

Annex Teen Clinic, Inc.
Robbinsdale, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2012 and 2011

Carpenter *Evert*
Certified Public Accountants



CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
EXHIBIT A: Statements of Activities and Changes in Net Assets – For the Years Ended December 31, 2012 and 2011	2
EXHIBIT B: Statement of Functional Expense – For the Year Ended December 31, 2012 with Comparative Totals for 2011	3
EXHIBIT C: Statement of Functional Expense – For the Year Ended December 31, 2011	4
EXHIBIT D: Statements of Financial Position – December 31, 2012 and 2011	5
EXHIBIT E: Statements of Cash Flows – For the Years Ended December 31, 2012 and 2011	6
NOTES TO FINANCIAL STATEMENTS	7-13

Independent Auditor's Report

Board of Directors
Annex Teen Clinic, Inc.
Robbinsdale, Minnesota

Carpenter Evert

Certified Public Accountants

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We have audited the accompanying financial statements of Annex Teen Clinic, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Annex Teen Clinic, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Minneapolis, Minnesota
June 18, 2013

ANNEX TEEN CLINIC, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		2011	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Contributions	\$ 50,479	\$ 6,000	\$ 56,479	\$ 58,885
United Way	107,996	-	107,996	108,973
Government Grants and Contracts	1,350,821	56,514	1,407,335	989,107
Program Service Fees	493,207	-	493,207	425,706
Investment Income	366	-	366	720
Miscellaneous Income	3,736	-	3,736	580
Net Assets Released from Restrictions:				
Satisfaction of Capital Restrictions	81,030	(81,030)	-	364,446
Satisfaction of Program Restrictions	77,114	(77,114)	-	(170,822)
Total Support and Revenue	2,164,749	(95,630)	2,069,119	1,583,971
Expense:				
Program Services:				
Health Clinic	732,654	-	732,654	644,522
Health Education	1,027,101	-	1,027,101	726,592
Total Program Expense	1,759,755	-	1,759,755	1,371,114
Support Services:				
Management and General Fundraising	179,488	-	179,488	189,670
	65,436	-	65,436	41,007
Total Support Services	244,924	-	244,924	230,677
Total Expense	2,004,679	-	2,004,679	1,601,791
Change in Net Assets	160,070	(95,630)	64,440	(17,820)
Net Assets - Beginning of Year	880,145	101,630	981,775	999,595
Net Assets - End of Year	\$ 1,040,215	\$ 6,000	\$ 1,046,215	\$ 981,775

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

ANNEX TEEN CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

	2012					2011	
	Program Services		Support Services			Total	Total
	Health Clinic	Health Education	Program Services	Management & General	Fund-raising	Total Support Services	All Services
Salaries	\$ 382,324	\$ 600,724	\$ 983,048	\$ 27,010	\$ 47,917	\$ 74,927	\$ 809,597
Employee Benefits	52,466	82,479	134,945	3,708	6,579	10,287	111,575
Payroll Taxes	33,632	52,804	86,436	2,374	4,212	6,586	83,109
Total Personnel Costs	468,422	736,007	1,204,429	33,092	58,708	91,800	1,004,281
Professional Fees	78,489	68,020	146,509	130,433	898	131,331	233,115
Participant Expense	85,125	96,807	181,932	-	-	-	149,461
Office Expense	35,112	39,191	74,303	4,086	1,846	5,932	77,825
Occupancy	22,057	36,939	58,996	2,891	1,887	4,778	80,870
Miscellaneous	28,109	643	28,752	6,973	26	6,999	26,238
Staff and Volunteer Development	2,978	15,364	18,342	1,141	803	1,944	4,477
Travel	108	12,457	12,565	409	35	444	6,314
Depreciation	12,254	21,673	33,927	463	1,233	1,696	19,210
Total Expense	\$ 732,654	\$ 1,027,101	\$ 1,759,755	\$ 179,488	\$ 65,436	\$ 244,924	\$ 1,601,791

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT C

ANNEX TEEN CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services			Support Services			Total All Services
	Health Clinic	Health Education	Total Program Services	Management & General	Fund-raising	Total Support Services	
Salaries	\$ 295,166	\$ 453,130	\$ 748,296	\$ 35,998	\$ 25,303	\$ 61,301	\$ 809,597
Employee Benefits	41,322	63,378	104,700	3,338	3,537	6,875	111,575
Payroll Taxes	30,300	46,572	76,872	3,636	2,601	6,237	83,109
Total Personnel Costs	366,788	563,080	929,868	42,972	31,441	74,413	1,004,281
Professional Fees	64,248	56,012	120,260	112,565	290	112,855	233,115
Participant Expense	119,918	29,543	149,461	-	-	-	149,461
Office Expense	31,155	34,825	65,980	5,523	6,322	11,845	77,825
Occupancy	32,951	23,355	56,306	23,960	604	24,564	80,870
Miscellaneous	21,671	490	22,161	2,968	1,109	4,077	26,238
Staff and Volunteer Development	373	2,491	2,864	988	625	1,613	4,477
Travel	118	6,038	6,156	118	40	158	6,314
Depreciation	7,300	10,758	18,058	576	576	1,152	19,210
Total Expense	\$ 644,522	\$ 726,592	\$ 1,371,114	\$ 189,670	\$ 41,007	\$ 230,677	\$ 1,601,791

The accompanying Notes to Financial Statements are an integral part of this statement.

ANNEX TEEN CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 180,342	\$ 253,421
Accounts Receivable	412,362	333,542
Pledges and Grants Receivable	3,679	4,088
Inventory	61,966	22,950
Prepaid Expenses	17,576	25,125
Total Current Assets	<u>675,925</u>	<u>639,126</u>
Noncurrent Assets:		
Property and Equipment - Net	<u>917,473</u>	<u>871,054</u>
TOTAL ASSETS	<u>\$ 1,593,398</u>	<u>\$ 1,510,180</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts Payable	\$ 74,515	\$ 21,973
Accrued Expense and Payroll Withholding	139,142	142,132
Notes Payable	20,606	33,661
Total Current Liabilities	<u>234,263</u>	<u>197,766</u>
Notes Payable	<u>312,920</u>	<u>330,639</u>
Total Liabilities	547,183	528,405
Net Assets:		
Unrestricted	1,040,215	880,145
Temporarily Restricted	6,000	101,630
Total Net Assets	<u>1,046,215</u>	<u>981,775</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,593,398</u>	<u>\$ 1,510,180</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

ANNEX TEEN CLINIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 64,440	\$ (17,820)
Total Adjustments	<u>(24,703)</u>	<u>454,788</u>
Net Cash Provided by Operating Activities	39,737	436,968
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(82,042)	(390,593)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	-	80,000
Principal Payments on Notes Payable	<u>(30,774)</u>	<u>(9,139)</u>
Net Cash Provided (Used) by Financing Activities	(30,774)	70,861
Net Increase (Decrease) in Cash and Cash Equivalents	(73,079)	117,236
Cash and Cash Equivalents - Beginning of Year	<u>253,421</u>	<u>136,185</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 180,342</u></u>	<u><u>\$ 253,421</u></u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
	<u>2012</u>	<u>2011</u>
Cash Paid for:		
Interest	<u><u>\$ 17,372</u></u>	<u><u>\$ 13,789</u></u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies

Organizational Purpose

Annex Teen Clinic, Inc. (The Organization) is a Minnesota nonprofit corporation. The purpose of the Organization is to provide primary health care services and health care education to young people in the northern suburbs of Minneapolis.

The Organization's programs are as follows:

Health Care – This program provides sexuality related health care for adolescents and young adults including pregnancy tests, sexually transmitted disease testing and treatment, HIV testing and contraceptive services.

Health Education – This program provides health education services to youth in the community related to healthy relationships, communication skills and sexual health issues. The program also provides education programming for parents and youth serving professionals. The program provides support and education services for pregnant and parenting adolescents, psychosocial support groups and counseling services.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Annex Teen Clinic, Inc., the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivable are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivable when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Patient fees are recorded net of all insurance and sliding fee discounts provided to recipients. Fees are recognized as revenue when billed.

Inventory

Inventory consists of birth control and other drugs used in various Organization programs. Inventory is valued at the lower of cost or market, determined on a first-in first-out basis (FIFO).

Property and Equipment

All major expenditures for leasehold improvements and equipment above \$1,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method. Donated property and equipment is valued at estimated market value.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (continued)

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Annex Teen Clinic, Inc. will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

Income Tax

Annex Teen Clinic, Inc. has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files an Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2009 and later remain subject to examination by the Internal Revenue Service.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through June 18, 2013, which is the date financial statements were available to be issued.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Financial Instruments

Significant Concentrations of Credit Risk

Annex Teen Clinic, Inc. provides services within the Twin Cities area. The amounts due for services provided are from Hennepin County and the State of Minnesota, all of which are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

Significant Concentrations of Revenue

Hennepin County and State of Minnesota revenue totaled \$1,407,335 and \$989,108 during the years ended December 31, 2012 and 2011, respectively. The loss of this funding could have a significant impact on the Organization.

3. Inventory

Inventory consisted of the following as of:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Birth Control	\$ 58,691	\$ 20,647
Other Drugs	3,275	2,303
	<u>\$ 61,966</u>	<u>\$ 22,950</u>

4. Pledges Receivable

The balance of pledges and grants receivable at December 31, 2012, is expected to be collected in the following year:

<u>Due in the Year Ending December 31,</u>	
2013	<u>\$ 3,679</u>

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

5. Property and Equipment

The Organization owned the following as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2012</u>	<u>2011</u>	
Land and Building	896,350	890,050	30 years
Furniture and Equipment	<u>75,742</u>	<u>39,046</u>	3-5 years
	972,092	929,096	
Less Accumulated Depreciation	<u>54,619</u>	<u>58,042</u>	
	<u>\$ 917,473</u>	<u>\$ 871,054</u>	

Depreciation expense of \$35,623 and \$19,210 was recorded for the years ended December 31, 2012 and 2011, respectively.

6. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
4% Promissory note payable to Vision Bank. Payable in monthly amounts of \$1,839 including interest with the last payment due January 2015. Secured by building.	\$ 275,173	\$ 284,300
6% Promissory note payable to Vision Bank. Payable in monthly amounts of \$380 including interest with the last payment due January 2015. Secured by building.	48,791	50,000
6% Promissory note payable to Nonprofit Assistance Fund. Monthly interest-only payments from September 2011 to January 2012. One payment in the amount of \$15,000 due February 2012. Starting March 2012 payable in monthly amounts of \$665 including interest with the last payment due February 2014. Secured by building.	<u>9,562</u>	<u>30,000</u>
	333,526	364,300
Less Portion Due Within One (1) Year	<u>20,606</u>	<u>33,661</u>
Long-term Portion	<u>\$ 312,920</u>	<u>\$ 330,639</u>

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

6. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2013	\$ 20,606
2014	15,460
2015	<u>297,460</u>
Total	<u>\$ 333,526</u>

The Organization currently maintains a \$50,000 line-of-credit with Wells Fargo Bank at a rate of Prime plus 6.75%. Principal is due on demand and is unsecured. Balance was \$-0- for the years ended December 31, 2012 and 2011.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Ripley Memorial Foundation – Health Education	\$ 6,000	\$ -
Healthier Minnesota Community Clinic Fund – Renovation Costs	-	24,516
Healthier Minnesota Community Clinic Fund – Primary Care Services	-	<u>77,114</u>
Total	<u>\$ 6,000</u>	<u>\$ 101,630</u>

8. In-kind Contributions

The Organization records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Medical Personnel and Lab Services	<u>\$ 14,627</u>	<u>\$ 19,753</u>

9. Pension Plan

The Organization initiated a 403(b) retirement plan January 1, 2009. The plan is funded by discretionary employer profit sharing and matching contributions, and employee contributions. Contributions of \$19,763 and \$13,350 were made in the years ended December 31, 2012 and 2011, respectively.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

10. Member Services Agreement

In September 2008, Annex Teen Clinic, Inc. became a member of MACC CommonWealth, Inc. (also a non-profit), an organization formed to deliver a shared solution for meeting the key administrative functions of finance, human resources, and information technology. Fees paid to MACC CommonWealth, Inc. were \$126,243 for 2012 and \$ 98,750 for 2011.

11. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Depreciation	\$ 35,623	\$ 19,210
Pledges and Grants Receivable	-	74,094
Increases (Decreases) in Current Liabilities:		
Accounts Payable	52,542	1,311
Accrued Expense	(2,990)	22,560
Decreases (Increases) in Current Assets:		
Accounts Receivable	(78,820)	(186,373)
Pledges and Grants Receivable	409	517,910
Inventory	(39,016)	8,322
Prepaid Expense	7,549	(2,246)
Total Adjustments	<u>\$ (24,703)</u>	<u>\$ 454,788</u>