

STATE OF MINNESOTA

CHARITABLE ORGANIZATION INITIAL REGISTRATION & ANNUAL REPORT FORM

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Annual Reporting Initial Registration

FEDERAL EIN NUMBER: 41-0986780

FOR YEAR ENDING: 06/30/2012

SECTION ONE: REQUIRED INFORMATION FOR INITIAL REGISTRATION & ANNUAL REPORTING

FACE TO FACE HEALTH AND COUNSELING

1. Legal Name of Organization: SERVICE, INC.

If annual reporting, is this a new name since the organization's last filing? Yes No

If so, please state former name: _____

2. List all names under which the organization solicits contributions:
FACE TO FACE HEALTH AND COUNSELING SERVICE, INC.

| | |
|--|--|
| 3. Mailing Address of Organization <u>1165 ARCADE STREET</u> <u>ST. PAUL, MN 55106</u> | Physical Address of Organization <u>1165 ARCADE STREET</u> <u>ST. PAUL, MN 55106</u> |
|--|--|

| | |
|--|-------------------------------|
| 4. Contact Person <u>ANN BRYAN</u> Tel. No. <u>651-772-5588</u> | E-mail _____ Fax No. _____ |
|--|-------------------------------|

5. Complete the following for the most recent twelve-month accounting year. While this information should reflect the financials on the IRS Form 990, this section is required to be completed even if an IRS Form 990 is attached. Before completing this section, please refer to the Instructions.

INCOME

Contributions from the public
 Government Grants
 Other revenue
TOTAL REVENUE

For Year Ending: 06/30/2012
 \$ 760,825.
 \$ 1,381,432.
 \$ 1,506,741.
 \$ 3,648,998.

EXPENSES

Amount spent for program or charitable purposes
 Management/general expense
 Fund-raising expense
TOTAL EXPENSES

\$ 2,754,567.
 \$ 587,455.
 \$ 112,548.
 \$ 3,454,570.

EXCESS or DEFICIT \$ 194,428.
 TOTAL Assets \$ 2,272,980.
 TOTAL Liabilities \$ 642,775.

END OF YEAR FUND BALANCE/NET WORTH (Assets minus Liabilities) \$ 1,630,205.

For Office Use Only: ARF \$25 \$50 \$75 N (e-Postcard) 990 EZ PF FES SIG BD
 SAL Audit

6/11 Upon request this material can be made available in alternate formats.

6. Does the organization use the services of a professional fund-raiser (outside solicitor or consultant)?
 Yes No

If so, provide name and address of any outside professional fund-raiser employed by the organization and state the total amount of compensation each outside fund-raiser received from the filing organization during the year. *Attach schedule if more than one.*

Name _____
Address _____
City _____ State _____ ZIP _____ Compensation _____

7. Does this professional fund-raiser solicit or consult in Minnesota? Yes No

8. Month and day accounting year ends: 06/30

9. Has the organization included the filing fee, late fee (if any) and all attachments required by the instructions? Yes No

SECTION TWO: REQUIRED FOR INITIAL REGISTRATION ONLY

1. Address of registered agent in the State of Minnesota or the address of the person who has custody of the organization's books and records if not kept at the organization's office.

Name _____
Street and Number _____
City _____ State _____ ZIP _____ Telephone # _____

2. Type of legal entity (Attach the creating document):
 Nonprofit corporation Trust Unincorporated association

3. Place and date the organization was incorporated: _____
(state) (date)

4. Is the organization exempt from federal income taxes?
 Yes (Attach a copy of the IRS determination letter) Status: 501(c)(_____) No
Date organization submitted Form 1023 to the IRS _____

5. If the organization is not exempt from federal income taxes and uses a fiscal agent, state the fiscal agent's name, address and federal EIN:

6. Has the organization been denied the right to solicit contributions?
a. By any government agency? Yes No If yes, attach explanation.
b. By any court? Yes No If yes, attach explanation.

7. Explain in detail the charitable purposes of the organization, including major program activities.

8. Please mark all items that describe the organization's charitable mission:

- Arts & Culture Human Services Civic/Lobbying International Health
 Environment Mental Health Education Religious Other _____

Or: List the NTEE code(s) that describe the organization's purpose: _____

9. Which of the above two best describes the organization's primary purpose(s)?

1. _____ 2. _____

10. Check one or more methods of solicitation the organization anticipates using:

- Telephone appeals Grant writing Sweep Other _____
 Direct mail Internet Media

11. State the total contributions the organization received during the accounting year last ended:

\$ _____

12. Attach a list of organization's officers, directors, trustees, and chief executive officer, including their titles, addresses, and total annual compensation paid to each.

Attached

SECTION THREE: REQUIRED FOR ANNUAL REPORTING ONLY

ALL organizations MUST complete questions 1-6.

1. Has the organization's accounting year changed since the last report was filed?

Yes No

If yes, provide the new year-end date: _____

2. Attach an explanation if there has been any change in the organization's tax status with the Internal Revenue Service; a significant change in the purposes of the organization; or if the organization's right to solicit funds has been denied, suspended, revoked or enjoined by any state agency or court in any state, or if there are proceedings pending.

None Attached

3. List the five highest paid directors, officers and employees of the organization and its related organization(s) who receive total compensation of \$50,000 or more, indicating their titles and total compensation paid to each. Total compensation includes salaries, fees, bonuses, fringe benefits, severance payments and deferred compensation paid by the organization and all related organizations. A "related organization" is an organization that controls, is controlled by or is under common control with another corporation. "Control" can exist through stock ownership or membership interests, the authority to appoint members, or the ability to direct the policies and management of other corporations. See Minn. Stat. § 317A.011, subd. 18. Due to changes in the law, for annual reports due after August 1, 2011, the compensation reporting threshold is \$100,000 and total compensation is defined as total amount reported on W2 (box 5) and/or Form 1099 MISC (box 7) issued by the organization and its related organizations.

| | Name/Title | Compensation | Deferred Compensation | Fringe Benefits |
|---|------------|--------------|-----------------------|-----------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |

4. Attach a list of organization's board of directors. Attached Included in IRS return
5. Attach a GAAP audit if total revenue exceeds \$750,000. Attached Audit not included under the Food Shelf Exemption (excluding from total revenue the value of food donated to a nonprofit food shelf for redistribution at no cost). Audit not required
6. Minnesota law requires that an organization file a copy of any IRS Form 990-N (e-Postcard), 990, 990-EZ, or 990-PF informational return that was filed with the IRS. Has the organization included with this annual report a copy of all IRS Form 990-N (e-Postcard), 990, 990-EZ or 990-PF informational returns that it filed with the IRS (excluding Schedule B or any other donor list required by the IRS)? Yes No (Not required to file a return with IRS or files with National Chapter).

NOTE: By answering YES to the above question, you are attesting that the IRS informational return filed with this office is an exact copy, including all schedules and attachments, of the IRS informational return filed with the IRS (excluding Schedule B or any other donor list the IRS may require).

7. The following organizations must complete and return the statement of functional expenses below: 1) organizations that file a 990-N (e-Postcard), 990-EZ or 990-PF; and 2) organizations that file an IRS Form 990 that does not contain a completed functional expenses statement within the IRS Form 990.

| Statement of Functional Expenses | | | | |
|---|-----------------------|------------------------------------|---|--------------------------------|
| | (A) Total expenses | (B) Program service expenses | (C) Management and general expenses | (D) Fundraising expenses |
| 1 Grants and other assistance to governments and organizations in the U.S. | | | | |
| 2 Grants and other assistance to individuals in the U.S. | | | | |
| 3 Grants and other assistance to governments, organizations, and individuals outside the U.S. | | | | |
| 4 Benefits paid to or for members | | | | |
| 5 Compensation of current officers, directors, trustees, and key employees | | | | |
| 6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1) and persons described in section 4958(c)(3)(B)) | | | | |
| 7 Other salaries and wages | | | | |
| 8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions) | | | | |
| 9 Other employee benefits | | | | |
| 10 Payroll taxes | | | | |
| 11 Fees for services (non-employees): | | | | |
| a Management | | | | |
| b Legal | | | | |
| c Accounting | | | | |
| d Lobbying | | | | |
| e Professional fundraising services | | | | |
| f Investment management fees | | | | |
| g Other | | | | |
| 12 Advertising and promotion | | | | |
| 13 Office expenses | | | | |
| 14 Information technology | | | | |
| 15 Royalties | | | | |
| 16 Occupancy | | | | |
| 17 Travel | | | | |
| 18 Payments of travel or entertainment expenses for any federal, state, or local public officials | | | | |
| 19 Conferences, conventions, and meetings | | | | |
| 20 Interest | | | | |
| 21 Payments to affiliates | | | | |
| 22 Depreciation, depletion, and amortization | | | | |
| 23 Insurance | | | | |
| 24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.) | | | | |
| a _____ | | | | |
| b _____ | | | | |
| c _____ | | | | |
| d All other expenses | | | | |
| 25 Total functional expenses. Add lines 1 through 24d | | | | |
| 26 Joint costs. Check here <input type="checkbox"/> if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation | | | | |

Must be prepared in accordance with generally accepted accounting principles.

SECTION FOUR: REQUIRED FOR INITIAL REGISTRATION & ANNUAL REPORTING

**BOARD OF DIRECTORS
SIGNATURES AND ACKNOWLEDGMENT**

We, the undersigned, state and acknowledge that we are duly constituted officers of this organization, being the

EXECUTIVE DIRECTOR _____ (Title) and _____ (Title) respectively, and

that we execute this document on behalf of the organization pursuant to the resolution of the

_____ (Board of Directors, Trustees, or Managing Group) adopted on the 28th
day of January, 2013, approving the contents of the document, and do hereby certify that the

_____ (Board of Directors, Trustees, or Managing Group) has assumed, and will continue
to assume, responsibility for determining matters of policy, and have supervised, and will continue to supervise, the finances of the organization. We
further state that the information supplied is true, correct and complete to the best of our knowledge.

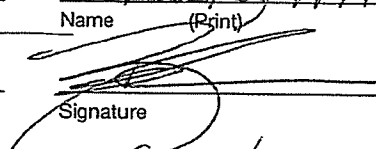
LYNDA BENNETT
Name (Print)

Signature 

EXECUTIVE DIRECTOR
Title

Date 1/31/2013

Bradley W Nelson
Name (Print)

Signature 

Secretary
Title

Date 2/18/13

*** NOTICE ***

Documents required to be filed are public records. Please do not include social security numbers, driver's license numbers or bank account numbers on the documents filed with this Office as they are not required, but could become part of the public records. A charitable organization is not required to file a list of its donors. If it is included, it may become part of the public file.

AG: #2757541-v1

**Face to Face Health & Counseling
Service, Inc.**

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2012 and 2011

Face to Face Health & Counseling Service, Inc.

Financial Statements

Years Ended June 30, 2012 and 2011

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Independent Auditor's Report

Board of Directors
Face to Face Health & Counseling Service, Inc.
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Face to Face Health & Counseling Service, Inc. (the "Organization") as of June 30, 2012, 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. The prior-year summarized comparative information has been derived from the Organization's 2011 financial statements, and in our report dated October 18, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the Organization at June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

November 15, 2012
Minneapolis, Minnesota

Face to Face Health & Counseling Service, Inc.

Statements of Financial Position

June 30, 2012, With Comparative Totals for June 30, 2011

| <i>Assets</i> | 2012 | 2011 |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash | \$ 488,510 | \$ 299,981 |
| Receivables: | | |
| Promises to give - Net | 135,606 | 171,418 |
| Patient accounts - Net | 107,385 | 137,269 |
| Grants and contracts | 254,528 | 113,911 |
| Other | 10,647 | 14,469 |
| Prepaid expenses and other | 34,428 | 25,812 |
| Total current assets | 1,031,104 | 762,860 |
| Property and equipment - Net | 1,207,888 | 1,151,526 |
| Other assets - Promises to give receivable - Net | 33,988 | 55,456 |
| TOTAL ASSETS | \$ 2,272,980 | \$ 1,969,842 |

| <i>Liabilities and Net Assets</i> | 2012 | 2011 |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 63,586 | \$ 226,670 |
| Accounts payable | 118,246 | 117,728 |
| Accrued payroll and benefits | 141,389 | 126,709 |
| Accrued interest payable | 862 | 1,600 |
| Total current liabilities | 324,083 | 472,707 |
| Long-term debt - Less current maturities | 318,692 | 61,358 |
| Total liabilities | 642,775 | 534,065 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 569,061 | 311,795 |
| Investment in property and equipment, net of related debt | 825,610 | 863,498 |
| Total unrestricted | 1,394,671 | 1,175,293 |
| Temporarily restricted | 235,534 | 260,484 |
| Total net assets | 1,630,205 | 1,435,777 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,272,980 | \$ 1,969,842 |

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2012, With Comparative Totals for June 30, 2011

| | Unrestricted | Temporarily Restricted | 2012 | 2011 |
|--|---------------------|---------------------------|---------------------|---------------------|
| Revenue and other support: | | | | |
| Revenue: | | | | |
| Net patient service revenue | \$ 1,282,090 | \$ - | \$ 1,282,090 | \$ 1,069,597 |
| Government grants and contracts | 1,381,432 | - | 1,381,432 | 1,482,368 |
| Rent | 214,022 | - | 214,022 | 213,237 |
| Interest | 1,274 | - | 1,274 | 1,297 |
| Other operating | 9,509 | - | 9,509 | 33,727 |
| Total revenue | 2,888,327 | - | 2,888,327 | 2,800,226 |
| Other support: | | | | |
| Contributions and grants | 556,563 | 218,265 | 774,828 | 601,551 |
| Donated services | 108,919 | - | 108,919 | 84,829 |
| Net assets released from restrictions | 243,215 | (243,215) | - | - |
| Total other support | 908,697 | (24,950) | 883,747 | 686,380 |
| Total revenue and other support | 3,797,024 | (24,950) | 3,772,074 | 3,486,606 |
| Expenses: | | | | |
| Program services: | | | | |
| Health services | 1,491,184 | - | 1,491,184 | 1,409,968 |
| Mental health | 578,435 | - | 578,435 | 504,877 |
| Safe Zone Center | 793,192 | - | 793,192 | 803,869 |
| Total program services | 2,862,811 | - | 2,862,811 | 2,718,714 |
| Supporting activities: | | | | |
| Management and general | 587,609 | - | 587,609 | 549,904 |
| Fund-raising | 127,226 | - | 127,226 | 114,312 |
| Total supporting activities | 714,835 | - | 714,835 | 664,216 |
| Total expenses | 3,577,646 | - | 3,577,646 | 3,382,930 |
| Increase (decrease) in net assets | 219,378 | (24,950) | 194,428 | 103,676 |
| Net assets at beginning | 1,175,293 | 260,484 | 1,435,777 | 1,332,101 |
| Net assets at end | \$ 1,394,671 | \$ 235,534 | \$ 1,630,205 | \$ 1,435,777 |

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Functional Expenses

Year Ended June 30, 2012 With Comparative Totals for June 30, 2011

| | Program Services | | | | Supporting Activities | | | 2011 |
|--------------------------------------|------------------|---------------|------------------|------------------------|------------------------|--------------|-----------------------------|--------------|
| | Health Services | Mental Health | Safe Zone Center | Total Program Services | Management and General | Fund-Raising | Total Supporting Activities | |
| Salaries | \$ 713,136 | \$ 419,064 | \$ 340,763 | \$ 1,472,963 | \$ 439,885 | \$ 74,534 | \$ 514,419 | \$ 1,801,427 |
| Payroll taxes and employee benefits | 122,134 | 70,188 | 63,564 | 255,886 | 76,048 | 13,205 | 89,253 | 342,560 |
| Total salaries and related expenses | 835,270 | 489,252 | 404,327 | 1,728,849 | 515,933 | 87,739 | 603,672 | 2,143,987 |
| Contractors and consultants | 92,547 | 1,924 | 35,659 | 130,130 | 290 | 1,120 | 1,410 | 97,377 |
| Client assistance | 19,371 | 659 | 232,255 | 252,285 | - | 675 | 675 | 248,618 |
| Lab, pharmacy, and medical supplies | 263,205 | - | 1,071 | 264,276 | - | - | - | 270,647 |
| Office supplies | 5,478 | 1,806 | 1,294 | 8,578 | 1,597 | 528 | 2,125 | 10,285 |
| Client events and food | 2,131 | 380 | 273 | 2,784 | 791 | 154 | 945 | 7,113 |
| Insurance | 17,811 | 3,322 | 345 | 21,478 | 3,693 | 372 | 4,065 | 25,926 |
| Telecommunications | 11,363 | 6,543 | 3,277 | 21,183 | 3,690 | 421 | 4,111 | 35,215 |
| Postage and printing | 9,573 | 760 | 4,668 | 15,001 | 5,448 | 1,896 | 7,344 | 18,885 |
| Professional services | 15,382 | 8,618 | - | 24,000 | 9,584 | 15,168 | 24,752 | 46,389 |
| Subscriptions, dues, and memberships | 6,320 | 316 | 4,654 | 11,490 | 4,447 | 12,653 | 17,100 | 43,700 |
| Advertising and marketing | 42 | - | 9,200 | 9,242 | - | 17 | 17 | 4,478 |
| Building equipment and maintenance | 51,475 | 14,021 | 41,999 | 107,495 | 9,823 | 1,411 | 11,234 | 149,870 |
| Conferences and training | 5,506 | 16,319 | 17,423 | 39,248 | 2,391 | 1,764 | 4,155 | 40,458 |
| Taxes, licenses, and fees | 24,113 | 506 | 1,779 | 26,398 | 545 | 1,619 | 2,164 | 27,781 |
| Interest | - | - | - | - | 17,987 | - | 17,987 | 21,410 |
| Bad debt | 87,793 | 28,065 | - | 115,858 | - | - | - | 91,863 |
| Total expenses before depreciation | 1,447,380 | 572,491 | 756,424 | 2,778,295 | 576,219 | 125,537 | 701,756 | 3,284,002 |
| Depreciation | 43,804 | 5,944 | 34,768 | 84,516 | 11,390 | 1,689 | 13,079 | 98,928 |
| Total expenses | \$ 1,491,184 | \$ 578,435 | \$ 793,192 | \$ 2,862,811 | \$ 587,609 | \$ 127,226 | \$ 714,835 | \$ 3,382,930 |

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|------------|------------|
| Increase (decrease) in cash: | | |
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 194,428 | \$ 103,676 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 97,595 | 98,928 |
| Bad debt expense | 115,858 | 91,863 |
| Changes in operating assets and liabilities: | | |
| Promise to give receivable | 57,280 | 63,178 |
| Patient accounts receivable | (85,974) | (79,042) |
| Grants and contracts receivable | (140,617) | (4,369) |
| Other receivables | 3,822 | (1,672) |
| Prepaid expenses and other | (8,616) | (16,537) |
| Accounts payable | 518 | 24,379 |
| Accrued payroll and benefits | 14,680 | 8,643 |
| Accrued interest payable | (738) | (212) |
| Total adjustments | 53,808 | 185,159 |
| Net cash provided by operating activities | 248,236 | 288,835 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (153,957) | (38,063) |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | (41,040) | (38,115) |
| Proceeds from long-term debt | 135,290 | - |
| Net cash provided by financing activities | 94,250 | (38,115) |

Face to Face Health & Counseling Service, Inc.

Statements of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|--|------------|------------|
| Net increase in cash | \$ 188,529 | \$ 212,657 |
| Cash at beginning | 299,981 | 87,324 |
| Cash at end | \$ 488,510 | \$ 299,981 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 22,148 | \$ 23,745 |
| Non cash investing activities: | | |
| Property and equipment in accounts payable | \$ - | \$ 37,264 |

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Organization

Face to Face Health & Counseling Service, Inc. (the "Organization") is incorporated under the Minnesota Nonprofit Corporation Act. The Organization is dedicated to serving the developmental needs of adolescents and young adults who are in need of accessible and culturally sensitive services. The Organization focuses its efforts on improving the experiences of adolescents who are at the greatest economic or social disadvantage.

Description of Programs

The programs through which the Organization provides its services are as follows:

Health Services - Quality medical and family planning services are provided in a manner sensitive to adolescents, staffed by physicians and nurse practitioners specializing in obstetrics, gynecology, and adolescent medicine. A special prenatal program is offered, staffed by a prenatal specialist, nurse midwife, and nurse practitioner. Nutritional counseling is also provided, and staff in the outreach program provides prenatal classes, support, and education. Delivery takes place at United Hospital or Regions Hospital.

Mental Health - Individuals, group, and family counseling, available either through the Organization or at St. Paul schools, is designed specifically to treat adolescent issues and problems such as depression, school issues, relationships, abuse issues, family problems, stress, etc. A variety of support groups are offered.

Safe Zone - Safe Zone is a drop-in and outreach center located in downtown St. Paul. Safe Zone provides case management and counseling, mental health services, health care, and GED preparation to homeless youth. Safe Zone also provides clients with food, clothing, transportation, advocacy, and referrals to help them find housing and a stable lifestyle.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Organization follows accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Resources over which the Board of Directors has discretionary control.

Temporarily Restricted - Those resources subject to a donor-imposed restriction, which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently. The Organization has no permanently restricted resources.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all cash and other highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations and are stated at the amount management expects to collect from outstanding balances. Most patients are local residents. The Organization bills third-party payors on the patient's behalf, or if a patient is uninsured, the patient is billed directly, less any applicable sliding-fee discount. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patient's responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past-due accounts.

The carrying amounts of patient accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides an allowance for contractual adjustments under terms of third-party agreements through a reduction of gross revenue and a credit to patient accounts receivable.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collections and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

Patient accounts receivable at June 30, 2012 and 2011, are recorded in the accompanying statements of financial position, net of an allowance for doubtful accounts and contractual adjustments.

Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized as a receivable only when the conditions upon which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted promises to give which will be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the estimated cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give receivable are reduced by allowances that reflect management's estimate of uncollectible amounts.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

Property and equipment are recorded at cost, or if donated, at the fair market value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Property and equipment are depreciated on a straight-line basis over the following useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 10-35 years |
| Leasehold improvements | 10-15 years |
| Furniture and equipment | 3-5 years |

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support in temporarily restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

Asset Impairment

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed at June 30, 2012 and 2011.

Face to Face Health & Counseling Service, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors and sliding-fee-scale discounts. Discounts and allowances are accrued on an estimated basis in the period when the related services are provided and are adjusted in future periods as final settlements are determined.

Uncompensated Care

The Organization provides uncompensated care to patients who meet certain criteria under its sliding fee schedule without charge or at amounts less than its established rates. The amount that charges are discounted from established rates under the sliding fee schedule is based on income and household size. Because the Organization does not pursue collection of amounts, they are considered charity care and not reported as revenue.

The estimated cost of providing care to patients under the Organization's sliding fee schedule is calculated by multiplying the Organization's ratio of cost to gross charges by the gross uncompensated charges associated with providing care to patients under the sliding fee schedule.

Government Grants and Contracts

Governmental grant funds are recorded when reimbursements are requested. All governmental grant funds are received on a reimbursement basis. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

Contract and grant revenue is received from various funding agencies in exchange for specific services provided by the Organization. This revenue is recognized at the time the Organization provides the services to which the grants and contracts are limited.