

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

Opinion

We have audited the accompanying 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, 2022 and 2021, 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.

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 (dba Planned Parenthood of Tennessee and North Mississippi) as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of "PPTNM" and meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about "PPTNM's" ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 "PPTNM's" internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about "PPTNM's" ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Whithorn Jonhony & Davis, PLLC

November 14, 2022
Memphis, Tennessee

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

	JUNE 30	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,274,816	\$ 11,170,444
Investments - certificates of deposit	63,249	280,614
Investments	970,803	815,571
Promises to give	83,451	176,971
Trade accounts and other receivables	1,166,467	62,715
Inventory	211,129	361,993
Prepaid expenses and other	-	1,772
TOTAL CURRENT ASSETS	<u>14,769,915</u>	<u>12,870,080</u>
ASSETS RESTRICTED FOR LONG TERM PURPOSES	<u>667,000</u>	<u>227,000</u>
PROPERTY AND EQUIPMENT, net	<u>9,274,645</u>	<u>11,119,141</u>
OTHER ASSETS		
Beneficial interest in assets held by the Community		
Foundation of Greater Memphis	4,621,410	5,653,282
Cash surrender value of donor life insurance	37,818	37,818
Deposits	3,000	3,000
	<u>4,662,228</u>	<u>5,694,100</u>
TOTAL ASSETS	<u>\$ 29,373,788</u>	<u>\$ 29,910,321</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 202,610	\$ 236,166
Accrued and withheld liabilities	333,233	242,898
Deferred grant revenue	-	43,063
TOTAL CURRENT LIABILITIES	<u>535,843</u>	<u>522,127</u>
NET ASSETS		
Without donor restrictions		
Undesignated	22,793,740	23,127,732
Board-designated endowment	4,621,410	5,653,282
With donor restrictions	<u>1,422,795</u>	<u>607,180</u>
TOTAL NET ASSETS	<u>28,837,945</u>	<u>29,388,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,373,788</u>	<u>\$ 29,910,321</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, 2022**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Support and Revenue			
Private gifts and grants	\$ 6,058,701	\$ 886,314	\$ 6,945,015
Private gifts and grants - TAPP	146,973	-	146,973
Patient fees, net of contractual allowance of \$646,388	4,621,334	-	4,621,334
Special events	53,628	-	53,628
Income from beneficial interest in assets held by the Community Foundation of Greater Memphis	244,507	-	244,507
Total support and revenue	<u>11,125,143</u>	<u>886,314</u>	<u>12,011,457</u>
Reclassifications			
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	70,699	(70,699)	-
Total support and revenue and reclassifications	<u>11,195,842</u>	<u>815,615</u>	<u>12,011,457</u>
Expenses			
Patient services	6,792,240	-	6,792,240
Education	842,571	-	842,571
Advocacy	882,463	-	882,463
TAPP	303,907	-	303,907
Total program services	<u>8,821,181</u>	<u>-</u>	<u>8,821,181</u>
Development and fundraising	810,490	-	810,490
General and administrative	698,485	-	698,485
Total support services	<u>1,508,975</u>	<u>-</u>	<u>1,508,975</u>
Total expenses	<u>10,330,156</u>	<u>-</u>	<u>10,330,156</u>
Other income and (expense)			
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	(1,031,872)	-	(1,031,872)
Interest and dividend income	375	-	375
Rental Income	24,197	-	24,197
Unrealized loss on investments	(141,106)	-	(141,106)
Change in cash surrender value of life insurance	-	-	-
Loss on disposition of property and equipment	(1,083,144)	-	(1,083,144)
Total other income and (expense)	<u>(2,231,550)</u>	<u>-</u>	<u>(2,231,550)</u>
CHANGE IN NET ASSETS	<u>(1,365,864)</u>	<u>815,615</u>	<u>(550,249)</u>
NET ASSETS			
Beginning of year	<u>28,781,014</u>	<u>607,180</u>	<u>29,388,194</u>
End of year	<u>\$ 27,415,150</u>	<u>\$ 1,422,795</u>	<u>\$ 28,837,945</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, 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
Total support and revenue	<u>12,346,259</u>	<u>327,054</u>	<u>12,673,313</u>
Reclassifications			
Net assets released from restrictions - satisfaction of time and/or purpose restrictions	164,768	(164,768)	-
Total support and revenue and reclassifications	<u>12,511,027</u>	<u>162,286</u>	<u>12,673,313</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>
Other income and (expense)			
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)
Total other income and (expense)	<u>1,341,696</u>	<u>-</u>	<u>1,341,696</u>
CHANGE IN NET ASSETS	<u>2,514,374</u>	<u>162,286</u>	<u>2,676,660</u>
NET ASSETS			
Beginning of year	26,266,640	444,894	26,711,534
End of year	<u>\$ 28,781,014</u>	<u>\$ 607,180</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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	PATIENT SERVICES	EDUCATION	PATIENT ADVOCACY	TAPP	DEVELOPMENT AND FUND- RAISING	GENERAL AND ADMINISTRATION	TOTAL
Expenses							
Salaries	\$ 2,827,884	\$ 428,279	\$ 511,680	\$ 153,428	\$ 493,308	\$ 236,575	\$ 4,651,154
Fringe benefits	620,325	97,669	146,392	-	90,879	39,716	994,981
Total salaries and fringe benefits	3,448,209	525,948	658,072	153,428	584,187	276,291	5,646,135
Advertising	11,895	27,037	63,201	18,246	675	14	121,068
Advocacy / Community affairs	-	-	2,134	-	-	(100)	2,034
Bad debt	109,117	-	-	-	-	-	109,117
Bank charges and credit card fees	40,294	-	-	84	352	(1,085)	39,645
Computer and internet expense	-	-	-	100	-	-	100
Dues, subscriptions and licenses	67,179	5,008	32,794	287	31,617	12,770	149,655
Equipment rental and maintenance	273,979	23,492	24,609	-	68,213	15,068	405,361
General insurance	-	-	-	3,482	-	-	3,482
Interest	833	-	-	-	-	186	1,019
Lab, drug, medical and birth control supplies	816,997	-	-	-	-	-	816,997
Meals	2,424	587	5,903	351	1,203	210	10,678
Miscellaneous	55,374	2,761	14,843	1,386	3,732	10,836	88,932
Occupancy	275,862	-	-	-	19,631	29,081	324,574
Office supplies	82,783	116,099	55,685	12,759	-	18,819	286,145
Outside lab and medical services	132,500	-	-	-	-	-	132,500
PAC electoral expense	-	-	-	500	-	-	500
Patient liability insurance	233,790	-	-	-	-	-	233,790
Personnel recruitment	7,993	1,124	999	-	1,124	562	11,802
Postage and delivery	4,179	1,484	1,607	416	22,109	2,672	32,467
Printing and pamphlets	382	618	663	3,299	39,864	153	44,979
Professional fees	634,098	117,264	5,566	83,293	10,539	45,628	896,388
Rent	-	-	-	12,495	-	-	12,495
Repairs	-	-	-	2,375	-	-	2,375
Telephone	69,687	13,051	-	8,004	10,443	3,976	105,161
Travel and mileage	159,320	8,098	16,387	3,402	16,801	5,874	209,882
842 Rental building management	-	-	-	-	-	175,961	175,961
Total functional expenses before depreciation	6,426,898	842,571	882,463	303,907	810,490	596,916	9,863,245
Depreciation	365,345	-	-	-	-	62,636	427,981
842 Rental building depreciation	-	-	-	-	-	38,933	38,933
	365,345	-	-	-	-	101,569	466,914
Total expenses	\$ 6,792,240	\$ 842,571	\$ 882,463	\$ 303,907	\$ 810,490	\$ 698,485	\$ 10,330,156

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
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	<u>7,606,677</u>	<u>732,005</u>	<u>651,394</u>	<u>331,805</u>	<u>794,110</u>	<u>752,627</u>	<u>10,868,618</u>
Depreciation	368,044	-	-	-	-	62,754	430,798
842 Rental building depreciation	-	-	-	-	-	38,933	38,933
	<u>368,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,687</u>	<u>469,731</u>
Total expenses	<u>\$ 7,974,721</u>	<u>\$ 732,005</u>	<u>\$ 651,394</u>	<u>\$ 331,805</u>	<u>\$ 794,110</u>	<u>\$ 854,314</u>	<u>\$ 11,338,349</u>

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	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (550,249)	\$ 2,676,660
Contributions restricted for long term purposes	(440,000)	-
Depreciation	466,914	469,731
Change in value of beneficial interest in assets held by the Community Foundation of Greater Memphis	787,365	(1,121,062)
Change in cash surrender value donor insurance	-	1,228
Non-cash stock contributions	(78,598)	(241,373)
Unrealized (gain) loss in investments	141,106	(208,435)
Bad debt provision	109,117	126,076
Loss on disposal of fixed assets	1,083,144	-
Changes in assets and liabilities:		
Trade accounts receivables and other	(197,647)	(51,216)
Promises to give	93,520	(148,162)
Inventory	150,864	(73,243)
Prepaid expenses and other	1,772	20,581
Accounts payable	(33,556)	74,887
Accrued and withheld liabilities	90,279	52,679
Deferred grant revenue	(43,007)	(260,046)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,581,024	1,318,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in assets restricted for long-term purposes	(440,000)	-
Proceeds from disposal of property and equipment	823,769	-
Payments for purchase of property and equipment	(1,544,553)	(572,442)
Payment for purchases of investments	(217,740)	(280,614)
Proceeds from maturities of investments	217,365	277,789
Proceeds from beneficial interest	244,507	218,813
NET CASH (USED) BY INVESTING ACTIVITIES	(916,652)	(356,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	440,000	-
CHANGE IN CASH AND CASH EQUIVALENTS	1,104,372	961,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,170,444	10,208,593
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,274,816	\$ 11,170,444
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES - NONE		
AMOUNTS PAID FOR INTEREST	\$ -	\$ 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, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 or 2021.

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, 2022 or 2021.

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, 2022 AND 2021**

**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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2022 AND 2021**

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

COLLECTIONS - PPTNM has adopted a policy of not capitalizing contributions of collections in accordance with FASB-ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Collection items consist of art transferred to PPTNM during the year ended June 30, 2022. These items are held for public display at PPTNM locations in furtherance of public service. These collection items are protected and preserved by PPTNM and are subject to a restriction by the donor that requires they be returned to the donor should PPTNM no longer wish to maintain ownership.

DEFERRED REVENUE - Cash collections in advance of the period revenue is earned is 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 cash 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2022 AND 2021**

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

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.

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 \$36,402 and \$11,650, respectively, during 2022 and 2021.

ADVERTISING/COMMUNITY AFFAIRS - PPTNM expenses advertising costs as incurred. Such costs totaled \$121,068 and \$72,653 during 2022 and 2021, respectively. In addition, PPTNM expenses advocacy and community affairs costs as incurred. Such costs totaled \$2,034 and \$10,435 during 2022 and 2021, 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 2022 or 2021. 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, 2022 or 2021. PPTNM is subject to U.S. federal tax examinations by taxing authorities for years ending after June 30, 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2022 AND 2021**

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 14, 2022, 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 financial position. There were \$83,451 and \$176,971 in unconditional promises to give at June 30, 2022 and 2021, 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
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 3 - INVESTMENTS

Investments comprised the following:

	<u>Fair Value</u>
<u>June 30, 2022</u>	
Stocks	\$ 970,803
Certificate of deposit	<u>63,249</u>
	<u>\$1,034,052</u>
<u>June 30, 2021</u>	
Stocks	\$ 815,571
Certificates of deposit	<u>280,614</u>
	<u>\$1,096,185</u>

Endowment Funds

Endowment fund net assets as of June 30, 2022 and 2021 aggregated \$4,621,410 and \$5,653,282, respectively, and represented board-designated unrestricted funds only.

Changes in endowment fund net assets are as follows:

	<u>YEAR ENDED JUNE 30</u>	
	<u>2022</u>	<u>2021</u>
Endowment net assets at beginning of year	\$ 5,653,282	\$ 4,751,032
Net change in value of beneficial interest	(787,365)	1,121,063
Amounts appropriated for expenditure	<u>(244,507)</u>	<u>(218,813)</u>
Endowment net assets at end of year	<u>\$ 4,621,410</u>	<u>\$ 5,653,282</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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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>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, 2022</u>				
Stocks	\$ 970,803	\$ 970,803	\$ -	\$ -
Beneficial interest	<u>4,621,410</u>	<u>-</u>	<u>-</u>	<u>4,621,410</u>
Total	<u>\$ 5,592,213</u>	<u>\$ 970,803</u>	<u>\$ -</u>	<u>\$ 4,621,410</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>

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, 2022 and 2021.

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, 2021	\$ 4,751,032
Contributions and collections (net)	-
Change in value of beneficial interest	1,121,063
Payments from beneficial interest	<u>(218,813)</u>
June 30, 2022	5,653,282
Contributions and collections (net)	-
Change in value of beneficial interest	(787,365)
Payments from beneficial interest	<u>(244,507)</u>
June 30, 2022	<u>\$ 4,621,410</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>JUNE 30</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,740,312	\$ 1,638,837
Buildings and improvements	8,937,107	10,238,160
Clinic furniture	144,824	144,824
Medical instruments	151,035	137,047
Computer equipment and software	257,104	257,104
Furniture and fixtures	625,172	625,172
Construction in progress	-	588,561
Mobile unit deposit	<u>172,216</u>	<u>-</u>
	12,027,770	13,629,705
Less accumulated depreciation	<u>(2,753,125)</u>	<u>(2,510,564)</u>
	<u>\$ 9,274,645</u>	<u>\$ 11,119,141</u>

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NOTE 5 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense totaled \$466,914 and \$469,732, respectively, for the years ended June 30, 2022 and 2021.

At June 30, 2021, PPTNM was in the process of evaluating a building donation which, if approved, would occur during fiscal year 2022. However, the decision was made to raze the building in lieu of donation. The building was demolished during the year ended June 30, 2022. A loss on disposition of this building of \$843,812 is included in loss on disposal of fixed assets on the accompanying consolidated statement of activities for the year ended June 30, 2022.

In December 2021 a fire destroyed a building owned by PPTNM that was undergoing significant renovation. Insurance proceeds totaling \$823,769 relating to this incident were received during the year ended June 30, 2022. An additional \$1,015,222 is expected to be received during the year ending June 30, 2023 and is included in trade accounts and other receivables on the accompanying statement of financial position at June 30, 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, 2022, 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 \$83,676 and \$82,696, respectively, for the years ended June 30, 2022 and 2021.

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NOTE 8 - RESTRICTIONS ON NET ASSETS

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

	JUNE 30	
	2022	2021
Subject to expenditure for specified purposes:		
Knox MD Fly	\$ 22,324	\$ 34,414
Knox AB Expansion	667,000	227,000
TAPP	64,372	15,000
PPFA	615,461	330,766
Other (CAPS)	<u>53,638</u>	<u>-</u>
	<u><u>\$1,422,795</u></u>	<u><u>\$ 607,180</u></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:

	JUNE 30	
	2022	2021
Restrictions satisfied:		
PPFA	\$ 58,609	\$ 50,420
Knox MD Fly	12,090	84,498
Other (CAPS)	<u>-</u>	<u>29,850</u>
	<u><u>\$ 70,699</u></u>	<u><u>\$ 164,768</u></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.

	<u>JUNE 30</u>	
	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 19,885,014	\$ 18,424,415
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(1,422,795)	(607,180)
Board designations:		
Beneficial interest - board designated endowment	<u>(4,621,410)</u>	<u>(5,653,282)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,840,809</u>	<u>\$ 12,163,953</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 \$197,237 in fiscal 2021. The lessee vacated the building during the year ended June 30, 2021. The building was demolished during the year ended June 30, 2022.

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NOTE 10 - LEASE INCOME AND LEASE COMMITMENTS - CONTINUED

In addition, PPTNM has a billboard leased with rental revenue of \$24,169 and \$22,155 during 2022 and 2021, respectively, with approximately the same amount expected in 2023. This lease was renewed for an additional five years during 2021.

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 were 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 this lease:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	34,573
2024	<u>6,915</u>
	<u>\$ 41,488</u>

Lease expense under the above leases approximated \$54,000 during both 2022 and 2021.

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 2021 and 2022.

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.

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NOTE 11 - RELATED PARTY TRANSACTIONS - CONTINUED

Support and revenue without donor restrictions from PPFA from the SAP agreements in the consolidated statements of activities includes \$43,063 and \$260,046 for the years ended June 30, 2022 and 2021, respectively. Amounts included in deferred grant revenue in the consolidated statements of financial position totaled \$43,063 at June 30, 2021.

Other grant funds from PPFA included in support and revenue in the consolidated statements of activities totaled \$893,991 for 2022 and \$629,752 in 2021.