

# Face to Face Health & Counseling Service, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019



**WIPFLI**

## **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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended June 30, 2020 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, 2019, and we expressed an unmodified opinion on those financial statements in our report dated October 17, 2019. In our opinion, the summarized comparative information on the statements of activities presented herein for the year ended June 30, 2019, 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". The signature is written in a cursive, flowing style.

Wipfli LLP

November 13, 2020  
Minneapolis, Minnesota

# Face to Face Health & Counseling Service, Inc.

## Statements of Financial Position

<i>June 30,</i>	2020	2019
Current assets:		
Cash	\$ 593,752	\$ 215,463
Receivables:		
Promises to give - Net	27,673	32,771
Patient accounts - Net	65,134	110,912
Grants and contracts	566,967	422,473
Other	1,208	7,596
Prepaid expenses	9,668	9,271
Total current assets	1,264,402	798,486
Property and equipment - Net	1,044,990	1,149,580
Promises to give - Less current maturities	20,955	39,256
TOTAL ASSETS	\$ 2,330,347	\$ 1,987,322
Current liabilities:		
Line of credit	\$ -	\$ 116,181
Accounts payable	63,366	111,385
Accrued expenses	104,502	185,044
Deferred revenue and refundable advances	280,288	-
Total liabilities	448,156	412,610
Net assets:		
Without donor restrictions:		
Undesignated	287,689	163,063
Investment in property and equipment, net of related debt	1,044,990	1,149,580
Total without donor restrictions	1,332,679	1,312,643
With donor restrictions	549,512	262,069
Total net assets	1,882,191	1,574,712
TOTAL LIABILITIES AND NET ASSETS	\$ 2,330,347	\$ 1,987,322

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Activities

<i>Year Ended June 30, 2020, With Summarized Totals for June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenue and other support:				
Revenue:				
Patient service revenue - Net of contractual allowances and discounts	\$ 759,220	\$ -	\$ 759,220	\$ 814,734
Government grants and contracts	1,890,316	-	1,890,316	1,826,669
Rent	264,720	-	264,720	253,269
Interest	796	-	796	1,527
Other	65,183	-	65,183	36,648
<b>Total revenue</b>	<b>2,980,235</b>	<b>-</b>	<b>2,980,235</b>	<b>2,932,847</b>
Other support:				
Contributions and grants	703,423	742,211	\$ 1,445,634	969,386
In-Kind contributions	203,208	-	203,208	152,275
Net assets released from restrictions	454,768	(454,768)	-	-
<b>Total other support</b>	<b>1,361,399</b>	<b>287,443</b>	<b>1,648,842</b>	<b>1,121,661</b>
<b>Total revenue and other support</b>	<b>4,341,634</b>	<b>287,443</b>	<b>4,629,077</b>	<b>4,054,508</b>

# Face to Face Health & Counseling Service, Inc.

## Statements of Activities (Continued)

<i>Year Ended June 30, 2020, With Summarized Totals for June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	2020	2019
Expenses:				
Program services:				
Health services	\$ 1,516,983	\$ -	\$ 1,516,983	\$ 1,603,735
Mental health	691,395	-	691,395	716,344
SafeZone	1,150,838	-	1,150,838	1,147,047
Total program services	3,359,216	-	3,359,216	3,467,126
Supporting activities:				
Management and general	582,960	-	582,960	501,718
Fund-raising	379,422	-	379,422	318,312
Total supporting activities	962,382	-	962,382	820,030
Total expenses	4,321,598	-	4,321,598	4,287,156
Increase (decrease) in net assets	20,036	287,443	307,479	(232,648)
Net assets at beginning	1,312,643	262,069	1,574,712	1,807,360
Net assets at end	\$ 1,332,679	\$ 549,512	\$ 1,882,191	\$ 1,574,712

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Functional Expenses

<i>Year Ended June 30, 2020</i>	Program Services			Supporting Activities				Total
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	
Salaries	\$ 929,926	\$ 506,675	\$ 490,615	\$ 1,927,216	\$ 296,362	\$ 210,011	\$ 506,373	\$ 2,433,589
Payroll taxes and employee benefits	153,215	82,271	78,464	313,950	47,515	34,880	82,395	396,345
<b>Total salaries and related expenses</b>	<b>1,083,141</b>	<b>588,946</b>	<b>569,079</b>	<b>2,241,166</b>	<b>343,877</b>	<b>244,891</b>	<b>588,768</b>	<b>2,829,934</b>
Contractors and consultants	74,095	33,266	6,360	113,721	26,613	5,856	32,469	146,190
Client assistance	46,501	37,586	364,110	448,197	10,868	94,112	104,980	553,177
Lab, pharmacy, and medical supplies	173,979	6	85	174,070	56	3	59	174,129
Office supplies	2,321	376	2,125	4,822	1,989	688	2,677	7,499
Client events and food	8,228	209	2,840	11,277	2,001	1,371	3,372	14,649
Insurance	5,315	2,288	1,566	9,169	9,122	529	9,651	18,820
Telecommunications	5,810	4,597	7,462	17,869	11,209	1,012	12,221	30,090
Postage and printing	9,354	1,892	3,074	14,320	16,353	5,833	22,186	36,506
Professional services	10,789	4,689	8,165	23,643	44,932	2,603	47,535	71,178
Subscriptions, dues, and memberships	3,783	591	16,970	21,344	5,092	1,479	6,571	27,915
Advertising and marketing	21,941	-	-	21,941	-	9,269	9,269	31,210
Building equipment and maintenance	23,421	6,937	78,937	109,295	56,976	3,211	60,187	169,482
Conferences and training	14,005	4,721	20,893	39,619	5,427	1,086	6,513	46,132
Taxes, licenses, and fees	8,847	942	2,188	11,977	8,984	3,289	12,273	24,250
Interest	393	171	281	845	1,637	95	1,732	2,577
Bad debt - Pledges	-	-	-	-	-	1,775	1,775	1,775
<b>Total expenses before depreciation</b>	<b>1,491,923</b>	<b>687,217</b>	<b>1,084,135</b>	<b>3,263,275</b>	<b>545,136</b>	<b>377,102</b>	<b>922,238</b>	<b>4,185,513</b>
Depreciation	25,060	4,178	66,703	95,941	37,824	2,320	40,144	136,085
<b>Totals</b>	<b>\$ 1,516,983</b>	<b>\$ 691,395</b>	<b>\$ 1,150,838</b>	<b>\$ 3,359,216</b>	<b>\$ 582,960</b>	<b>\$ 379,422</b>	<b>\$ 962,382</b>	<b>\$ 4,321,598</b>

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Statements of Functional Expenses

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

See accompanying notes to financial statements.



# Face to Face Health & Counseling Service, Inc.

## Statements of Cash Flows

Years Ended June 30,	2020	2019
Increase (decrease) in cash:		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 307,479	\$ (232,648)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation expense	136,085	153,905
Provision for doubtful accounts	1,775	13,466
Loss on disposal of property and equipment	2,211	-
Changes in operating assets and liabilities:		
Promises to give	21,624	34,870
Patient accounts receivable	45,778	485
Grants and contracts receivable	(144,494)	21,552
Other receivables	6,388	43,515
Prepaid expenses	(397)	29,571
Accounts payable	(48,019)	55,808
Accrued expenses	(80,542)	27,653
Deferred revenue and refundable advances	280,288	-
Total adjustments	220,697	380,825
Net cash from operating activities	528,176	148,177
Cash flows from investing activities:		
Purchases of property and equipment	(33,706)	(4,281)
Cash flows from financing activities:		
Principal payments on line of credit	(116,181)	(263,533)
Draws from line of credit	-	330,000
Net cash from financing activities	(116,181)	66,467
Net increase in cash	378,289	210,363
Cash at beginning	215,463	5,100
Cash at end	\$ 593,752	\$ 215,463

### Supplemental cash flow information:

Cash paid for interest	\$ 3,081	\$ 5,719
------------------------	----------	----------

See accompanying notes to financial statements.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Organization

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

#### Description of Programs

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

**Health Services** - Quality medical and family planning services are provided in a manner sensitive to adolescents, staffed by physicians and nurse practitioners specializing in obstetrics, gynecology, and adolescent medicine. A special prenatal program 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 statements of activities include certain summarized comparative information for 2019. 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, 2019, from which the summarized information is derived.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

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

#### **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.

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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

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

#### 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 in 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 receivables 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 terms:

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 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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### **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 2020 and 2019, the Organization recorded no impairment losses.

#### **Net Assets**

Net assets without donor restrictions consist of investments and otherwise amounts without restriction that are available for use in carrying out the Organization's mission. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose or which have been restricted by donors to be maintained by the Organization in perpetuity.

#### **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. Retrospective 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.

For uninsured patients who do not qualify for sliding fee schedule discounts, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for bad debts related to uninsured patients in the period the services are provided. Provisions for bad debts were not significant in 2020 and 2019.

#### **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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

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

#### Government Grants and Contracts

Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

- *Grant awards that are contributions* - Unconditional grants to the Organization are reported at fair value at the date the grant is received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Grants that qualify as conditional contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are classified as refundable advances and included in deferred revenue and refundable advances in the accompanying statements of financial position.
- *Grant awards that are exchanges* - 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. Amounts received in advance of services being provided are classified as deferred revenue and included in deferred revenue and refundable advances in the accompanying statements of financial position.

#### 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.

#### In-Kind Contributions

The Organization recorded in-kind contributions for supplies and professional services in the statements of activities in accordance with financial accounting standards. The Organization recognizes contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### **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 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 13, 2020, which is the date the financial statements were available to be issued.

#### **Change in Accounting Policy**

In June 2018, the FASB issued Accounting Standards Update (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 assists entities in evaluating whether transaction should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a transaction is conditional. The Organization adopted this standard on a modified prospective basis. Adoption of this standard did not have a material impact on the Organization's financial statements.

#### **New Accounting Pronouncements**

In May 2014, the FASB issued 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 2021. The Organization is currently evaluating the impact of the provisions of ASC 606.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

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

#### New Accounting Pronouncements (Continued)

In February 2016, the 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 2023. The Organization is currently evaluating the impact of the provisions of ASC 842.

### 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:

	2020	2019
Patient accounts receivable	\$ 122,927	\$ 206,700
Less:		
Allowance for contractual adjustment	48,254	83,937
Allowance for doubtful accounts	9,539	11,851
Patient accounts receivable - Net	\$ 65,134	\$ 110,912



# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### Note 3: Patient Accounts Receivable (Continued)

The Organization's allowance for doubtful accounts for self-pay patients decreased from 46% of self-pay accounts receivable at June 30, 2019, to 35% of self-pay accounts receivable at June 30, 2020. The Organization's write-offs of patient accounts receivable has remained at zero for the years ended 2019 and 2020.

### Note 4: Promises to Give

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

	2020	2019
Receivable in less than one year	\$ 27,673	\$ 32,771
Receivable in one to five years	20,955	39,256
Promises to give receivable - Net	\$ 48,628	\$ 72,027

Promises to give are recorded net of an allowance for doubtful promises of \$5,000 for years ending June 30, 2020 and 2019. 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 .14% to 2.18% at June 30, 2020 and 2019, 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:

	2020	2019
Property and equipment:		
Land	\$ 60,639	\$ 60,639
Buildings and improvements	1,918,236	1,901,793
Leasehold improvements	551,383	1,005,201
Furniture and equipment	316,499	661,427
Totals	2,846,757	3,629,060
Less - Accumulated depreciation	1,801,767	2,479,480
Property and equipment - Net	\$ 1,044,990	\$ 1,149,580
Funding sources for investment in property and equipment:		
Net assets designated for property and equipment	\$ 1,044,990	\$ 1,149,580

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### **Note 6: Contingencies and Paycheck Protection Loan Program**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many governmental jurisdictions have implemented certain measures and on an ongoing basis could implement additional measures to combat the outbreak that may effect the Organization's operations. As of the date of issuance of the financial statements, the Organization's operations have not been significantly impacted, however, the Organization continues to monitor the situation. While the Organization's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small business cover their near-term operating expenses and to provide an incentive to retain their employees during the COVID-19 crisis. The Organization applied for and was approved for a loan of \$515,300 that may be partially or fully forgiven based on the level of employee retention and if utilized for payroll costs, mortgage obligations, rent, or utilities within a specified covered period and in accordance with the terms and conditions of the PPP loan. The portion of the loan that is not forgiven, if any, will mature on April 14, 2022, and will bear interest at 1%.

The Organization has accounted for the PPP loan as a conditional contribution. Contribution revenue of \$235,012 is included in government grants and contracts in the accompanying statements of activities and was recognized based on incurring qualifying expenses through June 30, 2020, that Management believes meets the terms and conditions to have the PPP loan forgiven. Management considers application for loan forgiveness and lending institution and SBA approvals of the application to be administrative tasks and therefore not a condition. The remaining \$280,288 of the PPP loan balance as of June 30, 2020, is recorded as a refundable advance and is included in deferred revenue and refundable advances in the accompanying statements of financial position.

### **Note 7: Line of Credit**

At June 30, 2020 and 2019, the Organization had a \$300,000 and \$250,000, respectively, 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 5.50% and a maximum rate as allowed by applicable law. The interest rate at June 30, 2020 was 5.75%. The line of credit is secured by a mortgage on the Organization's real estate and matures November 18, 2020. Outstanding borrowings were \$0 and \$116,181 at June 30, 2020 and 2019, respectively.

At June 30, 2020, the Organization had a \$150,000 line of credit held with a local not-for-profit lender. Under the line of credit, interest-only payments are due monthly at a interest rate of 6.5%. The line of credit is secured by property of the Organization and matured on October 31, 2020. There was no outstanding balance at June 30, 2020.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### Note 8: Net Assets with Donor Restrictions

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

	2020	2019
Restricted for donor purpose:		
SafeZone	\$ 169,300	\$ 92,268
Youth advisory council	14,766	26,599
COVID-19	195,570	-
Capacity building	-	20,000
GLBTQ	-	20,896
Miscellaneous	-	10,279
Restricted as to time	169,876	92,027
Totals	\$ 549,512	\$ 262,069

### 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:

	2020	2019
SafeZone	\$ 229,082	\$ 203,969
Youth advisory council	14,282	20,036
GLBTQ	20,896	19,104
Miscellaneous	30,279	32,794
Pledges receivable	39,991	43,336
General operations	93,750	-
COVID-19	26,488	-
Totals	\$ 454,768	\$ 319,239

# 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:

	2020	2019
Total gross charges	\$ 1,413,144	\$ 1,439,008
Less - Discounts and allowances	653,924	624,274
Patient service revenue - Net of contractual adjustments and discounts	\$ 759,220	\$ 814,734

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

	2020	2019
Medicaid	70 %	69 %
Commercial	19 %	15 %
Sliding fee	11 %	16 %
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:

	2020	2019
Blue Cross	\$ 30,190	\$ 52,968
Commercial and other	51,081	64,687
Medicaid/Prepaid Medical Assistance Plans	677,949	697,079
Patient service revenue - Net of contractual adjustments and discounts	\$ 759,220	\$ 814,734

### Note 11: Uncompensated Care

The estimated cost of providing care to patients under the Organization's sliding fee schedule was approximately \$280,000 and \$395,000 in 2020 and 2019, respectively. The amount of charges forgone related to providing care to patients under the Organization's sliding fee schedule was \$156,240 and \$214,268 for 2020 and 2019, respectively.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### Note 12: In-Kind Contributions

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

	2020	2019
Mental health interns	\$ 36,000	\$ 56,360
Physician residents	5,068	26,405
General	17,109	-
Outreach and SafeZone interns	27,632	19,995
Marketing	-	40,000
Other volunteers with specialized skills	-	9,515
Supplies	117,399	14,985
Totals	\$ 203,208	\$ 167,260

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 \$69,002 and \$74,275 in 2020 and 2019, respectively. Future minimum lease payments are \$37,638 for the year ended June 30, 2021.

### Note 14: 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, 2020, the future minimum rental payments to be received under these leases are as follows:

2021	\$ 156,000
2022	156,000
Totals	\$ 312,000

Total rental income received for the years ended June 30, 2020 and 2019, was \$264,720 and \$253,269, respectively. This consisted of \$187,800 and \$189,745 of base rent and \$76,920 and \$63,524 of the tenants' share of operating expenses for 2020 and 2019, respectively.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

### Note 15: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions, donor, or internal board designations. The Organization does not have a formal liquidity policy, but strives to invest cash in excess of daily requirements in interest bearing savings accounts.

As of June 30, 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:

	2020	2019
Cash	\$ 593,752	\$ 215,463
Patient accounts receivable - Net	65,134	110,912
Grants and contracts receivable	566,967	422,473
Promises to give	27,673	32,771
Accounts receivable - Other	1,208	7,596
Total financial assets	1,254,734	789,215
Liquidity resources - Line of credit available	450,000	133,819
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,704,734	\$ 923,034

### 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 June 1, 2021.

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, 2020, 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.

# Face to Face Health & Counseling Service, Inc.

## Notes to Financial Statements

---

### Note 17: Concentrations

#### 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:

	2020	2019
Medicaid	47 %	43 %
Commercial	37	45
Private pay	16	12
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 \$478,000 of uninsured deposits as of June 30, 2020.

#### Contribution and Grant Revenue

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, 2020 and 2019, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 23% and 20% of the total support and revenue in 2020 and 2019, respectively.

### Note 18: Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 classifications.