

Annex Teen Clinic, Inc.
Robbinsdale, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2017 and 2016



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Annex Teen Clinic, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expense, 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, 2017 and 2016, 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.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
June 22, 2018

ANNEX TEEN CLINIC, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions	\$ 257,484	\$ 38,600	\$ 296,084	\$ 150,607	\$ 8,000	\$ 158,607
United Way	38,054	-	38,054	66,348	-	66,348
Government Grants and Contracts	1,240,779	-	1,240,779	1,285,766	-	1,285,766
Program Service Fees	808,850	-	808,850	676,835	-	676,835
Investment Income	15	-	15	75	-	75
Miscellaneous Income	-	-	-	285	-	285
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	4,668	(4,668)	-	58,000	(58,000)	-
Total Support and Revenue	2,349,850	33,932	2,383,782	2,237,916	(50,000)	2,187,916
Expense:						
Program Services:						
Health Clinic	1,057,827	-	1,057,827	976,664	-	976,664
Health Education	957,323	-	957,323	995,747	-	995,747
Total Program Expense	2,015,150	-	2,015,150	1,972,411	-	1,972,411
Support Services:						
Management and General Fundraising	210,909	-	210,909	201,062	-	201,062
Total Support Services	82,123	-	82,123	87,677	-	87,677
Total Expense	293,032	-	293,032	288,739	-	288,739
	2,308,182	-	2,308,182	2,261,150	-	2,261,150
Change in Net Assets	41,668	33,932	75,600	(23,234)	(50,000)	(73,234)
Net Assets - Beginning of Year	937,011	8,000	945,011	960,245	58,000	1,018,245
Net Assets - End of Year	\$ 978,679	\$ 41,932	\$ 1,020,611	\$ 937,011	\$ 8,000	\$ 945,011

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

ANNEX TEEN CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

	2017					2016	
	Program Services		Support Services			Total All Services	Total All Services
	Health Clinic	Health Education	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services
Salaries	\$ 522,144	\$ 632,713	\$ 1,154,857	\$ 29,426	\$ 55,605	\$ 85,031	\$ 1,239,888
Employee Benefits	58,676	71,975	130,651	3,350	6,304	9,654	140,305
Payroll Taxes	41,339	50,372	91,711	2,343	4,429	6,772	98,483
Total Personnel Costs	622,159	755,060	1,377,219	35,119	66,338	101,457	1,478,676
Participant Expense	306,346	75,820	382,166	-	-	-	382,166
Professional Fees	55,771	10,661	66,432	164,741	4,860	169,601	234,467
Occupancy	22,730	41,999	64,729	860	2,809	3,669	68,398
Office Expense	21,971	25,364	47,335	1,234	2,976	4,210	51,545
Miscellaneous	11,751	3,282	15,033	5,846	1,051	6,897	21,930
Staff and Volunteer Development	2,077	10,903	12,980	2,116	2,554	4,670	17,650
Travel	1,041	12,486	13,527	526	293	819	14,346
Depreciation	13,981	21,748	35,729	467	1,242	1,709	37,438
Total Expense	\$ 1,057,827	\$ 957,323	\$ 2,015,150	\$ 210,909	\$ 82,123	\$ 293,032	\$ 2,308,182
							\$ 2,261,150

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

ANNEX TEEN CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Support Services			Total All Services
	Health Clinic	Health Education	Program Services	Management & General	Fund-raising	Support Services	
Salaries	\$ 486,938	\$ 635,832	\$ 1,122,770	\$ 28,221	\$ 55,099	\$ 83,320	\$ 1,206,090
Employee Benefits	58,441	77,939	136,380	3,428	6,707	10,135	146,515
Payroll Taxes	43,913	57,153	101,066	2,541	4,953	7,494	108,560
Total Personnel Costs	589,292	770,924	1,360,216	34,190	66,759	100,949	1,461,165
Participant Expense	242,277	87,350	329,627	-	-	-	329,627
Professional Fees	66,461	12,067	78,528	155,696	243	155,939	234,467
Occupancy	18,662	38,461	57,123	633	3,352	3,985	61,108
Office Expense	23,006	29,865	52,871	1,068	3,897	4,965	57,836
Miscellaneous	17,434	3,263	20,697	6,670	9,158	15,828	36,525
Staff and Volunteer Development	6,359	18,369	24,728	1,960	2,990	4,950	29,678
Travel	995	11,238	12,233	397	174	571	12,804
Depreciation	12,178	24,210	36,388	448	1,104	1,552	37,940
Total Expense	\$ 976,664	\$ 995,747	\$ 1,972,411	\$ 201,062	\$ 87,677	\$ 288,739	\$ 2,261,150

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

ANNEX TEEN CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and Cash Equivalents	\$ 256,019	\$ 172,805
Accounts Receivable	248,024	323,217
Pledges and Grants Receivable	64,540	-
Inventory	35,445	39,829
Prepaid Expenses	43,011	20,932
Total Current Assets	<u>647,039</u>	<u>556,783</u>
Noncurrent Assets:		
Property and Equipment - Net	<u>730,325</u>	<u>765,365</u>
TOTAL ASSETS	<u>\$ 1,377,364</u>	<u>\$ 1,322,148</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 14,678	\$ 22,085
Accrued Expense and Payroll Withholding	93,830	90,947
Notes Payable	16,415	15,772
Total Current Liabilities	<u>124,923</u>	<u>128,804</u>
Notes Payable	<u>231,830</u>	<u>248,333</u>
Total Liabilities	<u>356,753</u>	<u>377,137</u>
Net Assets:		
Unrestricted	978,679	937,011
Temporarily Restricted	41,932	8,000
Total Net Assets	<u>1,020,611</u>	<u>945,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,377,364</u>	<u>\$ 1,322,148</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, 2017 AND 2016

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 75,600	\$ (73,234)
Total Adjustments	<u>25,872</u>	<u>(89,791)</u>
Net Cash Provided (Used) by Operating Activities	101,472	(163,025)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(2,398)	(4,100)
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	<u>(15,860)</u>	<u>(14,830)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	83,214	(181,955)
Cash and Cash Equivalents - Beginning of Year	<u>172,805</u>	<u>354,760</u>
Cash and Cash Equivalents - End of Year	<u>\$ 256,019</u>	<u>\$ 172,805</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 10,435</u>	<u>\$ 10,603</u>

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

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 programs are as follows:

Health Clinic – This program provides confidential 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 the Organization, 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, 2017 AND 2016

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. Receivables 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 receivables when they are considered uncollectible. The Organization does not have an allowance for doubtful accounts.

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 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, 2017 AND 2016

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, the Organization 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

The Organization 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 a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2014 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 22, 2018, which is the date financial statements were available to be issued.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals from Hennepin County and the State of Minnesota, all of whom 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 \$1,285,766 and \$1,310,597 during the years ended December 31, 2017 and 2016, respectively. The loss of this funding could have a significant impact on the Organization.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2017, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Inventory

Inventory consisted of the following as of:

	December 31,	
	2017	2016
Birth Control	\$ 34,541	\$ 39,081
Other Drugs	904	748
	\$ 35,445	\$ 39,829

4. Property and Equipment

The Organization owned the following as of:

	December 31,		Estimated Useful Lives
	2017	2016	
Land and Building	\$ 900,450	\$ 900,450	30 years
Furniture and Equipment	82,039	79,640	3-5 years
	982,489	980,090	
Less Accumulated Depreciation	252,164	214,725	
	\$ 730,325	\$ 765,365	

Depreciation expense of \$37,438 and \$37,940 was recorded for the years ended December 31, 2017 and 2016, respectively.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. Pledges and Grants Receivable

The balance of grants and contributions receivable are due as follows:

<u>Due in the Year Ending December 31,</u>	
2018	<u>\$ 64,540</u>

6. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
4% Promissory note payable to Vision Bank. Payable in monthly amounts of \$2,171 including interest with a balloon payment due January 2020. Secured by building.	\$ 248,245	\$ 264,105
Less Portion Due Within One (1) Year	<u>16,415</u>	<u>15,772</u>
Long-term Portion	<u>\$ 231,830</u>	<u>\$ 248,333</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2018	\$ 16,415
2019	17,084
2020	<u>214,746</u>
Total	<u>\$ 248,245</u>

The Organization maintains a \$100,000 line-of-credit with Bremer Bank at a rate of Index plus 1% that expires April 6, 2019. Principal is due on demand and is unsecured. Balance was \$-0- for both years ended December 31, 2017 and 2016.

The Organization maintains a \$100,000 line-of-credit with Wells Fargo at a rate of Index plus 1.750% that expires January 1, 2018. Principal is due on demand and is unsecured. Balance was \$-0- for both years ended December 31, 2017 and 2016.

7. Temporarily Restricted Net Assets

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

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
General Operations	\$ 20,000	\$ -
Health Education	11,932	8,000
Better Together Hennepin/Health Mentor Model	<u>10,000</u>	<u>-</u>
	<u>\$ 41,932</u>	<u>\$ 8,000</u>

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. In-kind Contributions

In-kind contributions are recorded at fair market value at date of donation. In-kind contributions included the following as of:

	December 31,	
	2017	2016
Medical Personnel and Lab Services	\$ 4,000	\$ 12,130

9. Retirement Plan

The Organization initiated a 403(b) retirement plan January 1, 2009. The plan is funded by discretionary employer profit sharing and matching contributions as well as employee contributions. Employer contributions of \$27,377 and \$26,086 were made in the years ended December 31, 2017 and 2016, respectively.

10. Member Services Agreement

In September 2008, the Organization 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 \$157,832 for 2017 and \$149,910 for 2016.

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:

	December 31,	
	2017	2016
Depreciation	\$ 37,438	\$ 37,940
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(7,407)	5,677
Accrued Expense and Payroll Withholding	2,883	(14,896)
Decreases (Increases) in Current Assets:		
Accounts Receivable	75,193	(110,320)
Pledges and Grants Receivable	(64,540)	1,367
Inventory	4,384	(16,520)
Prepaid Expense	(22,079)	6,961
Total Adjustments	\$ 25,872	\$ (89,971)