

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

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

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

We have audited the statements of financial position of Planned Parenthood of Middle and East Tennessee, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, activities by functional classification, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Affiliate'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 Affiliate's 2010 financial statements and, in our report dated December 13, 2010 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, 2011 and 2010, 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.

A handwritten signature in cursive script that reads 'Hill, Harper & Associates'.

December 9, 2011

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

Statements of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents:		
Cash in bank	\$ 159,759	144,111
Money market accounts, held by brokerage firm	415,880	434,102
Total cash and cash equivalents	<u>575,639</u>	<u>578,213</u>
Accounts receivable:		
Grants receivable	35,762	45,684
Pledges receivable	10,000	10,000
Other	100	5,037
Total receivables	<u>45,862</u>	<u>60,721</u>
Prepaid expenses	32,732	35,659
Inventory	80,971	35,939
Note receivable	50,000	-
Total current assets	<u>785,204</u>	<u>710,532</u>
Property and equipment:		
Land	176,100	176,100
Building	1,133,853	1,133,853
Office furniture and equipment	190,641	151,795
	<u>1,500,594</u>	<u>1,461,748</u>
Less accumulated depreciation	(543,372)	(490,070)
Net property and equipment	<u>957,222</u>	<u>971,678</u>
Other assets:		
Notes receivable	-	50,000
Beneficial interest at Community Foundation	55,286	47,938
	<u>\$ 1,797,712</u>	<u>1,780,148</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 65,844	30,451
Current portion of long term mortgage payable	6,708	6,295
Accrued expenses	57,690	107,948
Total current liabilities	<u>130,242</u>	<u>144,694</u>
Long term mortgage payable	<u>221,743</u>	<u>228,321</u>
Total liabilities	<u>351,985</u>	<u>373,015</u>
Net assets:		
Unrestricted	1,308,772	1,203,879
Temporarily restricted	81,669	155,315
Permanently restricted	55,286	47,939
Total net assets	<u>1,445,727</u>	<u>1,407,133</u>
	<u>\$ 1,797,712</u>	<u>1,780,148</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, 2011 and 2010

	<u>Unrestricted Fund Groups</u>	<u>Temporarily Restricted Fund Groups</u>	<u>Permanently Restricted Fund Groups</u>	<u>2011 Total</u>	<u>2010 Total</u>
Public support and revenue:					
Public support - United Way	\$ 23,393	-	-	23,393	25,173
Grants from government agencies	-	537,257	-	537,257	523,085
Grants from other agencies	-	394,564	-	394,564	620,204
Contributions and memberships	207,468	33,363	-	240,831	221,489
Patient fees	1,856,405	-	-	1,856,405	1,738,635
Interest income	2,544	12	615	3,171	4,955
Gain from funds held in trust with Community Foundation	-	-	9,332	9,332	4,968
Special events	33,009	-	-	33,009	19,559
	<u>2,122,819</u>	<u>965,196</u>	<u>9,947</u>	<u>3,097,962</u>	<u>3,158,068</u>
Net assets released from restrictions	<u>1,041,442</u>	<u>(1,038,842)</u>	<u>(2,600)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,164,261</u>	<u>(73,646)</u>	<u>7,347</u>	<u>3,097,962</u>	<u>3,158,068</u>
Expenses:					
Program services	2,404,837	-	-	2,404,837	2,503,641
Supporting services:					
General and administrative	421,876	-	-	421,876	387,536
Fund raising	87,678	-	-	87,678	107,798
Community services and Public affairs	<u>144,977</u>	<u>-</u>	<u>-</u>	<u>144,977</u>	<u>157,197</u>
Total supporting services	<u>654,531</u>	<u>-</u>	<u>-</u>	<u>654,531</u>	<u>652,531</u>
Total expenses	<u>3,059,368</u>	<u>-</u>	<u>-</u>	<u>3,059,368</u>	<u>3,156,172</u>
Increase (decrease) in net assets	<u>104,893</u>	<u>(73,646)</u>	<u>7,347</u>	<u>38,594</u>	<u>1,896</u>
Net assets at beginning of year	<u>1,203,879</u>	<u>155,315</u>	<u>47,939</u>	<u>1,407,133</u>	<u>1,405,237</u>
Net assets at end of year	<u>\$ 1,308,772</u>	<u>81,669</u>	<u>55,286</u>	<u>1,445,727</u>	<u>1,407,133</u>

See accompanying notes to financial statements.

**PLANNED PARENTHOOD OF
MIDDLE AND EAST TENNESSEE, INC.**
Statements of Activities by Functional Classification
For the years ended June 30, 2011 and 2010

2011											
Unrestricted Fund Groups											
	Surgical Services	Family Planning and Teen Clinic Grant Non Grant	Education	J. P. Davis Fund	Fund Raising	Community Services & Public Affairs	Total Unrestricted Fund Groups	Temporarily Restricted Fund Groups	Permanently Restricted Fund Groups	2011 Total	2010 Total
Public support and revenue:											
Public support - United Way	\$ -	-	-	-	23,393	-	23,393	-	-	23,393	25,173
Grants from government agencies	-	-	-	-	-	-	-	537,257	-	537,257	523,085
Grants from other agencies	-	-	-	-	-	-	-	394,564	-	394,564	620,204
Contributions and memberships	-	-	-	-	207,468	-	207,468	33,363	-	240,831	221,489
Patient fees	1,438,076	202,741	205,862	9,726	-	-	1,856,405	-	-	1,856,405	1,738,635
Interest income	-	-	-	-	2,544	-	2,544	12	-	2,556	4,388
Gain from funds held in trust with Community Foundation	-	-	-	-	-	-	-	-	9,947	9,947	5,535
Special events	-	-	-	-	33,009	-	33,009	-	-	33,009	19,559
Total support and revenue	1,438,076	202,741	205,862	9,726	-	266,414	-	2,122,819	965,196	9,947	3,097,962
Net assets released from restrictions	424,248	414,200	-	175,621	14,032	12,993	348	1,041,442	(1,038,842)	(2,600)	-
	1,862,324	616,941	205,862	185,347	14,032	279,407	348	3,164,261	(73,646)	7,347	3,097,962
Expenses:											
Program services	1,090,760	727,076	228,083	344,886	14,032	-	-	2,404,837	-	-	2,404,837
Supporting services:											
General and administrative	113,906	124,200	58,978	78,342	-	16,833	29,616	421,876	-	-	421,876
Fund raising	-	-	-	-	-	87,678	-	87,678	-	-	87,678
Community services and Public affairs	-	-	-	-	-	-	144,977	144,977	-	-	144,977
Total supporting services	113,906	124,200	58,978	78,342	-	104,511	174,593	654,531	-	-	654,531
Total expenses	1,204,666	851,276	287,061	423,228	14,032	104,511	174,593	3,059,368	-	-	3,059,368
Increase (decrease) in net assets	\$ 657,658	(234,335)	(81,199)	(237,881)	-	174,896	(174,245)	104,893	(73,646)	7,347	1,896

See accompanying notes to financial statements.

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

**Statements of Functional Expenses
For the years ended June 30, 2011 and 2010**

2011

	Program Services				Supporting Services				2011 Total	2010 Total
	Surgical Services	Family Planning & Teen Clinic	Non Grant	Education	J.P. Davis Fund	Manage- ment and General	Fund Raising	Community Services & Public Affairs		
Personnel costs:										
Salaries	\$ 264,421	288,218	136,868	181,820	-	250,484	39,099	68,692	1,229,602	1,345,664
Payroll taxes	22,567	21,586	14,696	15,142	-	21,200	3,282	5,894	104,367	108,132
Fringe benefits	29,756	44,090	22,864	27,775	-	19,157	1,173	12,675	157,490	180,581
Contract Labor	518	1,004	521	8,658	-	23,497	4,219	30,300	68,717	46,972
Physicians	284,542	-	-	-	-	-	-	-	284,542	275,440
Total personnel costs	601,804	354,898	174,949	233,395	-	314,338	47,773	117,561	1,844,718	1,956,789
Medical supplies	246,631	149,991	15,411	6,141	-	-	-	-	418,174	386,893
Office and other supplies	5,766	8,262	1,465	8,361	-	2,075	552	1,163	27,644	30,995
Equipment rental and maintenance	4,224	2,569	205	1,795	-	881	405	931	11,010	12,285
Telephone	6,672	8,322	2,176	7,464	-	4,729	1,277	2,351	32,991	45,354
Contract services	60,306	54,304	8,219	1,056	-	15,999	291	246	140,421	141,836
Postage and freight	787	963	192	2,912	-	1,643	6,185	453	13,135	11,853
Occupancy	47,860	64,335	7,860	6,467	-	2,360	709	1,230	130,821	134,923
Rent	957	1,548	326	15,243	-	11,530	3,780	7,561	40,945	59,574
Printing and publications	5,086	5,907	719	8,639	-	3,062	13,758	4,639	41,810	41,482
Security services	1,218	1,723	418	457	-	-	-	-	3,816	2,838
Travel	4,486	1,805	1,391	17,866	-	14,986	1,548	1,392	43,474	29,134
Employee development	886	1,163	181	607	-	558	-	307	3,702	4,843
Malpractice insurance	55,143	9,966	1,329	-	-	-	-	-	66,438	62,975
Interest	3,240	5,774	2,811	3,370	-	-	-	-	15,195	6,516
Marketing	15,754	19,178	3,129	25,774	-	3,985	462	3,625	71,907	86,079
Assistance to individuals	-	-	-	-	14,032	-	-	-	14,032	10,843
Depreciation	20,255	23,986	5,863	1,066	-	1,599	533	-	53,302	56,665
Dues	2,426	3,687	462	2,775	-	43,076	841	1,518	54,785	49,280
Events	-	-	-	1,240	-	-	8,113	2,000	11,353	8,714
Bank fees	7,259	8,695	977	258	-	1,055	1,451	-	19,695	16,301
	1,090,760	727,076	228,083	344,886	14,032	421,876	87,678	144,977	3,059,368	3,156,172
Allocation of general and administrative expenses	113,906	124,200	58,978	78,342	-	(421,876)	16,833	29,616	-	-
Total expenses	\$ 1,204,666	851,276	287,061	423,228	14,032	-	104,511	174,593	3,059,368	3,156,172

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from:		
Clients and public support	\$ 2,563,495	2,609,258
Federal, state and local governments	531,885	563,880
Interest income	2,556	4,388
Reimbursement of expenditures for cancellation of Knoxville leasehold	-	91,446
Distributions from Community Foundation	2,600	2,400
Cash paid for:		
Interest	(15,195)	(6,516)
Employees and vendors	(3,042,904)	(3,089,961)
Net operating activities	<u>42,437</u>	<u>174,895</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(38,846)	(150,663)
Net change in investments / maturity of certificates of deposit	<u>-</u>	<u>330,000</u>
Net investing activities	<u>(38,846)</u>	<u>179,337</u>
<u>Cash Flows from Financing Activities</u>		
Repayment of long term debt	(6,165)	(2,384)
Net increase (decrease) in cash and cash equivalents	(2,574)	351,848
Cash and cash equivalents at beginning of year	578,213	226,365
Cash and cash equivalents at end of year	<u><u>\$ 575,639</u></u>	<u><u>578,213</u></u>
<u>Reconciliation of change in net assets to cash flows from operating activities</u>		
Change in net assets	\$ 38,594	1,896
Depreciation	53,302	56,665
Increase in funds held in beneficial interest	(7,348)	(3,135)
(Increase) decrease in current assets:		
Grants and contracts receivable	9,922	18,048
Pledges receivable	-	6,945
Other receivables	4,937	92,093
Prepaid expenses	2,927	27,192
Inventory	(45,032)	(5,155)
Increase (decrease) in current liabilities:		
Accounts payable	35,393	(23,820)
Accrued payroll, benefits and other expenses	(50,258)	4,166
Net operating activities	<u><u>\$ 42,437</u></u>	<u><u>174,895</u></u>
Supplemental Information:		
Knoxville property financed through mortgage debt		
Property purchase	<u><u>\$ -</u></u>	<u><u>237,000</u></u>
Mortgage obtained to purchase property	<u><u>\$ -</u></u>	<u><u>237,000</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2011 and 2010

General

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

(1) Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

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

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

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

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

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

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

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

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Affiliate's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Financial Statement Presentation

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

Revenue Recognition

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

Cash and Cash Equivalents

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

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

Notes to Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Pledges Receivable

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

Inventory

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

Fair Value Measurements

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

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

Property and Equipment

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

Buildings and improvements	35 - 40 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	Life of lease

Use of Estimates

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

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, 2011 and 2010 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

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.

Income Taxes

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

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

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through December 9, 2011, the date these financial statements were available to be issued.

(2) Beneficial Interest at Community Foundation

The Affiliate has a beneficial interest in a trust held by the Community Foundation. The Foundation has legal ownership of these funds. The Affiliate requests grants from the Foundation based on the beneficial interest periodically. This asset is classified as a permanently restricted net asset. The quoted market value of this beneficial interest amounted to \$55,286 and \$47,938 as of June 30, 2011 and 2010, respectively.

(3) Accounts Receivable

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

Accounts receivable consists of the following:

Grants receivable:

Governmental grants:

Rape Prevention and Education Services
HIV / AIDS Prevention

	<u>2011</u>	<u>2010</u>
	\$ 2,170	642
	18,412	14,568
	<u>20,582</u>	<u>15,210</u>

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

Notes to Financial Statements, continued

(3) Accounts Receivable, continued

Private Grants:

Youth Summit - PPFA	5,200	19,931
HIV Vaccine	9,980	10,543

	15,180	30,474
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Total grant receivable

	35,762	45,684
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Pledges receivable:

United Way campaign	10,000	10,000
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Total pledge receivable

	10,000	10,000
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Other receivables:

Employee and other	100	5,037
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Total other receivable

	100	5,037
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Total accounts receivable

	\$ 45,862	60,721
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(4) Notes Receivable

5% note receivable amounting to \$50,000 from an affiliated organization, which was repaid at it's maturity date on July 25, 2011.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets are available as follows:

	2011	2010
Private foundation grant for future Rivergate service center	\$ 10,000	10,000
Education	6,059	3,058
Future capital acquisitions or maintenance	-	10,392
Justice Fund for client surgical assistance	-	81,248
J. P. Davis for client surgical assistance	65,610	50,269
PPFA - Public Policy grant	-	348
	<u>\$ 81,669</u>	<u>155,315</u>

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

Education - Generations	\$ 1,000
J. P. Davis for client surgical assistance	14,032
HIV Vaccine	28,155
Grant for PG - 13 Players program	5,000
PPFA - Public Policy grant	348
Joe Davis education grant	10,000
Justice Fund for client surgical assistance	424,248
PPFA Youth Summit	8,410
Capital improvements	10,392
Federal grants	<u>537,257</u>

Temporarily restricted net assets released from restriction	1,038,842
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Grants from funds held by Community Foundation see note 2	<u>2,600</u>
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Net assets released to unrestricted funds	<u>\$ 1,041,442</u>
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**PLANNED PARENTHOOD OF
MIDDLE AND EAST TENNESSEE, INC.**

Notes to Financial Statements, continued

(6) Mortgage Payable

During January 2010, the Affiliate purchased land and building to house its clinical services in Knoxville, Tennessee. This purchase was funded in part through a mortgage with the Affiliate's primary bank. The original mortgage amounted to \$237,000 at 6.5% interest, with monthly payments of \$1,780. The outstanding balance amounted to \$228,451 and \$234,616 at June 30, 2011 and 2010, respectively. The mortgage matures January 2015 and requires a balloon payment of approximately \$204,000 or to be refinanced. This mortgage is secured by the Knoxville real property which has a basis of approximately \$362,000.

Summary of maturities of mortgage payable is as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
\$	6,708	7,157	7,637	206,949	228,451

(7) State and National Organizations

Dues paid to state and national organizations, including the Affiliate's Fair Share Assessment, amount to \$37,843 and \$34,972, respectively in 2011 and 2010.

(8) Contingencies and Commitments

Support Concentrations

The Affiliate receives significant support from federal awards programs and fee for service contracts, and from one private donor. A substantial reduction in the level of this support, should this occur, would have a material effect on programs and services. The following summarizes the nature of this support:

	<u>Federal Support</u>	<u>Private Support</u>
Family Planning Services	\$ 344,600 *	-
Maternal and Child Health	116,000 *	-
Rape and Sex Abuse Prevention	34,625	-
HIV Education	42,032	-
Justice Fund for client surgical assistance	-	424,248
	<u>\$ 537,257</u>	<u>424,248</u>
Percent of total revenues	<u>17.30%</u>	<u>13.70%</u>

* This funding was not renewed for fiscal year beginning July 1, 2011

Leases

The Affiliate is obligated under certain lease agreements for office and equipment. The lease agreement for the administrative office Metro Center - Nashville, Tennessee, requires monthly payments of \$3,000 and expires August 2013.

Future obligations under non cancelable office equipment lease agreements amounts to \$27,972 in 2012; \$27,881 in 2013; 12,075 in 2014; and \$595 in 2015.

Pension Plan

The Affiliate offers a pension plan to its full-time employees who are at least 21 years of age with at least 2 years of service. Eligible employees may contribute up to 6% of their gross earnings, with the Affiliate matching 50% of the employees' contributed amounts. Also, eligible employees may contribute an additional 6% of their gross earnings (with no additional contribution from the Affiliate). There is immediate vesting by the employees for the Affiliate's contribution. During the years ended June 30, 2011 and 2010, the Affiliate contributed \$21,402 and \$29,626, respectively. The plan is administered by CompuPay.

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

Notes to Financial Statements, continued

(9) Concentration of Credit Risk

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

	<u>Account Balance</u>	<u>Secured / Collateralized</u>	<u>Amount of Accounting Risk of Loss</u>
Cash held in banks	\$ 159,759	159,759	-
Cash - money market	415,880	415,880	-
Government grants receivable	* 20,582	20,582	-
Private grants receivable	* 15,180	-	15,180
Other receivables	* 100	-	100
Pledges receivable	10,000	-	10,000
Beneficial interest at Community Foundation	55,286	-	55,286
	<u>\$ 676,787</u>	<u>596,221</u>	<u>80,566</u>

* Substantially collected subsequent to end of year