

# Face to Face Health & Counseling Service, Inc.

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2018 and 2017

**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

To the 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. (the "Organization"), which comprise the statements of financial position as of June 30, 2018, 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 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, 2018, 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 financial statements as of and for the year ended June 30, 2017, and we expressed an unmodified opinion on those financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

November 26, 2018  
Minneapolis, Minnesota

# Face to Face Health & Counseling Service, Inc.

## Statements of Financial Position

<i>As of June 30,</i>	2018	2017
Current assets:		
Cash	\$ 5,100	\$ 479,046
Receivables:		
Promises to give - Net	53,089	62,324
Patient accounts - Net	111,397	130,675
Grants and contracts	444,025	300,451
Other	51,111	18,066
Prepaid expenses	38,842	46,057
<b>Total current assets</b>	<b>703,564</b>	<b>1,036,619</b>
Property and equipment - Net	1,299,204	1,453,434
Promises to give receivable - Less current maturities	67,274	93,568
<b>TOTAL ASSETS</b>	<b>\$ 2,070,042</b>	<b>\$ 2,583,621</b>
Current liabilities:		
Current maturities of long-term debt	\$ -	\$ 7,500
Line of credit	49,714	-
Accounts payable	55,577	87,744
Accrued payroll and benefits	157,391	173,418
Agency funds payable	-	232,213
<b>Total liabilities</b>	<b>262,682</b>	<b>500,875</b>
Net assets:		
Unrestricted:		
Undesignated	308,748	479,394
Investment in property and equipment, net of related debt	1,299,204	1,445,934
<b>Total unrestricted</b>	<b>1,607,952</b>	<b>1,925,328</b>
Temporarily restricted	199,408	157,418
<b>Total net assets</b>	<b>1,807,360</b>	<b>2,082,746</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,070,042</b>	<b>\$ 2,583,621</b>

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Activities

<i>Years Ended June 30, 2018, With Summarized Totals for June 20, 2017</i>	Unrestricted	Temporarily Restricted	2018	2017
<b>Revenue and other support:</b>				
Revenue:				
Patient service revenue - Net of contractual allowances and discounts	\$ 1,162,524	\$ -	\$ 1,162,524	\$ 1,133,556
Less - Provision for doubtful accounts	35,323	-	35,323	37,624
<hr/>				
Net patient service revenue, less provision for doubtful accounts	1,127,201	-	1,127,201	1,095,932
Government grants and contracts	1,664,491	-	1,664,491	1,696,648
Rent	266,322	-	266,322	251,518
Interest	859	-	859	1,890
Other	44,705	-	44,705	95,170
<hr/>				
Total revenue	3,103,578	-	3,103,578	3,141,158
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Other support:				
Contributions and grants	787,067	81,735	868,802	1,131,573
Donated services	77,246	-	77,246	81,296
Net assets released from restrictions	39,745	(39,745)	-	-
<hr/>				
Total other support	904,058	41,990	946,048	1,212,869
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Total revenue and other support	\$ 4,007,636	\$ 41,990	\$ 4,049,626	\$ 4,354,027

# Face to Face Health & Counseling Service, Inc.

## Statements of Activities (Continued)

<i>Years Ended June 30, 2018, With Summarized Totals for June 20, 2017</i>	Unrestricted	Temporarily Restricted	2018	2017
Expenses:				
Program services:				
Health services	\$ 1,692,194	\$ -	\$ 1,692,194	\$ 1,754,086
Mental health	588,997	-	588,997	593,220
SafeZone	1,004,836	-	1,004,836	1,013,116
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Total program services	3,286,027	-	3,286,027	3,360,422
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Supporting activities:				
Management and general	948,608	-	948,608	716,314
Fund-raising	90,377	-	90,377	107,097
<hr/>				
Total supporting activities	1,038,985	-	1,038,985	823,411
<hr/>				
Total expenses	4,325,012	-	4,325,012	4,183,833
<hr/>				
Increase (decrease) in net assets	(317,376)	41,990	(275,386)	170,194
Net assets at beginning	1,925,328	157,418	2,082,746	1,912,552
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Net assets at end	\$ 1,607,952	\$ 199,408	\$ 1,807,360	\$ 2,082,746

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Functional Expenses

<i>Year Ended June 30, 2018, With Summarized Totals for June 30, 2017</i>	Program Services			Supporting Activities				2018	2017
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities		
Salaries	\$ 917,245	\$ 468,874	\$ 449,850	\$ 1,835,969	\$ 486,157	\$ 43,729	\$ 529,886	\$ 2,365,855	\$ 2,351,887
Payroll taxes and employee benefits	184,244	90,571	88,722	363,537	97,647	10,640	108,287	471,824	423,926
<b>Total salaries and related expenses</b>	<b>1,101,489</b>	<b>559,445</b>	<b>538,572</b>	<b>2,199,506</b>	<b>583,804</b>	<b>54,369</b>	<b>638,173</b>	<b>2,837,679</b>	<b>2,775,813</b>
Contractors and consultants	117,472	8,734	46,551	172,757	103,131	19,113	122,244	295,001	175,349
Client assistance	67,463	1,465	234,257	303,185	5,318	14	5,332	308,517	365,331
Lab, pharmacy, and medical supplies	263,208	321	10	263,539	1,399	14	1,413	264,952	273,028
Office supplies	6,406	1,211	2,351	9,968	4,047	136	4,183	14,151	13,014
Client events and food	2,803	2,702	2,516	8,021	5,720	55	5,775	13,796	9,614
Insurance	716	82	454	1,252	14,718	45	14,763	16,015	21,022
Telecommunications	5,522	2,020	3,201	10,743	12,963	115	13,078	23,821	30,772
Postage and printing	3,598	135	321	4,054	5,713	2,244	7,957	12,011	12,748
Professional services	581	82	10	673	48,663	11,037	59,700	60,373	71,468
Subscriptions, dues, and memberships	2,485	118	3,398	6,001	8,148	474	8,622	14,623	19,439
Advertising and marketing	778	82	322	1,182	2,328	478	2,806	3,988	2,028
Building equipment and maintenance	15,619	1,838	87,038	104,495	59,244	20	59,264	163,759	158,694
Conferences and training	19,239	11,106	24,942	55,287	8,386	377	8,763	64,050	56,521
Taxes, licenses, and fees	39,426	(508)	2,140	41,058	5,467	1,858	7,325	48,383	30,961
Interest	374	82	10	466	5,033	14	5,047	5,513	3,029
<b>Total expenses before depreciation</b>	<b>1,647,179</b>	<b>588,915</b>	<b>946,093</b>	<b>3,182,187</b>	<b>874,082</b>	<b>90,363</b>	<b>964,445</b>	<b>4,146,632</b>	<b>4,018,831</b>
Depreciation	45,015	82	58,743	103,840	74,526	14	74,540	178,380	165,002
<b>Total</b>	<b>\$ 1,692,194</b>	<b>\$ 588,997</b>	<b>\$ 1,004,836</b>	<b>\$ 3,286,027</b>	<b>\$ 948,608</b>	<b>\$ 90,377</b>	<b>\$ 1,038,985</b>	<b>\$ 4,325,012</b>	<b>\$ 4,183,833</b>

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Cash Flows

Years Ended June 30,	2018	2017
Increase (decrease) in cash:		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (275,386)	\$ 170,194
Adjustments to reconcile (increase) decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	178,380	165,002
Provision for doubtful accounts	35,323	37,624
Changes in operating assets and liabilities:		
Promises to give	35,529	(86,152)
Patient accounts receivable	(16,045)	(42,321)
Grants and contracts receivable	(143,574)	(55,105)
Other receivables	(33,045)	(12,605)
Prepaid expenses	7,215	1,313
Accounts payable	(32,167)	(20,540)
Accrued payroll and benefits	(16,027)	(11,163)
Accrued interest payable	-	-
Agency funds payable	(232,213)	73,132
Total adjustments	(216,624)	49,185
Net cash provided by (used in) operating activities	(492,010)	219,379
Cash flows from investing activities -		
Purchases of property and equipment	(24,150)	(85,857)
Cash flows from financing activities:		
Principal payments on long-term debt	(7,500)	(67,343)
Principal payments on line of credit	(286)	(236,650)
Draws from line of credit	50,000	-
Net cash provided by (used in) financing activities	42,214	(303,993)
Net decrease in cash	(473,946)	(170,471)
Cash at beginning	479,046	649,517
Cash at end	\$ 5,100	\$ 479,046

### Supplemental cash flow information:

Cash paid for interest	\$ 4,136	\$ 3,714
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See accompanying notes to financial statements.



# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### 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.

#### 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.

#### Summarized Information

The accompanying financial statements include certain summarized comparative information for 2017. 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, 2017, from which the summarized information is derived.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **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.

#### **Use of Estimates in Preparation of Financial Statements**

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 the allowance for doubtful accounts.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### **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.

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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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 2018 and 2017, the Organization determined that no evaluations of recoverability were necessary.

#### Patient Service Revenue - Net of Contractual Allowances 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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Uncompensated Care** (Continued)

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.

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.

#### **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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Advertising Costs**

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 through November 26, 2018, 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 related 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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### Note 3: Patient Accounts Receivable

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

	2018	2017
Patient accounts receivable	\$ 245,401	\$ 293,007
Less:		
Allowance for contractual adjustment	108,866	130,654
Allowance for doubtful accounts	25,138	31,678
Patient accounts receivable - Net	\$ 111,397	\$ 130,675

The Organization's allowance for doubtful accounts for self-pay patients increased from 108% of self-pay accounts receivable at June 30, 2017, to 134% of self-pay accounts receivable at June 30, 2018. The Organization's write-offs of patient accounts receivable, net of recoveries, increased from \$30,894 in 2017 to \$38,526 in 2018.

### Note 4: Promises to Give Receivable

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

	2018	2017
Receivable in less than one year	\$ 53,089	\$ 62,324
Receivable in one to five years	67,274	93,568
Promises to give receivable - Net	\$ 120,363	\$ 155,892

Promises to give are recorded net of an allowance for doubtful promises of \$7,561 at June 30, 2018 and 2017. 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 1.76% to 1.24% at June 30, 2018 and 2017, respectively.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### 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:

	2018	2017
Property and equipment:		
Land	\$ 60,639	\$ 60,639
Buildings and equipment	1,901,793	1,896,624
Leasehold improvements	1,005,201	1,005,201
Furniture and equipment	657,146	638,165
Totals	3,624,779	3,600,629
Less - Accumulated depreciation	2,325,575	2,147,195
Property and equipment - Net	\$ 1,299,204	\$ 1,453,434
Funding sources for investment in property and equipment:		
Liabilities - Notes payable and line of credit	\$ -	\$ 7,500
Net assets designated for property and equipment	1,299,204	1,445,934
Total funding sources for property and equipment	\$ 1,299,204	\$ 1,453,434

### Note 6: Long-Term Debt

Long-term debt consisted of the following at June 30, 2017:

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 was paid in full in 2018.	\$ 7,500
Less - Current maturities	7,500
Long-term debt - Less current maturities	\$ -



# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### Note 7: Line of Credit

At June 30, 2018 and 2017, 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 \$49,714 and \$0 at June 30, 2018 and 2017, respectively.

### Note 8: Temporarily Restricted Net Assets

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

	2018	2017
Restricted for capital improvements	\$ -	\$ 1,526
Pledges receivable	120,363	155,892
Safezone	55,037	-
Miscellaneous	24,008	-
Totals	\$ 199,408	\$ 157,418

### Note 9: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring 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:

	2018	2017
Pledges receivable	\$ 38,219	\$ 71,107
Capital improvements	1,526	28,475
Totals	\$ 39,745	\$ 99,582

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### Note 10: Patient Service Revenue - Net of Contractual Allowances and Discounts

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

	2018	2017
Total gross charges	\$ 1,891,154	\$ 1,970,411
Less - Discounts and allowances	728,630	836,855
Patient service revenue - Net of contractual adjustments and discounts	\$ 1,162,524	\$ 1,133,556

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

	2018	2017
Medicaid	76 %	81 %
Commercial	15 %	11 %
Sliding fee	9 %	8 %
Totals	100 %	100 %

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

	2018	2017
Blue Cross	\$ 60,425	\$ 61,853
Commercial and other	79,472	104,128
Medicaid/Prepaid Medical Assistance Plans	1,022,627	967,575
Patient service revenue - Net of contractual adjustments and discounts	\$ 1,162,524	\$ 1,133,556

### Note 11: Uncompensated Care

The estimated cost of providing care to patients under the Organization's sliding fee schedule was approximately \$294,000 and \$328,000 in 2018 and 2017, respectively. The amount of charges forgone related to providing care to patients under the Organization's sliding fee schedule was \$189,115 and \$226,300 for 2018 and 2017, respectively.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### 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:

	2018	2017
Mental health interns	\$ 31,815	\$ 21,850
Physician residents	25,912	29,894
Connect services	-	5,459
Outreach and SafeZone interns	17,614	13,533
Other volunteers with specialized skills	1,905	10,560
Totals	\$ 77,246	\$ 81,296

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 \$75,823 and \$73,636 in 2018 and 2017, respectively.

Future minimum lease payments are as follows for years ending June 30:

2019	\$ 75,275
2020	75,275
2021	37,637
Total future minimum lease payments	\$ 188,187

### 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, 2018 and 2017, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 21% of the total support and revenue in 2018 and 2017.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### Note 15: Lease Revenue

The Organization leases space to tenants under leases expiring June 30, 2019. 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, 2018, the future minimum rental payments to be received under these leases are as follows:

2019	\$ 151,809
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Total rental income received for the years ended June 30, 2018 and 2017, was \$266,322 and \$251,518, respectively. This consisted of \$185,636 and \$171,934 of base rent and \$80,686 and \$79,584 of the tenants' share of operating expenses for 2018 and 2017, 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, 2019.

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, 2018, 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:

	2018	2017
Medicaid	51 %	51 %
Commercial	42	39
Private pay	7	10
Totals	100 %	100 %

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# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

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### **Note 17: Concentration of Credit Risk** (Continued)

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, 2018, the Organization's deposits did not exceed insured limits.

### **Note 18: Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 classifications.