

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA

DECEMBER 31, 2008

AUDIT OF FINANCIAL STATEMENTS

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
REPORT ON AUDIT OF FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

May 12, 2009

To the Board of Directors of Planned
Parenthood of Central Oklahoma

We have audited the accompanying statement of financial position of Planned Parenthood of Central Oklahoma (a nonprofit organization) as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides 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 Central Oklahoma as of December 31, 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

GRAY, BLODGETT & COMPANY, PLLC

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PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Cash & cash equivalents	\$ 178,984
Accounts receivable, (net of reserve of \$18,000)	196,019
Inventories	66,630
Prepaid expenses	14,351
Investments	20,174
Property, furniture, and equipment, net	<u>70,021</u>
 Total Assets	 <u>\$ 546,179</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 297,282
Accrued expenses	<u>45,882</u>
 Total Liabilities	 <u>343,164</u>
 Net Assets	
Unrestricted	184,015
Temporarily restricted	<u>19,000</u>
 Total Net Assets	 <u>203,015</u>
 Total Liabilities and Net Assets	 <u>\$ 546,179</u>

The accompanying notes are an integral part of these financial statements.

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Revenues</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Patient fees	\$ 1,391,187	\$ -	\$ 1,391,187
Contributions	259,218	-	259,218
Educational sales and fees	15,449	-	15,449
Other income	276	-	276
Private grants	-	350,656	350,656
Inkind contribution of supplies	<u>4,258</u>	<u>-</u>	<u>4,258</u>
 Total revenues	 1,670,388	 350,656	 2,021,044
Satisfaction of program restrictions	<u>339,382</u>	<u>(339,382)</u>	<u>-</u>
 Total revenues and other support	 <u>2,009,770</u>	 <u>11,274</u>	 <u>2,021,044</u>
 <u>Expenses</u>			
Program Services:			
Medical services	1,831,400	-	1,831,400
Educational services	113,070	-	113,070
Public affairs/advocacy	<u>91,184</u>	<u>-</u>	<u>91,184</u>
 Total program services	 <u>2,035,654</u>	 <u>-</u>	 <u>2,035,654</u>
Supporting Services			
Administrative and general	38,237	-	38,237
Fund raising	<u>111,199</u>	<u>-</u>	<u>111,199</u>
 Total supporting services	 <u>149,436</u>	 <u>-</u>	 <u>149,436</u>
 Total expenses	 <u>2,185,090</u>	 <u>-</u>	 <u>2,185,090</u>
 Increase(decrease) in net assets	 (175,320)	 11,274	 (164,046)
Net assets at beginning of year	<u>359,335</u>	<u>7,726</u>	<u>367,061</u>
Net assets at end of year	<u>\$ 184,015</u>	<u>\$ 19,000</u>	<u>\$ 203,015</u>

The accompanying notes are an integral part of these financial statements.

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Medical Services	Educational Services	Public Affairs	Fund Raising	Administration Services	Total
Salaries	\$ 633,809	\$ 63,260	\$ 47,507	\$ 74,873	\$ 23,509	\$ 842,958
Payroll taxes and benefits	157,101	14,967	10,010	17,617	5,482	205,177
Total salaries and benefits	790,910	78,227	57,517	92,490	28,991	1,048,135
Advertising	219,926	912	763	11	22	221,634
Conferences and conventions	1,689	70	4,101	69	148	6,077
In kind services	796	2,014	10	1,412	26	4,257
Insurance	20,637	353	284	346	743	22,364
Local transportation	6,135	1,625	348	738	75	8,921
Miscellaneous	38,696	765	764	2,379	1,497	44,101
National dues	12,626	1,725	1,660	1,719	707	18,437
Occupancy	144,139	2,510	2,617	2,888	2,762	154,916
Postage and shipping	1,649	1,332	325	3,657	86	7,049
Printing and publications	7,103	4,050	400	81	91	11,725
Professional fees/contracts	158,505	436	20,135	1,776	920	181,772
Supplies	349,790	17,273	491	1,209	1,352	370,115
Telephone	16,954	996	1,529	575	188	20,242
Uncollectible Accts Rec./Pledges	43,922	-	-	-	-	43,922
Total expenses before depreciation	1,813,477	112,288	90,944	109,350	37,608	2,163,667
Depreciation	17,923	782	240	1,849	629	21,423
Total Expenses	\$ 1,831,400	\$ 113,070	\$ 91,184	\$ 111,199	\$ 38,237	\$ 2,185,090

The accompanying notes are an integral part of these financial statements.

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows From Operating Activities	
Net income (loss)	\$ (164,046)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	21,423
Increase (decrease) in reserve for doubtful accounts	8,000
Unrealized (gain) loss on investments	4,235
(Increase) decrease in accounts receivable	(50,040)
(Increase) decrease in pledges receivable	16,200
(Increase) decrease in prepaid assets	(2,178)
(Increase) decrease in inventories	13,289
Increase (decrease) in accounts payable	147,601
Increase (decrease) in other accrued liabilities	<u>(15,798)</u>
Net Cash Provided (Used) by Operating Activities	<u>(21,314)</u>
Cash Flows From Investing Activities	
Purchases of fixed assets	<u>(52,160)</u>
Net Cash Provided (Used) by Investing Activities	<u>(52,160)</u>
Cash Flows From Financing Activities	
Principal payments on long-term debt	<u>(2,654)</u>
Net Cash Provided (Used) by Financing Activities	<u>(2,654)</u>
Net increase (decrease) in cash	(76,128)
Cash at beginning of year	<u>255,112</u>
Cash at end of year	<u>\$ 178,984</u>
<u>Supplemental Disclosures</u>	
Interest paid	<u>\$ 3,919</u>

The accompanying notes are an integral part of these financial statements.

PLANNED PARENTHOOD OF CENTRAL OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1 - Organization

Planned Parenthood of Central Oklahoma (PPCO) (the Organization) was organized to provide an opportunity for every child born to be a wanted child. To achieve this, each individual has a fundamental right and responsibility to manage his or her fertility. PPCO's mission is to provide health care services in a setting which preserves and protects the essential privacy and rights of each individual. There are five operating clinics which are located in Central Oklahoma City, South Oklahoma City, Edmond, Midwest City and Norman to achieve this mission. PPCO's area of operations also includes much of western Oklahoma, and additional clinics may be set up in the future. PPCO also provides educational services and engages in public affairs activities to promote awareness of related issues.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation - The financial statements are presented in accordance with the Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Organization to report net assets based on the existence or absence of donor-imposed restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the year the contribution is received, the contribution is classified as unrestricted.

Contributions - In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Functional Expenses - Expenses are charged to each program based on direct expenditures incurred. Indirect expenses are allocated to programs using percentages of total expenses.

Basis of Presentation - The accompanying financial statements are prepared on the accrual basis of accounting and include all material amounts receivable and payable, and all other significant liabilities and prepaid expenses of the funds reported.

Income Tax Status - PPCO has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Accounts Receivable - Management has determined that, based on historical charge offs and collection experience, it is appropriate to establish a reserve for future uncollectible accounts receivable. The reserve for uncollectible accounts receivable was \$18,000 at December 31, 2008.

Property and Equipment - Property and equipment are recorded at cost. Contributed assets are recorded at fair market value at the date of acquisition. Maintenance and repairs of property and equipment are charged to expense as incurred. Major improvements and additions are capitalized. Any gain or loss that may occur from the disposition of these capital assets is credited or charged to income.

Inventory - Inventory represents medical supplies and is stated at the lower of cost (first-in, first-out) or market.

Donated Supplies and Services - The Organization records the value of donated supplies when there is an objective basis available to measure their value. Donated supplies are reflected as in-kind contributions in the accompanying statements at their estimated values at the date of receipt.

Volunteers regularly donate their time to PPCO's program services. These amounts do not qualify for recording in the financial statements in accordance with SFAS No. 116. A substantial number of volunteers who serve on the Board of Directors and many committees donate significant amounts of their time and no amount has been reflected in the statements for these services. No objective basis is available to measure the value of such services.

Investments - Investments are composed of marketable securities and mutual funds and are carried at fair value. Unrealized gains and losses are included in the change in net assets.

Paid Time Off - Paid time off is recorded as an expense when earned by employees and any unpaid time off is paid upon termination.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank and money market accounts.

Note 4 - Investments

At December 31, 2008, investments consisted of corporate stocks (all Level 1 measurements) with a fair value of \$20,174.

Investment return is summarized as follows:

Dividend income	\$ 482
Net unrealized gains and losses	<u>(4,235)</u>
Total unrestricted investment income	<u>\$ (3,753)</u>

Note 5 - Property, Furniture and Equipment

Depreciation of property, furniture and equipment is computed on a straight-line method by a charge to expense at a rate based on the estimated useful life of the assets ranging from two to ten years. The carrying value of such assets at December 31, 2008 is as follows:

Leasehold improvements	\$ 279,067
Furniture and equipment	<u>353,367</u>
	632,434
Less: Accumulated depreciation	<u>(562,413)</u>
Net Property, furniture and equipment	<u>\$ 70,021</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 include \$16,500 available for permanent contraception and \$2,500 available for educational services.

Note 7 - Commitments and Contingencies

PPCO leases clinic and administrative offices under agreements that are non-cancelable and which expire in 2009 through 2011. The following are future minimum lease payments required under the leases as of December 31, 2008:

2009	\$ 71,896
2010	\$ 62,490
2011	\$ 24,000

Included in occupancy expenses is \$83,382 of rental expenses recognized in 2008.

Note 8 - Capitalized Leases

The Organization leased certain equipment with lease terms ending December, 2008. The capitalized cost of \$3,195 less accumulated depreciation of \$1,244 at December 31, 2008 is included in furniture and equipment. Depreciation expense for this equipment for the year ended December 31, 2008 was \$1,065, respectively.

Note 9 - Employee Benefit Plan

The Organization participates as an affiliate with the Planned Parenthood Federation of America, Inc. and maintains a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code. Under this plan, employees may begin contributing immediately, with employer contributions after one year of service. The employer contribution amount is fifty percent (50%) up to a maximum of six percent of employee contributions. The Plan provides that PPCO may contribute a discretionary amount of an additional 25% of the employee contributions on the next 6% of salary although this provision has never been implemented. Employees are 100% vested after two years of service.

Contributions made by the Organization for employees for the year ended December 31, 2008 were \$8,744 and included in payroll benefit expense.

Note 10 - Financial Instruments

PPCO maintains cash balances in various financial institutions located in the Oklahoma City, Oklahoma metro area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization may have uninsured balances in financial institutions. At December 31, 2008, all balances were insured.

Note 11 - Concentrations

PPCO receives contributions and grants from individuals and foundations in the Oklahoma City area. The loss of one or more of the major contributors could cause an impact in the operations of PPCO.

Note 12 - Endowment Fund

The Organization is the beneficiary of an endowment fund that is under the control of the Oklahoma City Community Foundation. According to the Oklahoma City Community Foundation, the value of the endowment fund at December 31, 2008 was \$179,004. Included in these amounts is \$16,500 plus earnings that the organization contributed.

An endowment fund of \$9,533 was established in memory of Mrs. Cleo Cross by a regular donor and was restricted in perpetuity to continue the mission of PPCO. Income generated by these assets could be used for operating expenses. On December 31, 2005 this asset was transferred to the Oklahoma City Community Foundation as a permanently restricted endowment. The value of the fund at December 31, 2008 was \$7,442.

Planned Parenthood of Central Oklahoma does not include the balance of these endowment funds on its financial statements because the variance power remains with the Oklahoma City Community Foundation.

Distributions from these funds are made annually based on 5% of the average value of the fund for the previous eight quarters.

Note 13 - Planned Parenthood Federation of America, Inc.

PPCO is affiliated with a national organization, Planned Parenthood Federation of America, Inc. The national organization has no governing power over its affiliates and serves as a trade association providing supportive services and nationally recognized standards for agency operations and program management at the local level. As a full member of the national organization, PPCO pays annual affiliation dues based on a sliding scale of percentages applied to prior years' revenues and support. The annual dues paid for 2008 were \$17,917, respectively.

Note 14 - Special Event Costs

Included in contributions at December 31, 2008 is net event revenue. Direct costs related to fundraising are as follows:

Gross special event revenue	\$ 83,197
Direct costs	<u>(40,112)</u>
Net special event revenue	<u>\$ 43,085</u>

Note 15 - Related Party Transactions

In 2008, a contractual relationship was created between PPCO and a board member, who is a physician, to provide direct client care and to assist with clinician supervision as needed. The medical service contract from June 1, 2007 to May 31, 2008 was for \$20,000 per year for family planning services. The contract for June 1, 2008 to May 31, 2009 is for family planning services and clinical supervision as needed. Actual payment for these services was \$12,570 and is included in contracts expense at December 31, 2008.

Note 16 - Fair Market Value

The Organization has determined the fair value of certain assets and liabilities through application of SFAS No. 157, *Fair Value Measurements*. The Organization has also elected the fair value option for certain financial assets and liabilities as allowed by SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. See Note 4.

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

SFAS No. 159 provides a fair value option that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. When the fair value is elected, unrealized gains and losses are recognized in earnings as they occur. SFAS No. 159 permits the fair value option election on an instrument-by-instrument basis at specified election dates, primarily at the initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument.

Management did not elect the fair value option for all financial assets, which were eligible for the fair value option, since those instruments were not affected by changes in management's risk management and investment strategy.