Face to Face Health & Counseling Service, Inc.

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2017 and 2016

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Financial Statements

Years Ended June 30, 2017 and 2016

Table of Contents

WIPFLi LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Face to Face Health & Counseling Service, Inc., which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Face to Face Health & Counseling Service, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Comparative Information

We have previously audited Face to Face Health & Counseling Service, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

November 6, 2017
Minneapolis, Minnesota

Face to Face Health & Counseling Service, Inc.

Statements of Financial Position

June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash	$ 479,046	$ 649,517
Receivables:		
Promises to give - Net	62,324	59,400
Patient accounts - Net	130,675	125,978
Grants and contracts	300,451	245,346
Other	18,066	5,461
Prepaid expenses and other	46,057	47,370
Total current assets	1,036,619	1,133,072
Property and equipment - Net	1,453,434	1,532,579
Promises to give receivable - Less current portion	93,568	10,340
TOTAL ASSETS	$ 2,583,621	$ 2,675,991

Liabilities and Net Assets		2017		2016
Current liabilities:				
Current maturities of long-term debt	$	7,500	$	67,343
Line of credit		-		236,650
Accounts payable		87,744		108,284
Accrued payroll and benefits		173,418		183,896
Accrued interest payable		-		685
Agency funds payable		232,213		159,081
Total current liabilities		500,875		755,939
Long-term debt - Less current maturities		-		7,500
Total liabilities		500,875		763,439
Net assets:				
Unrestricted:				
Undesignated		479,394		591,729
Investment in property and equipment, net of related debt		1,445,934		1,221,086
Total unrestricted		1,925,328		1,812,815
Temporarily restricted		157,418		99,737
Total net assets		2,082,746		1,912,552
TOTAL LIABILITIES AND NET ASSETS	$	2,583,621	$	2,675,991

Face to Face Health & Counseling Service, Inc.

Statements of Activities

Year Ended June 30, 2017, With Summarized Totals for June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
Revenue and other support:				
Revenue:				
Patient service revenue - Net of contractual adjustments and discounts	$ 1,133,556	$ -	$ 1,133,556	$ 1,332,234
Less - Provision for doubtful accounts	37,624	-	37,624	42,577
Net patient service revenue, less provision for doubtful accounts	1,095,932	-	1,095,932	1,289,657
Government grants and contracts	1,696,648	-	1,696,648	1,622,790
Rent	251,518	-	251,518	240,729
Interest	1,890	-	1,890	729
Other	95,170	-	95,170	81,796
Total revenue	3,141,158	-	3,141,158	3,235,701
Other support:				
Contributions and grants	974,310	157,263	1,131,573	909,647
Donated services	81,296	-	81,296	53,509
Net assets released from restrictions	99,582	(99,582)	-	-
Total other support	1,155,188	57,681	1,212,869	963,156
Total revenue and other support	4,296,346	57,681	4,354,027	4,198,857
Expenses:				
Program services:				
Health services	1,754,086	-	1,754,086	1,714,451
Mental health	593,220	-	593,220	523,575
SafeZone	1,013,116	-	1,013,116	964,523
Total program services	3,360,422	-	3,360,422	3,202,549
Supporting activities:				
Management and general	716,314	-	716,314	667,238
Fund-raising	107,097	-	107,097	119,648
Total supporting activities	823,411	-	823,411	786,886
Total expenses	4,183,833	-	4,183,833	3,989,435
Increase in net assets	112,513	57,681	170,194	209,422
Net assets at beginning	1,812,815	99,737	1,912,552	1,703,130
Net assets at end	$ 1,925,328	$ 157,418	$ 2,082,746	$ 1,912,552

Face to Face Health & Counseling Service, Inc.

Statements of Functional Expenses

Year Ended June 30, 2017, With Summarized Totals for the year ended June 30, 2016

	Program Services				Supporting Activities				
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	2017	2016
Salaries	$ 927,749	$ 425,836	$ 401,809	$ 1,755,394	$ 539,647	$ 56,846	$ 596,493	$ 2,351,887	$ 2,306,426
Payroll taxes and employee benefits	158,871	74,688	72,997	306,556	107,119	10,251	117,370	423,926	413,840
Total salaries and related expenses	1,086,620	500,524	474,806	2,061,950	646,766	67,097	713,863	2,775,813	2,720,266
Contractors and consultants	80,870	34,106	52,050	167,026	4,996	3,327	8,323	175,349	124,028
Client assistance	67,028	2,682	295,621	365,331	-	-	-	365,331	341,583
Lab, pharmacy, and medical supplies	272,475	-	553	273,028	-	-	-	273,028	294,972
Office supplies	5,750	850	797	7,397	5,218	399	5,617	13,014	10,073
Client events and food	4,478	2,009	1,308	7,795	1,819	-	1,819	9,614	1,643
Insurance	6,172	1,096	-	7,268	13,754	-	13,754	21,022	20,689
Telecommunications	4,773	2,017	8,338	15,128	15,558	86	15,644	30,772	25,690
Postage and printing	6,166	184	(614)	5,736	4,103	2,909	7,012	12,748	12,096
Professional services	12,998	5,181	202	18,381	33,328	19,759	53,087	71,468	60,179
Subscriptions, dues, and memberships	2,995	105	4,523	7,623	8,221	3,595	11,816	19,439	17,655
Advertising and marketing	1,359	-	-	1,359	669	-	669	2,028	845
Building equipment and maintenance	9,015	799	80,240	90,054	68,438	202	68,640	158,694	145,613
Conferences and training	15,209	12,216	22,911	50,336	5,509	676	6,185	56,521	43,998
Taxes, licenses, and fees	23,516	708	1,967	26,191	1,925	2,845	4,770	30,961	31,894
Interest	-	-	1,093	1,093	1,936	-	1,936	3,029	4,402
Other expenses	112,845	29,840	13,661	156,346	(161,267)	4,921	(156,346)	-	-
Total expenses before depreciation	1,712,269	592,317	957,456	3,262,042	650,973	105,816	756,789	4,018,831	3,855,626
Depreciation	41,817	903	55,660	98,380	65,341	1,281	66,622	165,002	133,809
Total expenses	$ 1,754,086	$ 593,220	$ 1,013,116	$ 3,360,422	$ 716,314	$ 107,097	$ 823,411	$ 4,183,833	$ 3,989,435

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Increase (decrease) in cash:		
Cash flows from operating activities:		
Increase in net assets	$ 170,194	$ 209,422
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	165,002	133,809
Provision for doubtful accounts	37,624	42,577
Changes in operating assets and liabilities:		
Promises to give receivable	(86,152)	62,287
Patient accounts receivable	(42,321)	(79,138)
Grants and contracts receivable	(55,105)	36,302
Other receivables	(12,605)	7,405
Prepaid expenses and other	1,313	(5,943)
Accounts payable	(20,540)	(69,065)
Accrued payroll and benefits	(10,478)	35,960
Accrued interest payable	(685)	358
Agency funds payable	73,132	40,895
Total adjustments	49,185	205,447
Net cash provided by operating activities	219,379	414,869
Cash flows from investing activities -		
Purchases of property and equipment	(85,857)	(586,784)
Cash flows from financing activities:		
Principal payments on long-term debt	(67,343)	(86,358)
Principal payments on line of credit	(236,650)	(25,850)
Draws from line of credit	-	262,500
Net cash provided by (used in) financing activities	(303,993)	150,292

Face to Face Health & Counseling Service, Inc.

Statements of Cash Flows (Continued)

Years Ended June 30, 2017 and 2016

		2017		2016
Net decrease in cash	$	(170,471)	$	(21,623)
Cash at beginning		649,517		671,140
Cash at end	$	479,046	$	649,517
Supplemental cash flow information:				
Cash paid for interest	$	3,714	$	4,044

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 offers services by a prenatal specialist, nurse midwife, and nurse practitioner. The prenatal program also provides nutritional counseling. An outreach program provides prenatal classes, support, and education.

Mental Health - Individual, 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, relationship problems, abuse issues, family problems, stress, etc. A variety of support groups are offered.

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

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.

Summarized Information

The accompanying financial statements include certain summarized comparative information for 2016. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information is derived.

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.

Note 1 Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP 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.

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.

Patient accounts receivable are recorded in the accompanying statements of financial position net of contractual adjustments and an allowance for doubtful accounts, which reflect management's best estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts through a reduction of gross revenue and a credit to a valuation allowance.

Note 1 Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

In evaluating patient accounts receivable, the Organization analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

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 that will be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified as unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Note 1 Summary of Significant Accounting Policies (Continued)

Promises to Give (Continued)

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

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost, or if donated, at fair value on 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 shorter of following useful lives or lease term:

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.

Note 1 Summary of Significant Accounting Policies (Continued)

Asset Impairment

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. In the event that facts and circumstances indicate the carrying value of any long-lived assets may be impaired, an evaluation of the recoverability would be performed. If the sum of the expected cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. During 2017 and 2016, the Organization determined that no evaluations of recoverability were necessary.

Patient Service Revenue - Net of Contractual Adjustments and Discounts

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and 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 determined to qualify under the sliding fee schedule, these amounts are not included in 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.

Note 1 Summary of Significant Accounting Policies (Continued)

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.

Grant and contract 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.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Donated Services

Donated services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt to the extent that those services required specialized skills which, if not provided by donations, would have to be purchased by the Organization.

Note 1 Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing programs and services have been summarized on a functional basis. Expenses are charged to each program based on direct expenditures incurred. Supporting activities are allocated to program services systematically based on the program benefited.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Taxes

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 509(a)(2) of the Code. The Organization is also exempt from state income taxes under similar provisions in the Minnesota statutes.

Subsequent Events

Subsequent events have been evaluated though November 6, 2017, which is the date the financial statements were available to be issued.

Note 2 Reimbursement Arrangements With Third-Party Payors

The Organization has agreements with third-party payors including the Minnesota Department of Human Services (Medicaid), commercial insurance carriers, health maintenance organizations, and preferred provider organizations that provide for reimbursement at amounts which vary from its established rates. The basis for payment to the Organization under these agreements includes prospectively determined rates per procedure and discounts from established charges.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicaid program, can be subject to government review and interpretation as well as regulatory actions unknown and unasserted at this time. In recent years, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenue from patients' services. Management believes that the Organization is in substantial compliance with current laws and regulations.

Note 3 Patient Accounts Receivable

Patient accounts receivable - net consisted of the following at June 30:

	2017	2016
Patient accounts receivable	$ 293,007	$ 282,887
Less:		
Allowance for doubtful accounts	31,678	24,948
Contractual adjustments	130,654	131,961
Patient accounts receivable - Net	$ 130,675	$ 125,978

The Organization's allowance for doubtful accounts for self-pay patients decreased from 112% of self-pay patients' accounts receivable at June 30, 2016, to 108% of self-pay patients' accounts receivable at June 30, 2017. The Organization's write-offs of patient accounts receivable, net of recoveries, decreased from $41,516 in 2016 to $30,894 in 2017.

Note 4 Promises to Give Receivable

Promises to give receivable - net are expected to be received as follows at June 30:

	2017	2016
Receivable in less than one year	$ 62,324	$ 59,400
Receivable in one to five years	93,568	10,340
Promises to give receivable - Net	$ 155,892	$ 69,740

Promises to give are recorded net of an allowance for doubtful promises of $7,561 at June 30, 2017 and 2016. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows using discounts that range from 1.24% to 0.45% at June 30, 2017 and 2016, respectively.

Note 5 Property and Equipment

Property and equipment and the related funding sources consisted of the following and are included in the statements of financial position at June 30:

	2017	2016
Property and equipment:		
Land	$ 60,639	$ 60,639
Buildings and equipment	1,896,624	1,836,773
Leasehold improvements	1,005,201	1,005,201
Furniture and equipment	638,165	594,534
Construction in progress	-	17,626
Totals	3,600,629	3,514,773
Less - Accumulated depreciation	2,147,195	1,982,194
Property and equipment - Net	$ 1,453,434	$ 1,532,579
Funding sources for investment in property and equipment:		
Liabilities - Notes payable and line of credit	$ 7,500	$ 311,493
Net assets designated for property and equipment	1,445,934	1,221,086
Total funding sources for property and equipment	$ 1,453,434	$ 1,532,579

Note 6 Long-Term Debt

Long-term debt consisted of the following at June 30:

	2017	2016
4.9% mortgage payable to Western Bank. Payments of $3,765 principal and interest are due in monthly installments through February 2017. The mortgage was paid in full in 2017.	$ -	$ 27,599
4.9% note payable to Western Bank. Payments of $1,216 for principal and interest are due monthly through February 2017. The note was paid in full in 2017.	-	9,744
Note payable to Minnesota Department of Health. Payments of $2,500 for principal and interest at 0% are due monthly through October 2017. The note is unsecured.	7,500	37,500
Totals	7,500	74,843
Less - Current maturities	7,500	67,343
Long-term debt - Less current maturities	$ -	$ 7,500

Scheduled principal payments on long-term debt are as follows at June 30:

2018	$ 7,500

Note 7 Line of Credit

At June 30, 2017 and 2016, the Organization had a $250,000 line of credit with a local bank. Under the line of credit, interest-only payments are due monthly at a variable rate of 1% over prime rate as published in *The Wall Street Journal* and are subject to a minimum rate of 5% and a maximum rate of 12%. The line of credit is secured by a mortgage on the Organization's real estate and matures November 11, 2018. Outstanding borrowings were $0 and $236,650 at June 30, 2017 and 2016, respectively.

Note 8 Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2017	2016
Restricted for capital improvements	$ 1,526	$ 29,997
Pledges receivable	155,892	69,740
Totals	$ 157,418	$ 99,737

Note 9 Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring of expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs as follows for the years ended June 30:

	2017	2016
SafeZone	$ -	$ 96,038
Pledges receivable	71,107	62,287
Capital improvements	28,475	35,000
Totals	$ 99,582	$ 193,325

Note 10 Patient Service Revenue - Net of Contractual Adjustments and Discounts

Net patient service revenue consisted of the following for the years ended June 30:

	2017	2016
Total gross charges	$ 1,970,411	$ 2,188,596
Less - Discounts and adjustments	836,855	856,362
Patient service revenue - Net of contractual adjustments and discounts	$ 1,133,556	$ 1,332,234

The following table reflects gross charges by payor source at June 30:

	2017	2016
Medicaid	80.7%	80.5%
Commercial	11.5%	11.3%
Sliding fee	7.8%	8.2%
Totals	100.0%	100.0%

Note 10 Patient Service Revenue - Net of Contractual Adjustments and Discounts

(Continued)

Patient service revenue - net of contractual adjustments and discounts (but before the provision for doubtful accounts) recognized in the years ended June 30 from these major payor sources was as follows:

	2017	2016
Blue Cross	$ 61,853	$ 54,760
Commercial and other	104,128	83,053
Medicaid/Prepaid Medical Assistance Plans	967,575	1,194,421
Patient service revenue - Net of contractual adjustments and discounts	$ 1,133,556	$ 1,332,234

Note 11 Uncompensated Care

The estimated cost of providing care to patients under the Organization's sliding fee schedule was approximately $328,000 and $215,000 in 2017 and 2016, respectively. The amount of charges forgone related to providing care to patients under the organization's sliding fee schedules was $226,300 and $173,994 for 2017 and 2016.

Note 12 Donated Services

Donated services, which are included in the statement of activities at their estimated fair values at date of receipt, were as follows:

	2017	2016
Mental health interns	$ 21,850	$ 19,839
Physician residents	29,894	22,549
Connect services	5,459	1,995
Outreach and SafeZone interns	13,533	1,433
Other volunteers with specialized skills	10,560	7,693
Totals	$ 81,296	$ 53,509

Note 12 Donated Services (Continued)

The Organization received additional donated services that have not been recognized in the accompanying statements of activities because they did not meet the criteria for recognition.

Note 13 Operating Leases

The Organization currently leases office space under a five-year operating lease commencing October 1, 2016, and ending on December 31, 2020. Rent expense was $73,636 and $55,606 in 2017 and 2016, respectively.

Future minimum lease payments due under this operating lease are as follows at June 30:

2018	$	72,173
2019		75,275
2020		75,275
2021		37,637
Total	$	260,360

Note 14 Economic Dependency

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with those given in prior years may be dependent on future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors and management believe the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the factors above.

For the years ended June 30, 2017 and 2016, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 21% and 16% of the total support and revenue, respectively.

Note 15 Lease Revenue

The Organization leases space to tenants under leases expiring February 28, 2018. Rental payments consist of monthly base rent amounts that vary from year to year per the lease agreements and the tenants' share of the operating expenses of the building.

At June 30, 2017, the future minimum rental payments to be received under these leases are as follows:

2018	$	167,024

Total rental income received for the years ended June 30, 2017 and 2016, was $251,518 and $240,729 respectively. This consisted of $172,042 and $168,539 of base rent and $79,584 and $72,189 of the tenants' share of operating expenses for 2017 and 2016, respectively.

Note 16 Professional Liability Insurance

The Organization's professional liability insurance for claim losses of less than $1,000,000 per claim and $3,000,000 per year covers professional liability claims reported during a policy year (claims-made coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to July 1, 2018.

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Organization. Although there exists the possibility of claims arising from services provided to patients through June 30, 2017, which have not yet been asserted, the Organization is unable to determine the ultimate cost, if any, of such possible claims, and accordingly no provisions have been made for them.

Note 17 Concentration of Credit Risk

Financial instruments that subject the Organization to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicaid) for health care provided to the patients. The majority of the Organization's patients are from St. Paul, Minnesota, and the surrounding area.

The mix of receivables was as follows at June 30:

	2017	2016
Medicaid	51%	60%
Commercial	39%	32%
Private pay	10%	8%
Totals	100%	100%

The Organization maintains a depository relationship with an area financial institution insured by the Federal Depository Insurance Corporation (FDIC). The accounts are insured by the FDIC up to $250,000. At June 30, 2017, the Organization's deposits exceeded the insured limits by approximately $326,000.