PLANNED PARENTHOOD GREATER MEMPHIS REGION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Whitehorn
Tankersley &
Davis, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

670 Oakleaf Office Lane
Memphis, TN 38117-4811
(901) 767-5080 • (901) 767-5263 FAX
www.wtdcpa.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Planned Parenthood Greater Memphis Region
Memphis, Tennessee

We have audited the accompanying consolidated financial statements of Planned Parenthood Greater Memphis Region (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Planned Parenthood Greater Memphis Region as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whitehorn Tankersley & Davis, PLLC

December 17, 2018
Memphis, Tennessee

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITIION

	JUNE 30	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,270,233	$ 4,340,384
Investments - certificates of deposit	272,070	270,653
Investments	87,663	52,778
Grants receivable	21,284	16,743
Trade accounts and other receivables	777,638	215,198
Promises to give	1,153,950	100,000
Inventory	386,998	158,133
Prepaid expenses and other	31,395	28,665
TOTAL CURRENT ASSETS	10,001,231	5,182,554
PROPERTY AND EQUIPMENT, net	10,262,401	7,221,612
OTHER ASSETS		
Beneficial interest in assets held by the Community Foundation of Greater Memphis	3,674,575	2,430,372
Cash surrender value of donor life insurance	40,158	40,158
Prepaid expense, noncurrent	22,918	47,917
Deposits	3,000	-
	3,740,651	2,518,447
TOTAL ASSETS	$ 24,004,283	$ 14,922,613
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 152,665	$ 70,164
Accrued and withheld liabilities	293,994	135,333
Deferred grant revenue	998,137	849,177
Current portion of long-term debt	62,788	-
TOTAL CURRENT LIABILITIES	1,507,584	1,054,674
LONG-TERM LIABILITIES		
Long-term debt, less current portion	712,180	-
TOTAL LONG-TERM LIABILITIES	712,180	-
NET ASSETS		
Unrestricted		
Undesignated	15,802,281	11,437,567
Board-designated endowment	3,674,575	2,430,372
Temporarily restricted	2,307,663	-
TOTAL NET ASSETS	21,784,519	13,867,939
TOTAL LIABILITIES AND NET ASSETS	$ 24,004,283	$ 14,922,613

See notes to financial statements

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30	
	2018	2017
UNRESTRICTED NET ASSETS		
Support and Revenue		
Private gifts and grants	$ 4,668,468	$ 6,617,636
Contribution - PPMET	2,937,014	-
Patient fees	3,481,831	2,634,592
Special events	22,502	51,611
Income from benefical interest in assets held by the Community Foundation of Greater Memphis	76,888	58,658
Change in value of benefical interest in assets held by the Community Foundation of Greater Memphis	44,203	109,601
Interest and dividend income	1,021	984
Rental income	643,410	251,895
Unrealized gain on investments	1,012	3,507
Loss on disposal of fixed assets	(4,690)	-
Change in cash surrender value of life insurance	-	204
Total support and revenue	11,871,659	9,728,688
Reclassifications		
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	-	54,718
Total support and revenue and reclassifications	11,871,659	9,783,406
Expenses		
Patient services	4,349,010	2,683,809
Education	536,776	395,318
Advocacy	242,757	213,828
Total program services	5,128,543	3,292,955
Development and fundraising	578,121	346,012
General and administrative	556,078	374,772
Total support services	1,134,199	720,784
Total expenses	6,262,742	4,013,739
CHANGE IN UNRESTRICTED NET ASSETS	5,608,917	5,769,667

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

	YEAR ENDED JUNE 30	
	2018	2017
TEMPORARILY RESTRICTED NET ASSETS		
Support and Revenue		
Contributions	$ 2,307,663	$ -
Total support and revenue	2,307,663	-
Reclassifications		
Net assets released from restrictions	-	(54,718)
Total support revenue and reclassifications	2,307,663	(54,718)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	2,307,663	(54,718)
INCREASE IN NET ASSETS	7,916,580	5,714,949
NET ASSETS		
Beginning of year	13,867,939	8,152,990
End of year	$ 21,784,519	$ 13,867,939

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	PATIENT SERVICES	EDUCATION	PATIENT ADVOCACY	DEVELOPMENT AND FUND-RAISING	GENERAL AND ADMINISTRATION	TOTAL
EXPENSES						
Salaries	$ 1,442,902	$ 194,760	$ 143,145	$ 162,771	$ 148,061	$ 2,091,639
Fringe benefits	254,715	35,020	21,358	29,910	25,676	366,679
Total salaries and fringe benefits	1,697,617	229,780	164,503	192,681	173,737	2,458,318
Advertising	10,733	148,460	12,844	2,840	-	174,877
Advocacy / Community affairs	-	-	6,875	-	1,000	7,875
Bad debt	4,664	-	-	-	-	4,664
Bank charges and credit card fees	25,829	-	-	-	935	26,764
Dues, subscriptions and licenses	29,195	110	1,694	585	15,445	47,029
Equipment rental and maintenance	194,072	3,066	6,648	23,170	44,360	271,316
General insurance	-	-	-	-	20,259	20,259
Lab, drug, medical and birth control supplies	1,552,043	-	-	-	-	1,552,043
Miscellaneous	30,178	106	330	303,628	27,920	362,162
Occupancy	93,612	-	-	21,213	22,864	137,689
Office supplies	71,435	86,126	27,766	-	3,368	188,695
Outlide lab and medical services	114,130	-	-	-	-	114,130
Patient liability insurance	67,974	-	-	-	-	67,974
Personnel recruitment	4,161	317	1,341	-	313	6,132
Postage and delivery	2,426	473	156	4,021	751	7,827
Printing and pamphlets	4,392	2,211	1,426	22,940	29	30,998
Professional fees	194,113	54,529	888	1,775	6,656	257,961
Telephone	25,902	200	-	601	11,976	38,679
Travel and mileage	8,440	11,398	18,286	4,667	3,762	46,553
842 Rental building management	-	-	-	-	-	-
PPMET acquisition expenses	-	-	-	-	148,212	148,212
Total function expenses before depreciation	4,130,916	536,776	242,757	578,121	481,587	5,970,157
Depreciation	218,094	-	-	-	41,415	259,509
842 Rental building depreciation	-	-	-	-	33,076	33,076
	218,094	-	-	-	74,491	292,585
Total expenses	$ 4,349,010	$ 536,776	$ 242,757	$ 578,121	$ 556,078	$ 6,262,742

See notes to financial statements

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	PATIENT SERVICES	EDUCATION	PATIENT ADVOCACY	DEVELOPMENT AND FUND-RAISING	GENERAL AND ADMINISTRATION	TOTAL
EXPENSES						
Salaries	$ 1,059,791	$ 145,587	$ 123,354	$ 135,763	$ 126,271	$ 1,590,766
Fringe benefits	192,056	27,392	21,419	25,064	25,092	291,023
Total salaries and fringe benefits	1,251,847	172,979	144,773	160,827	151,363	1,881,789
Advertising	19,197	56,554	35,668	12,355	-	123,774
Advocacy / Community affairs	-	-	11,030	-	156	11,186
Bad debt	12,811	-	-	-	-	12,811
Bank charges and credit card fees	28,596	-	-	-	486	29,082
Dues, subscriptions and licenses	30,918	1,963	1,499	2,243	13,161	49,784
Equipment rental and maintenance	178,128	2,727	4,586	9,532	36,846	231,819
General insurance	-	-	-	-	17,616	17,616
Lab, drug, medical and birth control supplies	450,289	-	-	-	-	450,289
Miscellaneous	29,924	426	1,032	426	1,009	32,817
Occupancy	90,720	-	-	-	26,886	117,606
Office supplies	46,561	44,917	6,469	6,747	15,010	119,704
Outlide lab and medical services	71,989	-	-	-	-	71,989
Patient liability insurance	60,301	-	-	-	-	60,301
Personnel recruitment	6,322	-	257	-	175	6,754
Postage and delivery	2,008	238	119	2,788	778	5,931
Printing and pamphlets	4,079	4,200	374	18,177	733	27,563
Professional fees	233,247	103,075	1,512	130,713	11,916	480,463
Telephone	17,326	312	-	366	10,208	28,212
Travel and mileage	4,820	7,927	6,509	1,838	(2,287)	18,807
842 Rental building management	-	-	-	-	46,738	46,738
Total function expenses before depreciation	2,539,083	395,318	213,828	346,012	330,794	3,825,035
Depreciation	144,726	-	-	-	37,087	181,813
842 Rental building depreciation	-	-	-	-	6,891	6,891
	144,726	-	-	-	43,978	188,704
Total expenses	$ 2,683,809	$ 395,318	$ 213,828	$ 346,012	$ 374,772	$ 4,013,739

See notes to financial statements

PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 7,916,580	$ 5,714,949
Non-cash transfer from PPMET	(2,664,798)	-
Depreciation	292,585	188,704
Change in value of benefical interest in assets held by the Community Foundation of Greater Memphis	(121,092)	(168,259)
Change in cash surrender value donor insurance	-	(204)
Non-cash stock contribution	(33,874)	(28,947)
Unrealized (gain) loss in investments	(1,012)	(3,507)
Loss on disposal of fixed assets	4,690	-
Bad debt provision	4,664	12,811
Changes in assets and liabilities		
Grants receivable	(4,541)	11,849
Trade accounts receivables and other	(257,100)	(135,765)
Promises to give	(1,053,950)	(100,000)
Inventory	(102,697)	(29,664)
Prepaid expenses and other	22,271	64,189
Deposits	(3,000)	-
Accounts payable	82,501	(99,061)
Accrued and withheld liabilities	166,649	35,267
Security deposits	(7,988)	-
Deferred grant revenue	77,255	(579,194)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,317,143	4,883,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment	(257,734)	(3,310,902)
Payment for purchase of investments	(272,070)	(270,653)
Proceeds from maturities of investments	270,654	270,506
Proceeds from benefical interest	76,888	58,658
Payments on long-term debt	(5,032)	-
Payments/transfers for beneficial interest	(1,200,000)	(1,200,000)
NET CASH USED BY INVESTING ACTIVITIES	(1,387,294)	(4,452,391)
CHANGE IN CASH AND CASH EQUIVALENTS	2,929,849	430,777
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,340,384	3,909,607
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,270,233	$ 4,340,384
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Property and equipment acquired from PPMET	$ 3,080,330	$ -
Debt assumed on property and equipment from PPMET	$ 780,000	$ -
AMOUNTS PAID FOR INTEREST	$ 3,344	$ -

See notes to consolidated financial statements

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE - Planned Parenthood Greater Memphis Region ("PPGMR"), formerly Memphis Regional Planned Parenthood, Inc., which is affiliated with Planned Parenthood Federation of America, is a not-for-profit corporation engaged in providing education and medical treatment options to individuals concerning reproductive and health related decisions in forty-two counties surrounding the Memphis, Tennessee region. Effective June 1, 2018, in conjunction with the acquisition of Planned Parenthood of Middle and East Tennessee, Inc. (see Note 12), PPGMR effectively expanded its operations to cover the entire state of Tennessee. Public funding comes from state and local governments. During 2017, PPGMR created a single member limited liability company ("LLC") to effectuate the purchase of a new building property. The accompanying consolidated financial statements include the activities of this LLC and PPGMR and any intercompany transactions have been eliminated in these consolidated financial statements.

USE OF ESTIMATES - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF PRESENTATION - PPGMR follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205 - *Not-for-Profit Organizations - Presentation of Financial Statements,* for the presentation of its consolidated financial statements. PPGMR reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Temporarily restricted net assets at each year end are generally available for use during the next fiscal year, unless there are future years related time restrictions.

FUNCTIONAL ALLOCATION - The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. These allocations represent estimates by management and it is at least reasonably possible that a change in the estimates will occur in the near term.

TRADE ACCOUNTS RECEIVABLE - Trade accounts receivable are recorded as the services are rendered and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts, if any, through a charge to operating expense and a credit to the allowance for doubtful accounts based upon its assessment of the current status of individual accounts. PPGMR does not assess finance charges on past-due amounts. Past-due amounts are determined based upon the original invoice date. The allowance for uncollectible trade accounts receivable is based upon a review of fees receivable, past experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors and it is at least reasonably possible that a change in the estimate will occur in the near term. There was no allowance for trade accounts receivable as of June 30, 2018 or 2017.

PROMISES TO GIVE - Unconditional promises to give are recognized as revenue or gains in the period received as assets, decreases of liabilities or expenses depending upon the form of benefits received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. An allowance for uncollectible promises to give is determined based upon management's review of promises receivable, past experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. There was no allowance for uncollectible promises to give as of June 30, 2018 or 2017.

INVENTORIES - Inventories represent contraceptive, medical and lab supplies and are valued at the lower of cost or market using the average cost method.

During the year ended June 30, 2018, PPGMR adopted Accounting Standards Update ("ASU") 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* to change its inventory valuation from the lower of cost or market to the lower of cost or net realizable value. This change did not result in any significant change in PPGMR's book value of inventory.

INVESTMENTS - Investments consist of various bank certificates of deposit which have initial maturity dates ranging from six to twelve months, and marketable securities. Investments in certificates of deposit are reported at cost, which approximates fair value. Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

ENDOWMENTS - PPGMR's Endowment Fund was established to support PPGMR and its mission over the long-term. PPGMR follows the Uniform Prudent Management of Institutional Funds Act of 1972 ("UPMIFA") and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. PPGMR's donors have not placed restrictions on the use of either the original contributions or the investment income and net appreciation resulting from endowment funds.

Certain contributions may be received subject to gift instruments or other specific agreements. The Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine, assuming no other restriction. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes. PPGMR has adopted investment and spending policies, approved by the Board of Directors (or Endowment Fund Committee), for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. All endowment assets have been previously transferred to the Community Foundation of Greater Memphis (the "Community Foundation") under the policies and procedures and investment practices of the Community Foundation. PPGMR's spending and investment policies work together to achieve this objective.

The spending policy calculates the amount of money annually distributed from PPGMR's endowment fund for operations. The current spending policy is to allow distributions of 5% of the value of the endowment assets. Accordingly, over the long-term, PPGMR expects its current spending policy to allow its endowment assets to grow. This is consistent with the PPGMR's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

All endowment assets are considered unrestricted board-designated and are presented as beneficial interest in assets held by the Community Foundation with earnings on such accounts presented as "change in value of beneficial interest." It is PPGMR's policy to annually designate the fair value of the endowment assets held by the Community Foundation as board-designated.

PROPERTY AND EQUIPMENT - Property and equipment acquired by PPGMR is considered to be owned by the organization. However, governmental granting agencies may maintain a reversionary interest in any property purchased with grant monies. Such property shall not be disposed of without written approval from these agencies.

Property and equipment are recorded at cost, plus the cost of those additions and improvements which materially increase the useful lives of the assets. Donated property and equipment are recorded at their estimated fair value at the date of gift. Repair and maintenance costs are expensed as incurred.

Depreciation is computed on the straight-line method over the following estimated useful lives:

Building	30 years
Furniture and equipment	5 - 10 years
Leasehold improvements	5 years

DEFERRED REVENUE - Revenues collected in advance of the period earned are recorded as deferred revenue and recognized as revenue in the period to which they relate. Deferred revenue included on the consolidated statement of financial position includes revenues collected in advance of performance of required services/functions under grant agreements with PPFA and others.

REVENUE RECOGNITION - Support received or receivable is recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 (that is, when a stipulated restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

SPECIAL EVENT EXPENSES - Special event expenses are incurred in connection with PPGMR's activities to solicit contributions for program needs as well as for certain specific future needs and for special events. Special event activities are a peripheral or incidental activity of PPGMR, and thus expenses are netted with the related special events revenues in the accompanying Consolidated Statements of Activities and totaled \$82,471 and \$79,810 during 2018 and 2017, respectively.

ADVERTISING/COMMUNITY AFFAIRS - PPGMR expenses advertising costs as incurred. Such costs totaled \$174,877 and \$123,774 during 2018 and 2017, respectively. In addition, PPGMR expenses advocacy and community affairs costs as incurred. Such costs totaled \$7,875 and \$11,186 during 2018 and 2017, respectively.

IN-KIND DONATIONS - In-kind donations of goods or assets are recorded at their estimated fair value at date of contribution.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the organization. There were no such donated services in 2018 or 2017. In addition, a number of volunteers have donated significant amounts of their time to PPGMR. These services do not meet the requirements for recording in the consolidated financial statements.

CASH AND CASH EQUIVALENTS - For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and in checking and interest bearing accounts. PPGMR's policy is to consider all highly liquid debt securities purchased with initial maturities of three months or less to be cash equivalents.

FEDERAL TAX STATUS - The Internal Revenue Service has classified PPGMR as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

PPGMR follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement requires that computations of current and deferred income tax assets and liabilities only consider tax positions that are more likely than not (defined as a greater than 50% chance) to be sustained if the taxing authority examined the positions. There are no significant unrecognized tax positions at either June 30, 2018 or 2017. PPGMR is subject to U.S. federal tax examinations by taxing authorities for years ending after June 30, 2014.

CONCENTRATIONS - PPGMR maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. PPGMR has not experienced any losses in such accounts nor does management of the organization believe there is any significant credit risk on cash and cash equivalents.

SUBSEQUENT EVENTS - PPGMR's management has evaluated subsequent events through December 17, 2018, which is the date the consolidated financial statements were available for issuance.

RECLASSIFICATIONS - For comparability, certain prior year amounts have been reclassified where appropriate to conform with the consolidated financial statement presentation in the current year.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give are expected to be realized in one year or less and are classified as temporarily restricted net assets in the consolidated statement of activities. Unconditional promises to give totaled $1,153,950 and $100,000 at June 30, 2018 and 2017, respectively.

PPGMR has also received notice during 2018 of additional promises to give of a maximum of $853,665 and $579,330 for fiscal years 2020 and 2021, respectively. These promises are conditional based upon PPGMR fundraising amounts for each of these years and are also based upon specified percentages of operating expenses and fundraising for each respective year. As these promises are conditional upon these and other specified criteria as determined by the donor, they are not included in the accompanying consolidated financial statements, but rather will be recognized if and when the conditions(s) have been substantially met.

PPGMR is a partial beneficiary of a portion of two separate trusts under the will of a deceased contributor. Approximately $225,000 has been received in prior years under this trust agreement. Additionally, one half of the remaining estate will be received upon the death of the contributor's daughter. Due to the conditional nature of this gift, no amount has been recorded in the accompanying consolidated financial statements.

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 3 - INVESTMENTS

Investments comprised the following:

	Fair Value
June 30, 2018	
Stocks	$ 87,663
Certificates of deposit	272,070
	$ 359,733
June 30, 2017	
Stocks	$ 52,778
Certificates of deposit	270,653
	$ 323,431

Interest income, including accrued interest, on certificates of deposit totaled approximately $1,021 and $984 for the years ended June 30, 2018 and 2017, respectively. Unrealized gain totaled $1,012 and $3,507 at June 30, 2018 and 2017, respectively.

Endowment Funds

Endowment fund net assets as of June 30, 2018 and 2017 aggregated $3,674,576 and $2,430,372, respectively and represented board-designated unrestricted funds only.

Changes in endowment fund net assets are as follows:

	YEAR ENDED JUNE 30	
	2018	2017
Endowment net assets at beginning of year	$ 2,430,372	$ 1,120,771
Net change in value of benefical interest	121,091	168,259
Amounts appropriated for expenditure	(76,888)	(58,658)
Contributions	1,200,000	1,200,000
Endowment net assets at end of year	$ 3,674,575	$ 2,430,372

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are based on quoted prices for similar assets in active or inactive markets. Level 3 inputs are all other financial instruments without an active or inactive market and for which no significant observable inputs are available.

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Stocks	$ 87,663	$ 87,663	$ -	$ -
Beneficial interest	3,674,575	-	-	3,674,575
Total	$ 3,762,238	$ 87,663	$ -	$ 3,674,575
June 30, 2017				
Stocks	$ 52,778	$ 52,778	$ -	$ -
Beneficial interest	2,430,372	-	-	2,430,372
Total	$ 2,483,150	$ 52,778	$ -	$ 2,430,372

PPGMR recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2018 or 2017.

Securities (Level 1) are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the beneficial interests (Level 3), as determined by the Community Foundation of Greater Memphis, was based primarily at PPGMR's proportional share of the market value of the underlying investments of the investment pools in which PPGMR has its investments. PPGMR has no Level 2 assets.

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

All assets above have been valued using a market value approach and there have been no changes in valuation techniques and related inputs.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

	Benefical Interest
June 30, 2016	$ 1,120,771
Contributions and collections (net)	1,200,000
Change in value of beneficial interest	168,259
Payments from beneficial interest	(58,658)
June 30, 2017	2,430,372
Contributions and collections (net)	1,200,000
Change in value of beneficial interest	121,091
Payments from beneficial interest	(76,888)
June 30, 2018	$ 3,674,575

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30	
	2018	**2017**
Land	$ 1,720,995	$ 1,063,837
Buildings and improvements	8,850,185	6,446,691
Clinic furniture	144,822	163,959
Medical instruments	137,047	274,853
Lab equipment	-	44,985
Computer equipment and software	181,628	464,152
Furniture and fixtures	363,204	235,385
Construction in progress	47,083	-
	11,444,964	8,693,862
Less accumulated depreciation	(1,182,563)	(1,472,250)
	$ 10,262,401	$ 7,221,612

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

Depreciation expense totaled $292,585 and $188,704 in the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS

In prior years, PPGMR transferred funds, without variance power, to the Community Foundation, to establish the Memphis Planned Parenthood Endowment Fund of the Community Foundation for the benefit of PPGMR. The fund, which is valued at fair value, consists of pooled investments with the Community Foundation, five percent of which are distributed annually to PPGMR. With the approval of the entire Endowment Fund Committee and seventy-five percent of the Board of Directors, PPGMR may request advances from the Community Foundation. During the years ended June 30, 2017 and 2018 an additional $1,200,000 was transferred each year to the Community Foundation.

NOTE 7 – INDEBTEDNESS

In connection with its acquisition of PPMET, (Note 12), PPGMR incurred a mortgage debt obligation relating to a building obtained in the PPMET transaction. As a result, PPGMR refinanced this note effective May 31, 2018 with Regions Bank. This debt obligation at June 30, 2018 is summarized as follows:

Note payable - Regions Bank, due in monthly installments of $8,121 including interest at 4.60% through May 1, 2013, with a balloon payment due June 1, 2023, for approximately $441,000, collateralized by all inventory, accounts, equipment, general intangibles and fixtures	$ 744,968
Less current portion	(62,788)
	$ 712,180

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

The scheduled principal maturities of long-term debt in years subsequent to 2018 are as follows:

Year Ending June 30	
2019	$ 62,788
2020	65,842
2021	68,936
2022	72,175
2023	505,227
	$ 774,968

NOTE 8 - RETIREMENT PLAN

PPGMR maintains a 401(k) retirement plan covering substantially all employees. Employees can voluntarily contribute to the plan. The Plan allows a discretionary matching contribution as determined by PPGMR in December of each year. For the years ended June 30, 2018 and 2017, matching contributions were equal to the voluntary employee contributions and limited to 5% of the qualified employee compensation or a maximum of $5,000. Employer contributions expense totaled $47,860 and $31,342 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 - NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	2018
Time restriction	$ 1,153,950
Building renovation	1,106,175
Other (CAPS)	47,538
	$ 2,307,663

There were no temporarily restricted net assets at June 30, 2017.

Board-designated unrestricted net assets consist of funds raised for the purpose of creating an endowment to provide future income for PPGMR activities.

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 10 - LEASE INCOME

PPGMR, in connection with the previous acquisition of its office space, assumed the position of landlord for an existing lease agreement with a tenant in the purchased building. The lease agreement required varying monthly lease payments to PPGMR in fiscal years 2012 and 2013, with the lease expiring September 30, 2012. Effective October 1, 2012, the lease agreement was amended to extend the expiration date to September 30, 2017. The lease was not renewed and PPGMR plans to utilize the office space.

Rental income from this agreement totaled $53,847 and $134,199 in 2018 and 2017, respectively.

In connection with the acquisition of another office building in fiscal 2017, PPGMR assumed the position of landlord for this building with a tenant with a lease agreement in place through May 2020. Rental revenue from this lease totaled $589,563 and $117,696 in fiscal 2018 and 2017, respectively.

Future minimum rentals to be received under this lease are as follows:

Year Ending June 30	Amount
2019	$ 572,542
2020	524,830
	$ 1,097,372

NOTE 11 - RELATED PARTY TRANSACTIONS

As an accredited affiliate of Planned Parenthood Federation of America ("PPFA"), PPGMR pays dues which entitles them to receive liability insurance at a lower cost and provides PPGMR selected professional and business consulting services at no additional cost. Each affiliate must follow established policies, procedures and protocols for the clinic set forth by the Federation as well as follow financial guidelines in the form of ratios. Each affiliate is reviewed by PPFA periodically, at least every four years, for accreditation purposes. Dues for 2018 and 2017 were waived by PPFA.

In the normal course of operations, PPGMR enters into grant agreements with PPFA. Funds disbursed by PPFA under these agreements are to be used by PPGMR in furtherance of PPFA's mission. These grant transactions are exchange transactions whereby PPGMR is required to perform various services/functions under these agreements. Total amounts received from PPFA under these agreements totaled $823,707 and $2,841,399 during the years ended June 30, 2018 and 2017, respectively. Of these amounts received, $674,747 and $3,392,531 were included in unrestricted revenue and support in the consolidated statements of activities for the years ended

June 30, 2018 and 2017, respectively. Amounts included in deferred grant revenue in the consolidated statements of financial position totaled $998,137 and $849,177 at June 30, 2018 and 2017, respectively. Other grant funds received from PPFA and included in unrestricted support in the consolidated statement of activities totaled $203,287 for the year ended June 30, 2017.

In connection with the above grant, PPGMR entered into an agreement during 2015 with an unrelated limited liability company (Company A) to create and solely own a new limited liability company (Company B). PPGMR also entered into a Development Agreement with Company B for the acquisition and development of real property. Under this agreement, PPGMR is required to reimburse or advance Company B for all costs related to the Company B's performance of the Development Agreement. At any time subsequent to the date of the agreement with Company A, PPGMR has the option/requirement to purchase Company B's interests from Company A for the sum of the aggregate contributions made by Company A to Company B plus all outstanding and unpaid debt obligations of Company B owed to Company A. During fiscal years 2017 and 2016, $1,346,339 and $1,175,280 in funds were advanced, respectively, in connection with this transaction and subsequently the ownership of the property was conveyed to PPGMR in exchange for the advances made.

During fiscal year 2017, PPGMR created a new single member LLC to effectuate the purchase of another property in Memphis. In connection with this purchase, PPFA provided grant funds totaling $1,365,000 of which $1,347,397 was used to fund the purchase in fiscal year 2017. During fiscal year 2018. the remaining grant funds of $17,603 were used to pay costs relating to this property. The grant requires any significant changes in the use of the property to be approved by PPFA or the funds may be required to be repaid.

NOTE 12 - ACQUISITION

Effective April 13, 2018, PPGMR and Planned Parenthood of Middle and East Tennessee, Inc. ("PPMET") a nonprofit organization, agreed to the terms of an asset transfer agreement whereby all assets and certain liabilities of PPMET were transferred from PPMET to PPGMR effective May 31, 2018. PPGMR, as surviving entity, accounted for the transaction as an acquisition in accordance with professional accounting standards and, as a result, recorded an inherent contribution of $2,937,014 for the total net fair value of the assets received in excess of liabilities assumed from PPMET.

The assets and liabilities assumed by PPGMR consisted of the following:

Cash	$ 272,216
Receivables	310,004
Inventory	126,169
Property and equipment	3,080,330
Total assets transferred	3,788,719
Note payable	(780,000)
Deferred revenue	(71,705)
Total liabilities assumed	(851,705)
Inherent Contribution	$ 2,937,014

All assets and liabilities received from PPMET were valued at estimated fair value with the property and equipment valued by PPGMR management with the assistance of local real estate professionals. The fair value represents an estimate by management and, accordingly, it is at least reasonably possible that a change in the estimate may occur in the near term.

NOTE 13 - SIGNIFICANT FUTURE ACCOUNTING STANDARD CHANGE

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02-Leases, which requires changes to the accounting for leases. Under the ASU, the recognition, measurement and presentation of expenses and cash flows arising from a lease will depend primarily on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. A right-of-use asset and liability to make lease payments will be recognized on the balance sheet for substantially all leases (except short-term leases.) The enactment of this ASU may have an impact on the Company's accounting and financial reporting. Management has not yet determined the effect on its financial statements of this ASU when implemented. For non-public business entities, the pronouncement is effective for annual periods beginning after December 15, 2019 with early adoption permitted.

The FASB has also issued ASU 2016-14 - Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net asset classes will be revised, all nonprofits will be required to present expenses on a functional basis, and new liquidity and availability disclosures are required, among other items. The ASU is effective for fiscal years beginning after December 15, 2017 and early implementation is allowed, but only if all aspects of the ASU are adopted. Management has not yet considered the effects of implementation of this ASU.

The FASB has also issued ASU 2014-09 - Revenue from Contracts with Customers, along with various subsequent clarifying amendments. This ASU changes the revenue recognition criteria to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires a five-step recognition process. The adoption of this ASU could result in significant changes as to when certain revenues (but not contributions) are recognized and is effective for years beginning after December 15, 2018.