



# Financial Statements

## Face to Face Health and Counseling Service, Inc.

St. Paul, Minnesota

For the years ended June 30, 2022 and 2021



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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, 2022 and 2021, 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, 2022 and 2021, 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. 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



**Abdo**  
Minneapolis, Minnesota  
December 5, 2022



FINANCIAL STATEMENTS

Face to Face Health and Counseling Service, Inc.  
 Statements of Financial Position  
 June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 840,004	\$ 295,004
Patient accounts receivable	66,151	111,191
Pledges receivable, current, net of allowance for doubtful accounts of \$1,000 and \$8,200 in 2022 and 2021, respectively	18,135	15,478
Grants and contracts receivable	434,224	938,308
Other receivable	1,377	3,185
Prepaid expenses	16,777	5,660
Total Current Assets	1,376,668	1,368,826
<b>Property and Equipment</b>		
Land	60,639	60,639
Building and improvements	1,952,286	1,952,286
Leasehold improvements	551,383	551,383
Furniture and equipment	375,849	331,994
Total Property and Equipment, Cost	2,940,157	2,896,302
Less Accumulated Depreciation	(2,076,435)	(1,935,638)
Total Property and Equipment, Net	863,722	960,664
Total Assets	\$ 2,240,390	\$ 2,329,490
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 62,648	\$ 86,382
Accrued expenses	146,144	227,744
Lease payable, current portion	6,285	-
Total Current Liabilities	215,077	314,126
<b>Long-term Liabilities</b>		
Lease payable, noncurrent portion	20,090	-
Total Liabilities	235,167	314,126
<b>Net Assets</b>		
Without donor restriction	1,650,469	1,539,342
With donor restriction	354,754	476,022
Total Net Assets	2,005,223	2,015,364
Total Liabilities and Net Assets	\$ 2,240,390	\$ 2,329,490

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, 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 Activities (Continued)  
 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	<u>3,360,674</u>	<u>1,205,528</u>	<u>4,566,202</u>
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	<u>930,927</u>	<u>-</u>	<u>930,927</u>
Total Support and Revenue Before Releases	4,291,601	1,205,528	5,497,129
Net Assets Released from Restrictions	<u>1,279,018</u>	<u>(1,279,018)</u>	<u>-</u>
Total Support and Revenue	<u>5,570,619</u>	<u>(73,490)</u>	<u>5,497,129</u>
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	<u>4,037,275</u>	<u>-</u>	<u>4,037,275</u>
Support services			
Management and general	961,027	-	961,027
Fundraising	365,654	-	365,654
Total Support Services	<u>1,326,681</u>	<u>-</u>	<u>1,326,681</u>
Total Expenses	<u>5,363,956</u>	<u>-</u>	<u>5,363,956</u>
Change in Net Assets	206,663	(73,490)	133,173
Beginning Net Assets	<u>1,332,679</u>	<u>549,512</u>	<u>1,882,191</u>
Ending Net Assets	<u>\$ 1,539,342</u>	<u>\$ 476,022</u>	<u>\$ 2,015,364</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, 2022

	2022							
	Program Services				Support Services			Total Expenses
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fundraising	Total Support Services	
<b>Personnel Costs</b>								
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
<b>Total Personnel Costs</b>	<b>997,458</b>	<b>464,577</b>	<b>684,632</b>	<b>2,146,667</b>	<b>440,047</b>	<b>237,983</b>	<b>678,030</b>	<b>2,824,697</b>
<b>Expenses</b>								
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
<b>Total Expenses Before Depreciation</b>	<b>1,328,057</b>	<b>615,785</b>	<b>1,764,850</b>	<b>3,708,692</b>	<b>800,298</b>	<b>393,087</b>	<b>1,193,385</b>	<b>4,902,077</b>
Depreciation	10,750	-	61,230	71,980	68,817	-	68,817	140,797
<b>Total Expenses</b>	<b>\$ 1,338,807</b>	<b>\$ 615,785</b>	<b>\$ 1,826,080</b>	<b>\$ 3,780,672</b>	<b>\$ 869,115</b>	<b>\$ 393,087</b>	<b>\$ 1,262,202</b>	<b>\$ 5,042,874</b>

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, 2021

	2021							Total Expenses
	Program Services				Support Services			
	Health Services	Mental Health	SafeZone	Total Program Services	Management and General	Fundraising	Total Support Services	
<b>Personnel Costs</b>								
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
<b>Total Personnel Costs</b>	<b>855,689</b>	<b>506,695</b>	<b>766,073</b>	<b>2,128,457</b>	<b>561,563</b>	<b>255,077</b>	<b>816,640</b>	<b>2,945,097</b>
<b>Expenses</b>								
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 debts	-	-	-	-	-	3,200	3,200	3,200
Miscellaneous	-	-	-	-	797	-	797	797
<b>Total Expenses Before Depreciation</b>	<b>1,225,052</b>	<b>787,749</b>	<b>1,952,886</b>	<b>3,965,687</b>	<b>898,744</b>	<b>365,654</b>	<b>1,264,398</b>	<b>5,230,085</b>
Depreciation	10,541	-	61,047	71,588	62,283	-	62,283	133,871
<b>Total Expenses</b>	<b>\$ 1,235,593</b>	<b>\$ 787,749</b>	<b>\$ 2,013,933</b>	<b>\$ 4,037,275</b>	<b>\$ 961,027</b>	<b>\$ 365,654</b>	<b>\$ 1,326,681</b>	<b>\$ 5,363,956</b>

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (10,141)	\$ 133,173
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	140,797	133,871
Bad debts	-	3,200
Forgiveness of Paycheck Protection Program loan	-	(280,288)
(Increase) decrease in assets:		
Patient accounts receivable	45,040	(46,057)
Pledges receivable	(2,657)	29,950
Grants and contracts receivable	504,084	(371,341)
Other receivable	1,808	(1,977)
Prepaid expenses	(11,117)	4,008
Increase (decrease) in liabilities:		
Accounts payable	(23,734)	30,962
Accrued expenses	(81,600)	115,296
Net Cash Provided (Used) by Operating Activities	562,480	(249,203)
 Cash Flows from Investing Activities		
Purchase of property and equipment	(12,102)	(49,545)
 Cash Flows From Financing Activities		
Payments on capital leases	(5,378)	-
 Change in Cash and Cash Equivalents	545,000	(298,748)
Beginning Cash and Cash Equivalents	295,004	593,752
Ending Cash and Cash Equivalents	\$ 840,004	\$ 295,004
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 70	\$ -
 Supplemental Disclosure of Non-Cash Transactions		
Equipment acquired under capital leases	\$ 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, 2022 and 2021

## 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, 2022 and 2021

**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 \$407,117 and \$27,300 of uninsured deposits as of June 30, 2022 and 2021, 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, 2022 and 2021

**Note 1: Summary of Significant Accounting Policies (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 \$3,200 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, depreciation expense was \$140,797 and \$133,871, 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 2022 and 2021, 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 \$0 for the years ended June 30, 2022 and 2021, respectively.

Face to Face Health and Counseling Service, Inc.  
Notes to the Financial Statements  
June 30, 2022 and 2021

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

**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.

**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.

Face to Face Health and Counseling Service, Inc.  
Notes to the Financial Statements  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**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.

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

	2022	2021
Supplies	\$ 88,275	\$ 142,498
Mental health interns	76,559	60,820
Rent	75,275	75,275
Outreach and SafeZone interns	81,225	8,603
Physician residents	22,368	16,653
Total In-Kind Contributions	\$ 343,702	\$ 303,849

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 the program and fundraising services.

**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 \$31,820 and \$51,273 for the years ended June 30, 2022 and 2021, 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.



Face to Face Health and Counseling Service, Inc.  
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**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.

**S. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2022, 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.

**Note 3: Patient Accounts Receivable**

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

	2022	2021
Patient Accounts Receivable	\$ 201,604	\$ 215,066
Less:		
Allowance for contractual adjustment	(135,453)	(103,875)
Patient Accounts Receivable, Net	\$ 66,151	\$ 111,191

Face to Face Health and Counseling Service, Inc.  
Notes to the Financial Statements  
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**Note 4: Pledges Receivable**

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

	2022	2021
Less than one year	\$ 19,135	\$ 23,678
One to five years	-	-
Total Pledges Receivable	19,135	23,678
Less: allowance for uncollectable pledges	(1,000)	(8,200)
Pledges Receivable, Net	\$ 18,135	\$ 15,478

**Note 5: Line of Credit**

At June 30, 2022 and 2021, 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 on June 30, 2022 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, 2022 and 2021.

**Note 6: Net Assets with Donor Restrictions**

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

	2022	2021
Homeless prevention	\$ 132,611	\$ 296,883
Time restrictions	93,907	139,927
Youth advisory council	24,478	-
SafeZone	18,488	27,506
Mental health	37,500	10,000
Insurance	47,770	-
COVID-19	-	1,706
Total Net Assets with Donor Restriction	\$ 354,754	\$ 476,022

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

	2022	2021
Homeless prevention	\$ 183,324	\$ 219,081
Time restrictions	143,478	147,383
Youth advisory council	47,507	14,766
Mental health	47,500	20,000
SafeZone	34,019	23,243
Pledges receivable	19,544	38,450
COVID-19	1,706	816,095
Total Net Assets Released from Restriction	\$ 477,078	\$ 1,279,018

Face to Face Health and Counseling Service, Inc.  
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**Note 7: Patient Service Revenue**

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

	<u>2022</u>	<u>2021</u>
Total Gross Charges	\$ 1,776,403	\$ 1,474,245
Less: Discounts and Allowances	<u>(1,048,098)</u>	<u>(911,769)</u>
Patient Service Revenue, Net	<u>\$ 728,305</u>	<u>\$ 562,476</u>

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

	<u>2022</u>	<u>2021</u>
Medicaid	71%	67%
Commercial	14%	13%
Sliding Fee	<u>15%</u>	<u>20%</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>2022</u>	<u>2021</u>
Blue Cross	\$ 7,419	\$ 22,640
Commercial and Other	48,293	33,397
Medicaid/Prepaid Medical Assistance Plans	<u>672,593</u>	<u>506,439</u>
Patient Service Revenue, Net	<u>\$ 728,305</u>	<u>\$ 562,476</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 2022 and 2021, 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 2022 and 2021, respectively.

Face to Face Health and Counseling Service, Inc.  
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**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.

The mix of receivables was as follows at June 30:

	2022	2021
Medicaid	33%	79%
Commercial	36%	6%
Private Pay	31%	15%
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, 2022 and 2021, the Organization received a substantial portion of its support and revenue from one funding source. This source accounted for 27% and 16% of the total support and revenue in 2022 and 2021, respectively.

**Note 10: 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
2023	\$ 156,000

Total rental income received for the years ended June 30, 2022 and 2021, was \$262,577 and \$267,372, respectively. This consisted of \$192,377 and \$189,000 of base rent and \$70,200 and \$78,372 of the tenants' share of operating expenses for 2022 and 2021, respectively.

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**Note 11: Operating Leases**

The Organization previously leased 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. Beginning January 1, 2022, this office space lease is provided to the Organization rent free through June 30, 2022. The Organization's rent expense for the years ended June 30, 2022 and 2021 was \$75,270 and \$75,275, respectively.

Future minimum operating lease payments are as follows:

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

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.

**Note 12: Capital Leases**

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 are 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	\$ 28,877	\$ (2,502)	\$ 26,375

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

	2022	2021
Copier	\$ 31,753	\$ -
Less: Accumulated depreciation	(5,544)	-
	\$ 26,209	\$ -

Depreciation expense on assets recorded under the capital lease for the years ended June 30, 2022 and 2021 was \$5,544 and \$0, respectively, and is included in total depreciation expense. Dispositions of assets under capital leases for the years ended June 30, 2022 and 2021 were \$0 and \$0, respectively. Interest expense on the capital lease was \$70 and \$0 for the years ended June 30, 2022 and 2021, respectively.

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**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, 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, 2022, 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 14: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 and 2021 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 15: Liquidity and Availability of Financial Assets**

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, 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:

	2022	2021
Cash and Cash Equivalents	\$ 840,004	\$ 295,004
Patient Accounts Receivable, Net	66,151	111,191
Pledges Receivable, Current, Net	18,135	15,478
Grants and Contracts Receivable	434,224	938,308
Other Receivable	1,377	3,185
Total Financial Assets Available Within One Year	1,359,891	1,363,166
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(354,754)	(476,022)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,005,137	\$ 887,144

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.