

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

**Financial Statements and  
Supplementary Information**

**June 30, 2009 and 2008  
(With Independent Auditors' Report Thereon)**

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

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**Hill, Harper & Associates**  
Certified Public Accountants

### Independent Auditors' Report

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

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We have audited the statements of financial position of Planned Parenthood of Middle and East Tennessee, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, 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 2008 financial statements and, in our report dated December 2, 2008, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2009 and, 2008 and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2009 on our consideration of the Affiliate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information and schedule of expenditures of federal awards are presented for the purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are not required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

*Hill, Harper & Associates*

December 10, 2009

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

**Statements of Financial Position**

**June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u><b>Assets</b></u>		
<b>Current assets:</b>		
Cash and cash equivalents:		
Cash in bank	\$ 124,456	79,912
Money market accounts	101,909	374,439
Total cash and cash equivalents	226,365	454,351
Certificates of deposit	330,000	327,149
Accounts receivable:		
Grants receivable	56,005	6,671
Pledges receivable	16,945	17,396
Other	104,857	14,905
Total receivables	177,807	38,972
Prepaid expenses	62,851	52,536
Inventory	30,784	25,238
Total current assets	827,807	898,246
<b>Property and equipment:</b>		
Land	101,975	101,975
Building	846,267	846,267
Office furniture and equipment	308,143	293,509
Leasehold improvements	22,857	22,857
	1,279,242	1,264,608
Less accumulated depreciation	(638,562)	(584,464)
Net property and equipment	640,680	680,144
<b>Other assets:</b>		
Notes receivable	50,000	-
Beneficial interest at Community Foundation	44,803	63,982
	\$ 1,563,290	1,642,372
<u><b>Liabilities and Net Assets</b></u>		
<b>Current liabilities:</b>		
Accounts payable	\$ 54,271	33,080
Accrued expenses	103,782	93,549
Total current liabilities	158,053	126,629
<b>Net assets:</b>		
Unrestricted	1,246,013	1,303,641
Temporarily restricted	114,420	148,120
Permanently restricted	44,804	63,982
Total net assets	1,405,237	1,515,743
	\$ 1,563,290	1,642,372

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, 2009 and 2008**

	<u>Unrestricted</u> <u>Fund Groups</u>	<u>Temporarily</u> <u>Restricted</u> <u>Fund Groups</u>	<u>Permanently</u> <u>Restricted</u> <u>Fund Groups</u>	<u>2009</u> <u>Total</u>	<u>2008</u> <u>Total</u>
<b>Public support and revenue:</b>					
Public support - United Way	\$ 38,493	-	-	38,493	47,499
Grants from government agencies	-	573,642	-	573,642	482,730
Grants from other agencies	-	543,815	-	543,815	419,145
Contributions and memberships	175,773	23,900	-	199,673	180,886
Patient fees	1,762,188	-	-	1,762,188	1,888,171
Investment earnings	9,873	343	723	10,939	26,851
Gain (loss) from funds held in trust with Community Foundation	-	-	(13,701)	(13,701)	(2,554)
Special events	33,284	-	-	33,284	62,035
	2,019,611	1,141,700	(12,978)	3,148,333	3,104,763
Net assets released from restrictions	1,181,600	(1,175,400)	(6,200)	-	-
<b>Total support and revenue</b>	3,201,211	(33,700)	(19,178)	3,148,333	3,104,763
<b>Expenses:</b>					
Program services	2,502,609	-	-	2,502,609	2,304,808
Supporting services:					
General and administrative	362,336	-	-	362,336	369,191
Fund raising	212,556	-	-	212,556	189,630
Community services and Public affairs	181,338	-	-	181,338	176,676
Total supporting services	756,230	-	-	756,230	735,497
<b>Total expenses</b>	3,258,839	-	-	3,258,839	3,040,305
<b>Increase (decrease) in net assets</b>	(57,628)	(33,700)	(19,178)	(110,506)	64,458
<b>Net assets at beginning of year</b>	1,303,641	148,120	63,982	1,515,743	1,451,285
<b>Net assets at end of year</b>	\$ 1,246,013	114,420	44,804	1,405,237	1,515,743

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, 2009 and 2008

	2009										2008									
	Unrestricted Fund Groups										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	2009 Total	2008 Total								
Public support and revenue:																				
Public support - United Way	\$ -	-	-	-	-	38,493	-	38,493	-	-	38,493	47,499								
Grants from government agencies	-	-	-	-	-	-	-	-	573,642	-	573,642	482,730								
Grants from other agencies	-	-	-	-	-	-	-	-	543,815	-	543,815	419,145								
Contributions and memberships	-	-	-	-	-	175,773	-	175,773	23,900	-	199,673	180,886								
Patient fees	1,349,146	191,794	213,595	5,653	-	9,873	-	1,762,188	-	-	1,762,188	1,888,171								
Investment earnings	-	-	-	-	-	-	-	9,873	-	343	10,216	26,851								
Gain (loss) from funds held in trust with Community Foundation	-	-	-	-	-	-	-	-	-	(12,978)	(12,978)	(2,554)								
Special events	-	-	-	-	-	33,284	-	33,284	-	-	33,284	62,035								
Total support and revenue	1,349,146	191,794	213,595	5,653	-	257,423	-	2,019,611	1,141,700	(12,978)	3,148,333	3,104,763								
Net assets released from restrictions	562,021	397,038	-	203,421	12,920	6,200	-	1,181,600	(1,175,400)	(6,200)	-	-								
	1,911,167	588,832	215,595	209,074	12,920	263,623	-	3,201,211	(33,700)	(19,178)	3,148,333	3,104,763								
Expenses:																				
Program services	1,018,567	756,940	231,782	482,400	12,920	-	-	2,502,609	-	-	2,502,609	2,304,808								
Supporting services:																				
General and administrative	75,403	103,266	47,538	74,786	-	33,878	27,465	362,336	-	-	362,336	369,191								
Fund raising	-	-	-	-	-	212,556	-	212,556	-	-	212,556	189,630								
Community services and public affairs	-	-	-	-	-	-	181,338	181,338	-	-	181,338	176,676								
Total supporting services	75,403	103,266	47,538	74,786	-	246,434	208,803	756,230	-	-	756,230	735,497								
Total expenses	1,093,970	860,206	279,320	557,186	12,920	246,434	208,803	3,258,839	-	-	3,258,839	3,040,305								
Increase (decrease) in net assets \$	817,197	(271,374)	(63,725)	(348,112)	-	17,189	(208,803)	(57,628)	(33,700)	(19,178)	(110,506)	64,458								

See accompanying notes to financial statements.

### Statements of Functional Expenses

For the years ended June 30, 2009 and 2008

See accompanying notes to financial statements

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

**Statements of Cash Flows**

**For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b><u>Cash Flows from Operating Activities</u></b>		
<b>Cash received from:</b>		
Clients and public support	\$ 2,577,905	2,603,240
Federal, state and local governments	524,308	478,983
Interest income	10,216	26,851
Distributions from endowment funds	6,200	-
<b>Cash paid for:</b>		
Employees and vendors	(3,279,130)	(2,960,718)
Net operating activities	<u>(160,501)</u>	<u>148,356</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Note receivable advanced to affiliated organization	(50,000)	-
Purchase of equipment	(14,634)	(58,708)
Net change in investments	<u>(2,851)</u>	<u>102,840</u>
Net investing activities	<u>(67,485)</u>	<u>44,132</u>
Net increase (decrease) in cash and cash equivalents	(227,986)	192,488
Cash and cash equivalents at beginning of year	<u>454,351</u>	<u>261,863</u>
	<u>\$ 226,365</u>	<u>454,351</u>
<b><u>Reconciliation of change in net assets to cash flows from operating activities</u></b>		
Change in net assets	\$ (110,506)	64,458
Depreciation	54,098	56,023
(Increase) decrease in funds held in beneficial interest	19,179	2,529
Decrease in current assets:		
Grants and contracts receivable	(49,334)	(3,747)
Pledges receivable	451	5,529
Other receivables	(89,952)	(13,417)
Prepaid expenses	(10,315)	(2,186)
Inventory	(5,546)	18,710
Increase (decrease) in current liabilities:		
Accounts payable	21,191	(7,492)
Accrued payroll, benefits and other expenses	<u>10,233</u>	<u>27,949</u>
Net operating activities	<u>\$ (160,501)</u>	<u>148,356</u>

See accompanying notes to financial statements.



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

**Notes to Financial Statements**

**June 30, 2009 and 2008**

**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 have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made" and No. 117 "Financial Statements of Not for Profit Organizations". This has been accomplished by classification of fund transactions into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted assets which have donor-imposed restrictions that expire in the future, and permanently restricted net assets which have donor imposed restrictions that do not expire, if any.

**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, 2008, 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.

**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.

**Accounts receivable**

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

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

**Notes to Financial Statements, continued**

**(1) Summary of Significant Accounting Policies, continued**

**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.

**Investments**

Investments are reported at market value to comply with Financial Accounting Standards No. 124, "Accounting for Certain Investments of Not for Profit Organizations".

**Fair Value Measurements**

Effective July 1, 2009, the Affiliate adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", (SFAS 157) for all financial instruments that are required to be reported at fair value and all nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis. The Affiliate elected to defer application of SFAS 157 for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis until July 1, 2009. The adoption of SFAS 157 did not have a material effect on the Affiliate's 2009 financial statements.

SFAS 157 defines fair value 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. The fair value hierarchy 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 under SFAS 157 as assumptions market participants would use in pricing an asset or liability. For the year ended June 30, 2009, all the Affiliate's investments were valued using Level 1 inputs under SFAS 157.

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. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings and improvements	35 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, 2009 and 2008 the Affiliate recognized no contributed services.

# 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.

#### 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.

#### 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.

In July 2006, the Financial Standards Board (FASB) issued Interpretation No 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No 109, "Accounting for Income Taxes". FIN 48 prescribes 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.

### (2) Certificates of Deposits

Marketable securities consist of the following:

At quoted market value:

Certificates of deposit

Total cost or carrying value

Unrealized cumulative losses

	<u>2009</u>	<u>2008</u>
\$	330,000	327,149
	330,000	328,000
\$	-	(851)

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

**Notes to Financial Statements, continued**

**(3) 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 \$44,803 and \$63,982 as of June 30, 2009 and 2008, respectively.

**(4) Notes Receivable**

4% note receivable from an affiliated organization, with maturity date of January 25, 2010 which is security by a first priority interest in all current and future assets of the borrower.

\$ 50,000

**(5) Pension Plan**

The Affiliate offers a pension plan (the 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, 2009 and 2008, the Affiliate contributed \$25,504 and \$17,517, respectively. The plan is administered by CompuPay.

**(6) State and National Organizations**

Dues paid to state and national organizations, including the Affiliate's Fair Share Assessment, amount to \$28,762 and \$25,566, respectively in 2009 and 2008.

**(7) Contingencies**

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:

	<b>Federal Support</b>	<b>Private Support</b>
Family Planning Services	\$ 327,437	-
Maternal and Child Health	116,000	-
Rape and Sex Abuse Prevention	91,595	-
HIV Education	38,610	-
Justice Fund for client surgical assistance	-	562,021
	<u>\$ 573,642</u>	<u>562,021</u>
Percent of total revenues	<u>18.20%</u>	<u>17.90%</u>

**(8) Leases**

The Affiliate is obligated under certain lease agreements for office and clinic space and office equipment. Non cancelable lease terms for the office and clinic space is 1) Metro Center (administrative office) - \$3,000 per month through July 2010; and 2) Knoxville Clinic - \$1,183 per month on a month to month basis.

Future maturities of operating leases having an initial or remaining term of one year or more are \$36,000 in 2010 and \$3,000 in 2011.

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

**Notes to Financial Statements, continued**

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available as follows:

	<u>2009</u>	<u>2008</u>
Private foundation grant for future Rivergate service center	\$ 10,000	10,000
Education	3,807	4,762
Future capital acquisitions or maintenance	10,392	10,392
Ultrasound for Knoxville Clinic	3,000	3,000
Justice Fund for client surgical assistance	48,082	92,103
J. P. Davis	39,139	27,863
	<u>\$ 114,420</u>	<u>148,120</u>

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

Education	\$ 1,000
J. P. Davis	12,920
HIV Vaccine	18,817
Grant for PG - 13 Players program	7,000
Justice Fund for client surgical assistance	562,021
Federal grants	573,642
Temporarily restricted net assets released from restriction	\$ 1,175,400
Grants from funds held by Community Foundation see note 3	6,200
Net assets released to unrestricted funds	<u>1,181,600</u>

**(10) 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, investments, and receivables to the extent that cash funds are not insured by a governmental agency, investments are not guaranteed by the United States Government and receivables collectibility. The following table summarizes the Affiliate's accounting risk of loss:

	<u>Account</u>	<u>Secured /</u>	<u>Amount of</u>
	<u>Balance</u>	<u>Collateralized</u>	<u>Risk of</u>
			<u>Loss</u>
Cash held in banks	\$ 124,456	124,456	-
Cash - money market	101,909	101,909	-
Investments in certificates of deposit	330,000	330,000	-
Government grants receivable	56,005	56,005	-
Other receivables	104,857	-	104,857
(substantially collected subsequent to end of fiscal year)			
Pledges receivable	16,945	-	16,945
Notes receivable	50,000	-	50,000
	<u>\$ 784,172</u>	<u>612,370</u>	<u>171,802</u>

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

**Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2009**

	<u>Grant Number</u>	<u>CFDA#</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>2008 Receivable</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>2009 Receivable</u>
HIV / AIDS Prevention Pass through from UW of Metro Nashville Middle Tennessee Regional Community Planning Group - Approved by Tennessee Tennessee Department of Health	N/A	93.917	07/08 - 12/08\$ 01/09 - 06/09	41,500 \$ 41,500	6,671 -	18,627 19,983	25,298 10,160	- 9,823
					6,671	38,610	35,458	9,823
Rape Prevention and Education Services State of Tennessee, Department of Health Health Services Administration	GR 09-25843-00 GR 09-27364-00	93.136 93.136	07/08 - 12/08 01/09 - 10/09	71,000 35,500	- -	71,000 20,595	71,000 17,145	- 3,450
					-	91,595	88,145	3,450
Family Planning Services Maternal and Child Health Block Grant to States State of Tennessee, Department of Health Health Services Administration	GR 09-27364-00 GR 09-27364-00	93.217 93.994	07/08 - 06/09 07/08 - 06/09	334,600 116,000	- -	327,437 116,000	284,705 116,000	42,732 -
					-	443,437	400,705	42,732
					\$ 6,671	573,642	524,308	\$ 56,005



**Hill, Harper & Associates**  
Certified Public Accountants

**Independent Auditor's Report on**  
**Internal Control Over Financial Reporting and on Compliance**  
**and Other Matters Based on an Audit of Financial Statements**  
**Performed in Accordance with Government Auditing Standards**

Terry A. Hill  
(615) 417-7414  
Ernest R. Harper  
(615) 417-6358

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

761 Old Hickory Boulevard  
Brentwood, TN 37027  
TEL: 615/377-3485  
FAX: 615/377-3488

We have audited the financial statements of Planned Parenthood of Middle and East Tennessee, Inc. as of and for the year ended June 30, 2009, and have issued our report dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency in the accompanying Schedule of Findings and Questioned Costs, as item 09 - 01 and 09 - 02 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

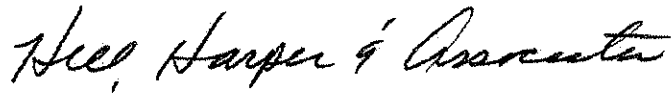
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the deficiency described in the Schedule of Findings and Questioned Costs, not to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-03a and 09-03b.

The Organization's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 10, 2009





**Hill, Harper & Associates**  
Certified Public Accountants

**Independent Auditor's Report on  
Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

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

761 Old Hickory Boulevard  
Brentwood, TN 37027  
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**Compliance**

We have audited the compliance of Planned Parenthood of Middle and East Tennessee, Inc. with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, that are applicable to each of its major federal programs for the year ended June 30, 2009. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards accepted in the United States of America; standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

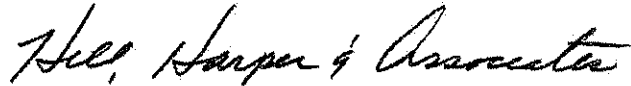
The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an Organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

December 10, 2009

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

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2009

**I. Summary of Independent Auditors' Results**

**Financial Statements**

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
> Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
> Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards - Major Programs**

Internal control over major programs:		
> Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
> Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance for major programs: Unqualified

> Any audit findings disclosed that are required to be reported in accordance with section 510(1) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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**Considered Major Program:**

CFDA Number	Name of Federal Program	Amount Expended
Tennessee Department of Health to Provide Family Planning Services		
93.217	Family Planning Services	\$ 327,437
93.994	Maternal & Child Health Services Block Grant to the States	116,000 \$ 443,437

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee ☒ Yes ☐ No

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

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2009**

**II. Financial Statement Findings**

**A. Significant Deficiencies in Internal Control**

**Segregation of Accounting Duties**

**9-01 Condition:**

Due to the small number of administrative and accounting employees, it is difficult - if not impossible - to adequately segregate accounting duties

**Criteria:**

The basic premise of segregation of accounting duties is that no one employee should have control of all phases of any transaction.

**Effect:**

The danger this poses is that errors may occur and not be corrected in the normal course of performing the accounting function.

**Recommendation:**

Management should consider if certain accounting duties could be assigned to other staff members or possibly to upper management.

**Response:**

Management and members of the Board of Directors will continue to monitor and approve activities of the staff in order to mitigate the possibility of errors or fraudulent transactions.

**Closing Checklist**

**9-02 Condition:**

An audit entry was required, that materially affected the financial statements, relating to the failure to properly record the ending balance relating to accrued payroll. Further, other entries were required to correct errors made in previous periods.

**Criteria:**

Internal control should be in place to provide reasonable assurance that significant accounts are reconciled properly and in a timely manner.

**Effect:**

Failure to reconcile these accounts may allow errors and other misstatements to remain undetected.

**Recommendation:**

We recommend that a month end and year end closing checklist be designed and implemented to assure that all accounts are properly reconciled and balanced to the general ledger.

**Response:**

Management concurs and will implement these procedures immediately.

# PLANNED PARENTHOOD OF

## Schedule of Findings and Questioned Costs, continued

Year ended June 30, 2009

### II. Findings and Questioned Costs for Federal Awards

#### Provisions Related to Family Planning Grant # GR 09-24996-00

**9-03a Finding**

The scope of services of the Maternal and Child Health portion of the Family Planning grant requires that comprehensive health services will be provided to 500 unduplicated teens by June 30, 2009. The actual number of unduplicated teens who received services amounted to 469.

**Management's Response**

Management on a quarterly basis will monitor the unduplicated teen numbers and increase outreach to encourage more teens to seek our services.

**9-03b Finding**

Further, all patient fees collected for services must be in accordance with applicable Tennessee Department of Health sliding scale. We determined that a sliding scale was used for each of the clients in our sample of clients tested. We were unable to determine if the correct amount was invoiced, since the intake document (indicates the family income) completed by the client is only maintained for the most current visit. Many of the clients in our sample were in the previous year and that intake document had been destroyed if the client had services in the year subsequent to the period covered in this audit.

We recommend that these intake documents be maintained in the client file until the stated record retention period expires which is 3 year after the final payment of the grant.

**Management's Response**

Management has taken steps to assure that all intake documents will remain in the patients chart as a permanent record.

**Questioned Costs Relating to Findings 9-03a - b**

Documentation is not available to determine the amount of questioned costs, if any, the two above listed findings might require.

**PLANNED PARENTHOOD OF**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2008**

**II. Financial Statement Findings**

None Reported

**III. Findings and Questioned Costs for Federal Awards**

None Reported