

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

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

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

We have audited the statements of financial position of the Planned Parenthood of Middle and East Tennessee, Inc. (a nonprofit organization) as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 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, 2013 and 2012, and 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

December 13, 2013

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

Statements of Financial Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents:		
Cash in bank	\$ 180,534	251,380
Money market accounts, held by brokerage firm	48,195	533,922
Total cash and cash equivalents	228,729	785,302
Investments in marketable securities	568,633	-
Accounts receivable	46,341	40,940
Prepaid expenses	67,036	99,949
Inventory	35,224	43,676
Total current assets	945,963	969,867
Property and equipment	1,081,480	944,977
Other assets:		
Beneficial interest at Community Foundation	155,507	52,282
Loan costs, net of amortization	24,373	-
Total other assets	179,880	52,282
	<u><u>\$ 2,207,323</u></u>	<u><u>1,967,126</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 97,811	49,554
Current portion of mortgage payable	-	7,140
Accrued expenses	82,848	66,537
Total current liabilities	180,659	123,231
Notes payable and mortgage payable	494,171	214,856
Total liabilities	674,830	338,087
Net assets:		
Unrestricted	1,144,003	1,361,181
Temporarily restricted	232,983	215,576
Permanently restricted	155,507	52,282
Total net assets	1,532,493	1,629,039
	<u><u>\$ 2,207,323</u></u>	<u><u>1,967,126</u></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, 2013 and 2012

	<u>Unrestricted Fund Groups</u>	<u>Temporarily Restricted Fund Groups</u>	<u>Permanently Restricted Fund Groups</u>	<u>2013 Total</u>	<u>2012 Total</u>
Public support and revenue:					
United Way/Community Shares	\$ 53,805	-	-	53,805	40,885
Grants from government agencies	-	46,946	-	46,946	52,805
Grants from other agencies	15,000	770,919	-	785,919	593,045
Contributions	300,316	32,165	100,100	432,581	340,464
Patient fees	1,963,430	-	-	1,963,430	2,057,137
Investment income	46,063	34	140	46,237	1,328
Gain from funds held in trust with Community Foundation	-	-	5,735	5,735	(1,707)
Special events	62,201	-	-	62,201	45,445
	2,440,815	850,064	105,975	3,396,854	3,129,402
Net assets released from restrictions	835,407	(832,657)	(2,750)	-	-
Total support and revenue	3,276,222	17,407	103,225	3,396,854	3,129,402
Expenses:					
Program services	2,423,507	-	-	2,423,507	2,218,363
Supporting services:					
General and administrative	681,477	-	-	681,477	451,589
Fund raising	150,533	-	-	150,533	127,150
Community services and Public affairs	237,883	-	-	237,883	148,988
Total supporting services	1,069,893	-	-	1,069,893	727,727
Total expenses	3,493,400	-	-	3,493,400	2,946,090
Increase (decrease) in net assets	(217,178)	17,407	103,225	(96,546)	183,312
Net assets at beginning of year	1,361,181	215,576	52,282	1,629,039	1,445,727
Net assets at end of year	\$ 1,144,003	232,983	155,507	1,532,493	1,629,039

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF
MIDDLE AND EAST TENNESSEE, INC.**
Statements of Activities by Functional Classification
For the years ended June 30, 2013 and 2012

2013										
	Unrestricted Fund Groups			Community Services & Public Affairs						
	Abortion Services	Family Planning	Education	J. P. Davis Fund	Fund Raising	Total Unrestricted Fund Groups	Temporarily Restricted Fund Groups	Permanently Restricted Fund Groups	2013 Total	2012 Total
Public support and revenue:										
United Way/Community Shares \$	-	-	-	-	53,805	53,805	-	-	53,805	40,885
Grants from government agencies	-	-	-	-	-	-	46,946	-	46,946	52,805
Grants from other agencies	-	-	-	-	15,000	15,000	770,919	-	785,919	593,045
Contributions	-	-	-	-	300,316	300,316	32,165	100,100	432,581	340,464
Patient fees	1,397,011	560,323	6,096	-	-	1,963,430	-	-	1,963,430	2,057,137
Interest income	-	-	-	-	46,063	46,063	34	-	46,097	925
Gain (loss) from funds held in trust with Community Foundation	-	-	-	-	-	-	-	5,875	5,875	(1,304)
Special events	-	-	-	-	62,201	62,201	-	-	62,201	45,445
Total support and revenue	1,397,011	560,323	6,096	-	477,385	2,440,815	850,064	105,975	3,396,854	3,129,402
Net assets released from restrictions	697,974	10,000	53,898	20,785	2,750	50,000	(832,657)	(2,750)	-	-
Expenses:										
Program services	1,393,681	820,802	188,239	20,785	-	2,423,507	-	-	2,423,507	2,218,363
Supporting services:										
General and administrative	228,567	267,275	70,397	-	44,228	681,477	-	-	681,477	451,589
Fund raising	-	-	-	-	150,533	150,533	-	-	150,533	127,150
Community services and Public affairs	-	-	-	-	-	237,883	-	-	237,883	148,988
Total supporting services	228,567	267,275	70,397	-	194,761	1,069,893	-	-	1,069,893	727,727
Total expenses	1,622,248	1,088,077	258,636	20,785	194,761	3,493,400	-	-	3,493,400	2,946,090
Increase (decrease) in net assets \$	472,737	(517,754)	(198,642)	-	285,374	(217,178)	17,407	103,225	(96,546)	183,312

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended June 30, 2013 and 2012

2013

	Program Services			Supporting Services				2013 Total	2012 Total
	Abortion Services	Family Planning	Education	J.P. Davis Fund	Manage- ment and General	Fund Raising	Community Services & Public Affairs		
Personnel costs:									
Salaries	\$ 328,616	384,099	101,158	-	377,154	63,546	102,017	1,356,590	1,185,807
Payroll taxes	25,491	29,716	7,851	-	29,115	4,905	7,924	105,002	95,638
Fringe benefits	39,298	39,701	15,147	-	30,739	8,802	10,578	144,265	129,917
Contract Labor	518	633	3,500	-	8,934	3,325	26,500	43,410	51,483
Physicians	302,300	-	-	-	-	-	-	302,300	300,629
Total personnel costs	696,223	454,149	127,656	-	445,942	80,578	147,019	1,951,567	1,763,474
Medical supplies	329,806	130,401	10,190	-	-	-	-	470,397	381,746
Office and other supplies	10,624	10,266	4,230	-	12,568	2,796	2,615	43,099	34,675
Equipment rental and maintenance	8,793	3,733	-	-	(1,291)	590	190	12,015	10,976
Telephone	8,298	12,097	4,794	-	6,505	2,529	3,006	37,229	30,066
Contract services	156,873	62,751	334	-	14,933	28	292	235,211	146,363
Postage and freight	1,761	599	1,247	-	2,207	8,277	307	14,398	12,677
Occupancy	52,461	56,180	3,515	-	4,000	1,415	2,480	120,051	113,547
Rent	10	4,260	10,800	-	12,240	7,200	5,760	40,270	42,793
Printing and publications	1,997	4,051	8,258	-	10,742	11,651	3,938	40,637	48,425
Security services	7,643	3,196	447	-	-	-	224	11,510	3,608
Travel	10,537	13,840	8,381	-	30,329	1,189	3,561	67,837	39,452
Employee development	2,579	2,840	300	-	15,622	-	438	21,779	14,027
Malpractice insurance	55,612	11,392	-	-	-	-	-	67,004	64,629
Interest	792	1,554	478	-	17,817	-	-	20,641	14,905
Marketing	11,865	4,093	1,358	-	800	-	3,961	22,077	39,193
Assistance to individuals	-	-	-	20,785	-	-	-	20,785	12,053
Depreciation	27,056	35,782	4,801	-	3,780	729	583	72,731	63,472
Dues	188	188	-	-	41,687	13,850	11,204	67,117	74,100
Events	-	-	1,450	-	125	16,938	356	18,869	9,105
Voxent patient record management	-	-	-	-	54,382	-	-	54,382	-
Loan cost amortization	-	-	-	-	594	-	-	594	-
Uncollectible employee advance	-	-	-	-	5,318	-	-	5,318	-
Polling research	-	-	-	-	-	-	51,949	51,949	-
Bank fees	10,563	9,430	-	-	3,177	2,763	-	25,933	26,804
Allocation of management and general expenses	1,393,681	820,802	188,239	20,785	681,477	150,533	237,883	3,493,400	2,946,090
Total expenses	\$ 1,622,248	1,088,077	258,636	20,785	-	194,761	308,893	3,493,400	3,059,368

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from:		
Clients and public support	\$ 3,192,435	3,087,674
Federal, state and local governments	46,946	52,805
Investment income	8,864	926
Distributions from Community Foundation	2,750	2,700
Cash paid for:		
Interest	(20,641)	(14,905)
Employees and vendors	(3,293,501)	(2,911,855)
Net operating activities	<u>(63,147)</u>	<u>217,345</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(209,234)	(51,227)
Purchases of investments, net of proceeds from sale	(531,401)	-
Collection of note receivable	-	50,000
Net investing activities	<u>(740,635)</u>	<u>(1,227)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from borrowings	272,747	-
Capitalized loan costs	(24,967)	-
Repayment of long term debt	(571)	(6,455)
	<u>247,209</u>	<u>(6,455)</u>
Net increase (decrease) in cash and cash equivalents	(556,573)	209,663
Cash and cash equivalents at beginning of year	785,302	575,639
Cash and cash equivalents at end of year	<u><u>\$ 228,729</u></u>	<u><u>785,302</u></u>
<u>Reconciliation of change in net assets to cash flows from operating activities</u>		
Change in net assets	\$ (96,546)	183,312
Depreciation	72,731	63,472
Loan cost amortization	594	-
Less gains on investment accounts	(37,232)	-
Change in funds held in beneficial interest	(103,226)	3,005
(Increase) decrease in current assets:		
Accounts receivable	(5,401)	4,922
Prepaid expenses	32,913	(67,217)
Inventory	8,452	32,294
Increase (decrease) in current liabilities:		
Accounts payable	48,257	(16,290)
Accrued payroll, benefits and other expenses	16,311	8,847
Net operating activities	<u><u>\$ (63,147)</u></u>	<u><u>212,345</u></u>

See accompanying notes to financial statements.

PLANNED PARENTHOOD OF MIDDLE AND EAST TENNESSEE, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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, however, have been prepared to focus on the Affiliate as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America.

As required by generally accepted accounting principles, the Affiliate reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body.

Temporarily restricted net assets - Net assets whose use is subject to donor imposed stipulations and / or the passage of time.

Permanently restricted net assets - Net assets to be maintained in perpetuity as directed by donor imposed stipulations.

The amount of each of the classes of net assets are presented in the statement of financial position and the change in each class of net assets is presented in the statement of activities.

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, 2012, from which the summarized information was derived.

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.

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.

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.

Accounts Receivable

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

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

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.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Investments in marketable securities are valued using Level 1 inputs. The beneficial interest at Community Foundation is valued using Level 2 inputs.

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

Property and Equipment

Expenditures for property and equipment are stated at cost or estimated fair value at date of gift. Expenditures for property and equipment of \$500 or more are capitalized and depreciated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings and improvements	35 - 40 years
Office furniture and equipment	3 - 7 years

Loan Costs

Costs required to obtain long term financing are capitalized and amortized to operations over the 5 year call period, using the straight line method.

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.

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. No significant contributed services are recognized in the 2013 or 2012 financial statements.

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.

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

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

Abortion Services - resources are utilized in the performance of abortion services.

Family Planning - resources are utilized to encourage family involvement with respect to family planning services provided to individuals.

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.

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.

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.

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management believes that the Affiliate is not involved in any activities that could be deemed taxable.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through December 13, 2013, the date these financial statements were available to be issued.

(2) Accounts Receivable

Accounts receivable consist of the following:

	<u>2013</u>	<u>2012</u>
Grants receivable	17,161	9,518
Pledges receivable	21,000	21,000
Patient receivable - insurance reimbursement	3,232	3,546
Other	4,948	6,876
	<u>46,341</u>	<u>40,940</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 requests grants from the Foundation based on the beneficial interest periodically. This asset is classified as a permanently restricted net asset. The quoted market value of this beneficial interest amounted to \$155,507 and \$52,282 as of June 30, 2013 and 2012, respectively. An additional \$100,000 contribution was made to the beneficial interest during 2013. The Foundation has made transfers amounting to \$2,750 in 2013 and \$2,700 in 2012 which are reported as revenues in the statement of activities.

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

Notes to Financial Statements, continued

(4) Investments - Marketable Securities

Investment securities are stated at market value. The following table summarizes by type the relationship between carrying value and market value of the investment assets.

	<u>Cost or Basis</u>	<u>Market Value</u>	<u>Excess of Market Over (Under) Cost</u>	<u>Unrealized Cumulative Gains</u>	<u>Unrealized Cumulative Losses</u>
Balance June 30, 2013					
Common stocks	\$ 511,570	543,145	31,575	31,575	-
Real estate and tangibles	24,496	25,488	992	992	-
	<u>\$ 536,066</u>	<u>568,633</u>	<u>32,567</u>	<u>32,567</u>	<u>-</u>

2013

Reconciliation of earnings from unrestricted investment activities:

Earnings and investment income	\$ 8,831
Realized gain on stock sales	4,665
Unrealized gain due to change in the cumulative	<u>32,567</u>
	<u>\$ 46,063</u>

(5) Property and Equipment

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 176,100	176,100
Buildings	1,162,726	1,135,770
Renovations in process	* 71,084	-
Office furniture and equipment	<u>351,145</u>	<u>239,952</u>
	1,761,055	1,551,822
Less accumulated depreciation	<u>(679,575)</u>	<u>(606,845)</u>
Net property and equipment	<u>\$ 1,081,480</u>	<u>944,977</u>
Depreciation expense	<u>\$ 72,731</u>	<u>63,472</u>

* Planned Parenthood of Middle and East Tennessee, Inc. is in process of renovating its current operating facilities. This renovation is estimated to cost an additional \$300,000 and be completed during the fiscal year ended June 30, 2014. See note 6 for details of debt obtained for this purpose.

(6) Notes payable and mortgage payable

During January 2010, the Affiliate purchased land and building to house its clinical services in Knoxville, Tennessee. This purchase was funded in part through a mortgage with the Affiliate's primary bank. The original mortgage amounted to \$237,000 at 6.5% interest, with monthly payments of \$1,780. The outstanding balance amounted to \$221,996 at June 30, 2012. This mortgage was retired in August 2012 through a refinancing arrangement as follows:

5.75% term note with maximum draws amounting to \$900,000. At June 30, 2013, the indebtedness amounted to \$494,171. The remaining balance of the \$900,000 note was drawn in August 2013. This term note requires interest only payments through August 2013; September 2013 monthly payments of interest and principal of \$6,497 begin. The note matures August 2017, at which time the note will be refinanced or a lump sum payment of approximately \$791,000 will be required. The note is secured by the Affiliates land and buildings located in Nashville and Knoxville Tennessee.

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

Notes to Financial Statements, continued

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available as follows:

	<u>2013</u>	<u>2012</u>
Private foundation grant for future health center	\$ -	10,000
Education	5,963	6,460
Justice Fund for client abortion assistance	123,165	67,139
J. P. Davis for client abortion assistance	92,888	81,977
PPFA - Polling grant	-	50,000
Technology grant - Frist Foundation	3,419	-
PG 13 Players - Community Foundation	7,548	-
	<u>\$ 232,983</u>	<u>215,576</u>

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

Education - Generations	\$ 1,000
J. P. Davis for client abortion assistance	20,785
Grant for PG - 13 Players program	5,952
Justice Fund for client abortion assistance	697,974
PPFA - Polling grant	50,000
East Tennessee health center	10,000
Federal grants	46,946
Temporarily restricted net assets released from restriction	832,657
Grants from funds held by Community Foundation see note 3	2,750
Net assets released to unrestricted funds	<u>\$ 835,407</u>

(8) Contingencies and Commitments

Support Concentrations

The Affiliate receives significant support from one private donor amounting to \$754,000 in 2013 and \$527,000 in 2012. A substantial reduction in the level of this support, should this occur, would have a material effect on programs and services.

Leases

The Affiliate is obligated under certain lease agreements for office and equipment. The lease agreement for the administrative office Metro Center - Nashville, Tennessee, requires monthly payments of \$3,000 and expires August 2016. Further, the Affiliate leases office space in Johnson City, Tennessee which requires monthly payments of \$350 and expires December 31, 2013.

Future obligations under non cancelable office equipment lease agreements amounts to \$12,075 in 2014; and \$595 in 2015.

Pension Plan

The Affiliate offers a pension 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, 2013 and 2012, the Affiliate contributed \$18,258 and \$17,402, respectively.

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

Notes to Financial Statements, continued

(9) National Organizations

Dues paid to national organizations, including the Affiliate's Fair Share Assessment, amount to \$37,607 and \$40,664, respectively in 2013 and 2012.

(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 and receivables to the extent that cash funds are not insured by a governmental agency 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 in bank	\$ 180,534	180,534	-
Money market accounts, held by brokerage firm	48,195	48,195	-
Investments in marketable securities	568,633	-	568,633
Accounts receivable	46,341	-	46,341
Beneficial interest at Community Foundation	155,507	-	155,507
	<u>\$ 999,210</u>	<u>228,729</u>	<u>770,481</u>