

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

Financial Statements

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

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**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, 2008 and 2007, 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. The prior year summarized comparative information has been derived from the organization's 2007 financial statements and, in our report dated November 29, 2007, we expressed an unqualified opinion on those financial statements.

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, 2008 and 2007, 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

December 2, 2008

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

Statements of Financial Position

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents:		
Cash in bank	\$ 79,912	114,514
Money market accounts	374,439	147,349
Total cash and cash equivalents	454,351	261,863
Certificates of deposit	327,149	429,989
Accounts receivable:		
Grants receivable	6,671	2,924
Pledges receivable	17,396	22,925
Other	14,905	1,488
Total receivables	38,972	27,337
Prepaid expenses	52,536	50,350
Inventory	25,238	43,948
Total current assets	898,246	813,487
Property and equipment:		
Land	101,975	101,975
Building	846,267	846,267
Office furniture and equipment	293,509	234,801
Leasehold improvements	22,857	22,857
	1,264,608	1,205,900
Less accumulated depreciation	(584,464)	(528,441)
Net property and equipment	680,144	677,459
Other assets:		
Beneficial interest at Community Foundation	63,982	66,511
	<u>\$ 1,642,372</u>	<u>1,557,457</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 33,080	40,572
Accrued expenses	93,549	65,600
Total current liabilities	126,629	106,172
Net assets:		
Unrestricted	1,303,641	1,304,717
Temporarily restricted	148,120	80,057
Permanently restricted	63,982	66,511
Total net assets	1,515,743	1,451,285
	<u>\$ 1,642,372</u>	<u>1,557,457</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, 2008 and 2007

		2008									
		Unrestricted Fund Groups					Community Services & Public Affairs				
	Surgical Services	Family Planning and Teen Clinic		J. P. Davis Fund	Fund Raising	Education	Total Unrestricted Fund Groups	Temporarily Restricted Fund Groups	Permanently Restricted Fund Groups	2008 Total	2007 Total
		Grant	Non Grant								
Public support and revenue:											
Public support - United Way \$	-	-	-	-	39,383	8,116	47,499	-	-	47,499	50,214
Grants from government agencies	-	-	-	-	-	-	-	482,730	-	482,730	484,710
Grants from other agencies	-	-	-	-	-	-	-	419,145	-	419,145	65,156
Contributions and memberships	-	-	-	-	158,627	-	158,627	22,234	25	180,886	221,298
Patient fees	1,407,288	247,789	228,919	-	-	4,175	1,888,171	-	-	1,888,171	1,775,298
Investment earnings	-	-	-	-	25,542	-	25,542	1,309	-	26,851	27,974
Gain (loss) from funds held in trust with Community Foundation	-	-	-	-	-	-	-	-	(2,554)	(2,554)	9,316
Special events	-	-	-	-	62,035	-	62,035	-	-	62,035	26,452
Total support and revenue	1,407,288	247,789	228,919	-	285,587	12,291	2,181,874	925,418	(2,529)	3,104,763	2,660,418
Net assets released from restrictions	324,125	404,200	-	24,083	-	104,697	857,355	(857,355)	-	-	-
Expenses:											
Program services	897,266	769,845	211,711	24,083	-	401,903	2,304,808	-	-	2,304,808	2,004,580
Supporting services:											
General and administrative	69,260	122,276	42,272	-	29,757	76,423	369,191	-	-	369,191	348,270
Fund raising	-	-	-	-	189,630	-	189,630	-	-	189,630	126,886
Community services and Public affairs	-	-	-	-	-	-	176,676	-	-	176,676	166,565
Total supporting services	69,260	122,276	42,272	-	219,387	76,423	735,497	-	-	735,497	641,721
Total expenses	966,526	892,121	253,983	24,083	219,387	478,326	3,040,305	-	-	3,040,305	2,646,301
Increase (decrease) in net assets \$	764,887	(240,132)	(25,064)	-	66,200	(361,338)	(1,076)	68,063	(2,529)	64,458	14,117
Net assets at beginning of year							1,304,717	80,057	66,511	1,451,285	1,437,168
Net assets at end of year							\$ 1,303,641	148,120	63,982	1,515,743	1,451,285

See accompanying notes to financial statements.

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

Statements of Functional Expenses

For the years ended June 30, 2008 and 2007

	2008									
	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	2008 Total	2007 Total
Personnel costs:										
Salaries	\$ 209,857	370,414	128,144	231,529	-	212,598	90,195	88,537	1,331,274	1,126,418
Payroll taxes	16,138	29,180	10,409	17,692	-	16,562	7,050	6,780	103,811	90,005
Fringe benefits	25,306	51,216	19,003	27,872	-	23,683	9,919	11,318	168,317	152,499
Contract Labor	677	1,320	650	12,175	-	-	1,550	46,020	62,392	51,510
Physicians	252,370	-	-	-	-	-	-	-	252,370	228,512
Total personnel costs	504,348	452,130	158,206	289,268	-	252,843	108,714	152,655	1,918,164	1,648,944
Medical supplies	202,879	95,121	19,461	176	-	263	15	62	317,977	267,984
Office and other supplies	5,694	7,923	767	12,296	-	6,013	1,806	1,337	35,836	30,518
Equipment rental and maintenance	1,503	2,214	180	400	-	1,010	235	724	6,266	5,920
Telephone	10,675	15,583	2,205	7,203	-	6,816	2,695	1,247	46,424	43,984
Contract services	17,718	37,781	5,730	648	-	14,567	313	157	76,914	70,624
Postage and freight	544	906	297	3,671	-	2,449	5,993	102	13,962	15,442
Occupancy	31,295	44,639	3,566	1,983	-	1,580	868	950	84,881	80,418
Rent	4,860	11,530	4,518	17,827	-	14,342	7,968	4,019	65,064	60,708
Printing and publications	4,678	6,986	794	5,448	-	6,386	11,965	4,413	40,670	45,728
Security services	819	1,419	416	449	-	25	-	-	3,128	3,972
Travel	6,328	6,539	1,561	20,035	-	17,850	4,432	3,534	60,279	55,529
Employee development	2,308	3,627	367	3,484	-	2,666	573	749	13,774	2,711
Malpractice insurance	47,373	9,050	1,686	-	-	-	-	-	58,109	54,388
Interest	-	-	-	-	-	-	-	-	-	1,293
Marketing	22,925	36,419	5,647	24,988	-	(45)	3,813	3,907	97,654	98,575
Assistance to individuals	-	-	-	-	24,083	-	-	-	24,083	22,230
Depreciation	22,818	21,085	3,921	4,278	-	2,801	1,120	-	56,023	55,579
Dues	4,937	8,110	803	2,810	-	37,252	2,735	2,460	59,107	52,952
Events	-	-	-	6,939	-	-	35,875	360	43,174	15,820
Bank fees	5,564	8,783	1,586	-	-	2,373	510	-	18,816	12,982
	897,266	769,845	211,711	401,903	24,083	369,191	189,630	176,676	3,040,305	2,646,301
Allocation of general and administrative expenses	69,260	122,276	42,272	76,423	-	(369,191)	29,757	29,203	-	-
Total expenses	\$ 966,526	892,121	253,983	478,326	24,083	-	219,387	205,879	3,040,305	2,646,301

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from:		
Clients and public support	\$ 2,603,240	2,141,803
Federal, state and local governments	478,983	484,334
Interest income	26,851	28,622
Cash paid for:		
Employees and vendors	(2,960,718)	(2,638,253)
Interest	-	(1,293)
Net operating activities	<u>148,356</u>	<u>15,213</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of equipment	(58,708)	(24,758)
Net change in investments	<u>102,840</u>	<u>(116,828)</u>
Net investing activities	<u>44,132</u>	<u>(141,586)</u>
<u>Cash Flows from Financing Activities</u>		
Principal payments of long term debt	-	(32,334)
Net increase (decrease) in cash and cash equivalents	192,488	(158,707)
Cash and cash equivalents at beginning of year	<u>261,863</u>	<u>420,570</u>
	<u>\$ 454,351</u>	<u>261,863</u>
<u>Reconciliation of change in net assets to cash flows from operating activities</u>		
Change in net assets	\$ 64,458	14,117
Depreciation	56,023	55,579
(Increase) decrease in funds held in beneficial interest	2,529	(14,016)
(Increase) decrease in current assets:		
Grants and contracts receivable	(3,747)	(376)
Pledges receivable	5,529	8,085
Other receivables	(13,417)	(781)
Prepaid expenses	(2,186)	(7,593)
Inventory	18,710	(26,645)
Increase (decrease) in current liabilities:		
Accounts payable	(7,492)	(8,213)
Accrued payroll, benefits and other expenses	27,949	(4,944)
Net operating activities	<u>\$ 148,356</u>	<u>15,213</u>

See accompanying notes to financial statements.

PLANNED PARENTHOOD OF MIDDLE AND EAST TENNESSEE, INC.

Notes to Financial Statements

June 30, 2008 and 2007

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

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

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.

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, 2008 and 2007 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.

PLANNED PARENTHOOD OF MIDDLE AND EAST TENNESSEE, INC.

Notes to Financial Statements, continued

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

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 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.

Investments

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

Accounts receivable

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

(2) **Certificates of Deposits**

Marketable securities consist of the following:

	<u>2008</u>	<u>2007</u>
At quoted market value:		
Certificates of deposit	\$ 327,149	429,989
Total cost or carrying value	328,000	431,756
Unrealized cumulative losses	\$ <u>(851)</u>	<u>(1,767)</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 \$63,982 and \$66,511 as of June 30, 2008 and 2007, 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.

(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, 2008 and 2007, the Affiliate contributed \$17,517 and \$19,592, 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 \$25,566 and \$25,602, respectively in 2008 and 2007.

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

Notes to Financial Statements, continued

(7) Contingencies

The Affiliate receives significant support, approximately 16% (\$482,730), 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	32,130
	<u>\$ 482,730</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 2010; and 2) Knoxville Clinic - \$1,183 per month through June 2009.

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

Year Ended <u>June 30</u>	
2009	50,196
2010	3,000
	<u>53,196</u>
Future minimum lease payments under operating lease obligations	<u>\$ 53,196</u>

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available as follows:

	<u>2008</u>	<u>2007</u>
Private foundation grant for future Rivergate service center	\$ 10,000	10,000
Education	4,762	4,118
Future capital acquisitions or maintenance	10,392	10,392
Ultrasound for Knoxville Clinic	3,000	24,000
Justice Fund for client surgical assistance	92,103	-
J. P. Davis	27,863	31,547
	<u>\$ 148,120</u>	<u>80,057</u>

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

Education	\$ 2,500
J. P. Davis	24,083
HIV Vaccine	16,667
Ultrasound for Knoxville Clinic	21,000
Grant for PG - 13 Players program	7,000
Startup for Knoxville surgical center	5,000
Justice Fund for client surgical assistance	298,125
Grass roots - live action camp	250
Federal grants - see note 7 above	482,730
	<u>857,355</u>

Temporarily restricted net assets released from restriction \$ 857,355

**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	\$ 79,912	79,912	-
Cash - money market	374,439	374,439	-
Investments in certificates of deposit	327,149	327,149	-
Government grants receivable	6,671	6,671	-
Other receivables	14,905	-	14,905
Pledges receivable	17,396	-	17,396
	<u>\$ 820,472</u>	<u>788,171</u>	<u>32,301</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, 2007, from which the summarized information was derived.