

Financial Statements

Face to Face Health and Counseling Service, Inc.
(a Nonprofit Organization)
St. Paul, Minnesota

For the Years Ended
June 30, 2021 and 2020



Face to Face Health and Counseling Service, Inc.
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June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Face to Face Health and Counseling Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 and Counseling Service, Inc. as of June 30, 2021, and the change 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.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2020 were audited by other auditors whose report dated November 13, 2020 expressed an unmodified opinion on those statements

Abdo
Minneapolis, Minnesota
October 18, 2021

FINANCIAL STATEMENTS

Face to Face Health and Counseling Service, Inc.
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 295,004	\$ 593,752
Patient accounts receivable, net of allowance for doubtful accounts of \$0 and \$9,539 in 2021 and 2020, respectively	111,191	65,134
Pledges receivable, current, net of allowance for doubtful accounts of \$8,200 and \$5,000 in 2021 and 2020, respectively	15,478	22,673
Grants and contracts receivable	938,308	566,967
Other receivable	3,185	1,208
Prepaid expenses	5,660	9,668
Total Current Assets	1,368,826	1,259,402
Property and Equipment		
Land	60,639	60,639
Building and improvements	1,952,286	1,918,236
Leasehold improvements	551,383	551,383
Furniture and equipment	331,994	316,499
Total Property and Equipment, Cost	2,896,302	2,846,757
Less Accumulated Depreciation	(1,935,638)	(1,801,767)
Total Property and Equipment, Net	960,664	1,044,990
Other Assets		
Pledges receivable, noncurrent	-	25,955
Total Assets	\$ 2,329,490	\$ 2,330,347
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 86,382	\$ 55,420
Accrued expenses	227,744	112,448
Deferred revenue and refundable advances - PPP loan	-	280,288
Total Liabilities	314,126	448,156
Net Assets		
Without donor restriction	1,539,342	1,332,679
With donor restriction	476,022	549,512
Total Net Assets	2,015,364	1,882,191
Total Liabilities and Net Assets	\$ 2,329,490	\$ 2,330,347

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, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 483,089	\$ 1,205,528	\$ 1,688,617
Government grants	2,573,736	-	2,573,736
In-kind contributions	303,849	-	303,849
Total Support	3,360,674	1,205,528	4,566,202
Revenue			
Patient service revenue, net	562,476	-	562,476
Rental income	267,372	-	267,372
Interest income	1,152	-	1,152
Miscellaneous income	99,927	-	99,927
Total Revenue	930,927	-	930,927
 Total Support and Revenue Before Releases	4,291,601	1,205,528	5,497,129
 Net Assets Released from Restrictions	1,279,018	(1,279,018)	-
 Total Support and Revenue	5,570,619	(73,490)	5,497,129
Expenses			
Program services			
Health services	1,235,593	-	1,235,593
Mental health	787,749	-	787,749
SafeZone	2,013,933	-	2,013,933
Total Program Services	4,037,275	-	4,037,275
Support services			
Management and general	961,027	-	961,027
Fundraising	365,654	-	365,654
Total Support Services	1,326,681	-	1,326,681
Total Expenses	5,363,956	-	5,363,956
 Change in Net Assets	206,663	(73,490)	133,173
 Beginning Net Assets	1,332,679	549,512	1,882,191
 Ending Net Assets	\$ 1,539,342	\$ 476,022	\$ 2,015,364

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, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 703,423	\$ 742,211	\$ 1,445,634
Government grants	1,890,316	-	1,890,316
In-kind contributions	203,208	-	203,208
Total Support	2,796,947	742,211	3,539,158
Revenue			
Patient service revenue, net	759,220	-	759,220
Rental income	264,720	-	264,720
Interest income	796	-	796
Miscellaneous income	65,183	-	65,183
Total Revenue	1,089,919	-	1,089,919
Total Support and Revenue Before Releases	3,886,866	742,211	4,629,077
Net Assets Released from Restrictions	454,768	(454,768)	-
Total Support and Revenue	4,341,634	287,443	4,629,077
Expenses			
Program services			
Health services	1,516,983	-	1,516,983
Mental health	691,395	-	691,395
SafeZone	1,150,838	-	1,150,838
Total Program Services	3,359,216	-	3,359,216
Support services			
Management and general	582,960	-	582,960
Fundraising	379,422	-	379,422
Total Support Services	962,382	-	962,382
Total Expenses	4,321,598	-	4,321,598
Change in Net Assets	20,036	287,443	307,479
Beginning Net Assets	1,312,643	262,069	1,574,712
Ending Net Assets	\$ 1,332,679	\$ 549,512	\$ 1,882,191

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, 2021

	2021							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	\$ 740,503	\$ 438,198	\$ 665,016	\$ 1,843,717	\$ 484,701	\$ 220,654	\$ 705,355	\$ 2,549,072
Payroll taxes and employee benefits	115,186	68,497	101,057	284,740	76,862	34,423	111,285	396,025
Total Personnel Costs	855,689	506,695	766,073	2,128,457	561,563	255,077	816,640	2,945,097
Expenses								
Contractors and consultants	70,557	86,297	35,296	192,150	34,017	2,994	37,011	229,161
Client assistance	70,178	100,389	1,006,081	1,176,648	4,951	83,390	88,341	1,264,989
Lab, pharmacy and medical supplies	119,561	1,123	206	120,890	400	-	400	121,290
Office supplies	20,298	2,167	8,018	30,483	6,615	1,820	8,435	38,918
Client events and food	2,885	-	256	3,141	-	-	-	3,141
Insurance	3,245	1,388	-	4,633	14,914	-	14,914	19,547
Telecommunications	2,505	7,505	8,866	18,876	25,113	436	25,549	44,425
Postage and printing	6,967	151	987	8,105	21,399	3,560	24,959	33,064
Professional services	-	-	870	870	70,898	-	70,898	71,768
Subscriptions, dues and memberships	3,620	6,978	14,041	24,639	7,722	1,851	9,573	34,212
Advertising and marketing	44,185	-	-	44,185	25	7,063	7,088	51,273
Building equipment and maintenance	6,188	18,040	85,409	109,637	136,286	1,374	137,660	247,297
Conferences and training	8,832	56,592	26,028	91,452	1,368	474	1,842	93,294
Taxes, licenses and fees	10,342	424	755	11,521	12,676	4,415	17,091	28,612
Bad debt	-	-	-	-	-	3,200	3,200	3,200
Miscellaneous	-	-	-	-	797	-	797	797
Total Expenses Before Depreciation	1,225,052	787,749	1,952,886	3,965,687	898,744	365,654	1,264,398	5,230,085
Depreciation	10,541	-	61,047	71,588	62,283	-	62,283	133,871
Total Expenses	\$ 1,235,593	\$ 787,749	\$ 2,013,933	\$ 4,037,275	\$ 961,027	\$ 365,654	\$ 1,326,681	\$ 5,363,956

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, 2020

	2020							
	Program Services				Support Services			
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Personnel Costs								
Salaries and wages	\$ 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
Total Personnel Costs	<u>1,083,141</u>	<u>588,946</u>	<u>569,079</u>	<u>2,241,166</u>	<u>343,877</u>	<u>244,891</u>	<u>588,768</u>	<u>2,829,934</u>
Expenses								
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	-	-	-	-	-	1,775	1,775	1,775
Total Expenses Before Depreciation	<u>1,491,923</u>	<u>687,217</u>	<u>1,084,135</u>	<u>3,263,275</u>	<u>545,136</u>	<u>377,102</u>	<u>922,238</u>	<u>4,185,513</u>
Depreciation	<u>25,060</u>	<u>4,178</u>	<u>66,703</u>	<u>95,941</u>	<u>37,824</u>	<u>2,320</u>	<u>40,144</u>	<u>136,085</u>
Total Expenses	<u>\$ 1,516,983</u>	<u>\$ 691,395</u>	<u>\$ 1,150,838</u>	<u>\$ 3,359,216</u>	<u>\$ 582,960</u>	<u>\$ 379,422</u>	<u>\$ 962,382</u>	<u>\$ 4,321,598</u>

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 133,173	\$ 307,479
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	133,871	136,085
Bad debts	3,200	1,775
Loss on disposal of property and equipment	-	2,211
Forgiveness of Paycheck Protection Program loan	(280,288)	-
(Increase) decrease in assets:		
Patient accounts receivable	(46,057)	45,778
Pledges receivable	29,950	21,624
Grants and contracts receivable	(371,341)	(144,494)
Other receivable	(1,977)	6,388
Prepaid expenses	4,008	(397)
Increase (decrease) in liabilities:		
Accounts payable	30,962	(55,965)
Accrued expenses	115,296	(72,596)
Deferred revenue and refundable advances	-	280,288
Net Cash Provided (Used) by Operating Activities	(249,203)	528,176
 Cash Flows from Investing Activities		
Purchase of property and equipment	(49,545)	(33,706)
 Cash Flows From Financing Activities		
Principal payments on line of credit	-	(116,181)
 Change in Cash and Cash Equivalents	(298,748)	378,289
 Beginning Cash and Cash Equivalents	593,752	215,463
 Ending Cash and Cash Equivalents	\$ 295,004	\$ 593,752
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ -	\$ 3,081

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, 2021 and 2020

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, 2021 and 2020

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 \$27,300 and \$478,000 of uninsured deposits as of June 30, 2021 and 2020, 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.

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 \$3,200 and \$1,775 for the years ended June 30, 2021 and 2020, respectively.

Face to Face Health and Counseling Service, Inc.
Notes to the Financial Statements
June 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020, depreciation expense was \$133,871 and \$136,085, 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 2021 and 2020, the Organization recorded no impairment losses.

J. Patient Service Revenue

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 related to clients was \$0 and \$9,539 for the years ended June 30, 2021 and 2020, respectively.

K. 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, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

L. 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.

M. 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.

N. 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.

O. 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.

P. Advertising and Marketing Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing costs were \$51,273 and \$31,210 for the years ended June 30, 2021 and 2020, respectively.

Q. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

R. Upcoming 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. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

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 should be 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. on July 1, 2021. The Organization is currently evaluating the impact this standard will have on its financial statements.

S. Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 classifications.

T. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available to be issued.

Note 2: Reimbursement Arrangements with Third-Party Payors

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

Compliance

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

Face to Face Health and Counseling Service, Inc.
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Note 3: Patient Accounts Receivable

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

	2021	2020
Patient Accounts Receivable	\$ 215,066	\$ 122,927
Less:		
Allowance for contractual adjustment	(103,875)	(48,254)
Allowance for doubtful accounts	-	(9,539)
	<u>\$ 111,191</u>	<u>\$ 65,134</u>

Note 4: Pledges Receivable

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

	2021	2020
Less than one year	\$ 23,678	\$ 27,673
One to five years	-	25,955
Total Pledges Receivable	23,678	53,628
Less: allowance for uncollectable pledges	(8,200)	(5,000)
	<u>\$ 15,478</u>	<u>\$ 48,628</u>

Note 5: Line of Credit

At June 30, 2021 and 2020, the Organization had a \$300,000 and \$300,000, 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 4.25% and a maximum rate as allowed by applicable law. The interest rate at June 30, 2021 was 5.25%. The line of credit is secured by a mortgage on the Organization's real estate and matures November 18, 2021. Outstanding borrowings were \$0 at June 30, 2021 and 2020.

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 an interest rate of 6.5%. The line of credit is secured by property of the Organization and matured on October 31, 2020. This line of credit lapsed during the year ended June 30, 2021.

Note 6: Net Assets with Donor Restrictions

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

	2021	2020
Homeless Prevention	\$ 296,883	\$ -
Time Restrictions	139,927	169,876
Youth Advisory Council	-	14,766
SafeZone	27,506	169,300
Mental Health	10,000	-
COVID-19	1,706	195,570
	<u>\$ 476,022</u>	<u>\$ 549,512</u>

Face to Face Health and Counseling Service, Inc.
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Note 6: Net Assets with Donor Restrictions (Continued)

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

	<u>2021</u>	<u>2020</u>
COVID-19	\$ 816,095	\$ 26,488
Homeless Prevention	219,081	-
Time Restrictions	147,383	93,750
SafeZone	23,243	229,082
Mental Health	20,000	-
Youth Advisory Council	14,766	14,282
GLBTQ	-	20,896
Miscellaneous	-	30,279
Pledges Receivable	<u>38,450</u>	<u>39,991</u>
Total Net Assets Released from Restriction	<u>\$ 1,279,018</u>	<u>\$ 454,768</u>

Note 7: Patient Service Revenue

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

	<u>2021</u>	<u>2020</u>
Total Gross Charges	\$ 1,474,245	\$ 1,413,144
Less: Discounts and Allowances	<u>(911,769)</u>	<u>(653,924)</u>
Patient Service Revenue, Net	<u>\$ 562,476</u>	<u>\$ 759,220</u>

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

	<u>2021</u>	<u>2020</u>
Medicaid	67%	70%
Commercial	13%	19%
Sliding Fee	<u>20%</u>	<u>11%</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>2021</u>	<u>2020</u>
Blue Cross	\$ 22,640	\$ 30,190
Commercial and Other	33,397	51,081
Medicaid/Prepaid Medical Assistance Plans	<u>506,439</u>	<u>677,949</u>
Patient Service Revenue, Net	<u>\$ 562,476</u>	<u>\$ 759,220</u>

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Note 8: Uncompensated Care

The estimated cost of providing care to patients under the Organization's sliding fee schedule was approximately \$287,300 and \$280,000 in 2021 and 2020, respectively. The amount of charges forgone related to providing care to patients under the Organization's sliding fee schedule was \$255,240 and \$156,240 for 2021 and 2020, respectively.

Note 9: In-Kind Contributions

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

	2021	2020
Supplies	\$ 142,498	\$ 134,508
Rent	75,275	-
Mental Health Interns	60,820	36,000
Physician Residents	16,653	5,068
Outreach and SafeZone Interns	8,603	27,632
Total In-Kind Contributions	\$ 303,849	\$ 203,208

Note 10: Paycheck Protection Program Loan

In April 2020, the Organization entered into a promissory note agreement with Western Bank in the amount of \$515,300 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at 1 percent per annum and is scheduled to mature April 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). The loan and any accumulated interest was fully forgiven as of June 30, 2021. In the year ended June 30, 2020, \$235,012 of the loan was recognized as revenue, and in the year ended June 30, 2021, the remaining \$280,288 of the loan was recognized as revenue.

Note 11: 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.

The mix of receivables was as follows at June 30:

	2021	2020
Medicaid	79%	47%
Commercial	6%	37%
Private Pay	15%	16%
Total	100%	100%

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Note 11: Concentrations (Continued)

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, 2021 and 2020, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 16% and 23% of the total support and revenue in 2021 and 2020, respectively.

Note 12: 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.

Future minimum rental payments to be received are as follows:

For the Year Ended June 30,	Amount
2022	\$ 156,000

Total rental income received for the years ended June 30, 2021 and 2020, was \$267,372 and \$264,720, respectively. This consisted of \$189,000 and \$187,800 of base rent and \$78,372 and \$76,920 of the tenants' share of operating expenses for 2021 and 2020, respectively.

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. Beginning January 1, 2021, this office space lease is provided to the Organization rent-free through December 31, 2021.

The Organization currently leases a postage machine and an envelope moistener under a three-year operating lease commencing July 1, 2020, and ending on June 30, 2023. The terms of the lease are monthly payments of \$35.

Future minimum lease payments are as follows:

For the Year Ended June 30,	Amount
2022	\$ 420
2023	420
Total	\$ 840

The Organization's rent expense for the years ended June 30, 2021 and 2020 was \$75,275 and \$71,473, respectively.

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Note 14: 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, 2022.

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, 2021, which have not yet been asserted, the Organization is unable to determine the ultimate cost, if any, of such possible claims, and, accordingly, no provisions have been made for them.

Note 15: COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

Note 16: Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, 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:

	2021	2020
Cash and Cash Equivalents	\$ 295,004	\$ 593,752
Patient Accounts Receivable, Net	111,191	65,134
Pledges Receivable, Current, Net	15,478	22,673
Grants and Contracts Receivable	938,308	566,967
Other Receivable	5,660	9,668
Total Financial Assets Available Within One Year	1,365,641	1,258,194
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(476,022)	(549,512)
Financial assets available to meet cash needs for general expenditures within one year	\$ 889,619	\$ 708,682

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.