

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE
AND NORTH MISSISSIPPI)**

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Planned Parenthood Greater Memphis Region
(dba Planned Parenthood of Tennessee and North Mississippi)
Memphis, Tennessee

We have audited the accompanying consolidated financial statements of Planned Parenthood Greater Memphis Region (dba Planned Parenthood of Tennessee and North Mississippi) ("PPTNM") (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	JUNE 30	
	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,397,444	\$ 10,435,593
Investments - certificates of deposit	280,614	277,789
Investments	815,571	365,763
Promises to give	176,971	28,809
Trade accounts and other receivables	62,715	137,575
Inventory	361,993	288,750
Prepaid expenses and other	<u>1,772</u>	<u>22,353</u>
TOTAL CURRENT ASSETS	<u>13,097,080</u>	<u>11,556,632</u>
PROPERTY AND EQUIPMENT, net	<u>11,119,141</u>	<u>11,016,430</u>
OTHER ASSETS		
Beneficial interest in assets held by the Community		
Foundation of Greater Memphis	5,653,282	4,751,033
Cash surrender value of donor life insurance	37,818	39,046
Deposits	<u>3,000</u>	<u>3,000</u>
	<u>5,694,100</u>	<u>4,793,079</u>
TOTAL ASSETS	<u>\$ 29,910,321</u>	<u>\$ 27,366,141</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 236,166	\$ 161,279
Accrued and withheld liabilities	242,898	190,219
Deferred grant revenue	<u>43,063</u>	<u>303,109</u>
TOTAL CURRENT LIABILITIES	<u>522,127</u>	<u>654,607</u>
NET ASSETS		
Without donor restrictions		
Undesignated	23,142,732	21,515,607 *
Board-designated endowment	5,653,282	4,751,033
With donor restrictions	<u>592,180</u>	<u>444,894 *</u>
TOTAL NET ASSETS	<u>29,388,194</u>	<u>26,711,534</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,910,321</u>	<u>\$ 27,366,141</u>

See notes to consolidated financial statements

*As restated

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Support and Revenue			
Private gifts and grants	\$ 5,193,396	\$ 327,054	\$ 5,520,450
Private gifts and grants - TAPP	130,501	-	130,501
Patient fees	6,710,255	-	6,710,255
Special events	93,294	-	93,294
Income from beneficial interest in assets held by the Community Foundation of Greater Memphis	218,813	-	218,813
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	902,249	-	902,249
Interest and dividend income	2,847	-	2,847
Rental income	229,393	-	229,393
Unrealized gain (loss) on investments	208,435	-	208,435
Change in cash surrender value life insurance	(1,228)	-	(1,228)
Loss on disposition of fixed assets	-	-	-
Total support and revenue	<u>13,687,955</u>	<u>327,054</u>	<u>14,015,009</u>
Reclassifications			
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	179,768	(179,768)	-
Total support and revenue and reclassifications	<u>13,867,723</u>	<u>147,286</u>	<u>14,015,009</u>
Expenses			
Patient services	7,974,721	-	7,974,721
Education	732,005	-	732,005
Advocacy	651,394	-	651,394
TAPP	331,805	-	331,805
Total program services	<u>9,689,925</u>	<u>-</u>	<u>9,689,925</u>
Development and fundraising	794,110	-	794,110
General and administrative	854,314	-	854,314
Total support services	<u>1,648,424</u>	<u>-</u>	<u>1,648,424</u>
Total expenses	<u>11,338,349</u>	<u>-</u>	<u>11,338,349</u>
CHANGE IN NET ASSETS	<u>2,529,374</u>	<u>147,286</u>	<u>2,676,660</u>
NET ASSETS			
Beginning of year	<u>26,266,640</u>	<u>444,894</u>	<u>26,711,534</u>
End of year	<u>\$ 28,796,014</u>	<u>\$ 592,180</u>	<u>\$ 29,388,194</u>

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Support and Revenue			
Private gifts and grants	\$ 5,479,403	\$ 83,982	\$ 5,563,385
Private gifts and grants - TAPP	142,125	15,000	157,125
Patient fees	6,635,324	-	6,635,324
Special events	34,476	-	34,476
Income from beneficial interest in assets held by the Community Foundation of Greater Memphis	175,017	-	175,017
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	(140,096)	-	(140,096)
Interest and dividend income	2,857	-	2,857
Rental income	602,834	-	602,834
Unrealized gain (loss) on investments	(40,366)	-	(40,366)
Change in cash surrender value life insurance	(731)	-	(731)
Loss on disposition of fixed assets	(45,002)	-	(45,002)
Total support and revenue	<u>12,845,841</u>	<u>98,982</u>	<u>12,944,823</u>
Reclassifications			
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	143,172	(143,172)	-
Total support and revenue and reclassifications	<u>12,989,013</u>	<u>(44,190)</u>	<u>12,944,823</u>
Expenses			
Patient services	8,264,379	-	8,264,379
Education	611,983	-	611,983
Advocacy	529,411	-	529,411
TAPP	328,311	-	328,311
Total program services	<u>9,734,084</u>	<u>-</u>	<u>9,734,084</u>
Development and fundraising	756,909	-	756,909
General and administrative	1,060,694	-	1,060,694
Total support services	<u>1,817,603</u>	<u>-</u>	<u>1,817,603</u>
Total expenses	<u>11,551,687</u>	<u>-</u>	<u>11,551,687</u>
CHANGE IN NET ASSETS	<u>1,437,326</u>	<u>(44,190)</u>	<u>1,393,136</u>
NET ASSETS			
Beginning of year, as restated	24,829,314	489,084	25,318,398
End of year	<u>\$ 26,266,640</u>	<u>\$ 444,894</u>	<u>\$ 26,711,534</u>

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	PATIENT SERVICES	EDUCATION	PATIENT ADVOCACY	TAPP	DEVELOPMENT AND FUND- RAISING	GENERAL AND ADMINISTRATION	TOTAL
Expenses							
Salaries	\$ 3,385,212	\$ 409,496	\$ 413,922	\$ 131,964	\$ 525,079	\$ 214,613	\$ 5,080,286
Fringe benefits	610,746	72,597	109,578	-	96,968	40,146	930,035
Total salaries and fringe benefits	3,995,958	482,093	523,500	131,964	622,047	254,759	6,010,321
Advertising	19,026	32,828	6,800	18,499	(4,500)	-	72,653
Advocacy / Community affairs	-	-	10,435	-	-	-	10,435
Bad debt	126,076	-	-	-	-	-	126,076
Bank charges and credit card fees	63,124	-	-	84	1,408	19,129	83,745
Computer and internet expense	-	-	-	160	-	-	160
Dues, subscriptions and licenses	61,791	2,381	29,905	2,076	21,986	10,911	129,050
Equipment rental and maintenance	252,686	20,067	24,736	-	47,390	22,821	367,700
Events and conferences	-	-	-	1,120	-	-	1,120
General insurance	-	-	-	1,768	-	2,726	4,494
Interest	1,628	-	-	-	-	469	2,097
Lab, drug, medical and birth control supplies	1,217,403	-	-	-	-	-	1,217,403
Meals	-	-	-	123	-	-	123
Miscellaneous	34,706	1,152	10,446	-	1,152	4,279	51,735
Occupancy	221,710	-	-	-	22,606	29,232	273,548
Office supplies	101,884	131,503	25,516	4,404	-	20,909	284,216
Outside lab and medical services	141,169	-	-	-	-	-	141,169
PAC electoral expense	-	-	-	-	-	-	-
Patient liability insurance	200,709	-	-	-	-	-	200,709
Personnel recruitment	11,960	383	797	-	348	136	13,624
Postage and delivery	5,437	1,165	934	13,153	19,116	1,596	41,401
Printing and pamphlets	2,381	-	3,483	34,518	42,041	-	82,423
Professional fees	927,482	43,702	4,125	106,531	6,066	112,188	1,200,094
Rent	-	-	-	9,876	-	-	9,876
Repairs	-	-	-	2,493	-	-	2,493
Telephone	67,082	11,426	-	3,714	10,022	8,023	100,267
Travel and mileage	154,465	5,305	10,717	1,322	4,428	374	176,611
842 Rental building management	-	-	-	-	-	265,075	265,075
Total functional expenses before depreciation	7,606,677	732,005	651,394	331,805	794,110	752,627	10,868,618
Depreciation	368,044	-	-	-	-	62,754	430,798
842 Rental building depreciation	-	-	-	-	-	38,933	38,933
	368,044	-	-	-	-	101,687	469,731
Total expenses	\$ 7,974,721	\$ 732,005	\$ 651,394	\$ 331,805	\$ 794,110	\$ 854,314	\$ 11,338,349

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	PATIENT SERVICES	EDUCATION	PATIENT ADVOCACY	TAPP	DEVELOPMENT AND FUND- RAISING	GENERAL AND ADMINISTRATION	TOTAL
Expenses							
Salaries	\$ 3,121,789	\$ 359,255	\$ 329,635	\$ 141,590	\$ 434,102	\$ 241,642	\$ 4,628,013
Fringe benefits	586,136	62,146	84,781	-	76,992	39,649	849,704
Total salaries and fringe benefits	3,707,925	421,401	414,416	141,590	511,094	281,291	5,477,717
Advertising	6,740	32,401	3,681	5,137	51,915	-	99,874
Advocacy / Community affairs	-	-	3,131	-	-	500	3,631
Bad debt	274,987	-	-	-	-	-	274,987
Bank charges and credit card fees	56,742	-	-	84	-	781	57,607
Computer and internet expense	-	-	-	150	-	-	150
Dues, subscriptions and licenses	40,423	2,028	28,650	3,012	17,459	9,981	101,553
Equipment rental and maintenance	169,750	21,060	20,777	-	47,454	27,679	286,720
Events and conferences	-	-	-	-	-	-	-
General insurance	-	-	-	375	-	-	375
Interest	51	-	-	-	-	392	443
Lab, drug, medical and birth control supplies	1,877,658	-	-	-	-	-	1,877,658
Meals	-	-	-	711	-	-	711
Miscellaneous	15,911	1,153	6,621	-	4,916	14,544	43,145
Occupancy	197,606	-	-	-	25,972	25,974	249,552
Office supplies	69,802	124,483	31,497	4,596	-	7,372	237,750
Outside lab and medical services	102,399	-	-	-	-	-	102,399
PAC electoral expense	-	-	-	1,000	-	-	1,000
Patient liability insurance	196,109	-	-	-	-	-	196,109
Personnel recruitment	8,498	591	559	-	756	229	10,633
Postage and delivery	5,146	961	607	680	20,599	1,159	29,152
Printing and pamphlets	2,232	510	1,178	15,193	44,412	50	63,575
Professional fees	933,576	(14,382)	1,958	124,576	3,172	108,412	1,157,312
Rent	-	-	-	11,977	-	-	11,977
Repairs	-	-	-	2,356	-	-	2,356
Telephone	54,219	6,913	-	11,157	7,459	14,559	94,307
Travel and mileage	173,248	14,864	16,336	5,717	21,701	3,140	235,006
842 Rental building management	-	-	-	-	-	258,175	258,175
Building donation	-	-	-	-	-	204,226	204,226
Total functional expenses before depreciation	7,893,022	611,983	529,411	328,311	756,909	958,464	11,078,100
Depreciation	371,357	-	-	-	-	64,172	435,529
842 Rental building depreciation	-	-	-	-	-	38,058	38,058
	371,357	-	-	-	-	102,230	473,587
Total expenses	\$ 8,264,379	\$ 611,983	\$ 529,411	\$ 328,311	\$ 756,909	\$1,060,694	\$ 11,551,687

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	YEAR ENDED JUNE 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,676,660	\$ 1,393,136
Depreciation	469,731	473,587
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	(1,121,062)	(34,921)
Change in cash surrender value donor insurance	1,228	731
Non-cash stock contribution	(241,373)	(279,061)
Unrealized (gain) loss in investments	(208,435)	40,366
Bad debt provision	126,076	274,987
Loss on disposal of fixed assets	-	45,002
Building donation	-	204,226
Changes in assets and liabilities:		
Trade accounts receivable	(51,216)	262,469
Promises to give	(148,162)	17,868
Inventory	(73,243)	6,497
Prepaid expenses and other	20,581	45,602
Accounts payable	74,887	(81,607)
Accrued and withheld liabilities	52,679	(119,449)
Deferred grant revenue	(260,046)	(311,897)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,318,305	1,937,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment	(572,442)	(286,725)
Payment for purchases of investments	(280,614)	(277,789)
Proceeds from maturities of investments	277,789	273,428
Proceeds from beneficial interest	218,813	175,017
NET CASH (USED) BY INVESTING ACTIVITIES ...	(356,454)	(116,069)
CHANGE IN CASH AND CASH EQUIVALENTS	961,851	1,821,467
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,435,593	8,614,126
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,397,444	\$ 10,435,593
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES - NONE		
AMOUNTS PAID FOR INTEREST	\$ 2,097	\$ 443

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

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

PURPOSE - Planned Parenthood Greater Memphis Region (dba Planned Parenthood of Tennessee and North Mississippi) ("PPTNM"), 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. Public funding comes from state and local governments. During 2017, PPTNM created a single member limited liability company ("LLC") to effectuate the purchase of a building property. In addition, PPTNM has an economic and controlling financial interest in Tennessee Advocates for Planned Parenthood ("TAPP") due to its ability to exercise control over those elected to and/or serving on the board of directors of TAPP, an advocacy nonprofit entity. The accompanying consolidated financial statements include the activities of the LLC, TAPP and PPTNM 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 - PPTNM follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205 - *Not-for-Profit Organizations - Presentation of Financial Statements*, as amended and updated by Accounting Standards Update 2016-14 for the presentation of its consolidated financial statements. PPTNM reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction. Donor restricted net assets at each year end are generally available for use during the next fiscal year.

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 using various methods of allocation on a reasonable basis that is consistently applied. Such methods include allocations based upon estimates of time and effort, square footage usage and/or other reasonable methods. 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.

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2021 AND 2020**

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

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. PPTNM 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, 2021 or 2020.

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, 2021 or 2020.

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

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 - PPTNM's Endowment Fund was established to support PPTNM and its mission over the long-term. PPTNM 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. PPTNM'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.

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2021 AND 2020**

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

ENDOWMENTS - CONTINUED

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.

PPTNM 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. PPTNM's spending and investment policies work together to achieve this objective.

The spending policy calculates the amount of money annually distributed from PPTNM'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, PPTNM expects its current spending policy to allow its endowment assets to grow. This is consistent with the PPTNM'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 PPTNM'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 PPTNM is considered to be owned by the organization. However, governmental granting agencies may maintain a reversionary interest in the 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.

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
(DBA PLANNED PARENTHOOD OF TENNESSEE AND NORTH MISSISSIPPI)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2021 AND 2020**

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

PROPERTY AND EQUIPMENT - CONTINUED

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 statement of financial position includes revenues collected in advance of performance of required services/functions under grant agreements with PPFA and others.

REVENUE RECOGNITION - PPTNM follows Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

ASU 2014-09 requires 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.

ASU 2018-08 reduces the diversity in practice in how not-for-profit organizations classify grants and contracts by clarifying whether transactions should be accounted for as contributions or exchange transactions and whether a contribution is conditional.

Grant and other contributions with conditions are not recognized as receivables or revenue until such time as the condition has been satisfied.

Support received or receivable is recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restriction and reported in the 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.

Patient fees and various insurance income for billable patient services are recognized at the time the service is rendered.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2021 AND 2020**

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

SPECIAL EVENT EXPENSES - Special event expenses are incurred in connection with PPTNM'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 PPTNM, and thus expenses are netted with the related special events revenues in the accompanying Consolidated Statements of Activities and totaled \$11,650 and \$111,365, respectively, during 2021 and 2020.

ADVERTISING/COMMUNITY AFFAIRS - PPTNM expenses advertising costs as incurred. Such costs totaled \$72,653 and \$99,874 during 2021 and 2020, respectively. In addition, PPTNM expenses advocacy and community affairs costs as incurred. Such costs totaled \$10,435 and \$3,631 during 2021 and 2020, respectively.

IN-KIND DONATIONS - In-kind donations of goods or assets are recorded at their estimated fair market 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 2021 or 2020. In addition, a number of volunteers have donated significant amounts of their time to PPTNM. These services do not meet the requirements for recording in the consolidated financial statements.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and in checking and interest bearing accounts. PPTNM'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 PPTNM 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.

PPTNM 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 June 30, 2021 or 2020. PPTNM is subject to U.S. federal tax examinations by taxing authorities for years ending after June 30, 2017.

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

CONCENTRATIONS - PPTNM maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. PPTNM 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 - PPTNM's management has evaluated subsequent events through November 15, 2021, which is the date the consolidated financial statements were available for issuance.

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

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. There were \$176,971 and \$28,809 in unconditional promises to give at June 30, 2021 or 2020, respectively.

PPTNM 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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NOTE 3 - INVESTMENTS

Investments comprised the following:

	<u>Fair Value</u>
<u>June 30, 2021</u>	
Stocks	\$ 815,571
Certificates of deposit	<u>280,614</u>
	<u>\$1,096,185</u>
<u>June 30, 2020</u>	
Stocks	\$ 365,763
Certificates of deposit	<u>277,789</u>
	<u>\$ 643,552</u>

Endowment Funds

Endowment fund net assets as of June 30, 2021 and 2020 aggregated \$5,653,283 and \$4,751,033, respectively, and represented board-designated unrestricted funds only.

Changes in endowment fund net assets are as follows:

	<u>YEAR ENDED JUNE 30</u>	
	<u>2021</u>	<u>2020</u>
Endowment net assets at beginning of year	\$ 4,751,032	\$ 4,891,129
Net change in value of beneficial interest	1,121,063	34,921
Amounts appropriated for expenditure	(218,813)	(175,017)
Contributions	<u>-</u>	<u>-</u>
Endowment net assets at end of year	<u>\$ 5,653,282</u>	<u>\$ 4,751,033</u>

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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 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>In Active</u>	<u>Significant</u>	<u>Significant</u>
		<u>Markets for</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	
	<u>Fair Value</u>			
<u>June 30, 2021</u>				
Stocks	\$ 815,571	\$ 815,571	\$ -	\$ -
Beneficial interest	<u>5,653,282</u>	<u>-</u>	<u>-</u>	<u>5,653,282</u>
Total	<u>\$ 6,468,853</u>	<u>\$ 815,571</u>	<u>\$ -</u>	<u>\$ 5,653,282</u>
<u>June 30, 2020</u>				
Stocks	\$ 365,763	\$ 365,763	\$ -	\$ -
Beneficial interest	<u>4,751,033</u>	<u>-</u>	<u>-</u>	<u>4,751,033</u>
Total	<u>\$ 5,116,796</u>	<u>\$ 365,763</u>	<u>\$ -</u>	<u>\$ 4,751,033</u>

PPTNM 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, 2021 and 2020.

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 the Organization's proportional share of the market value of the underlying investments of the investment pools in which PPTNM has its investments. PPTNM has no Level 2 assets.

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NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED

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):

	<u>Beneficial Interests</u>
June 30, 2020	\$ 4,891,129
Contributions and collections (net)	-
Change in value of beneficial interest	34,921
Payments from beneficial interest	<u>(175,017)</u>
June 30, 2021	4,751,033
Contributions and collections (net)	-
Change in value of beneficial interest	1,121,062
Payments from beneficial interest	<u>(218,813)</u>
June 30, 2021	<u>\$ 5,653,282</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>JUNE 30</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,638,837	\$ 1,638,837
Buildings and improvements	10,238,160	10,178,541
Clinic furniture	144,824	144,824
Medical instruments	137,047	137,047
Computer equipment and software	257,104	257,104
Furniture and fixtures	625,172	625,172
Construction in progress	<u>588,561</u>	<u>75,738</u>
	13,629,705	13,057,263
Less accumulated depreciation	<u>(2,510,564)</u>	<u>(2,040,833)</u>
	<u>\$ 11,119,141</u>	<u>\$ 11,016,430</u>

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NOTE 5 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense totaled \$469,731 and \$473,587, respectively, for the years ended June 30, 2021 and 2020.

During 2020, PPTNM donated its land and building located at 832 Virginia Run Cove in Memphis, Tennessee to another nonprofit entity. The net book value of this land and building approximated \$204,000 at September 30, 2019, the date of donation, resulting in a charge to expense and a decrease to property and equipment in fiscal year 2020. At June 30, 2021, PPTNM is in the process of evaluating another building donation which, if approved, will occur during fiscal year 2022.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS

In prior years, PPTNM 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 PPTNM. The fund, which is valued at fair value, consists of pooled investments with the Community Foundation, five percent of which are distributed annually to PPTNM. With the approval of the entire Endowment Fund Committee and seventy-five percent of the Board of Directors, PPTNM may request advances from the Community Foundation.

NOTE 7 - RETIREMENT PLAN

PPTNM maintains a 401(k) retirement plan covering substantially all employees. Employees can voluntarily contribute to the plan. Effective January 1, 2005, the Plan was amended to allow a discretionary matching contribution as determined by PPTNM in December of each year. For the year ended June 30, 2021, 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 \$86,296 and \$60,910, respectively, for the years ended June 30, 2021 and 2020.

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NOTE 8 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods:

	<u>JUNE 30</u>	
	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purposes:		
Knox MD Fly	\$ 34,414	\$ 118,911
Knox AB Expansion	227,000	227,000
PPFA	330,766	54,133
TAPP	-	15,000
Other (CAPS)	<u>-</u>	<u>29,850</u>
	<u>\$ 592,180</u>	<u>\$ 444,894</u>

Net assets were released from donor restrictions during the year by incurring expenses or purchase of assets in accordance with the restricted purposes as specified by the donors and comprised the following amounts:

	<u>JUNE 30</u>	
	<u>2021</u>	<u>2020</u>
Restrictions satisfied:		
TAPP	\$ 15,000	\$ -
PPFA	50,420	36,772
KNOX MD Fly	84,498	73,661
Other (CAPS)	<u>29,850</u>	<u>32,739</u>
	<u>\$ 179,768</u>	<u>\$ 143,172</u>

Board-designated unrestricted net assets without donor restriction consist of funds raised for the purpose of creating an endowment to provide future income for PPTNM activities.

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NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects PPTNM's financial assets reduced by amounts not available for general use because of either contractual or donor-imposed restrictions within one year of the balance sheet date. All donor restricted amounts are available for use only for the indicated purposes as presented in Note 8.

	JUNE 30	
	2021	2020
Financial assets, at year end	\$ 18,461,396	\$ 16,035,608
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(592,180)	(444,894)
Board designations:		
Beneficial interest - board designated endowment	(5,653,282)	(4,751,033)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,215,934</u>	<u>\$ 10,839,681</u>

PPTNM is supported not only through fees for services and related other sales, and various special events, but also substantially by contributions received from others. Management and the board manage resources to best utilize its financial assets in order to meet donor restrictions and meet general expenditure obligations.

The beneficial interest in assets, while board designated as an endowment to be used for long-term purposes, can be withdrawn for current operating needs if needed although there is no current intent to do so.

NOTE 10 - LEASE INCOME AND LEASE COMMITMENTS

In connection with the acquisition of an office building in fiscal 2017, PPTNM 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 \$199,237 in fiscal 2021 and \$580,362 in fiscal 2020. The lessee vacated the building during the year ended June 30, 2021 and PPTNM does not anticipate leasing the building in the future.

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NOTE 10 - LEASE INCOME AND LEASE COMMITMENTS - CONTINUED

In addition, PPTNM has a billboard leased with rental revenue of \$22,155 and \$21,972 during 2021 and 2020, respectively, with approximately the same amount expected in 2022. This lease was recently renewed for an additional five years.

In connection with the acquisition of Planned Parenthood of Middle and East Tennessee, Inc. ("PPMET") effective May 31, 2018, PPTNM assumed a lease agreement for the Nashville office space and another lease agreement for various office copiers. The office lease was extended during 2019 until August 31, 2021 for approximately \$3,450 per month while the copier leases are approximately \$2,570 per month and expired in fiscal year 2021. The Nashville building's lease was extended in 2021 for an additional two years. Following are the minimum lease commitments under these leases:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	41,255
2023	34,573
2024	<u>6,915</u>
	<u>\$ 82,743</u>

Lease expense under the above leases approximated \$54,000 and \$71,000, respectively, during 2021 and 2020.

NOTE 11 - RELATED PARTY TRANSACTIONS

As an accredited affiliate of Planned Parenthood Federation of America ("PPFA"), PPTNM pays dues which entitles them to receive liability insurance at a lower cost and provides PPTNM 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 paid to PPFA were suspended for 2020 and 2021.

During fiscal year 2015, PPTNM entered into a Master Grant Agreement with PPFA. Funds disbursed by PPFA under this Master Agreement are to be used by PPTNM in furtherance of PPFA's Commitment to the Southern Access Project ("SAP"). The SAP transactions are exchange transactions whereby PPTNM is required to perform various services/functions under these agreements. Total amounts received from PPFA under the SAP agreements totaled \$12,528 during

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NOTE 11 - RELATED PARTY TRANSACTIONS - CONTINUED

the year ended June 30, 2020. No amounts were received during the year ended June 30, 2021. Unrestricted revenue and support in the consolidated statements of activities includes \$260,046 and \$324,424 for the years ended June 30, 2021 and 2020, respectively. Amounts included in deferred grant revenue in the consolidated statements of financial position totaled \$43,063 and \$303,109 at June 30, 2021 and 2020, respectively.

Other grant funds received from PPFA and included in unrestricted support and donor restricted support in the consolidated statement of activities totaled \$282,697 and \$327,054 for 2021 and \$265,910 and \$69,132 in 2020.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the 2021 fiscal year, management discovered that a contribution to PPTNM during the year ended June 30, 2018, was incorrectly recorded as temporarily restricted. As a result, temporarily restricted net assets were overstated by \$528,777 and unrestricted net assets were understated by \$528,777 as of June 30, 2019. Accordingly, beginning of year net assets have been restated on the accompanying statement of financial position at June 30, 2020.

NOTE 13 - COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and the related impact of such closings on operating results. PPTNM is currently unable to ascertain the effects, if any, of this issue on its operating results.