Face to Face Health & Counseling Service, Inc.

St. Paul, Minnesota

Financial Statements

Years Ended June 30, 2019 and 2018

WIPFLi LLP
CPAs and Consultants

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. (the "Organization"), which comprise the statements of financial position as of June 30, 2019, 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.

WIPFLi LLP

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, 2019, 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, 2018, and we expressed an unmodified opinion on those financial statements in our report dated November 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

October 17, 2019
Minneapolis, Minnesota

Face to Face Health & Counseling Service, Inc.

Statements of Financial Position

As of June 30,	2019	2018
Current assets:		
Cash	$ 215,463	$ 5,100
Receivables:		
Promises to give - Net	32,771	53,089
Patient accounts - Net	110,912	111,397
Grants and contracts	422,473	444,025
Other	7,596	51,111
Prepaid expenses	9,271	38,842
Total current assets	798,486	703,564
Property and equipment - Net	1,149,580	1,299,204
Promises to give - Less current maturities	39,256	67,274
TOTAL ASSETS	$ 1,987,322	$ 2,070,042
Current liabilities:		
Line of credit	$ 116,181	$ 49,714
Accounts payable	111,385	55,577
Accrued expenses	185,044	157,391
Total liabilities	412,610	262,682
Net assets:		
Without donor restrictions		
Undesignated	163,063	308,748
Investment in property and equipment, net of related debt	1,149,580	1,299,204
Total without donor restrictions	1,312,643	1,607,952
With donor restrictions	262,069	199,408
Total net assets	1,574,712	1,807,360
TOTAL LIABILITIES AND NET ASSETS	$ 1,987,322	$ 2,070,042

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Activities

Year Ended June 30, 2019, With Summarized Totals for June 30, 2018	Without Donor Restricitons	With Donor Restrictions	2019	2018
Revenue and other support:				
Revenue:				
Patient service revenue - Net of contractual allowances and discounts	$ 814,734	$ -	$ 814,734	$ 1,162,524
Less - Provision for doubtful accounts	-	-	-	35,323
Net patient service revenue, less provision for doubtful accounts	814,734	-	814,734	1,127,201
Government grants and contracts	1,826,669	-	1,826,669	1,664,491
Rent	253,269	-	253,269	266,322
Interest	1,527	-	1,527	859
Other	36,648	-	36,648	44,705
Total revenue	2,932,847	-	2,932,847	3,103,578
Other support:				
Contributions and grants	587,486	381,900	$ 969,386	868,802
Donated services	152,275	-	152,275	77,246
Net assets released from restrictions	319,239	(319,239)	-	-
Total other support	1,059,000	62,661	1,121,661	946,048
Total revenue and other support	3,991,847	62,661	4,054,508	4,049,626

Face to Face Health & Counseling Service, Inc.

Statements of Activities (Continued)

Year Ended June 30, 2019, With Summarized Totals for June 30, 2018	Without Donor Restrictions	With Donor Restrictions	2019	2018
Expenses:				
Program services:				
Health services	$ 1,603,735	$ -	$ 1,603,735	$ 1,692,194
Mental health	716,344	-	716,344	588,997
SafeZone	1,147,047	-	1,147,047	1,004,836
Total program services	3,467,126	-	3,467,126	3,286,027
Supporting activities:				
Management and general	501,718	-	501,718	948,608
Fund-raising	318,312	-	318,312	90,377
Total supporting activities	820,030	-	820,030	1,038,985
Total expenses	4,287,156	-	4,287,156	4,325,012
Increase (decrease) in net assets	(295,309)	62,661	(232,648)	(275,386)
Net assets at beginning	1,607,952	199,408	1,807,360	2,082,746
Net assets at end	$ 1,312,643	$ 262,069	$ 1,574,712	$ 1,807,360

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Functional Expenses

Year Ended June 30, 2019, With Summarized Totals for June 30, 2018	Program Services				Supporting Activities				
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	2019	2018
Salaries	$ 930,372	$ 483,012	$ 441,694	$ 1,855,078	$ 101,540	$ 132,039	$ 233,579	$ 2,088,657	$ 2,365,855
Payroll taxes and employee benefits	168,027	87,381	80,063	335,471	34,006	23,115	57,121	392,592	471,824
Total salaries and related expenses	1,098,399	570,393	521,757	2,190,549	135,546	155,154	290,700	2,481,249	2,837,679
Contractors and consultants	126,706	98,581	64,861	290,148	43,116	118,917	162,033	452,181	295,001
Client assistance	46,775	3,219	340,285	390,279	-	2,428	2,428	392,707	308,517
Lab, pharmacy, and medical supplies	177,742	-	-	177,742	-	-	-	177,742	264,952
Office supplies	13,767	1,280	5,377	20,424	25,372	357	25,729	46,153	14,151
Client events and food	2,657	1,406	22,598	26,661	-	557	557	27,218	13,796
Insurance	4,095	1,848	-	5,943	26,659	-	26,659	32,602	16,015
Telecommunications	2,687	2,755	7,663	13,105	27,818	829	28,647	41,752	23,821
Postage and printing	5,460	784	1,167	7,411	24,894	3,281	28,175	35,586	12,011
Professional services	7,627	-	1,312	8,939	28,083	-	28,083	37,022	60,373
Subscriptions, dues, and memberships	3,568	5,425	7,773	16,766	25,895	8,299	34,194	50,960	14,623
Advertising and marketing	30,270	515	-	30,785	-	509	509	31,294	3,988
Building equipment and maintenance	11,387	9,210	85,449	106,046	41,805	-	41,805	147,851	163,759
Conferences and training	27,254	20,928	28,203	76,385	25,057	12,898	37,955	114,340	64,050
Taxes, licenses, and fees	16,247	-	861	17,108	26,385	1,617	28,002	45,110	48,383
Interest	-	-	-	-	6,018	-	6,018	6,018	5,513
Bad debt - pledges	-	-	-	-	-	13,466	13,466	13,466	-
Total expenses before depreciation	1,574,641	716,344	1,087,306	3,378,291	436,648	318,312	754,960	4,133,251	4,146,632
Depreciation	29,094	-	59,741	88,835	65,070	-	65,070	153,905	178,380
Totals	$ 1,603,735	$ 716,344	$ 1,147,047	$ 3,467,126	$ 501,718	$ 318,312	$ 820,030	$ 4,287,156	$ 4,325,012

See accompanying notes to financial statements.

Face to Face Health & Counseling Service, Inc.

Statements of Cash Flows

Years Ended June 30,	2019	2018
Increase (decrease) in cash:		
Cash flows from operating activities:		
Decrease in net assets	$ (232,648)	$ (275,386)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	153,905	178,380
Provision for doubtful accounts	13,466	35,323
Changes in operating assets and liabilities:		
Promises to give	34,870	35,529
Patient accounts receivable	485	(16,045)
Grants and contracts receivable	21,552	(143,574)
Other receivables	43,515	(33,045)
Prepaid expenses	29,571	7,215
Accounts payable	55,808	(32,167)
Accrued expenses	27,653	(16,027)
Agency funds payable	-	(232,213)
Total adjustments	380,825	(216,624)
Net cash provided by (used in) operating activities	148,177	(492,010)
Cash flows from investing activities -		
Purchases of property and equipment	(4,281)	(24,150)
Cash flows from financing activities:		
Principal payments on long-term debt	-	(7,500)
Principal payments on line of credit	(263,533)	(286)
Draws from line of credit	330,000	50,000
Net cash provided by financing activities	66,467	42,214
Net increase (decrease) in cash	210,363	(473,946)
Cash at beginning	5,100	479,046
Cash at end	$ 215,463	$ 5,100
Supplemental cash flow information:		
Cash paid for interest	$ 5,719	$ 4,136

See accompanying 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 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 2018. 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, 2018, from which the summarized information is derived.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets without donor restrictions are those not subject to donor-imposed stipulations and includes those expendable resources which have been designated for special use by the Board of Directors. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

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 net assets with donor restrictions. Unrestricted promises to give that will be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified as net assets without donor restrictions 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation (Continued)

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 net assets with donor restriction. 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 2019 and 2018, 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.

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 relate.

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 with or without donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions.

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 require 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.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

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 October 17, 2019, which is the date the financial statements were available to be issued.

Change in Accounting Policy

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Organization's year ended June 30, 2019, and was applied retrospectively to these comparative financial statements. The Organization has elected under the standard’s adoption guidance to omit the liquidity and statement of functional expenses disclosures for the year ended June 30, 2018.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 606, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Organization in 2020. The Organization is currently evaluating the impact of the provisions of ASC 606.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting requirements in FASB ASC Topic 840, Leases. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for the Organization in 2021. The Organization is currently evaluating the impact of the provisions of ASC 842.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for the Organization in 2020. The Organization is currently evaluating the impact of the provisions of ASU Topic 958.

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.

Note 3: Patient Accounts Receivable

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

	2019	2018
Patient accounts receivable	$ 206,700	$ 245,401
Less:		
Allowance for contractual adjustment	83,937	108,866
Allowance for doubtful accounts	11,851	25,138
Patient accounts receivable - Net	$ 110,912	$ 111,397

Note 3: Patient Accounts Receivable (Continued)

The Organization's allowance for doubtful accounts for self-pay patients decreased from 134% of self-pay accounts receivable at June 30, 2018, to 46% of self-pay accounts receivable at June 30, 2019. The Organization's write-offs of patient accounts receivable, net of recoveries, decreased from $38,526 in 2018 to $0 in 2019.

Note 4: Promises to Give

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

	2019	2018
Receivable in less than one year	$ 32,771	$ 53,089
Receivable in one to five years	39,256	67,274
Promises to give receivable - Net	$ 72,027	$ 120,363

Promises to give are recorded net of an allowance for doubtful promises of $5,000 and $7,561 at June 30, 2019 and 2018, respectively. 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 2.18% at June 30, 2019 and 2018, 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:

	2019	2018
Property and equipment:		
Land	$ 60,639	$ 60,639
Buildings and improvements	1,901,793	1,901,793
Leasehold improvements	1,005,201	1,005,201
Furniture and equipment	661,427	657,146
Totals	3,629,060	3,624,779
Less - Accumulated depreciation	2,479,480	2,325,575
Property and equipment - Net	$ 1,149,580	$ 1,299,204
Funding sources for investment in property and equipment:		
Net assets designated for property and equipment	$ 1,149,580	$ 1,299,204

Note 6: Line of Credit

At June 30, 2019 and 2018, 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 interest rate at June 30, 2019 was 6.25%. The line of credit is secured by a mortgage on the Organization's real estate and matures November 5, 2019. Outstanding borrowings were $116,181 and $49,714 at June 30, 2019 and 2018, respectively.

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
Restricted for donor purpose:		
SafeZone	$ 92,268	$ 55,037
Youth advisory council	26,599	16,635
Capacity building	20,000	-
GLBTQ	20,896	-
Miscellaneous	10,279	7,373
Restricted as to time	92,027	120,363
Totals	$ 262,069	$ 199,408

Note 8: 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:

	2019	2018
SafeZone	$ 203,969	$ -
Youth advisory council	20,036	-
GLBTQ	19,104	-
Miscellaneous	32,794	-
Pledges receivable	43,336	38,219
Capital improvements	-	1,526
Totals	$ 319,239	$ 39,745

Note 9: Patient Service Revenue - Net of Contractual Allowances and Discounts

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

	2019	2018
Total gross charges	$ 1,439,008	$ 1,891,154
Less - Discounts and allowances	624,274	728,630
Patient service revenue - Net of contractual adjustments and discounts	$ 814,734	$ 1,162,524

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

	2019	2018
Medicaid	69 %	76 %
Commercial	15 %	15 %
Sliding fee	16 %	9 %
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:

	2019	2018
Blue Cross	$ 52,968	$ 60,425
Commercial and other	64,687	79,472
Medicaid/Prepaid Medical Assistance Plans	697,079	1,022,627
Patient service revenue - Net of contractual adjustments and discounts	$ 814,734	$ 1,162,524

Note 10: Uncompensated Care

The estimated cost of providing care to patients under the Organization’s sliding fee schedule was approximately $395,000 and $294,000 in 2019 and 2018, respectively. The amount of charges forgone related to providing care to patients under the Organization's sliding fee schedule was $214,268 and $189,115 for 2019 and 2018, respectively.

Note 11: Donated Services

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

	2019	2018
Mental health interns	$ 56,360	$ 31,815
Physician residents	26,405	25,912
Outreach and SafeZone interns	19,995	17,614
Marketing	40,000	-
Other volunteers with specialized skills	9,515	1,905
Totals	$ 152,275	$ 77,246

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 12: 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 $74,275 and $75,823 in 2019 and 2018, respectively.

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

2020	$ 75,275
2021	37,638
Total future minimum lease payments	$ 112,913

Note 13: 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, 2019 and 2018, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 20% of the total support and revenue in 2019 and 2018.

Note 14: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date because of contractual restrictions or internal board designations.

As part of the Organization's liquidity management, occasionally the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. Though these funds, at the discretion of the Board of Directors, could be released immediately, they are not considered available under the Organization's liquidity management.

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

Cash	$	215,463
Patient acounts receivable - Net		110,912
Grants and contracts receivable		422,473
Promises to give		32,771
Accounts receivable - Other		7,596
Total financial assets		789,215
Line of credit available		133,819
Total	$	923,034

Note 15: Lease Revenue

The Organization leases space to tenants under leases expiring June 30, 2022. 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, 2019, the future minimum rental payments to be received under these leases are as follows:

2020	$	156,000
2021		156,000
2022		156,000
Totals	$	468,000

Total rental income received for the years ended June 30, 2019 and 2018, was $253,269 and $266,322, respectively. This consisted of $189,745 and $185,636 of base rent and $63,524 and $80,686 of the tenants' share of operating expenses for 2019 and 2018, 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, 2020.

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, 2019, 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:

	2019	2018
Medicaid	43 %	51 %
Commercial	45	42
Private pay	12	7
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. Operating cash demands, at times, may require deposits to exceed federally insured limits. The Organization had approximately $14,000 of uninsured deposits as of June 30, 2019.

Note 18: Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 classifications.