning of year to end of year is recognized as unrealized gain or loss.

**Accounts receivable**

Accounts receivable are deemed to be fully collectable by management and no reserve is considered necessary.

(2) **Investments**

Marketable securities consist of the following:

At quoted market value:

Common stock

Certificates of deposit

Total market value

Total cost or carrying value

Unrealized cumulative gains

Prior year unrealized cumulative gains

Unrealized loss from investments

Realized gain from disposition of investments

Realized and unrealized gains

	<u>2007</u>	<u>2006</u>
\$	-	10,046
	429,989	303,763
	429,989	313,809
	431,756	312,105
	(1,767)	1,704
	1,704	
	(3,471)	
	2,823	
\$	<u>(648)</u>	

(3) **Beneficial Interest at Community Foundation**

The Affiliate has a beneficial interest in a trust held by the Community Foundation. The Foundation has legal ownership of these funds. The Affiliate may request a grant from the Foundation based on the beneficial interest. This asset is classified as a permanently restricted net asset. The quoted market value of this beneficial interest amounted to \$66,511 and \$52,495 as of June 30, 2007 and 2006, respectively.

(4) **Mortgage Payable**

Mortgage payable on demand matured June 2007 and was secured by a deed of trust on the D.B. Todd Building. The outstanding balance as of June 30, 2006 amounted to \$32,334 and was reported as a current liability in the financial statements.

(5) **Pension Plan**

The Affiliate offers a pension plan (the Plan) to its full-time employees who are at least 21 years of age with at least 2 years of service. Eligible employees may contribute up to 6% of their gross earnings, with the Affiliate matching 50% of the employees' contributed amounts. Also, eligible employees may contribute an additional 6% of their gross earnings (with no additional contribution from the Affiliate). There is immediate vesting by the employees for the Affiliate's contribution. During the years ended June 30, 2007 and 2006, the Affiliate contributed \$19,592 and \$13,270, respectively. The plan is administered by CompuPay.

(6) **State and National Organizations**

Dues paid to state and national organizations, including the Affiliate's Fair Share Assessment, amount to \$25,602 and \$25,107, respectively in 2007 and 2006.

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

Notes to Financial Statements, continued

**(7) Contingencies**

The Affiliate receives significant support, approximately 19% (\$484,710), from federal awards programs and fee for service contracts. A substantial reduction in the level of this support, should this occur, would have a material effect on the Affiliate's programs and services. The following summarizes the nature of the support from federal awards:

Family Planning Services	\$ 334,600
Family Planning Education	116,000
HIV Education	<u>34,110</u>
	<u>\$ 484,710</u>

**(8) Leases**

The Affiliate is obligated under certain lease agreements for office and clinic space and office equipment. Non cancelable lease terms for the office and clinic space is 1) Metro Center (administrative office) - \$3,000 per month through July 2007; and 2) Knoxville Clinic - \$1,183 per month through June 2009. The administrative office lease agreement was renewed at \$3,000 monthly, effective August 1, 2007 expiring August 1, 2010.

Future maturities of operating leases having an initial or remaining term of one year or more are as follows:

	<u>Year Ended</u> <u>June 30</u>	
	2008	17,196
	2009	<u>14,196</u>
Future minimum lease payments under operating lease obligations		<u>\$ 31,392</u>

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available as follows:

	<u>2007</u>	<u>2006</u>
Private foundation grant for future Rivergate service center	\$ 10,000	10,000
Education	4,118	2,957
Future capital acquisitions or maintenance	10,392	10,392
Ultrasound for Knoxville Clinic	24,000	-
J. P. Davis	<u>31,547</u>	<u>21,420</u>
	<u>\$ 80,057</u>	<u>44,769</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes of the funds received:

Private gifts and grants for operational purposes	\$ 823
J. P. Davis	22,230
HIV Vaccine	28,333
Grant for PG - 13 Players program	14,378
Cervical cancer screening	5,000
Federal grants	<u>484,710</u>
Temporarily restricted net assets released from restriction	\$ 555,474

Transfers to Community Foundation to grow permanently restricted investments	<u>(4,700)</u>
	<u>\$ 550,774</u>

**PLANNED PARENTHOOD OF  
MIDDLE AND EAST TENNESSEE, INC.**

**Notes to Financial Statements, continued**

**(10) Concentration of Credit Risk**

The Affiliate is primarily engaged in providing education and medical treatment options to individuals in Middle and East Tennessee concerning reproductive and health - related decisions. The Affiliate has an accounting risk of loss in the areas of cash, investments, and receivables to the extent that cash funds are not insured by a governmental agency, investments are not guaranteed by the United States Government and receivables collectibility. The following table summarizes the Affiliate's accounting risk of loss:

	<u>Account Balance</u>	<u>Secured / Collateralized</u>	<u>Amount of Accounting Risk of Loss</u>
Cash held in banks	\$ 114,514	114,514	-
Cash - money market	147,349	147,349	-
Investments in certificates of deposit	429,989	429,989	-
Government grants receivable	2,924	2,924	-
Other receivables	1,488	-	1,488
Pledges receivable	22,925	-	22,925
	<u>\$ 719,189</u>	<u>694,776</u>	<u>24,413</u>

**(11) Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the affiliate's financial statements for the year ended June 30, 2006, from which the summarized information was derived.