



Financial Statements

Face to Face Health and Counseling Service, Inc.

St. Paul, Minnesota

For the years ended June 30, 2023 and 2022



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Face to Face Health and Counseling Service, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Face to Face Health and Counseling Service, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Face to Face Health and Counseling Service, Inc. as of June 30, 2023 and 2022, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Face to Face Health and Counseling Service, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Face to Face Health and Counseling Service, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
December 19, 2023



FINANCIAL STATEMENTS

Face to Face Health and Counseling Service, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 562,761	\$ 840,004
Patient accounts receivable, net of allowance for doubtful accounts of \$119,320 and \$135,453, in 2023 and 2022, respectively	70,827	66,151
Pledges receivable, current, net of allowance for doubtful accounts of \$0 and \$1,000 in 2023 and 2022, respectively	-	18,135
Grants and contracts receivable	1,089,461	434,224
Other receivable	471	1,377
Prepaid expenses	23,160	16,777
Total Current Assets	1,746,680	1,376,668
Property and Equipment		
Land	60,639	60,639
Building and improvements	1,952,286	1,952,286
Leasehold improvements	551,383	551,383
Furniture and equipment	382,906	375,849
Total Property and Equipment, Cost	2,947,214	2,940,157
Less Accumulated Depreciation	(2,199,513)	(2,076,435)
Total Property and Equipment, Net	747,701	863,722
Other Assets		
Right-of-use asset, operating	179,306	-
Right-of-use asset, finance	20,912	-
Total Other Assets	200,218	-
Total Assets	\$ 2,694,599	\$ 2,240,390
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 197,253	\$ 62,648
Accrued expenses	214,308	146,144
Lease payable, current portion	-	6,285
Lease liability, current portion	93,019	-
Total Current Liabilities	504,580	215,077
Long-term Liabilities		
Lease payable, noncurrent portion	-	20,090
Lease liability, noncurrent portion	116,563	-
Total Long-term Liabilities	116,563	20,090
Total Liabilities	621,143	235,167
Net Assets		
Without donor restriction	1,589,867	1,650,469
With donor restriction	483,589	354,754
Total Net Assets	2,073,456	2,005,223
Total Liabilities and Net Assets	\$ 2,694,599	\$ 2,240,390

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
 Statements of Activities
 For the Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 982,329	\$ 533,200	\$ 1,515,529
Government grants	3,382,711	-	3,382,711
In-kind contributions	423,779	-	423,779
Total Support	<u>4,788,819</u>	<u>533,200</u>	<u>5,322,019</u>
Revenue			
Patient service revenue, net	733,793	-	733,793
Rental income	269,131	-	269,131
Insurance proceeds received	40,357	-	40,357
Interest income	6,415	-	6,415
Miscellaneous income	3,455	-	3,455
Total Revenue	<u>1,053,151</u>	<u>-</u>	<u>1,053,151</u>
Total Support and Revenue Before Releases	5,841,970	533,200	6,375,170
Net Assets Released from Restrictions	<u>404,365</u>	<u>(404,365)</u>	<u>-</u>
Total Support and Revenue	<u>6,246,335</u>	<u>128,835</u>	<u>6,375,170</u>
Expenses			
Program services			
Health services	1,333,408	-	1,333,408
Mental health	1,273,271	-	1,273,271
SafeZone	2,302,740	-	2,302,740
Total Program Services	<u>4,909,419</u>	<u>-</u>	<u>4,909,419</u>
Support services			
Management and general	940,504	-	940,504
Fundraising	457,014	-	457,014
Total Support Services	<u>1,397,518</u>	<u>-</u>	<u>1,397,518</u>
Total Expenses	<u>6,306,937</u>	<u>-</u>	<u>6,306,937</u>
Change in Net Assets	(60,602)	128,835	68,233
Beginning Net Assets	<u>1,650,469</u>	<u>354,754</u>	<u>2,005,223</u>
Ending Net Assets	<u>\$ 1,589,867</u>	<u>\$ 483,589</u>	<u>\$ 2,073,456</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
 Statements of Activities (Continued)
 For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 698,717	\$ 355,810	\$ 1,054,527
Government grants	2,549,613	-	2,549,613
In-kind contributions	343,702	-	343,702
Total Support	<u>3,592,032</u>	<u>355,810</u>	<u>3,947,842</u>
Revenue			
Patient service revenue, net	728,305	-	728,305
Rental income	262,577	-	262,577
Interest income	152	-	152
Miscellaneous income	93,857	-	93,857
Total Revenue	<u>1,084,891</u>	<u>-</u>	<u>1,084,891</u>
Total Support and Revenue Before Releases	4,676,923	355,810	5,032,733
Net Assets Released from Restrictions	<u>477,078</u>	<u>(477,078)</u>	<u>-</u>
Total Support and Revenue	<u>5,154,001</u>	<u>(121,268)</u>	<u>5,032,733</u>
Expenses			
Program services			
Health services	1,338,807	-	1,338,807
Mental health	615,785	-	615,785
SafeZone	1,826,080	-	1,826,080
Total Program Services	<u>3,780,672</u>	<u>-</u>	<u>3,780,672</u>
Support services			
Management and general	869,115	-	869,115
Fundraising	393,087	-	393,087
Total Support Services	<u>1,262,202</u>	<u>-</u>	<u>1,262,202</u>
Total Expenses	<u>5,042,874</u>	<u>-</u>	<u>5,042,874</u>
Change in Net Assets	111,127	(121,268)	(10,141)
Beginning Net Assets	<u>1,539,342</u>	<u>476,022</u>	<u>2,015,364</u>
Ending Net Assets	<u>\$ 1,650,469</u>	<u>\$ 354,754</u>	<u>\$ 2,005,223</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
Statements of Functional Expenses
For the Year Ended June 30, 2023

	2023							Total Expenses
	Program Services				Support Services			
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs								
Salaries and wages	\$ 888,051	\$ 623,228	\$ 874,489	\$ 2,385,768	\$ 390,582	\$ 274,746	\$ 665,328	\$ 3,051,096
Payroll taxes and employee benefits	140,537	111,885	140,892	393,314	67,698	50,729	118,427	511,741
Total Personnel Costs	1,028,588	735,113	1,015,381	2,779,082	458,280	325,475	783,755	3,562,837
Expenses								
Contractors and consultants	63,370	346,350	42,054	451,774	79,113	15,041	94,154	545,928
Client assistance	15,995	59,316	784,914	860,225	-	115	115	860,340
Lab, pharmacy and medical supplies	101,392	-	50	101,442	-	-	-	101,442
Office supplies	11,808	14,069	26,878	52,755	4,983	197	5,180	57,935
Client events and food	3,038	-	-	3,038	-	744	744	3,782
Insurance	4,375	1,871	2,700	8,946	17,409	-	17,409	26,355
Telecommunications	2,621	5,373	10,514	18,508	23,040	673	23,713	42,221
Postage and printing	9,503	586	975	11,064	4,328	3,077	7,405	18,469
Professional services	2,824	-	-	2,824	75,771	-	75,771	78,595
Subscriptions, dues and memberships	4,187	5,117	18,556	27,860	21,252	2,781	24,033	51,893
Advertising and marketing	8,102	-	-	8,102	-	130	130	8,232
Building equipment and maintenance	5,619	14,251	127,442	147,312	117,987	1,454	119,441	266,753
Conferences and training	10,479	17,213	37,322	65,014	3,165	1,983	5,148	70,162
Taxes, licenses and fees	5,383	201	-	5,584	9,221	3,125	12,346	17,930
Interest	-	-	-	-	988	-	988	988
Miscellaneous	-	-	-	-	34,554	-	34,554	34,554
In kind goods and services	45,345	73,811	178,015	297,171	24,389	102,219	126,608	423,779
Total Expenses Before Depreciation	1,322,629	1,273,271	2,244,801	4,840,701	874,480	457,014	1,331,494	6,172,195
Depreciation	10,779	-	57,939	68,718	66,024	-	66,024	134,742
Total Expenses	\$ 1,333,408	\$ 1,273,271	\$ 2,302,740	\$ 4,909,419	\$ 940,504	\$ 457,014	\$ 1,397,518	\$ 6,306,937

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
 Statements of Functional Expenses (Continued)
 For the Year Ended June 30, 2022

	2022							
	Program Services				Support Services			Total Expenses
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs								
Salaries and wages	\$ 870,680	\$ 405,801	\$ 597,687	\$ 1,874,168	\$ 384,656	\$ 208,044	\$ 592,700	\$ 2,466,868
Payroll taxes and employee benefits	126,778	58,776	86,945	272,499	55,391	29,939	85,330	357,829
Total Personnel Costs	997,458	464,577	684,632	2,146,667	440,047	237,983	678,030	2,824,697
Expenses								
Contractors and consultants	65,111	18,791	8,509	92,411	120,651	6,163	126,814	219,225
Client assistance	46,763	7,319	883,943	938,025	-	2,470	2,470	940,495
Lab, pharmacy and medical supplies	119,617	-	2,130	121,747	18	-	18	121,765
Office supplies	12,393	1,695	5,737	19,825	4,811	98	4,909	24,734
Client events and food	3,498	-	-	3,498	-	20,328	20,328	23,826
Insurance	3,637	1,556	-	5,193	16,716	-	16,716	21,909
Telecommunications	3,094	5,593	9,682	18,369	25,041	734	25,775	44,144
Postage and printing	2,691	178	1,512	4,381	3,204	955	4,159	8,540
Professional services	3,744	-	1,100	4,844	69,034	-	69,034	73,878
Subscriptions, dues and memberships	10,299	3,257	18,227	31,783	7,712	2,757	10,469	42,252
Advertising and marketing	29,275	-	-	29,275	-	2,544	2,544	31,819
Building equipment and maintenance	11,331	441	76,300	88,072	101,552	7,125	108,677	196,749
Conferences and training	8,024	2,485	24,738	35,247	275	1,304	1,579	36,826
Taxes, licenses and fees	8,723	-	-	8,723	11,163	3,369	14,532	23,255
Interest	-	-	-	-	70	-	70	70
Miscellaneous	(3)	-	(535)	(538)	4	-	4	(534)
In kind goods and services	2,402	109,893	48,875	161,170	-	107,257	107,257	268,427
Total Expenses Before Depreciation	1,328,057	615,785	1,764,850	3,708,692	800,298	393,087	1,193,385	4,902,077
Depreciation	10,750	-	61,230	71,980	68,817	-	68,817	140,797
Total Expenses	\$ 1,338,807	\$ 615,785	\$ 1,826,080	\$ 3,780,672	\$ 869,115	\$ 393,087	\$ 1,262,202	\$ 5,042,874

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 68,233	\$ (10,141)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of right-of-use assets	91,829	-
Depreciation	134,742	140,797
(Increase) decrease in assets:		
Patient accounts receivable	(4,676)	45,040
Pledges receivable	18,135	(2,657)
Grants and contracts receivable	(655,237)	504,084
Other receivable	906	1,808
Prepaid expenses	(6,383)	(11,117)
Increase (decrease) in liabilities:		
Accounts payable	134,605	(23,734)
Accrued expenses	68,164	(81,600)
Operating lease liabilities	(82,948)	-
Net Cash Provided (Used) by Operating Activities	(232,630)	562,480
 Cash Flows from Investing Activities		
Purchase of property and equipment	(38,810)	(12,102)
 Cash Flows From Financing Activities		
Principal payments on finance/capital lease liabilities	(5,803)	(5,378)
Cash Flows Used by Financing Activities	(5,803)	(5,378)
 Change in Cash and Cash Equivalents	(277,243)	545,000
 Beginning Cash and Cash Equivalents	840,004	295,004
 Ending Cash and Cash Equivalents	\$ 562,761	\$ 840,004
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 988	\$ 70
 Supplemental Disclosure of Non-Cash Transactions		
Equipment acquired under capital leases	\$ -	\$ 31,753
Non-cash proceeds received for right of use assets - finance	265,015	-
Non-cash proceeds received for right of use assets - operating	27,032	-
 Noncash Transactions	\$ 292,047	\$ 31,753

See Independent Auditor's Report and Notes to the Financial Statements.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Face to Face Health and 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.

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.

B. Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting with revenue being recorded when earned and expenditures recorded when the obligation is incurred, or the benefits are received in accordance with Generally Accepted Accounting Principles (GAAP). Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions (Unrestricted) - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions (Restricted) - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time or are to be maintained permanently.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same period are recorded as contributions without donor restrictions.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Certain cash accounts are insured by the FDIC.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

E. Concentrations of Credit Risk

The Organization maintains the majority of its cash in bank deposit accounts with financial institutions, which at times may exceed federally insured limits. The Organization had approximately \$165,829 and \$407,117 of uninsured deposits as of June 30, 2023 and 2022, respectively.

F. 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.

G. Pledges Receivable

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.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

G. Pledges Receivable (Continued)

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. Provisions for bad debts related to pledge payments were \$0 and \$1,000 for the years ended June 30, 2023 and 2022, respectively.

H. Property and Equipment

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. The Organization capitalizes all property and equipment acquisitions in excess of \$2,000. Property and equipment are depreciated on a straight-line basis over the shorter of following useful lives or lease terms:

Assets	Useful Lives in Years
Buildings and Improvements	10 - 35
Leasehold Improvements	10 - 15
Furniture and Equipment	3 - 5

For the years ended June 30, 2023 and 2022, depreciation expense was \$128,622 and \$140,797, respectively.

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.

I. 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 2023 and 2022, the Organization recorded no impairment losses.

J. Revenue Recognition Policy

The Organization follows the provisions of Accounting Standards Codification 606, *Contracts with Customers* on revenues derived from its patient service fees and government contracts.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

K. Patient Service Revenue

In the case of patient service fees, revenue is recognized when the service is rendered, which is at a point in time. The performance obligation is satisfied upon completion of the service rendered; therefore, the Organization recognizes revenue at a point in time.

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.

L. Government Grants

Government grants 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.

M. 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 and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

N. Contributions and Grants

Contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give 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 and grants 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. Contributions and grants with donor restrictions whose restrictions are met within the same year as received are reported as contributions and grants without donor restrictions.

O. In-kind Contributions

Contributions of gifts in-kind that can be used or sold by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

In-kind contributions consisted of the following at June 30:

	2023	2022	Usage in Programs / Activities	Fair value techniques
Supplies	\$ 172,798	\$ 88,275	General Operating	Estimated wholesale prices of identical or similar products if purchased in the region
Mental Health Interns	73,811	76,559	General Operating	Estimated based on time rates for each volunteer.
Rent	-	75,275	General Operating	Estimated based off similar properties in the area.
Outreach and SafeZone Interns	142,258	81,225	General Operating	Estimated based on time rates for each volunteer.
Physician Residents	34,912	22,368	General Operating	Estimated based on time rates for each volunteer.
Total	<u>\$ 423,779</u>	<u>\$ 343,702</u>		

Fair value techniques - Supplies are valued using estimated wholesale prices of identical or similar products if purchased in the region. Services are valued based on current rates for similar services if purchased in the region.

Donor restrictions and use - The in-kind contributions are not restricted. The Organization does not sell in-kind contributions and uses the contributions in general operating.

P. Functional Allocation of Expenses

The costs of providing the Organization's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, except for certain items accounted for on a direct allocation basis, are allocated among the program and supporting service categories based on management estimates.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Q. Advertising and Marketing Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing costs were \$8,233 and \$52,148 for the years ended June 30, 2023 and 2022, respectively.

R. Income Taxes

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code.

S. New Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2021 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for Face to Face Health and Counseling Service, Inc. on July 1, 2022. ASU No. 2016-02 was applied using a modified retrospective approach for the year ended June 30, 2023.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized, a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU have been applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The new guidance is effective for Face to Face Health and Counseling Service, Inc. in 2022. ASU No. 2020-07 was applied in the years ended June 30, 2023 and 2022, respectively.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

T. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, the date the financial statements were available to be issued.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

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

Net patient accounts receivable consisted of the following at June 30:

	2023	2022
Patient Accounts Receivable	\$ 190,147	\$ 201,604
Less:		
Allowance for doubtful accounts	(119,320)	(135,453)
Patient Accounts Receivable, Net	\$ 70,827	\$ 66,151

Note 4: Pledges Receivable

The balance of pledges receivable are as follows at June 30:

	2023	2022
Less than one year	\$ -	\$ 19,135
One to five years	-	-
Total Pledges Receivable	-	19,135
Less: allowance for uncollectable pledges	-	(1,000)
Pledges Receivable, Net	\$ -	\$ 18,135

Note 5: Line of Credit

At June 30, 2023 and 2022, the Organization had a \$300,000 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 4.25% and a maximum rate as allowed by applicable law. The interest rate on June 30, 2023 was 5.25%. The line of credit was secured by a mortgage on the Organization's real estate. Outstanding borrowings were \$0 at June 30, 2023 and 2022.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2023	2022
Homeless Prevention	\$ 135,000	\$ 132,611
Time Restrictions	160,467	93,907
Youth Advisory Council	9,450	24,478
SafeZone	33,242	18,488
Mental Health	132,117	37,500
Insurance	13,313	47,770
	<u>\$ 483,589</u>	<u>\$ 354,754</u>
Total Net Assets with Donor Restriction	<u>\$ 483,589</u>	<u>\$ 354,754</u>

Net assets released from restriction were as follows for the years ended June 30:

	2023	2022
Homeless Prevention	\$ 132,612	\$ 183,324
Time Restrictions	101,190	143,478
Youth Advisory Council	24,978	47,507
Mental Health	65,383	47,500
SafeZone	45,745	34,019
Pledges Receivable	-	19,544
Insurance	34,457	-
COVID-19	-	1,706
	<u>\$ 404,365</u>	<u>\$ 477,078</u>
Total Net Assets Released from Restriction	<u>\$ 404,365</u>	<u>\$ 477,078</u>

Note 7: Patient Service Revenue

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

	2023	2022
Total Gross Charges	\$ 1,931,723	\$ 1,776,403
Less: Discounts and Allowances	(1,197,930)	(1,048,098)
	<u>\$ 733,793</u>	<u>\$ 728,305</u>
Patient Service Revenue, Net	<u>\$ 733,793</u>	<u>\$ 728,305</u>

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 7: Patient Service Revenue (Continued)

The following table reflects percent concentrations by payor source at June 30:

	<u>2023</u>	<u>2022</u>
Medicaid	77%	71%
Commercial	13%	14%
Sliding Fee	<u>10%</u>	<u>15%</u>
Total	<u>100%</u>	<u>100%</u>

Net patient service revenue recognized in the years ended June 30 were from the following major payor sources:

	<u>2023</u>	<u>2022</u>
Blue Cross	\$ 18,290	\$ 7,419
Commercial and Other	91,486	48,293
Medicaid/Prepaid Medical Assistance Plans	<u>624,017</u>	<u>672,593</u>
Patient Service Revenue, Net	<u>\$ 733,793</u>	<u>\$ 728,305</u>

Note 8: Uncompensated Care

The estimated cost of providing care to patients under the Organization's sliding fee schedule was approximately \$262,223 and \$287,300 in 2023 and 2022, respectively. The amount of charges forgone related to providing care to patients under the Organization's sliding fee schedule was \$237,497 and \$255,240 for 2023 and 2022, respectively.

Note 9: Concentrations

A. 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.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 9: Concentrations (Continued)

The mix of receivables was as follows at June 30:

	2023	2022
Medicaid	63%	33%
Commercial	28%	36%
Private Pay	9%	31%
Total	100%	100%

B. 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, 2023 and 2022, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 31% and 16% of the total support and revenue in 2023 and 2022, respectively.

Note 10: Lease Revenue

The Organization leases space, classified as operating leases under ASC 842, to tenants under leases expiring June 30, 2025 and June 30, 2027. 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.

Future minimum rental payments to be received are as follows:

For the Year Ended June 30,	Amount
2024	\$ 272,460
2025	282,552
2026	250,857
2027	258,379
Total	\$ 1,064,248

Total rental income received for the years ended June 30, 2023 and 2022, was \$269,131 and \$262,577, respectively. This consisted of \$193,260 and \$192,377 of base rent and \$73,704 and \$70,200 of the tenants' share of operating expenses for 2023 and 2022, respectively.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 11: Leases under ASC 840

Capital Lease

The Organization currently leases a Copier machine under a five-year three-month operating lease commencing July 30, 2021 and ending on October 30, 2026. The terms of the lease are monthly payments of \$545.

Future minimum capital lease payments under capital leases were as follows:

Year	Gross Lease Payments	Less Amount Representing Interest	Principal Portion
2023	\$ 6,538	\$ (253)	\$ 6,285
2024	6,538	(436)	6,102
2025	6,538	(620)	5,918
2026	6,538	(804)	5,734
2027	2,725	(389)	2,336
Total	<u>\$ 28,877</u>	<u>\$ (2,502)</u>	<u>\$ 26,375</u>

The following is a summary of property and equipment held under capital leases as of June 30, 2022:

Copier	\$ 31,753
Less: Accumulated depreciation	<u>(5,544)</u>
	<u>\$ 26,209</u>

Depreciation expense on assets recorded under the capital lease for the year ended June 30, 2022 was \$5,544, and is included in total depreciation expense. Dispositions of assets under capital leases for the year ended June 30, 2022 was \$0. Interest expense on the capital lease was \$70 for the year ended June 30, 2022.

Note 12: Leases Under ASC 842

Effective January 1, 2022, the Organization entered into a finance and operating lease for a printer and office spaces. The Organization's monthly base payments range from \$555 to \$8,851. A selection of monthly base payments are variable and may be subject to increases based on the relative increase in the Consumer Price Index, as determined annually. A selection of the Organization's agreements also provides that the Organization is responsible for the property's incurred real estate taxes, insurance premiums and attributable operating expenses. The Organization's leases have remaining lease terms from 1 year to 3 years. The lease asset and liability were calculated utilizing an the weighted-average risk free discount rate of 3.08 percent for the finance and operating leases. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years.

As noted above, the Organization's lease agreement calls for variable payments that were not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities. Variable lease payments incurred will be recognized during the year they are incurred as an operating expense.

As disclosed in Note 1, the Organization adopted FASB ASC 842, effective January 1, 2022, using a modified retrospective approach. As a result, the Organization was required to recognize a ROU asset and corresponding lease liability on the face of the statement of financial position for the year ended December 31, 2022. As the standard was implemented using a modified retrospective approach, the balance sheet as December 31, 2021, was not impacted.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 12: Leases Under ASC 842 (Continued)

Additional information about the Organization's lease for the year ended December 31, 2022 is as follows:

Lease Expense (included in operating expenses)

Finance lease expense	
Amortization of ROU assets	6,120
Interest on lease liabilities	735
Operating lease expense	<u>\$ 85,709</u>
Total	<u><u>\$ 92,564</u></u>

Other Information

(Gains) losses on sale-leaseback transactions, net	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	\$ 735
Financing cash flows from finance leases (i.e. principal portion)	5,803
Operating cash flows from operating leases	82,213
ROU assets obtained in exchange for new finance lease liabilities	27,032
ROU assets obtained in exchange for new operating lease liabilities	265,015
Weighted-average remaining lease term in years for operating leases	2.00
Weighted-average remaining lease term in years for finance leases	3.42
Weighted-average discount rate for operating leases	3.08%
Weighted-average discount rate for finance leases	3.08%

Maturities of operating lease liabilities are as follows:

	<u>Finance</u>	<u>Operating</u>
Year Ended June 30:		
2023	\$ 6,538	\$ 91,446
2024	6,538	102,780
2025	6,538	-
2026	<u>2,724</u>	<u>-</u>
Total undiscounted cash flows	22,338	194,226
Less: present value discount	(1,108)	(5,874)
Total lease liabilities	<u><u>\$ 21,230</u></u>	<u><u>\$ 188,352</u></u>

Note 13: 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, 2024

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, 2023, 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 and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2023 and 2022

Note 14: Retirement

The Organization sponsors a 403(b) retirement plan for all of its employees meeting minimum eligibility requirements. The Plan provides that the Organization may elect to match contributions up to a maximum percentage of the employee's contribution. The match percentage is determined annually and may change at any time. The Organization made matching contributions to the Plan of \$59,107 and \$0 for the years ended June 30, 2023 and 2022, respectively.

Note 15: Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, 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:

	2023	2022
Cash and Cash Equivalents	\$ 562,761	\$ 840,004
Patient Accounts Receivable, Net	70,827	66,151
Pledges Receivable, Current, Net	-	18,135
Grants and Contracts Receivable	1,089,461	434,224
Other Receivable	471	1,377
Total Financial Assets Available Within One Year	1,723,520	1,359,891
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(483,589)	(354,754)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,239,931	\$ 1,005,137

As part of our liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization has a line of credit it can draw upon if the need arises.

FEDERAL FINANCIAL AWARD PROGRAMS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Face to Face Health and Counseling Service, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
December 19, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Opinion on Each Major Federal Program

We have audited the Organization's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
December 19, 2023



Face to Face Health and Counseling Service, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures
U.S Department of Labor			
Ramsey County WIOA Youth Activities	17.259	WS-000246	<u>\$ 211,369</u>
U.S Department of Justice			
Direct Sex Trafficking for Victims	16.320	N/A	<u>156,765</u>
U.S Department of Health and Human Services			
MN Dept Health Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	136762	<u>36,673</u>
Minnesota Department of Public Safety Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	A-FARPCN-2023-FFHCSI-00004	<u>26,258</u>
		Total for Department of Health and Human Services	<u><u>62,931</u></u>
U.S Department of Housing and Urban Development			
Ramsey County Emergency Solutions Grant Program	14.231	E-20-MW-27-007	68,452
Direct Continuum of Care Program	14.267	N/A	<u>159,735</u>
		Total for Department of Health and Human Services	<u><u>228,187</u></u>
U.S Department of Treasury			
MN Dept Pub Safety, Office of Justice Programs, Ramsey County Coronavirus State and Local Fiscal Recovery Funds	21.027	H5502 0000007883, A-ARPVI-2022- FFHCSI-00070	<u>690,415</u>
		Total Expenditures of Federal Awards	<u><u>\$ 1,349,667</u></u>

Face to Face Health and Counseling Service, Inc.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity Face to Face Health and Counseling Service, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2023, the Organization did not elect to use the 10% de minimis indirect cost rate.

Face to Face Health and Counseling Service, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

**Assistance
Listing
Number**

Identification of Major Federal Programs:

Coronavirus State and Local Fiscal Recovery Fund	21.027
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

Section II - Findings - Financial Statement Audit

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Other Issues

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.