

Annex Teen Clinic, Inc.
Robbinsdale, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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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, 2020 and 2019, 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. 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, 2020 and 2019, 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 8, 2021

ANNEX TEEN CLINIC, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	
Support and Revenue:						
Contributions	\$ 325,260	\$ 143,827	\$ 469,087	\$ 272,437	\$ 74,901	\$ 347,338
United Way	380	-	380	1,941	-	1,941
Government Contributions	1,355,899	-	1,355,899	1,243,951	-	1,243,951
Program Service Fees	643,462	-	643,462	1,063,894	-	1,063,894
Investment Income	6	-	6	-	-	-
Miscellaneous Income	3,939	-	3,939	7,689	-	7,689
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	74,901	(74,901)	-	19,522	(19,522)	-
Total Support and Revenue	2,403,847	68,926	2,472,773	2,609,434	55,379	2,664,813
Expense:						
Program Services:						
Health Clinic	1,326,060	-	1,326,060	1,267,723	-	1,267,723
Health Education	856,247	-	856,247	939,337	-	939,337
Total Program Expense	2,182,307	-	2,182,307	2,207,060	-	2,207,060
Support Services:						
Management and General Fundraising	66,071	-	66,071	169,455	-	169,455
	102,197	-	102,197	129,248	-	129,248
Total Support Services	168,268	-	168,268	298,703	-	298,703
Total Expense	2,350,575	-	2,350,575	2,505,763	-	2,505,763
Change in Net Assets	53,272	68,926	122,198	103,671	55,379	159,050
Net Assets - Beginning of Year	1,181,579	74,901	1,256,480	1,077,908	19,522	1,097,430
Net Assets - End of Year	\$ 1,234,851	\$ 143,827	\$ 1,378,678	\$ 1,181,579	\$ 74,901	\$ 1,256,480

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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	2020						2019	
	Program Services			Support Services			Total	Total
	Health Clinic	Health Education	Program Services	Management & General	Fund- raising	Total Support Services	All Services	All Services
Salaries	\$ 637,254	\$ 603,965	\$ 1,241,219	\$ 30,072	\$ 65,268	\$ 95,340	\$ 1,336,559	\$ 1,297,637
Employee Benefits	64,563	57,823	122,386	2,856	6,297	9,153	131,539	145,702
Payroll Taxes	51,467	43,619	95,086	2,248	4,820	7,068	102,154	107,138
Total Personnel Costs	753,284	705,407	1,458,691	35,176	76,385	111,561	1,570,252	1,550,477
Participant Expense	240,211	24,453	264,664	732	30	762	265,426	422,840
Professional Fees	130,278	58,033	188,311	534	8,901	9,435	197,746	282,941
Office Expense	86,889	25,516	112,405	3,075	7,991	11,066	123,471	78,768
Miscellaneous	52,617	2,008	54,625	16,653	4,508	21,161	75,786	30,083
Occupancy	28,236	20,918	49,154	8,121	1,616	9,737	58,891	68,541
Staff and Volunteer Development	7,201	2,153	9,354	1,190	538	1,728	11,082	19,596
Travel	121	1,782	1,903	51	9	60	1,963	11,084
Depreciation	27,223	15,977	43,200	539	2,219	2,758	45,958	41,433
Total Expense	\$ 1,326,060	\$ 856,247	\$ 2,182,307	\$ 66,071	\$ 102,197	\$ 168,268	\$ 2,350,575	\$ 2,505,763

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, 2019

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

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

ANNEX TEEN CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 535,001	\$ 376,536
Accounts Receivable	382,983	349,712
Pledges and Grants Receivable	2,760	32,068
Inventory	62,533	80,213
Prepaid Expenses	74,644	69,175
Total Current Assets	1,057,921	907,704
Noncurrent Assets:		
Property and Equipment - Net	650,023	686,769
TOTAL ASSETS	\$ 1,707,944	\$ 1,594,473
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 28,558	\$ 45,513
Accrued Expense and Payroll Withholding	129,071	107,046
Notes Payable	22,503	20,628
Total Current Liabilities	180,132	173,187
Notes Payable	149,134	164,806
Total Liabilities	329,266	337,993
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,189,855	1,136,589
Board Designated - Capital Replacement Reserve	44,996	44,990
Total Without Donor Restrictions	1,234,851	1,181,579
With Donor Restrictions	143,827	74,901
Total Net Assets	1,378,678	1,256,480
TOTAL LIABILITIES AND NET ASSETS	\$ 1,707,944	\$ 1,594,473

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, 2020 AND 2019

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 122,198	\$ 159,050
Total Adjustments	<u>59,276</u>	<u>63,113</u>
Net Cash Provided by Operating Activities	181,474	222,163
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(9,212)	(25,706)
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	<u>(13,797)</u>	<u>(46,487)</u>
Net Increase in Cash and Cash Equivalents	158,465	149,970
Cash and Cash Equivalents - Beginning of Year	<u>376,536</u>	<u>226,566</u>
Cash and Cash Equivalents - End of Year	<u>\$ 535,001</u>	<u>\$ 376,536</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 7,176</u>	<u>\$ 9,561</u>

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

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a Capital Replacement Reserve.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Organization report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2020 AND 2019

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 provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. There is no allowance for doubtful accounts as of December 31, 2020 and 2019.

Revenue and Revenue Recognition

The Organization recognizes program service fee revenue when the performance obligations of providing the services are met. Patient fees are recorded net of all insurance and sliding fee discounts provided to recipients. The Organization recognizes patient fees as revenue when billed.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization has recognized the Payroll Protection Program loan of \$300,300 as a conditional contribution as of December 31, 2020 per FASB ASC 958-605.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal and state contracts and grants.

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.

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).

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

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.

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.

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.

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).

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through June 8, 2021, which is the date financial statements were available to be issued.

The Organization received a second Payroll Protection Program loan of \$304,280 on January 27, 2021.

2. Financial Instruments

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

At December 31, 2020 and 2019, the Organization held funds at a local financial institution in excess of federally insured limits.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. Financial Instruments (Continued)

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 \$1,355,899 and \$1,243,951 during the years ended December 31, 2020 and 2019, respectively. The loss of this funding could have a significant impact on the Organization.

3. Contingency Note

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, the Organization expects this matter may impact its future operating results, but reasonable estimates cannot be made at this time.

4. Inventory

Inventory consisted of the following as of:

	December 31,	
	2020	2019
Birth Control	\$ 62,533	\$ 80,213

5. Property and Equipment

The Organization owned the following as of:

	December 31,		Estimated Useful Lives
	2020	2019	
Land and Building	\$ 905,460	\$ 905,460	15-30 years
Building Improvements	9,212	-	10-15 years
Furniture and Equipment	113,235	113,235	3-10 years
	1,027,907	1,018,695	
Less Accumulated Depreciation	337,884	331,926	
	\$ 650,023	\$ 686,769	

Depreciation expense of \$45,958 and \$41,433 was recorded for the years ended December 31, 2020 and 2019, respectively.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

6. Pledges and Grants Receivable

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

<u>Due in the Year Ending December 31,</u>	
2021	\$ <u>2,760</u>

7. Notes Payable

The breakdown of notes payable is as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</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.	\$ 171,637	\$ 185,434
Less Portion Due Within One (1) Year	<u>22,503</u>	<u>20,628</u>
Long-term Portion	<u>\$ 149,134</u>	<u>\$ 164,806</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2021	\$ 15,973
2022	16,624
2023	17,300
2024	18,006
2025	<u>103,734</u>
Total	<u>\$ 171,637</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, 2020 and 2019.

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 \$143,025 for 2020 and \$165,321 for 2019.

ANNEX TEEN CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Net Assets With Donor Restrictions

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Time Restrictions:		
Future Operations	\$ 11,507	\$ -
Program Restrictions:		
Clinical Services	-	66,901
Health Impact	104,000	-
HIV/PrEP Education	6,522	-
Cancer Prevention Campaign	21,798	-
Sexual Education	-	8,000
	<u>\$ 143,827</u>	<u>\$ 74,901</u>

10. Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 535,001	\$ 376,536
Accounts Receivable	382,983	349,712
Pledges Receivable	<u>2,760</u>	<u>32,068</u>
Total Financial Assets	920,744	758,316
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	143,827	74,901
Net Assets With Restrictions to be met within a year	<u>(143,827)</u>	<u>(74,901)</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>\$ 920,744</u>	<u>\$ 758,316</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, 2020 AND 2019

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 \$29,185 and \$30,096 were made in the years ended December 31, 2020 and 2019, respectively.

12. Cash Flow Operating Adjustments

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Depreciation	\$ 45,958	\$ 41,433
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(16,955)	(32,899)
Accrued Expense and Payroll Withholding	22,025	1,155
Decreases (Increases) in Current Assets:		
Accounts Receivable	(33,271)	3,538
Pledges and Grants Receivable	29,308	44,707
Inventory	17,680	19,081
Prepaid Expense	(5,469)	(13,902)
Total Adjustments	<u>\$ 59,276</u>	<u>\$ 63,113</u>