

PLANNED PARENTHOOD GREATER MEMPHIS REGION

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

CONSOLIDATED FINANCIAL STATEMENTS

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Whithorn Tankersley & Davis, PLLC

November 28, 2017
Memphis, Tennessee

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	JUNE 30	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,340,384	\$ 3,909,607
Investments - certificates of deposit	270,653	270,506
Investments	52,778	20,323
Grants receivable	16,743	28,592
Trade accounts and other receivables	215,198	92,244
Promises to give	100,000	-
Inventory	158,133	128,468
Prepaid expenses and other	28,665	67,852
TOTAL CURRENT ASSETS	<u>5,182,554</u>	<u>4,517,592</u>
PROPERTY AND EQUIPMENT, net	<u>7,221,612</u>	<u>4,099,414</u>
OTHER ASSETS		
Beneficial interest in assets held by the Community		
Foundation of Greater Memphis	2,430,372	1,120,771
Cash surrender value of donor life insurance	40,158	39,954
Prepaid expense, noncurrent	47,917	72,921
	<u>2,518,447</u>	<u>1,233,646</u>
TOTAL ASSETS	<u>\$14,922,613</u>	<u>\$ 9,850,652</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 70,164	\$ 169,225
Accrued and withheld liabilities	135,333	92,078
Deferred grant revenue	849,177	1,428,371
TOTAL CURRENT LIABILITIES	<u>1,054,674</u>	<u>1,689,674</u>
NON CURRENT LIABILITIES		
Security deposit	-	7,988
NET ASSETS		
Unrestricted		
Undesignated	11,437,567	6,977,501
Board-designated endowment	2,430,372	1,120,771
Temporarily restricted	-	54,718
TOTAL NET ASSETS	<u>13,867,939</u>	<u>8,152,990</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,922,613</u>	<u>\$ 9,850,652</u>

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	YEAR ENDED JUNE 30	
	2017	2016
UNRESTRICTED NET ASSETS		
Support and Revenue		
Governmental grants	\$ -	\$ 247,494
Private gifts and grants	6,617,636	2,419,082
Patient fees	2,634,592	1,951,018
Special events	51,611	8,402
Income from beneficial interest in assets held by the Community Foundation of Greater Memphis	58,658	58,335
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	109,601	(98,321)
Interest and dividend income	984	620
Rental income	251,895	135,035
Unrealized gain (loss)	3,507	3,207
Change in cash surrender value life insurance	204	379
Total support and revenue	9,728,688	4,725,251
Reclassifications		
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	54,718	70,284
Total support and revenue and reclassifications	9,783,406	4,795,535
Expenses		
Patient services	2,683,809	2,504,017
Education	395,318	332,298
Advocacy	213,828	317,751
Total program services	3,292,955	3,154,066
Development and fundraising	346,012	186,943
General and administrative	374,772	310,985
Total support services	720,784	497,928
Total expenses	4,013,739	3,651,994
CHANGE IN UNRESTRICTED NET ASSETS	5,769,667	1,143,541

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED**

	YEAR ENDED JUNE 30	
	2017	2016
TEMPORARILY RESTRICTED NET ASSETS		
Support and Revenue		
Contributions	\$ -	\$ 54,718
Total support and revenue	-	54,718
Reclassifications		
Net assets released from restrictions	(54,718)	(70,284)
Total support and revenue and reclassifications	(54,718)	(15,566)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(54,718)	(15,566)
INCREASE IN NET ASSETS	5,714,949	1,127,975
NET ASSETS		
Beginning of year	8,152,990	7,025,015
End of year	<u>\$ 13,867,939</u>	<u>\$ 8,152,990</u>

See notes to consolidated financial statements

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

	<u>PATIENT SERVICES</u>	<u>EDUCATION</u>	<u>PATIENT ADVOCACY</u>	<u>DEVELOPMENT AND FUND- RAISING</u>	<u>GENERAL AND ADMINISTRATION</u>	<u>TOTAL</u>
Expenses						
Salaries	\$ 1,059,791	\$ 145,587	\$ 123,354	\$ 135,763	\$ 126,271	\$ 1,590,766
Fringe benefits	<u>192,056</u>	<u>27,392</u>	<u>21,419</u>	<u>25,064</u>	<u>25,092</u>	<u>291,023</u>
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
Outside 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 functional expenses before depreciation	<u>2,539,083</u>	<u>395,318</u>	<u>213,828</u>	<u>346,012</u>	<u>330,794</u>	<u>3,825,035</u>
Depreciation	144,726	-	-	-	37,087	181,813
842 Rental building depreciation	-	-	-	-	6,891	6,891
	<u>144,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,978</u>	<u>188,704</u>
Total expenses	<u>\$ 2,683,809</u>	<u>\$ 395,318</u>	<u>\$ 213,828</u>	<u>\$ 346,012</u>	<u>\$ 374,772</u>	<u>\$ 4,013,739</u>

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>PATIENT SERVICES</u>	<u>EDUCATION</u>	<u>PATIENT ADVOCACY</u>	<u>DEVELOPMENT AND FUND- RAISING</u>	<u>GENERAL AND ADMINISTRATION</u>	<u>TOTAL</u>
Expenses						
Salaries	\$ 842,915	\$ 116,092	\$ 115,890	\$ 135,862	\$ 109,145	\$ 1,319,904
Fringe benefits	<u>144,726</u>	<u>21,662</u>	<u>18,367</u>	<u>25,811</u>	<u>17,404</u>	<u>227,970</u>
Total salaries and fringe benefits	987,641	137,754	134,257	161,673	126,549	1,547,874
Advertising	5,805	4,371	95,263	665	-	106,104
Advocacy / Community affairs	-	-	7,901	-	-	7,901
Bank charges and credit card fees	23,284	-	-	-	354	23,638
Dues, subscriptions and licenses	30,184	3,285	62,263	3,625	18,116	117,473
Equipment rental and maintenance	91,013	1,763	3,062	-	51,124	146,962
General insurance	-	-	-	-	17,754	17,754
Lab, drug, medical and birth control supplies	355,572	-	-	-	-	355,572
Miscellaneous	5,997	704	580	373	1,294	8,948
Occupancy	100,435	-	-	-	24,274	124,709
Office supplies	39,166	126,042	10,793	8,742	4,799	189,542
Outside lab and medical services	56,007	-	-	-	-	56,007
Patient liability insurance	61,005	-	-	-	-	61,005
Personnel recruitment	9,617	151	788	119	65	10,740
Postage and delivery	2,861	252	481	2,256	677	6,527
Printing and pamphlets	3,794	442	1,006	1,637	193	7,072
Professional fees	579,062	52,328	-	3,109	13,069	647,568
Telephone	16,715	-	-	919	10,106	27,740
Travel and mileage	<u>9,897</u>	<u>5,206</u>	<u>1,357</u>	<u>3,825</u>	<u>6,444</u>	<u>26,729</u>
Total functional expenses before depreciation	<u>1,390,414</u>	<u>194,544</u>	<u>183,494</u>	<u>25,270</u>	<u>148,269</u>	<u>1,941,991</u>
Depreciation	<u>125,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,167</u>	<u>162,129</u>
Total expenses	<u>\$ 2,504,017</u>	<u>\$ 332,298</u>	<u>\$ 317,751</u>	<u>\$ 186,943</u>	<u>\$ 310,985</u>	<u>\$ 3,651,994</u>

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	YEAR ENDED JUNE 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,714,949	\$ 1,127,975
Depreciation	188,704	162,129
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	(168,259)	39,986
Change in cash surrender value donor insurance	(204)	(379)
Non-cash stock contribution	(28,947)	(196)
Unrealized (gain) loss in investments	(3,507)	(3,207)
Bad debt provision	12,811	-
Changes in assets and liabilities:		
Grants receivable	11,849	204,151
Trade accounts receivable	(135,765)	(64,512)
Promises to give	(100,000)	-
Inventory	(29,664)	47,711
Prepaid expenses and other	64,189	(136,924)
Accounts payable	(99,061)	29,736
Accrued and withheld liabilities	35,267	13,697
Deferred grant revenue	(579,194)	478,371
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,883,168</u>	<u>1,898,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property and equipment	(3,310,902)	(1,170,256)
Payment for purchases of investments	(270,653)	(270,506)
Proceeds from maturities of investments	270,506	269,511
Proceeds from beneficial interest	58,658	58,335
Payments/transfers for beneficial interest	(1,200,000)	-
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(4,452,391)</u>	<u>(1,112,916)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	430,777	785,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,909,607</u>	<u>3,123,985</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,340,384</u>	<u>\$ 3,909,607</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES - NONE		
AMOUNTS PAID FOR INCOME TAXES AND INTEREST - NONE		

See notes to consolidated financial statements

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

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. 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. There were no consolidated activities for the year ended June 30, 2016.

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.

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

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

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

TRADE ACCOUNTS RECEIVABLE - CONTINUED - 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, 2017 or 2016.

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, 2017 or 2016.

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

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

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

ENDOWMENTS - CONTINUED - 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 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.

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

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

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

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 - Support received or receivable is recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any 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 \$79,810 and \$14,239 during 2017 and 2016, respectively.

ADVERTISING/COMMUNITY AFFAIRS - PPGMR expenses advertising costs as incurred. Such costs totaled \$123,774 and \$106,104 during 2017 and 2016, respectively. In addition, PPGMR expenses advocacy and community affairs costs as incurred. Such costs totaled \$11,186 and \$7,901 during 2017 and 2016, 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 2017 or 2016. 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 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.

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

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

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, 2017 or 2016. PPGMR is subject to U.S. federal tax examinations by taxing authorities for years ending after June 30, 2013.

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 policy is to evaluate subsequent events through the auditor's report date, 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 \$100,000 and \$0 at June 30, 2017 and 2016, respectively.

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, 2017 AND 2016

NOTE 3 - INVESTMENTS

Investments comprised the following:

	<u>Fair Value</u>
<u>June 30, 2017</u>	
Stocks	\$ 52,778
Certificates of deposit	<u>270,653</u>
	<u>\$ 323,431</u>
<u>June 30, 2016</u>	
Stocks	\$ 20,323
Certificates of deposit	<u>270,506</u>
	<u>\$ 290,829</u>

Interest income, including accrued interest, on certificates of deposit totaled approximately \$984 and \$620 for the years ended June 30, 2017 and 2016, respectively. Unrealized gain totaled \$3,507 and \$3,207 at June 30, 2017 and 2016, respectively.

Endowment Funds

Endowment fund net assets as of June 30, 2017 and 2016 aggregated \$2,430,372 and \$1,120,771, respectively and represented board-designated unrestricted funds only.

Changes in endowment fund net assets are as follows:

	<u>YEAR ENDED JUNE 30</u>	
	<u>2017</u>	<u>2016</u>
Endowment net assets at beginning of year	\$ 1,120,771	\$ 1,219,092
Net change in value of beneficial interest	168,259	(39,986)
Amounts appropriated for expenditure	(58,658)	(58,335)
Contributions	<u>1,200,000</u>	<u>-</u>
Endowment net assets at end of year	<u>\$ 2,430,372</u>	<u>\$ 1,120,771</u>

PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</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>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
		<u>Fair Value</u>		
<u>June 30, 2017</u>				
Stocks	\$ 52,778	\$ 52,778	\$ -	\$ -
Beneficial interest	<u>2,430,372</u>	<u>-</u>	<u>-</u>	<u>2,430,372</u>
Total	<u>\$ 2,483,150</u>	<u>\$ 52,778</u>	<u>\$ -</u>	<u>\$ 2,430,372</u>
<u>June 30, 2016</u>				
Stocks	\$ 20,323	\$ 20,323	\$ -	\$ -
Beneficial interest	<u>1,120,771</u>	<u>-</u>	<u>-</u>	<u>1,120,771</u>
Total	<u>\$ 1,141,094</u>	<u>\$ 20,323</u>	<u>\$ -</u>	<u>\$ 1,120,771</u>

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, 2017 or 2016.

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 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, 2017 AND 2016

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, 2015	1,219,092
Contributions and collections (net)	-
Change in value of beneficial interest	(39,986)
Payments from beneficial interest	<u>(58,335)</u>
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	<u>(58,658)</u>
June 30, 2017	<u>\$ 2,430,372</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>JUNE 30</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 1,063,837	\$ 225,000
Buildings and improvements	6,446,691	3,065,741
Clinic furniture	163,959	49,635
Medical instruments	274,853	180,836
Lab equipment	44,985	44,985
Computer equipment and software	464,152	413,917
Furniture and fixtures	235,385	227,566
Construction in progress	<u>-</u>	<u>1,175,280</u>
	8,693,862	5,382,960
Less accumulated depreciation	<u>(1,472,250)</u>	<u>(1,283,546)</u>
	<u>\$ 7,221,612</u>	<u>\$ 4,099,414</u>

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 5 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense totaled \$188,704 and \$162,129 in the years ended June 30, 2017 and 2016, 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 year ended June 30, 2017 an additional \$1,200,000 was transferred to the Community Foundation.

NOTE 7 - RETIREMENT PLAN

PPGMR 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 PPGMR in December of each year. For the years ended June 30, 2017 and 2016, 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 \$31,342 and \$28,165 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 - NET ASSETS

Temporarily restricted net assets consist of contributions restricted as to purpose only.

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, 2017 AND 2016

NOTE 9 - 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 lessee has not renewed the lease and PPGMR plans to utilize the office space. Future minimum rentals under the lease through the lease expiration date totals \$31,875.

Rental income from this agreement totaled \$134,199 and \$135,035 in 2017 and 2016, 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 to total \$117,696 in fiscal 2017.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 572,542
2019	572,542
2020	<u>524,830</u>
	<u>\$ 1,669,914</u>

NOTE 10 - 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 paid to PPFA totaled \$32,850 for 2016. Dues for 2017 were waived by PPFA.

During fiscal year 2015, PPGMR entered into a Master Grant Agreement with PPFA. Funds disbursed by PPFA under this Master Agreement are to be used by PPGMR in furtherance of PPFA's Commitment to the Southern Access Project ("SAP"). The SAP transactions are exchange transactions whereby PPGMR is required to perform various services/functions under these agreements. Total amounts received from PPFA under the SAP agreements totaled \$2,841,399 and \$1,692,000 during the years ended June 30, 2017 and 2016, respectively. Of these amounts received, \$3,392,531 and \$1,242,929 were included in unrestricted revenue and support in the

**PLANNED PARENTHOOD GREATER MEMPHIS REGION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 10 - RELATED PARTY TRANSACTIONS - CONTINUED

consolidated statements of activities for the years ended June 30, 2017 and 2016, respectively. Amounts included in deferred grant revenue in the consolidated statements of financial position totaled \$766,532 and \$1,399,071 at June 30, 2017 and 2016, 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. Amounts advanced to Company B during the year are included in property and equipment on the consolidated statement of financial position as construction in progress, and total \$1,175,280 at June 30, 2016. During fiscal year 2017, \$1,346,339 in additional funds were advanced 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. 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 11 - SIGNIFICANT FUTURE ACCOUNTING STANDARD CHANGE

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.

NOTE 12 - SUBSEQUENT EVENT

Subsequent to June 30, 2017, PPGMR was asked by PPFA to review and explore the feasibility of acquiring/merging with another PPFA affiliate organization. As of the date of the auditor's report, preliminary discussions with this other affiliate were in progress with no decision having yet been made as to whether to pursue an acquisition/merger.