

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Audit Committee

PLANNED PARENTHOOD OF SOUTH FLORIDA AND THE TREASURE COAST, INC.

We have audited the accompanying consolidated statements of financial position of Planned Parenthood of South Florida and the Treasure Coast, Inc. and Subsidiaries (the "Organization") as of September 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Planned Parenthood of South Florida and the Treasure Coast, Inc. and Subsidiaries as of September 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011, on our consideration of Planned Parenthood of South Florida and the Treasure Coast, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Mayer Hoffman McCann P.C.".

Boca Raton, Florida
January 13, 2011

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2010

	<u>ASSETS</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 973,563	\$ 80,463	\$ -	\$ 1,054,026
Accounts, contributions and grants receivable, net	538,705	302,674	-	841,379
Bequest receivable	109,767	-	-	109,767
Interest receivable	20,526	-	-	20,526
Inventory	162,811	-	-	162,811
Prepaid expenses	56,562	-	-	56,562
TOTAL CURRENT ASSETS	1,861,934	383,137	-	2,245,071
Contributions receivable, less current portion	-	54,813	-	54,813
Property and equipment, net of accumulated depreciation of \$2,254,414	2,995,820	-	-	2,995,820
Bond issue costs, net of accumulated amortization of \$32,528	89,451	-	-	89,451
Investments	4,837,458	-	2,386,070	7,223,528
Other assets	56,890	-	-	56,890
TOTAL ASSETS	\$ 9,841,553	\$ 437,950	\$ 2,386,070	\$ 12,665,573
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES				
Line of credit	\$ 225,000	\$ -	\$ -	\$ 225,000
Accounts payable	165,469	-	-	165,469
Accrued expenses	271,420	-	-	271,420
Current portion, obligation under capital lease	47,923	-	-	47,923
Refundable grant advances	57,138	-	-	57,138
Deferred revenue	59,343	-	-	59,343
TOTAL CURRENT LIABILITIES	826,293	-	-	826,293
Obligation under capital lease	79,986	-	-	79,986
Bond payable, net of unamortized discount of \$23,760	2,676,240	-	-	2,676,240
TOTAL LIABILITIES	3,582,519	-	-	3,582,519
NET ASSETS				
Unrestricted	6,259,034	-	-	6,259,034
Temporarily restricted	-	437,950	-	437,950
Permanently restricted	-	-	2,386,070	2,386,070
TOTAL NET ASSETS	6,259,034	437,950	2,386,070	9,083,054
TOTAL LIABILITIES AND NET ASSETS	\$ 9,841,553	\$ 437,950	\$ 2,386,070	\$ 12,665,573

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2009

	<u>ASSETS</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 427,749	\$ 106,606	\$ -	\$ 534,355
Accounts, contributions and grants receivable, net	611,378	107,099	-	718,477
Bequest receivable	-	-	-	-
Interest receivable	7,937	-	-	7,937
Inventory	150,047	-	-	150,047
Prepaid expenses	70,956	-	-	70,956
TOTAL CURRENT ASSETS	1,268,067	213,705	-	1,481,772
Contributions receivable, less current portion	-	204,780	-	204,780
Property and equipment, net of accumulated depreciation of \$2,106,538	3,177,173	-	-	3,177,173
Bond issue costs, net of accumulated amortization of \$28,462	93,517	-	-	93,517
Investments	5,169,560	-	2,386,070	7,555,630
Other assets	56,710	-	-	56,710
TOTAL ASSETS	\$ 9,765,027	\$ 418,485	\$ 2,386,070	\$ 12,569,582
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Line of credit	\$ 250,000	\$ -	\$ -	\$ 250,000
Accounts payable	197,072	-	-	197,072
Accrued expenses	382,750	-	-	382,750
Current portion, obligation under capital lease	21,331	-	-	21,331
Refundable grant advances	63,305	-	-	63,305
Deferred revenue	30,240	-	-	30,240
TOTAL CURRENT LIABILITIES	944,698	-	-	944,698
Obligation under capital lease	65,749	-	-	65,749
Bond payable, net of unamortized discount of \$24,840	2,675,160	-	-	2,675,160
TOTAL LIABILITIES	3,685,607	-	-	3,685,607
NET ASSETS				
Unrestricted	6,079,420	-	-	6,079,420
Temporarily restricted	-	418,485	-	418,485
Permanently restricted	-	-	2,386,070	2,386,070
TOTAL NET ASSETS	6,079,420	418,485	2,386,070	8,883,975
TOTAL LIABILITIES AND NET ASSETS	\$ 9,765,027	\$ 418,485	\$ 2,386,070	\$ 12,569,582

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE				
Clinic revenue	\$ 5,181,788	\$ -	\$ -	\$ 5,181,788
Grant revenue	3,065,500	-	-	3,065,500
Contributions and bequests	1,265,282	363,259	-	1,628,541
Special event income, net of direct expenses of \$109,738	334,586	-	-	334,586
Interest and dividends	363,208	-	-	363,208
Net realized and unrealized gains	287,398	-	-	287,398
Other income	55,615	-	-	55,615
TOTAL SUPPORT AND OPERATING REVENUE	10,553,377	363,259	-	10,916,636
NET ASSETS RELEASED FROM RESTRICTIONS	343,794	(343,794)	-	-
	<u>10,897,171</u>	<u>19,465</u>	<u>-</u>	<u>10,916,636</u>
EXPENSES				
Program services				
Health centers	5,796,502	-	-	5,796,502
Teen pregnancy prevention	808,658	-	-	808,658
Education	1,912,299	-	-	1,912,299
Public affairs	392,764	-	-	392,764
Total program services	<u>8,910,223</u>	<u>-</u>	<u>-</u>	<u>8,910,223</u>
Supporting services				
Fundraising	479,307	-	-	479,307
Management and general	1,328,027	-	-	1,328,027
Total supporting services	<u>1,807,334</u>	<u>-</u>	<u>-</u>	<u>1,807,334</u>
Loss on uncollectible contributions receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>10,717,557</u>	<u>-</u>	<u>-</u>	<u>10,717,557</u>
CHANGE IN NET ASSETS	179,614	19,465	-	199,079
NET ASSETS, BEGINNING OF YEAR	<u>6,079,420</u>	<u>418,485</u>	<u>2,386,070</u>	<u>8,883,975</u>
NET ASSETS, END OF YEAR	<u>\$ 6,259,034</u>	<u>\$ 437,950</u>	<u>\$ 2,386,070</u>	<u>\$ 9,083,054</u>

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE				
Clinic revenue	\$ 4,210,476	\$ -	\$ -	\$ 4,210,476
Grant revenue	3,368,548	-	-	3,368,548
Contributions and bequests	631,612	806,935	-	1,438,547
Special event income, net of direct expenses of \$100,977	289,593	-	-	289,593
Interest and dividends	230,686	-	-	230,686
Net realized and unrealized (losses)	(227,738)	-	-	(227,738)
Other income	14,870	-	-	14,870
TOTAL SUPPORT AND OPERATING REVENUE	8,518,047	806,935	-	9,324,982
NET ASSETS RELEASED FROM RESTRICTIONS	916,362	(916,362)	-	-
	9,434,409	(109,427)	-	9,324,982
EXPENSES				
Program services				
Health centers	4,824,597	-	-	4,824,597
Teen pregnancy prevention	1,128,974	-	-	1,128,974
Education	2,157,303	-	-	2,157,303
Public affairs	511,457	-	-	511,457
Total program services	8,622,331	-	-	8,622,331
Supporting services				
Fundraising	428,315	-	-	428,315
Management and general	1,366,102	-	-	1,366,102
Total supporting services	1,794,417	-	-	1,794,417
Loss on uncollectible contributions receivable	-	225,000	-	225,000
TOTAL EXPENSES	10,416,748	225,000	-	10,641,748
CHANGE IN NET ASSETS	(982,339)	(334,427)	-	(1,316,766)
NET ASSETS, BEGINNING OF YEAR	7,061,759	752,912	2,386,070	10,200,741
NET ASSETS, END OF YEAR	\$ 6,079,420	\$ 418,485	\$ 2,386,070	\$ 8,883,975

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2010

	PROGRAM SERVICES				Total
	Health Centers	Teen Pregnancy Prevention	Education	Public Affairs	
Salaries	\$ 2,135,026	\$ 480,565	\$ 964,413	\$ 189,612	\$ 3,769,616
Payroll taxes and employee benefits	359,847	74,175	185,464	32,388	651,874
	<u>2,494,873</u>	<u>554,740</u>	<u>1,149,877</u>	<u>222,000</u>	<u>4,421,490</u>
Advertising	-	-	9,213	18,258	27,471
Bad debt expense	57,432	-	-	-	57,432
Communication expense	335,017	10,696	44,588	9,138	399,439
Computer expense	14,574	-	10,293	3,141	28,008
Conferences, meetings and travel	119,459	10,496	59,145	20,669	209,769
Contraceptive supplies	635,087	-	-	-	635,087
Dues and subscriptions	57,055	-	65,243	83,711	206,009
Education grant expenses	294	115,124	262,256	-	377,674
Facilities expense	466,590	30,056	30,228	4,171	531,045
Insurance expense	71,954	48,312	12,058	1,921	134,245
Interest expense	12,753	-	24,977	2,409	40,139
Lab fees	206,666	-	-	-	206,666
Maintenance and repairs	101,382	5,932	12,364	1,992	121,670
Medical supplies	461,081	-	-	-	461,081
Miscellaneous expense	65,010	3,117	3,796	694	72,617
Office expense	72,466	3,252	22,801	7,493	106,012
Physician's fees	220,158	-	-	-	220,158
Professional fees	195,212	-	118,852	4,906	318,970
Utilities	58,121	5,078	10,360	1,650	75,209
TOTAL EXPENSES BEFORE DEPRECIATION	<u>5,645,184</u>	<u>786,803</u>	<u>1,836,051</u>	<u>382,153</u>	<u>8,650,191</u>
Depreciation	151,318	21,855	76,248	10,611	260,032
TOTAL EXPENSES	<u>\$ 5,796,502</u>	<u>\$ 808,658</u>	<u>\$ 1,912,299</u>	<u>\$ 392,764</u>	<u>\$ 8,910,223</u>

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year Ended September 30, 2010

	SUPPORTING SERVICES			Total Expenses
	Fund Raising	Management and General	Total	
Salaries	\$ 364,890	\$ 913,165	\$ 1,278,055	\$ 5,047,671
Payroll taxes and employee benefits	51,798	174,795	226,593	878,467
	<u>416,688</u>	<u>1,087,960</u>	<u>1,504,648</u>	<u>5,926,138</u>
Advertising	-	-	-	27,471
Bad debt expense	-	-	-	57,432
Communication expense	4,585	9,451	14,036	413,475
Computer expense	3,150	13,371	16,521	44,529
Conferences, meetings and travel	6,647	10,668	17,315	227,084
Contraceptive supplies	-	-	-	635,087
Dues and subscriptions	9,106	22,358	31,464	237,473
Education grant expenses	-	6,637	6,637	384,311
Facilities expense	17,475	6,549	24,024	555,069
Insurance expense	1,704	11,151	12,855	147,100
Interest expense	2,137	6,429	8,566	48,705
Lab fees	-	-	-	206,666
Maintenance and repairs	1,744	7,322	9,066	130,736
Medical supplies	-	-	-	461,081
Miscellaneous expense	142	54,823	54,965	127,582
Office expense	1,401	7,224	8,625	114,637
Physician's fees	-	-	-	220,158
Professional fees	4,352	14,587	18,939	337,909
Utilities	1,464	4,405	5,869	81,078
TOTAL EXPENSES BEFORE DEPRECIATION	<u>470,595</u>	<u>1,262,935</u>	<u>1,733,530</u>	<u>10,383,721</u>
Depreciation	8,712	65,092	73,804	333,836
TOTAL EXPENSES	<u>\$ 479,307</u>	<u>\$ 1,328,027</u>	<u>\$ 1,807,334</u>	<u>\$ 10,717,557</u>

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2009

	PROGRAM SERVICES				
	Health Centers	Teen Pregnancy Prevention	Education	Public Affairs	Total
Salaries	\$ 1,824,629	\$ 685,905	\$ 1,111,022	\$ 259,260	\$ 3,880,816
Payroll taxes and employee benefits	316,325	109,605	226,006	48,676	700,612
	<u>2,140,954</u>	<u>795,510</u>	<u>1,337,028</u>	<u>307,936</u>	<u>4,581,428</u>
Advertising	2,303	-	7,229	18,088	27,620
Bad debt expense	46,350	-	-	-	46,350
Communication expense	299,754	15,376	44,076	9,626	368,832
Computer expense	13,303	1,233	9,368	2,580	26,484
Conferences, meetings and travel	110,769	10,582	56,427	16,428	194,206
Contraceptive supplies	547,257	-	-	-	547,257
Dues and subscriptions	39,704	40	46,897	89,354	175,995
Education grant expenses	16,455	150,077	308,553	2,916	478,001
Facilities expense	391,914	43,354	60,371	8,094	503,733
Insurance expense	43,150	56,136	9,426	1,502	110,214
Interest expense	20,015	-	23,719	3,779	47,513
Lab fees	185,007	-	-	-	185,007
Maintenance and repairs	87,903	9,553	13,424	2,138	113,018
Medical supplies	298,578	-	-	-	298,578
Miscellaneous expense	64,329	11,379	5,346	1,283	82,337
Office expense	71,585	5,225	29,792	11,647	118,249
Physician's fees	43,395	-	-	-	43,395
Professional fees	193,514	-	117,814	23,515	334,843
Utilities	56,811	6,053	11,033	1,998	75,895
TOTAL EXPENSES BEFORE DEPRECIATION	<u>4,673,050</u>	<u>1,104,518</u>	<u>2,080,503</u>	<u>500,884</u>	<u>8,358,955</u>
Depreciation	151,547	24,456	76,800	10,573	263,376
TOTAL EXPENSES	<u>\$ 4,824,597</u>	<u>\$ 1,128,974</u>	<u>\$ 2,157,303</u>	<u>\$ 511,457</u>	<u>\$ 8,622,331</u>

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year Ended September 30, 2009

	SUPPORTING SERVICES			Total Expenses
	Fund Raising	Management and General	Total	
Salaries	\$ 307,273	\$ 806,286	\$ 1,113,559	\$ 4,994,375
Payroll taxes and employee benefits	47,610	271,873	319,483	1,020,095
	<u>354,883</u>	<u>1,078,159</u>	<u>1,433,042</u>	<u>6,014,470</u>
Advertising	980	412	1,392	29,012
Bad debt expense	-	-	-	46,350
Communication expense	4,408	15,178	19,586	388,418
Computer expense	925	16,220	17,145	43,629
Conferences, meetings and travel	2,070	19,267	21,337	215,543
Contraceptive supplies	-	-	-	547,257
Dues and subscriptions	6,482	20,276	26,758	202,753
Education grant expenses	(63)	5,299	5,236	483,237
Facilities expense	7,180	33,062	40,242	543,975
Insurance expense	1,332	24,149	25,481	135,695
Interest expense	3,352	14,986	18,338	65,851
Lab fees	-	-	-	185,007
Maintenance and repairs	1,897	12,199	14,096	127,114
Medical supplies	-	721	721	299,299
Miscellaneous expense	20,719	13,420	34,139	116,476
Office expense	2,020	9,224	11,244	129,493
Physician's fees	-	-	-	43,395
Professional fees	11,893	43,699	55,592	390,435
Utilities	1,559	4,691	6,250	82,145
TOTAL EXPENSES BEFORE DEPRECIATION	419,637	1,310,962	1,730,599	10,089,554
Depreciation	8,678	55,140	63,818	327,194
TOTAL EXPENSES	<u>\$ 428,315</u>	<u>\$ 1,366,102</u>	<u>\$ 1,794,417</u>	<u>\$ 10,416,748</u>

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 199,079	\$ (1,316,766)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	338,985	332,341
Donated investments	(28,960)	(23,417)
Net realized and unrealized (gain) loss on investments	(287,398)	227,738
Allowance for uncollectible contributions receivable	-	225,000
Allowance for uncollectible accounts receivable	43,717	20,560
Gain on sale of property and equipment	(9,600)	-
Gain on change in estimated vacation accrual	(93,633)	-
Changes in operating assets and liabilities:		
Accounts, contributions and grants receivable	(126,419)	(44,332)
Interest receivable	(12,589)	8,008
Inventory	(12,764)	(5,272)
Prepaid expenses	14,394	10,201
Other assets	(180)	(15,337)
Accounts payable	(31,603)	(58,823)
Accrued expenses	(17,697)	81,212
Refundable grant advance	(6,167)	(199,846)
Deferred revenue	29,103	1,865
NET CASH FLOWS FROM OPERATING ACTIVITIES	(1,732)	(756,868)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(75,986)	(329,577)
Proceeds from sale of property and equipment	9,600	-
Purchase of investments	(7,203,149)	(2,793,563)
Proceeds from sale of investments	7,851,609	3,707,725
NET CASH FLOWS FROM INVESTING ACTIVITIES	582,074	584,585
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments under line of credit	(25,000)	-
Payments on capital lease obligation	(35,671)	(20,082)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(60,671)	(20,082)
NET INCREASE (DECREASE) IN CASH	519,671	(192,365)
CASH, BEGINNING OF YEAR	534,355	726,720
CASH, END OF YEAR	\$ 1,054,026	\$ 534,355
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 48,705	\$ 65,851
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Medical equipment acquired under capital lease	\$ 76,500	\$ -
Acquisition of leasehold improvement by incurring accounts payable	\$ -	\$ 9,487

See Notes to Consolidated Financial Statements

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Organization and significant accounting policies

Nature of organization - Planned Parenthood of South Florida and the Treasure Coast, Inc. (the "Organization") is a private non-profit corporation. The Organization is an independent affiliate of Planned Parenthood Federation of America, Inc., to which it pays annual membership dues. Protection Medical Archive, LLC, a single member LLC owned by the Organization, was formed in Florida and commenced operations on May 28, 2009. North Miami Family Planning, LLC, a single member LLC owned by the Organization, was formed in Florida and commenced operations October 1, 2009.

The Organization believes in the fundamental right of each individual to manage his or her fertility. The Organization also believes each individual has the right to privacy and respect. The Organization believes that respect and value for diversity in the Organization and the community is essential to each individual's well-being. The Organization further believes that voluntary self-determination and universal access to sexual health services will enhance the quality of life of all individuals.

Based on these convictions, the mission of the Organization is to provide comprehensive sexual health care through direct services and education; protect and respect the essential privacy, rights, dignity and culture of each individual; and, advocate public policies which preserve those rights and ensure access to services.

Protection Medical Archive, LLC was formed to manage the archival oversight of the now defunct Your Healthcare Centers, Inc. and Planned Parenthood of South Palm Beach and Broward Counties, Inc. patient records.

North Miami Family Planning, LLC was formed to provide low, or no cost family planning, reproductive health and preventative services, and related education to low income men, women and teens.

Organizational structure - Founded in 1971, the Organization provides family planning services, reproductive healthcare, outreach, sexual health education, teen pregnancy prevention programs and advocacy in Palm Beach, Broward, Miami-Dade, Monroe, Martin, St. Lucie, Indian River and Okeechobee counties. The Organization is held to Planned Parenthood Federation of America brand standards, assuring compliance with clinical, fiscal, fundraising, Board and administrative standards. The Organization is supported primarily through donor contributions, fundraising events, grants and patient fees. For the years ended September 30, 2010 and 2009, approximately 47% and 45%, respectively, of the Organization's revenues were derived from patient fees earned in its clinics. In addition, grants represented approximately 28% and 36% of revenues for the same periods, respectively.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of the Organization and, since May 28, 2009, Protection Medical Archive, LLC and since July 21, 2009, North Miami Family Planning, LLC. All significant intra-entity balances have been eliminated in consolidation.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Organization and significant accounting policies (continued)

Basis of presentation - The classification of the Organization's net assets, revenues and expenses, and gains and losses is based on the existence or absence of donor-imposed restrictions. The amount for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) is displayed in the accompanying consolidated statements of financial position. The amount of change in each of the three classes of net assets is displayed in the accompanying consolidated statements of activities.

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

Cash and cash equivalents - The Organization considers money market funds to be cash equivalents. The Organization maintains its cash in bank deposit and money market accounts with financial institutions which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. Total uninsured cash balances at September 30, 2010 and 2009 were \$589,273 and \$395,340, respectively.

Receivables - Receivables of the Organization consist of charges for patient services, pledges, bequests, and grants receivable from governmental entities and other organizations. An allowance for doubtful accounts is provided for receivables where there is a question as to the ultimate collectability. Receivables are written off when management has determined that the amount will not be collected. Collections on accounts previously written off are included in other income when received.

Inventory - Inventory, which consists primarily of medications and supplies, are stated at the lower of cost (first-in, first-out method) or market value.

Investments - The Organization recognizes investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the accompanying consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying consolidated statement of activities, unless their use is temporarily or permanently restricted by donor stipulation. Donated securities are recorded at their fair value on the date of the gift and are immediately sold by the Organization.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Organization and significant accounting policies (continued)

Property and equipment - Property and equipment are stated at cost or at their fair value at the date of donation. The cost or fair value of purchased or donated property and equipment in excess of \$1,000 is capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Useful Lives</u>
Building	40 years
Building improvements	40 years
Medical equipment	2 - 7 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 8 years
Leasehold improvements	Lesser of life of assets or lease term

Revenue recognition - The Organization receives various grants from federal, state and local agencies for program and supporting service expenses. These grants are on a cost reimbursement basis or fee for service, including recoverable overhead. The revenues from grants are deemed earned and recognized in the consolidated statement of activities when expenditures are made for the purposes specified. Grant revenues received in advance of the expenditures for the purposes specified are included in the balance of refundable grant advances within the consolidated statement of financial position.

Special event revenue is recognized when the event occurs.

Bequests are recorded as revenue when written communication is received by the Organization and the amount to be received is estimable and unconditional.

Clinic revenue is deemed earned and recognized in the consolidated statement of activities when services are rendered. Revenue received is based on a fee per patient.

Contributions received, including unconditional promises to give are recognized as revenues when received. Conditional promises to give are not included as support until the conditions are substantially met. Contributions that are to be collected more than one year in the future are recorded at their discounted present value based on a risk free interest rate.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. Permanently restricted support are amounts received that are stipulated by the donor to be maintained permanently.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Organization and significant accounting policies (continued)

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 consolidated statement of activities as net assets released from restrictions.

Bond issue costs - Bond issue costs are capitalized and amortized using the straight-line method, which approximates the interest method, over the life of the related debt. At September 30, 2010 and 2009, bond issue costs totaled \$121,979, less accumulated amortization of \$32,528 and \$28,462, respectively. Amortization expense for 2010 and future years is \$4,066 annually.

Donated services - Donated services are recognized as contributions if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Donated services are reflected in the consolidated financial statements at their estimated fair value at the date of receipt. However, many individuals volunteer their time and perform a variety of tasks that do not require specialized skills to assist the Organization to carry out its mission. Total in-kind contributions of \$889 and \$4,180 are primarily made up of printed advertising space and are included in the consolidated statement of activities in special event income net of direct expenses for years ending September 30, 2010 and 2009, respectively.

Advertising - Advertising costs are charged to expense as incurred.

Income taxes - The Organization is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code, therefore, there is no provision for income taxes.

Protection Medical Archive, LLC and North Miami Family Planning, LLC are disregarded entities for federal income tax purposes. Therefore, no provision for income taxes has been reflected in the Organization's consolidated financial statements.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

Functional allocation of expenses - The costs of providing the various programs and other activities of the Organization have been summarized in the accompanying consolidated statement of activities on a functional basis. Accordingly, specific costs are charged to the program in which costs were incurred. Non-specific program costs are allocated based on personnel costs of the Organization.

Reclassifications - Certain reclassifications have been made to the 2009 consolidated financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Fair value measurements

Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 Inputs

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;

Level 2 Inputs

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 Inputs

Inputs that are unobservable for the asset or liability.

There are three general valuation techniques that may be used to measure fair value:

Market Approach

Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources;

Cost Approach

Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income Approach

Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized as Level 3.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Fair value measurements (continued)

The following table summarizes the valuation of the Organization's investments as of September 30, 2010:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equity securities			
Domestic	\$ 834,607	\$ -	\$ -
International	48,840	-	-
Mutual funds			
Foreign large growth	407,528	-	-
Large blend	764,359	-	-
Large growth	836,627	-	-
Mid cap blend	979,224	-	-
World allocation	796,299	-	-
Fixed income			
Convertible bond	384,917	-	-
Intermediate term bond	1,306,277	-	-
International equity fund	820,108	-	-
Money market fund	44,742	-	-
	<u>\$ 7,223,528</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the valuation of the Organization's investments as of September 30, 2009:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 7,107,450	\$ -	\$ -
Convertible bond fund	448,180	-	-
	<u>\$ 7,555,630</u>	<u>\$ -</u>	<u>\$ -</u>

Assets classified using Level 1 Inputs have been valued using a market approach.

The Organization had no other financial instruments with recurring fair value measurements.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investments

Investments are maintained in managed accounts in accordance with the investment policy of the Organization. The Investment Committee is responsible for implementing the investment policy adopted by the Board of Directors.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

The Organization relies on investment management advisors for purposes of making specific investment choices and portfolio management decisions based on general guidance of the Organization. These advisors are not aware of losses that are deemed to be other than temporary in nature. The Organization has the ability and intent to hold the investments until a market price recovery occurs.

(4) Accounts, contributions, and grants receivable

Accounts, contributions, and grants receivable as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Pledges		
Amounts due in:		
Less than one year	\$ 153,107	\$ 192,499
One to five years	220,000	360,000
After five years	18,900	18,900
	<u>392,007</u>	<u>571,399</u>
Less:		
Discount to present value	30,220	30,220
Allowance for uncollectible amounts	4,300	229,300
Net pledges receivable	<u>357,487</u>	<u>311,879</u>
Accounts receivable, net of allowance for uncollectible accounts (2010, \$68,621; 2009, \$24,904)	348,404	293,855
Grants receivable	<u>190,301</u>	<u>317,523</u>
	896,192	923,257
Less current portion	<u>841,379</u>	<u>718,477</u>
	<u>\$ 54,813</u>	<u>\$ 204,780</u>

Pledges receivable due after one year are discounted at 5.25%.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Property and equipment

Property and equipment as of September 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 278,000	\$ 278,000
Building	1,111,815	1,111,815
Building improvements	1,286,683	1,286,683
Medical equipment owned	181,198	166,948
Medical equipment leased	76,500	-
Furniture and equipment	1,349,880	1,320,330
Leasehold improvements	678,549	646,366
Vehicles owned	157,192	343,152
Vehicles leased	130,417	130,417
	<u>5,250,234</u>	<u>5,283,711</u>
Less accumulated depreciation and amortization	<u>2,254,414</u>	<u>2,106,538</u>
Net property and equipment	<u>\$ 2,995,820</u>	<u>\$ 3,177,173</u>

Amortization of property and equipment under capital lease is included with depreciation and amortization expense which totaled \$333,836 and \$327,194 for the years ended September 30, 2010 and 2009, respectively. Accumulated depreciation and amortization at September 30, 2010 and 2009 include \$63,182 and \$33,172, respectively, relating to property and equipment under capital lease.

(6) Line of credit

The Organization maintains a revolving line of credit in the amount of \$250,000. This line of credit agreement is secured by the investments of the Organization and bears interest at the prime rate (3.25% at September 30, 2010). The line of credit expires on September 20, 2011. As of September 30, 2010 and 2009, \$225,000 and \$250,000, respectively, was outstanding under this line of credit.

(7) Bonds payable

On September 30, 2002, the Organization received net proceeds of approximately \$2,668,000 from the issuance of \$2.7 million Palm Beach County, Florida, Variable Rate Demand Revenue Bonds (Planned Parenthood of the Palm Beach and Treasure Coast Area, Inc. Project), Series 2002, dated September 1, 2002.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Bonds payable (continued)

The bonds are collateralized by the Organization's Palm Beach building and related renovations and equipment and are secured by a letter of credit maintained by the Organization in the amount of \$2.7 million with a local bank at a cost of approximately \$12,000 annually for the term of the bonds. The letter of credit is collateralized by the Organization's Palm Beach building and related renovations and equipment and expires on September 20, 2011. As of September 30, 2010 and 2009, \$2,676,240 and \$2,675,160 , respectively, was outstanding on the bonds payable.

Interest on the bonds is payable monthly at a variable rate, which was 0.31% and 0.53% at September 30, 2010 and 2009, respectively. The principal amount of the debt is payable at maturity on October 1, 2031, however, the debt includes short-term mandatory redemption options. Short-term redemptions by debt holders are subject to a best efforts remarketing agreement. In the unlikely event that the redeemed debt cannot be remarketed, repayment would be made by a draw on the Organization's irrevocable letter of credit. Any such draws on the letter of credit will come due by the Organization to the issuer of the letter of credit at the expiration date, September 20, 2011.

Under the terms of the bonds payable, the Organization is subject to a number of covenants, including but not limited to, the requirement to maintain a ratio of unrestricted cash and investments to total debt of not less than 1.20 to 1.00, determined as of the last day of each fiscal year. Also, the Organization cannot incur additional indebtedness except as otherwise consented to in advance. Additionally, the Organization is required to maintain a breakeven annual operating performance, as determined on the last day of each fiscal year.

(8) Lease commitments

The Organization leases clinic space and office equipment under various operating leases with lease terms extending through February 2016. Total rent expense was approximately \$465,000 and \$471,000 for the years ended September 30, 2010 and 2009, respectively.

The following is a schedule of the estimated minimum payments required on operating leases as of September 30, 2010:

<u>Years Ending September 30,</u>	
2011	\$ 431,800
2012	428,800
2013	416,000
2014	186,000
2015	82,000
Thereafter	<u>22,600</u>
	<u>\$ 1,567,200</u>

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Lease commitments (continued)

The Organization entered into a lease for two vehicles that were accounted for as a capital lease. Rental payments under the lease agreement of \$2,179 per month are due quarterly through June 2013.

During 2010, the Organization entered into two leases for medical equipment that were accounted for as capital leases. Rental payments under these lease agreements of \$1,360 and \$455 per month, respectively, are due through January 2014.

As of September 30, 2010, future minimum lease payments under the capital leases together with the present value of the net minimum lease payments are as follows:

Years Ending September 30,

2011	\$ 47,923
2012	47,923
2013	41,388
2014	<u>3,630</u>
Total minimum lease payments	140,864
Less amount representing interest	<u>12,955</u>
Present value of net minimum lease payments	<u><u>\$ 127,909</u></u>

(9) Temporarily restricted net assets

Temporarily restricted net assets as of September 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Time restriction	\$ 192,039	\$ 75,180
Teen Time and educational programs	<u>245,911</u>	<u>343,305</u>
	<u><u>\$ 437,950</u></u>	<u><u>\$ 418,485</u></u>

Net assets were released from donor restrictions as follows:

	2010	2009
Time restriction for contributions	\$ 209,651	\$ 241,515
Purpose restriction met for:		
Teen Time and educational programs	<u>134,143</u>	<u>674,847</u>
	<u><u>\$ 343,794</u></u>	<u><u>\$ 916,362</u></u>

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Endowments

Permanently restricted net assets as of both September 30, 2010 and 2009 consisted of investments in the amount of \$2,386,070 in which the principal is to be held in perpetuity, otherwise known as endowments. Substantially all income from endowments is available to support the operations of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies heavily on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that consists of equity based investments and mutual funds. The Organization utilizes the services of a financial advisor that provides input into the investment strategy and policy.

The Organization's annual appropriations are at the discretion of the Board of Directors unless specific instructions were provided by the endowment donors.

The changes in endowment net assets for the year ended September 30, 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2009	\$ 710,649	\$ -	\$ 2,386,070	\$ 3,096,719
Investment return:				
Investment losses	(75,894)	-	-	(75,894)
Realized and unrealized gains	148,471	-	-	148,471
Endowment net assets, September 30, 2010	<u>\$ 783,226</u>	<u>\$ -</u>	<u>\$ 2,386,070</u>	<u>\$ 3,169,296</u>

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Endowments (continued)

The changes in endowment net assets for the year ended September 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2008	\$ 1,385,680	\$ -	\$ 2,386,070	\$ 3,771,750
Investment return:				
Investment income	94,144	-	-	94,144
Realized and unrealized losses	<u>(769,175)</u>	<u>-</u>	<u>-</u>	<u>(769,175)</u>
Endowment net assets, September 30, 2009	<u>\$ 710,649</u>	<u>\$ -</u>	<u>\$ 2,386,070</u>	<u>\$ 3,096,719</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund or perpetual duration.

(11) Related party transactions and subsequent event

The Organization is an affiliate of Planned Parenthood Federation of America. Affiliates are assessed "National Support Program" fees determined by a formula incorporating a percentage of audited expenses for the prior year. Fees to national and state organizations paid during the year ended September 30, 2010 and 2009 were approximately \$222,800 and \$199,000, respectively, and are included in dues and subscriptions in the accompanying consolidated statements of functional expenses.

During 2008, the Organization began offering contraceptives to patients under a program known as Pills Now Pay Later ("PNPL"). The PNPL program was operated under an annually renewable license agreement with Planned Parenthood of New Mexico, Inc. On January 6, 2011, the Organization received a release by Planned Parenthood of New Mexico, Inc. from the agreement which stated that the Organization owes no royalties or other compensation for the use of PNPL and could continue operating the PNPL program.

(12) Change in estimate

The Organization accrues a liability for the cost related to extended leave time off for its employees, which is paid at the discretion of management, based on information that is available at the time of the accrual. During 2010, the Organization changed its estimate of the amount of extended leave time off that is expected to be paid. Accordingly, an adjustment to employee benefits cost has been made in 2010. The effect of this adjustment was to increase the 2010 change in net assets by \$93,633.

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Pension plan

The Organization has a 401(k) defined contribution pension plan through Planned Parenthood Federation of America. Employees are immediately eligible to make voluntary pre-tax contributions to the plan through a salary-reduction agreement. All full-time employees of the Organization who have performed one year of service are eligible to participate with respect to employer contributions.

The Organization makes a matching contribution to the plan in an amount equal to 50% of each participant's voluntary contribution applied to the first 6% of the participant's cash compensation and 25% of each participant's voluntary contribution applied to the next 6% of the participant's cash compensation. All participants' voluntary contributions and investment earnings are fully vested at all times. Employer contributions and investment earnings are fully vested once the participant has completed two years of service.

During 2010, the Organization established a 403(b) tax deferred annuity plan. Employees are eligible to participate in the plan and receive employer contributions after one year of service. Employer contributions are determined at the discretion of management and are fully vested once the employee has completed two years of service.

Retirement plan expense for the years ended September 30, 2010 and 2009 was \$83,237 and \$71,731, respectively.

In addition, the Organization sponsors an Internal Revenue Service Code Section 457 deferred compensation plan for the benefit of its Chief Executive Officer. All contributions to this plan are 100% vested at the time of contribution.

(14) Contingency

Grants require the fulfillment of certain conditions as set forth in the grant agreements. Failure to fulfill the conditions, or failure to continue to fulfill them, could result in the return of the funds to grantors. Although this is a possibility, the Organization deems the contingency remote.

(15) Intention to give

The Organization has received an indication of a gift in the form of a bequest that is revocable during the donor's lifetime. Due to the uncertain nature of this intention, the Organization has not recognized an asset or contribution revenue for this gift. The amount of this intention to give is approximately \$10,000 at September 30, 2010.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(16) Subsequent events

The Organization has evaluated subsequent events through January 13, 2011, which is the date the consolidated financial statements were available to be issued. Except as disclosed in Note 11 to the consolidated financial statements, management is not aware of any events that have occurred subsequent to the consolidated statement of financial position date that would require adjustment to, or disclosure in, the consolidated financial statements.



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Goldstein Lewin Division

**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**

To the Board of Directors and the Audit Committee:

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

We have audited the financial statements of Planned Parenthood of South Florida and the Treasure Coast, Inc. (the "Organization") as of and for the year ended September 30, 2010, and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Organization in a separate letter dated January 13, 2011.

This report is intended solely for the information and use of management, the Board of Directors, Audit Committee, 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 "Mayer Hoffman McCann P.C.".

Boca Raton, Florida
January 13, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors and Audit Committee

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

Compliance

We have audited Planned Parenthood of South Florida and the Treasure Coast, Inc.'s (the "Organization") compliance 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 September 30, 2010. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above 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 U.S. generally accepted auditing standards; the 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 identified in the accompanying schedule of findings and questioned costs 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 of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The Organization's response to the finding 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 the response.

This report is intended solely for the information and use of management, the Board of Directors, 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.



Boca Raton, Florida
January 13, 2011

**PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Grant/Contract Number	Expenditures Incurred
U.S. Department of Health and Human Services:			
Direct:			
Family Planning Services	93.217	FPHPA6005B	
Federal Share			\$ 650,213
Matching			93,957
Pass-through Palm Beach County:			
Family Planning Services	93.217		
Federal Share		PB253	43,120
Matching			18,600
Federal Share		PB272	15,720
Matching			3,560
			\$ 825,170

See Notes to Schedule of Expenditures of Federal Awards

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) **Basis of Presentation**

The purpose of the accompanying schedule of expenditures of federal awards is to present, in summary form, total federal award expenditures of the Organization for the year ended September 30, 2010. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Subrecipients**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, \$76,250 was provided to three subrecipients.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.217	Family Planning Services

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 SOUTH FLORIDA
AND THE TREASURE COAST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

For the year ended September 30, 2010, no matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

Family Planning Services - CFDA #93.217

2010-1 – Program Income

Criteria: A grantee must charge for family planning services according to the client's ability to pay. A person's inability to pay according to the prescribed fee schedule must not be a deterrent to receiving services. A person from a low-income family may not be charged, except to the extent that payment will be made by a third party (such as an insurer or a government agency) which is authorized or is under legal obligation to pay such charge. Individuals from other than low-income families are charged according to an established fee schedule. For individuals from families with incomes between 101 and 250 percent of the published Income Poverty Guidelines, such a schedule must provide discounts based on ability to pay. Fees for individuals from families with higher incomes are set to recover the reasonable cost of providing the services (42 CFR sections 59.5(a)(7) and (8)).

Condition: The Organization's internal controls over compliance failed to ensure that charges for family planning services were calculated according to the client's ability to pay, resulting in overcharges. Out of a universe of 3,896 client contacts and a sample of 92 visits by 60 clients, we found one instance where one client was over-charged for services.

Cause: The overcharge was the result of a clerical error on the part of clinic staff.

Effect: Because of the infrequency and dollar amount of the overcharge, we do not consider the effect to be significant.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2010-1 – Program Income (Continued)

Questioned costs were calculated as follows:

Client	Full Price	Title X Allowable	Actual	Overcharge
A	\$126	\$0	\$32	\$32
Universe of client contacts			3,896	
Times error rate (1/92)			1.09%	
Extrapolated number of errors			42	
Times average overcharge			<u>\$32</u>	
Questioned costs			\$1,355	

Recommendation: The Organization should enhance its internal controls over compliance related to program income by instituting a process to re-evaluate the classification of income level for each client in its system when new Federal Poverty Guidelines are published.

Views of responsible officials: Review of Federal Poverty Guidelines will be proactively initiated by Finance staff so as to comply with Title X regulations.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2009 the following matters were reported:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Family Planning Services - CFDA #93.217

2009-1

Condition: The Organization's internal controls over compliance failed to ensure that charges for family planning services were calculated according to the client's ability to pay, resulting in overcharges. Out of a universe of 3,152 client contacts and a sample of 55 visits by 40 clients, we found four instances where one client was over-charged for services.

Current Status: This condition still exists. See finding 2010-1.

2009-2

Condition: The Organization did not minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. \$135,000 was transferred on October 9, 2008 but expenditures for the program did not reach that level until sometime during December 2008. \$232,000 was transferred on May 9, 2009, but spending did not reach that level until September 2009.

Current Status: This condition has been corrected.

2009-3

Condition: The Organization did not consistently deduct program income from total project allowable costs in determining the net allowable cost on which the federal share of costs was reported. The Organization's PSC 272-A Federal Cash Transaction Report for the period 04/01/2009 – 06/30/2009 reported the cumulative Federal Share Net Disbursement as \$587,540, but this was not adjusted for program income earned during that period in excess of budgeted requirement in the amount of \$71,208.

Current Status: This condition has been corrected.

2008-1

Condition: The Organization's internal controls over compliance failed to ensure that charges for family planning services were calculated according to the client's ability to pay, resulting in overcharges. Out of a universe of 2,843 client contacts and a sample of 67 visits by 40 clients, we found one instance where a client was over-charged for services.

Current Status: This condition still exists. See finding 2010-1.

PLANNED PARENTHOOD OF SOUTH FLORIDA
AND THE TREASURE COAST, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2007-1

Condition: The Organization's internal controls over compliance failed, in some instances, to ensure that charges for family planning services were calculated according to the client's ability to pay, resulting in overcharges. Out of a universe of 3,199 client contacts and a sample of 49 visits by 40 clients, we found 3 instances where clients were over-charged for services.

Current Status: This condition still exists. See finding 2010-1.