

**Annex Teen Clinic, Inc.**  
Robbinsdale, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2019 and 2018



**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, 2019 and 2018, 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, 2019 and 2018, 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 9, 2020

ANNEX TEEN CLINIC, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 272,437	\$ 74,901	\$ 347,338	\$ 206,130	\$ 19,522	\$ 225,652
United Way	1,941	-	1,941	3,128	-	3,128
Government Contributions	1,243,951	-	1,243,951	1,385,982	-	1,385,982
Program Service Fees	1,063,894	-	1,063,894	926,442	-	926,442
Miscellaneous Income	7,689	-	7,689	1,322	-	1,322
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	19,522	(19,522)	-	41,932	(41,932)	-
Total Support and Revenue	2,609,434	55,379	2,664,813	2,564,936	(22,410)	2,542,526
Expense:						
Program Services:						
Health Clinic	1,267,723	-	1,267,723	1,129,953	-	1,129,953
Health Education	939,337	-	939,337	1,067,956	-	1,067,956
Total Program Expense	2,207,060	-	2,207,060	2,197,909	-	2,197,909
Support Services:						
Management and General Fundraising	169,455	-	169,455	157,183	-	157,183
Total Support Services	129,248	-	129,248	110,615	-	110,615
Total Expense	298,703	-	298,703	267,798	-	267,798
	2,505,763	-	2,505,763	2,465,707	-	2,465,707
Change in Net Assets	103,671	55,379	159,050	99,229	(22,410)	76,819
Net Assets - Beginning of Year	1,077,908	19,522	1,097,430	978,679	41,932	1,020,611
Net Assets - End of Year	\$ 1,181,579	\$ 74,901	\$ 1,256,480	\$ 1,077,908	\$ 19,522	\$ 1,097,430

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, 2019  
WITH COMPARATIVE TOTALS FOR 2018

	2019						2018	
	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	Total All Services
Salaries	\$ 587,139	\$ 585,641	\$ 1,172,780	\$ 37,147	\$ 87,710	\$ 124,857	\$ 1,297,637	\$ 1,317,093
Employee Benefits	65,649	66,138	131,787	4,100	9,815	13,915	145,702	126,666
Payroll Taxes	48,318	48,541	96,859	3,038	7,241	10,279	107,138	102,135
Total Personnel Costs	701,106	700,320	1,401,426	44,285	104,766	149,051	1,550,477	1,545,894
Participant Expense	360,873	56,450	417,323	471	5,046	5,517	422,840	401,742
Professional Fees	102,521	75,738	178,259	95,944	8,738	104,682	282,941	259,079
Office Expense	43,815	29,998	73,813	1,214	3,741	4,955	78,768	68,390
Occupancy	19,392	32,614	52,006	14,259	2,276	16,535	68,541	79,999
Miscellaneous	13,823	4,492	18,315	11,107	661	11,768	30,083	31,377
Staff and Volunteer Development	6,598	9,812	16,410	1,148	2,038	3,186	19,596	27,685
Travel	1,487	8,998	10,485	557	42	599	11,084	13,211
Depreciation	18,108	20,915	39,023	470	1,940	2,410	41,433	38,330
Total Expense	\$ 1,267,723	\$ 939,337	\$ 2,207,060	\$ 169,455	\$ 129,248	\$ 298,703	\$ 2,505,763	\$ 2,465,707

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, 2018

	Program Services			Support Services			Total All Services
	Health Clinic	Health Education	Total Program Services	Management & General	Fund-raising	Total Support Services	
Salaries	\$ 522,816	\$ 689,125	\$ 1,211,941	\$ 30,873	\$ 74,279	\$ 105,152	\$ 1,317,093
Employee Benefits	50,754	65,883	116,637	2,981	7,048	10,029	126,666
Payroll Taxes	40,592	53,858	94,450	2,057	5,628	7,685	102,135
Total Personnel Costs	614,162	808,866	1,423,028	35,911	86,955	122,866	1,545,894
Participant Expense	330,320	67,115	397,435	-	4,307	4,307	401,742
Professional Fees	93,874	69,351	163,225	87,853	8,001	95,854	259,079
Office Expense	33,832	30,094	63,926	1,968	2,496	4,464	68,390
Occupancy	21,059	41,628	62,687	15,620	1,692	17,312	79,999
Miscellaneous	14,735	2,332	17,067	10,652	3,658	14,310	31,377
Staff and Volunteer Development	7,535	13,561	21,096	4,294	2,295	6,589	27,685
Travel	1,126	11,667	12,793	414	4	418	13,211
Depreciation	13,310	23,342	36,652	471	1,207	1,678	38,330
Total Expense	\$ 1,129,953	\$ 1,067,956	\$ 2,197,909	\$ 157,183	\$ 110,615	\$ 267,798	\$ 2,465,707

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

ANNEX TEEN CLINIC, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 376,536	\$ 226,566
Accounts Receivable	349,712	353,250
Pledges and Grants Receivable	32,068	76,775
Inventory	80,213	99,294
Prepaid Expenses	69,175	55,273
Total Current Assets	<u>907,704</u>	<u>811,158</u>
Noncurrent Assets:		
Property and Equipment - Net	<u>686,769</u>	<u>702,496</u>
 TOTAL ASSETS	 <u>\$ 1,594,473</u>	 <u>\$ 1,513,654</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 45,513	\$ 78,412
Accrued Expense and Payroll Withholding	107,046	105,891
Notes Payable	20,628	17,084
Total Current Liabilities	<u>173,187</u>	<u>201,387</u>
Notes Payable	<u>164,806</u>	<u>214,837</u>
Total Liabilities	<u>337,993</u>	<u>416,224</u>
Net Assets:		
Without Donor Restrictions	1,181,579	1,077,908
With Donor Restrictions	74,901	19,522
Total Net Assets	<u>1,256,480</u>	<u>1,097,430</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,594,473</u>	 <u>\$ 1,513,654</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 159,050	\$ 76,819
Total Adjustments	<u>63,113</u>	<u>(79,447)</u>
Net Cash Provided (Used) by Operating Activities	222,163	(2,628)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(25,706)	(10,501)
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	<u>(46,487)</u>	<u>(16,324)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	149,970	(29,453)
Cash and Cash Equivalents - Beginning of Year	<u>226,566</u>	<u>256,019</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 376,536</u></u>	<u><u>\$ 226,566</u></u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u><u>\$ 9,561</u></u>	<u><u>\$ 9,723</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, 2019 AND 2018

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:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – 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.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement (continued)

The Organization has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The ASU has been applied retrospectively for the periods ended December 31, 2019 and 2018, as required.

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 donor restricted until the donor-imposed restrictions expire or are fulfilled. Donor restricted net assets are reclassified to without donor restricted net assets 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 without donor restriction.

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

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.

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).

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 9, 2020, which is the date financial statements were available to be issued.

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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 \$1,243,951 and \$1,385,982 during the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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,	
	2019	2018
Birth Control	\$ 80,213	\$ 99,294

4. Property and Equipment

The Organization owned the following as of:

	December 31,		
	2019	2018	Estimated Useful Lives
Land and Building	\$ 905,460	\$ 900,450	15-30 years
Furniture and Equipment	113,235	92,539	3-10 years
	1,018,695	992,989	
Less Accumulated Depreciation	331,926	290,493	
	\$ 686,769	\$ 702,496	

Depreciation expense of \$41,433 and \$38,330 was recorded for the years ended December 31, 2019 and 2018, respectively.

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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>	
2020	\$ <u>32,068</u>

6. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
4% Promissory note payable to Vision Bank. Payable in monthly amounts of \$1,875 including interest with a balloon payment due January 2025. Secured by building.	\$ 185,434	\$ 231,921
Less Portion Due Within One (1) Year	<u>20,628</u>	<u>17,084</u>
Long-term Portion	<u>\$ 164,806</u>	<u>\$ 214,837</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2020	\$ 20,628
2021	22,503
2022	22,503
2023 and Forward	<u>119,800</u>
Total	<u>\$ 185,434</u>

The Organization maintains a \$100,000 line-of-credit with Bremer Bank at a rate of Index plus 1% that expires April 7, 2022. Principal is due on demand and is unsecured. Balance was \$-0- for the years ended December 31, 2019 and 2018.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts from the following as of:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Time Restrictions:		
Future Operations - 2020	\$ -	\$ 19,522
Program Restrictions:		
Clinical Services	66,901	-
Sexual Education	<u>8,000</u>	<u>-</u>
	<u>\$ 74,901</u>	<u>\$ 19,522</u>

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

8. Member Services Agreement

In September 2008, the Organization became a member of Metropolitan Alliance of Connected Communities, 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 Metropolitan Alliance of Connected Communities, Inc. were \$165,321 for 2019 and \$172,137 for 2018.

9. Liquidity and Availability

The following represents the Organization's financial assets at December 31,

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash	\$ 376,536	\$ 226,566
Accounts Receivable	349,712	353,250
Pledges Receivable	<u>32,068</u>	<u>76,775</u>
Total Financial Assets	758,316	656,591
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	74,901	19,522
Net Assets With Restrictions to be met within a year	<u>(74,901)</u>	<u>(19,522)</u>
Total Assets not available to be used within one year	<u>-</u>	<u>-</u>
 Financial assets available for general expenditures within one year	 <u>\$ 758,316</u>	 <u>\$ 656,591</u>

The Organization has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

In addition, they have a \$100,000 line-of-credit that can be used, if needed.

ANNEX TEEN CLINIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

11. 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 \$30,096 and \$30,973 were made in the years ended December 31, 2019 and 2018, respectively.

12. 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>2019</u>	<u>2018</u>
Depreciation	\$ 41,433	\$ 38,330
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(32,899)	63,734
Accrued Expense and Payroll Withholding	1,155	12,061
Decreases (Increases) in Current Assets:		
Accounts Receivable	3,538	(105,226)
Pledges and Grants Receivable	44,707	(12,235)
Inventory	19,081	(63,849)
Prepaid Expense	<u>(13,902)</u>	<u>(12,262)</u>
Total Adjustments	<u>\$ 63,113</u>	<u>\$ (79,447)</u>