

# **ANNUAL CONSOLIDATED FINANCIAL REPORT**

FAMILY TREE, INC. DBA FAMILY TREE CLINIC AND  
FAMILY TREE REAL ESTATE HOLDING, LLC  
MINNEAPOLIS, MINNESOTA

FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
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December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Minneapolis, Minnesota

### Opinion

We have audited the accompanying financial statements of Family Tree, Inc. dba Family Tree Clinic and Family Tree Real Estate Holding, LLC. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits 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 the Organization 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 these consolidated 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 consolidated 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 the Organization's 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 consolidated 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities as of and for the year ended December 31, 2023 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**Abdo**  
Minneapolis, Minnesota  
May 29, 2024



## CONSOLIDATED FINANCIAL STATEMENTS

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Financial Position  
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,302,788	\$ 1,756,959
Accounts receivable, net of allowance for credit losses and contractual adjustments of \$113,843 and \$70,824 in 2023 and 2022, respectively	117,606	113,172
Grants and pledges receivable, current	927,033	380,675
Inventory	32,539	26,090
Prepaid expenses	6,391	10,103
Total Current Assets	2,386,357	2,286,999
Property and Equipment		
Land and improvements	1,579,512	1,579,512
Building and improvements	5,868,070	5,807,678
Furniture and equipment	365,225	371,216
Total Property and Equipment	7,812,807	7,758,406
Less: accumulated depreciation	(459,588)	(272,806)
Property and Equipment, Net	7,353,219	7,485,600
Other Assets		
Grants and pledges receivable, non-current	313,834	433,930
Total Assets	\$ 10,053,410	\$ 10,206,529

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Financial Position (Continued)  
December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 61,775	\$ 75,979
Accrued wages	52,048	43,208
Accrued vacation	58,339	66,945
Other accrued liabilities	20,536	21,815
Security deposit payable	1,583	1,583
Fiscal sponsorships	890,634	767,671
Current maturities of long-term debt	304,217	229,258
Total Current Liabilities	1,389,132	1,206,459
Long-term debt, net of deferred financing costs of \$69,577 and \$88,016 in 2023 and 2022, respectively	4,692,895	4,852,914
Total Liabilities	6,082,027	6,059,373
Net Assets		
Net assets without donor restrictions	2,653,432	3,141,129
Net assets with donor restrictions	1,317,951	1,006,027
Total Net Assets	3,971,383	4,147,156
Total Liabilities and Net Assets	\$ 10,053,410	\$ 10,206,529

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Activities  
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenue			
Patient service revenue, net of contractual adjustments	\$ 1,009,667	\$ -	\$ 1,009,667
Rent income	23,234	-	23,234
Other income	75,683	-	75,683
Total Revenue	1,108,584	-	1,108,584
Support			
Grants	990,554	-	990,554
Contributions	1,006,980	720,010	1,726,990
In-kind contributions	20,743	-	20,743
Net assets released from restriction	408,086	(408,086)	-
Total Support	2,426,363	311,924	2,738,287
Total Revenue and Support	3,534,947	311,924	3,846,871
Expenses			
Program services			
Medical and education			
Clinic	2,508,607	-	2,508,607
Community education	634,854	-	634,854
Hotline	114,386	-	114,386
Deaf education	13,812	-	13,812
Total Program Services	3,271,659	-	3,271,659
Supporting services			
Management and general	511,213	-	511,213
Fundraising	239,772	-	239,772
Total Supporting Services	750,985	-	750,985
Total Expenses	4,022,644	-	4,022,644
Fiscal Sponsorships			
Fiscal sponsor revenue	-	934,395	934,395
Less: Fiscal sponsor grants made	-	(934,395)	(934,395)
Total Fiscal Sponsorships	-	-	-
Change in Net Assets	(487,697)	311,924	(175,773)
Beginning Net Assets	3,141,129	1,006,027	4,147,156
Ending Net Assets	\$ 2,653,432	\$ 1,317,951	\$ 3,971,383

See Independent Auditor's Report and Notes to the Financial Statements.



Family Tree, Inc.  
 dba Family Tree Clinic  
 and Family Tree Real Estate Holding, LLC.  
 Consolidated Statements of Activities (Continued)  
 For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenue			
Patient service revenue, net	\$ 921,848	\$ -	\$ 921,848
Rent income	21,663	-	21,663
Other income	55,732	-	55,732
Total Revenue	<u>999,243</u>	<u>-</u>	<u>999,243</u>
Support			
Grants	1,140,219	-	1,140,219
Contributions	1,567,365	140,000	1,707,365
In-kind contributions	4,537	-	4,537
Net assets released from restriction	333,623	(333,623)	-
Total Support	<u>3,045,744</u>	<u>(193,623)</u>	<u>2,852,121</u>
Total Revenue and Support	<u>4,044,987</u>	<u>(193,623)</u>	<u>3,851,364</u>
Expenses			
Program services			
Medical and education			
Clinic	2,399,800	-	2,399,800
Community education	754,194	-	754,194
Hotline	115,464	-	115,464
Deaf education	161,936	-	161,936
Total Program Services	<u>3,431,394</u>	<u>-</u>	<u>3,431,394</u>
Supporting services			
Management and general	538,147	-	538,147
Fundraising	302,918	-	302,918
Total Supporting Services	<u>841,065</u>	<u>-</u>	<u>841,065</u>
Total Expenses	<u>4,272,459</u>	<u>-</u>	<u>4,272,459</u>
Fiscal Sponsorships			
Fiscal sponsor revenue	-	959,624	959,624
Less: Fiscal sponsor grants made	-	(959,624)	(959,624)
Total Fiscal Sponsorships	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(227,472)	(193,623)	(421,095)
Beginning Net Assets	<u>3,368,601</u>	<u>1,199,650</u>	<u>4,568,251</u>
Ending Net Assets	<u>\$ 3,141,129</u>	<u>\$ 1,006,027</u>	<u>\$ 4,147,156</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Functional Expenses  
For the Year Ended December 31, 2023

	Medical	Education			Total Medical and Education	Management and General	Fundraising	Total Expenses
	Clinic	Community	Hotline	Deaf Education				
Personnel Expenses								
Salaries and wages	\$ 1,407,174	\$ 396,607	\$ 66,275	\$ 7,450	\$ 1,877,506	\$ 307,295	\$ 116,522	\$ 2,301,323
Payroll taxes	104,057	29,381	4,986	857	139,281	22,859	8,304	170,444
Employee benefits	189,260	50,788	7,659	1,216	248,923	28,794	8,110	285,827
Total Personnel Expenses	1,700,491	476,776	78,920	9,523	2,265,710	358,948	132,936	2,757,594
Professional services	129,917	30,910	3,497	2,284	166,608	63,576	37,733	267,917
Office supplies	10,792	2,156	304	16	13,268	2,747	2,041	18,056
Electronic health records	63,161	-	-	-	63,161	-	-	63,161
Medical and lab supplies	131,562	-	-	-	131,562	1,800	-	133,362
Lab test fees	7,142	-	-	-	7,142	-	-	7,142
Printing	3,792	1,090	4,157	3	9,042	2,557	5,385	16,984
Dues and subscriptions	12,776	328	328	-	13,432	1,265	7,689	22,386
Licenses and fees	192	17	3	-	212	184	2	398
Advertising and publicity	5,695	291	8,897	-	14,883	43	400	15,326
Repairs and maintenance	6,350	902	136	22	7,410	706	136	8,252
Travel and meetings	-	5,698	282	-	5,980	526	50	6,556
Minnesota care provider tax	14,065	-	-	-	14,065	-	-	14,065
Miscellaneous	50	-	-	-	50	478	338	866
Insurance	16,849	2,458	381	47	19,735	4,020	458	24,213
Telephone and utilities	40,733	10,158	2,047	222	53,160	8,642	1,817	63,619
Property taxes	4,324	1,104	166	27	5,621	865	166	6,652
Interest expense	119,641	30,555	4,602	736	155,534	27,413	6,579	189,526
Provision for bad debts	65,896	-	-	-	65,896	-	33,100	98,996
Staff and board development	18,426	5,640	306	-	24,372	6,433	487	31,292
Bank fees	7,099	280	2	-	7,381	24	4,171	11,576
Occupancy	6,435	1,643	248	40	8,366	1,287	247	9,900
Program supplies	8,683	31,644	5,133	-	45,460	-	-	45,460
Total Expenses Before Depreciation and Amortization	2,374,071	601,650	109,409	12,920	3,098,050	481,514	233,735	3,813,299
Depreciation and amortization	134,536	33,204	4,977	892	173,609	29,699	6,037	209,345
Total Expenses	<u>\$ 2,508,607</u>	<u>\$ 634,854</u>	<u>\$ 114,386</u>	<u>\$ 13,812</u>	<u>\$ 3,271,659</u>	<u>\$ 511,213</u>	<u>\$ 239,772</u>	<u>\$ 4,022,644</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Functional Expenses (Continued)  
For the Year Ended December 31, 2022

	Medical	Education			Total Medical and Education	Management and General	Fundraising	Total Expenses
	Clinic	Community	Hotline	Deaf Education				
Personnel Expenses								
Salaries and wages	\$ 1,312,081	\$ 508,913	\$ 76,484	\$ 81,736	\$ 1,979,214	\$ 317,374	\$ 138,752	\$ 2,435,340
Payroll taxes	98,223	37,809	5,886	6,203	148,121	23,840	10,698	182,659
Employee benefits	164,803	66,254	5,373	9,722	246,152	36,611	15,602	298,365
Total Personnel Expenses	1,575,107	612,976	87,743	97,661	2,373,487	377,825	165,052	2,916,364
Professional services	144,077	33,467	4,219	32,524	214,287	74,719	70,613	359,619
Office supplies	19,012	2,033	340	1,237	22,622	4,298	22,445	49,365
Electronic health records	48,097	-	-	-	48,097	-	-	48,097
Medical and lab supplies	175,219	140	-	-	175,359	-	1,437	176,796
Lab test fees	33,325	-	-	-	33,325	-	-	33,325
Printing	5,604	495	2,846	298	9,243	3,958	5,071	18,272
Dues and subscriptions	8,410	195	195	215	9,015	2,384	5,706	17,105
Licenses and fees	781	16	3	5	805	87	49	941
Advertising and publicity	10,966	375	5,869	704	17,914	1,227	458	19,599
Repairs and maintenance	9,038	1,864	301	601	11,804	1,443	1,513	14,760
Travel and meetings	30	4,134	-	369	4,533	22	181	4,736
Minnesota care provider tax	15,390	-	-	-	15,390	-	-	15,390
Miscellaneous	1,005	-	-	-	1,005	38	2,847	3,890
Insurance	14,104	1,882	359	493	16,838	3,491	372	20,701
Telephone and utilities	37,147	10,014	3,513	2,986	53,660	10,657	1,993	66,310
Property taxes	2,317	579	93	187	3,176	449	112	3,737
Interest expense	109,806	27,452	4,428	8,855	150,541	25,290	7,413	183,244
Provision for bad debts	23,613	-	-	-	23,613	-	-	23,613
Staff and board development	17,769	3,558	188	3,502	25,017	4,498	663	30,178
Bank fees	5,937	137	2	2	6,078	18	9,142	15,238
Occupancy	5,738	760	123	245	6,866	588	147	7,601
Program supplies	9,059	23,365	307	869	33,600	-	692	34,292
Total Expenses Before Depreciation and Amortization	2,271,551	723,442	110,529	150,753	3,256,275	510,992	295,906	4,063,173
Depreciation and amortization	128,249	30,752	4,935	11,183	175,119	27,155	7,012	209,286
Total Expenses	<u>\$ 2,399,800</u>	<u>\$ 754,194</u>	<u>\$ 115,464</u>	<u>\$ 161,936</u>	<u>\$ 3,431,394</u>	<u>\$ 538,147</u>	<u>\$ 302,918</u>	<u>\$ 4,272,459</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (175,773)	\$ (421,095)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	190,906	190,817
Deferred financing cost interest	18,439	18,469
Loss on sale of property and equipment	1,867	-
Forgiveness of debt	(37,500)	-
Bad debts	98,996	23,613
Changes in assets and liabilities:		
Accounts receivable	(103,430)	(9,357)
Grants and pledges receivable	(426,262)	484,659
Inventory	(6,449)	27,263
Prepaid expenses	3,712	(2,238)
Accounts payable	(14,204)	(54,449)
Accrued wages	8,840	(4,789)
Accrued vacation	(8,606)	(28,397)
Other accrued liabilities	(1,279)	7,813
Fiscal sponsorships	122,963	307,891
Net Cash Provided (Used) By Operating Activities	(327,780)	540,200
Cash Flows from Investing Activities		
Purchase of property and equipment	(10,579)	(32,849)
Purchase of construction in progress	-	(1,373,040)
Net Cash Used by Investing Activities	(10,579)	(1,405,889)
Cash Flows from Financing Activities		
Proceeds from long-term debt	-	1,679,140
Payments of long-term debt	(115,812)	(185,000)
Net Cash Provided (Used) by Financing Activities	(115,812)	1,494,140
Net Change in Cash and Cash Equivalents	(454,171)	628,451
Cash and Cash Equivalents at Beginning of Year	1,756,959	1,128,508
Cash and Cash Equivalents at End of Year	\$ 1,302,788	\$ 1,756,959
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 189,526	\$ 183,244
Supplemental Disclosure of Non-Cash Transactions		
Disposal of fully depreciated fixed assets	\$ -	\$ 7,863
Purchase of construction in progress using long-term debt	\$ -	\$ 1,379,140
Purchase of fixed assets using long-term debt	\$ 49,813	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

Family Tree, Inc.  
dba Family Tree Clinic  
and Family Tree Real Estate Holding, LLC.  
Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

**Note 1: Summary of Significant Accounting Policies**

**A. Nature of Activities**

Family Tree, Inc. dba Family Tree Clinic and Family Tree Real Estate Holding, LLC. (the Organization) operates a medical clinic and education center. The Organization's mission is to cultivate a healthy community through comprehensive sexual health care and education. A major source of revenue is funding from the State of Minnesota. The Organization charges on a sliding fee scale to medical patients, located mainly in the St. Paul and Minneapolis areas, based on their self-reported income. The Organization also bills insurance and public assistance programs.

As of September 25, 2020, the Organization formed Family Tree Real Estate Holding LLC, a related building company. The Organization is the sole member of Family Tree Real Estate Holding LLC.

In January 2023, the Organization ended operations on the Deaf Education program due to the loss of grant funding.

**B. Basis Presentation**

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction

Net assets without donor restrictions are resources available to support operations, over which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for a particular purpose.

Net Assets With Donor Restriction

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

**C. Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

Family Tree, Inc.  
 dba Family Tree Clinic  
 and Family Tree Real Estate Holding, LLC.  
 Notes to the Consolidated Financial Statements  
 December 31, 2023 and 2022

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

**E. Accounts Receivable and Allowance for Credit Losses**

Accounts receivable consist primarily of amounts billed for medical appointments. Accounts receivable are reduced by an allowance for credit losses. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for credit losses and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for credit losses. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for credit losses and a provision for bad debts, if necessary (for example, 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 bad debts 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 credit losses. At December 31, 2023 and 2022, the allowance for credit losses was \$113,843 and \$70,824, respectively.

**F. Grants and Pledges Receivable**

Grants and pledges receivable consist of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions is provided based upon management’s judgement including such factors as prior collection history. As of December 31, 2023 and 2022, the allowance for uncollectible contributions was \$0.

**G. Inventory**

Inventory consists of goods held for distribution such as various medical devices and are recorded at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price if it were to be sold in the ordinary course of business.

**H. Property and Equipment**

The Organization considers items with a cost greater than \$1,000 and a useful life greater than one year to be property and equipment. Items below \$1,000 are expensed when purchased. Property and equipment are capitalized at cost. Depreciation is provided for using the straight-line method over the following useful lives:

Asset	Useful Life in Years
Land Improvements	5 - 20
Buildings and Improvements	7 - 40
Furniture and Equipment	3 - 10

Depreciation expense for 2023 and 2022 was \$190,906 and \$190,817 respectively.

Family Tree, Inc.  
dba Family Tree Clinic  
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Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

**I. Debt Issuance Costs**

On October 3, 2018, the Organization entered into a loan with Venn Foundation which was received in October 2018. On November 20, 2020, the Organization entered into two construction loans with Sunrise Banks, which were received in January 2021. The Organization incurred debt issuance costs for these three loans. As of December 31, 2023 and 2022, the total debt issuance costs were \$109,575 and \$109,575 respectively. The total debt issuance costs are included in Note 4.

**J. Revenue Recognition**

**Revenue Recognition Policy**

The Organization follows the provisions of Accounting Standards Codification 606, *Contracts with Customers* on revenues derived from its patient service revenue and rental income.

For the patient service revenue, the revenue is recorded net of contractual adjustments and related discounts upon completion of the related service. Contractual discounts and adjustments represent estimated differences between service revenue at established rates and amounts expected to be realized from third-party payers under contractual agreements. Certain managed care organizations may refund amounts previously withheld from the Organization based upon managed care performance. The patient service revenue is recognized when the service is provided by the Organization, which is at a point in time.

In the case of rental income, revenue is recognized equally over the rental period, which is over a period of time. Rental income is billed at the beginning of each month.

The Organization's other revenues are explicitly excluded from the scope of ASC Topic 606 and are not recorded in accordance with that standard.

**Performance Obligations**

The performance obligation related to the patient service revenue is satisfied when the service is provided by the Organization; therefore, the Organization recognizes revenue at a point in time.

The performance obligation related to rental income is satisfied equally over the rental period; therefore, the Organization recognizes revenue over a period of time on a monthly basis.

**K. In-kind Contributions**

In-kind contributions are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased if not provided by donation. Contributed services, including promises to give, that do not meet these criteria are not recognized.

Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the financial statements because it does not meet the definition of recognition under generally accepted accounting principles.

**L. Advertising Expense**

The Organization's advertising costs are expensed as incurred. Advertising expense was \$15,326 and \$19,600 for the years ended December 31, 2023 and 2022, respectively.

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

**M. Functional Allocation of Expenses**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wage, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- Occupancy and other expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

**N. Income Taxes**

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, but is subject to income tax on net unrelated business income.

**O. New Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. ASU No. 2016-13 is effective for annual reporting periods beginning after December 15, 2022. The new guidance is effective for the Organization's year ended December 31, 2023.

The Organization adopted the standard effective January 1, 2023, utilizing a cumulative-effect adjustment for all financial assets measured at amortized cost. As a result of the adoption, the Organization recorded a transition adjustment, which included \$22,818 increase to the allowance for credit losses for accounts receivable, which is presented on the consolidated statement of financial position as a reduction to the total amount of accounts receivable. In addition, the transition adjustment resulted in an increase of \$22,818 to beginning net assets as of January 1, 2023, which represent the cumulative effect of adopting FASB ASC 326.

**P. Subsequent Events**

Subsequent events were evaluated through May 29, 2024, which is the date the financial statements were available to be issued.

In January 2024, the Organization was awarded \$924,000 per year for four years. From this award, \$186,000 per year is to operate the sexual health hotline.

In February of 2024, the Organization closed on a \$300,000 line of credit with Propel at an interest rate of 8% per year. In February of 2024, \$150,000 was drawn.



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**Note 2: Accounts Receivable**

Accounts receivable consists of the following at December 31:

	2023	2022
Patient fees receivable	\$ 230,999	\$ 179,121
Other accounts receivable	450	4,875
Total accounts receivable	231,449	183,996
Less: allowance for credit losses	(47,149)	(17,511)
Less: allowance for contractual adjustments	(66,694)	(53,313)
Total accounts receivable, net of allowances	\$ 117,606	\$ 113,172

**Note 3: Grants and Pledges Receivable**

Grants and pledges are due as of December 31, 2023 as follows:

For the Year Ended December 31,	Amount
2024	\$ 927,033
2025	311,700
2026	1,700
2027	434
Total	\$ 1,240,867

**Note 4: Current Expected Credit Losses**

Changes in the allowance for credit losses during the year were as follows:

	Accounts Receivable
Balance, January 1, 2023	\$ 17,511
Adoption of CECL	22,818
Bad debt expense	6,820
Balance, December 31, 2023	\$ 47,149

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**Note 5: Long-term Debt**

The Organization had long-term debt at December 31, 2023 and 2022 as follows:

	2023	2022
In January 2021, the Organization received two construction loans totaling \$3,500,000. Loan A, amount of \$2,767,959 matures on January 12, 2028. Loan B, amount of \$732,041 matures on January 12, 2051. Both loans require interest only payments at a rate of 3.45% and are collateralized by the underlying property.	\$ 3,500,000	\$ 3,500,000
In December 2021, the Organization entered into a construction loan of \$1,500,000 to be drawn on over the construction period. As of December 31, 2023, the full \$1,500,000 has been drawn for construction. The loan accrued interest at 4.15%, due January 12, 2048, and is collateralized by the underlying property.	1,275,977	1,265,188
In January 2022, the Organization entered into a Recovery Capital Loan of \$300,000 with Propel Nonprofits. The loan is 59 months long and has payments of \$4,100 a month. In January 2023, \$37,500 was granted to Family Tree Clinic for Recovery Capital Loan Forgiveness. The loan requires interest payments at a rate of 3%. The Loan is set to mature on December 31, 2027.	220,712	300,000
Note payable in annual interest only payments, at 1% for the first three years and 2% after. Principal payments are due in 1/3 installments, 30, 120 and 180 day after the 5th anniversary, October 2023 through March 2024. The note is secured by substantially all organization assets.	\$ 70,000	\$ 105,000
Debt Issuance Costs	(109,575)	(109,575)
Amortized Loan Costs	39,998	21,559
Total	4,997,112	5,082,172
Less: Current Portion	(304,217)	(229,258)
Long-term Note Payable	\$ 4,692,895	\$ 4,852,914

Future debt maturities as of December 31, 2023 are as follows:

For the Year Ended December 31,	Principal Portion	Less Loan Costs	Total
2024	\$ 304,217	(17,439)	\$ 286,778
2025	91,728	(17,379)	74,349
2026	91,616	(17,379)	74,237
2027	88,787	(17,380)	71,407
2028	3,758,301	-	3,758,301
Thereafter	732,040	-	732,040
Total	\$ 5,066,689	\$ (69,577)	\$ 4,997,112

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**Note 6: Major Grantor**

The Organization received four grants from the Minnesota Department of Health for the year ended December 31, 2023, making up 63% of its grant revenues and 15% of its total revenues in 2023. The Organization received four grants from the Minnesota Department of Health for the year ended December 31, 2022, making up 78% of its grant revenues and 23% of its total revenues in 2022.

**Note 7: Net Patient Service Revenue**

Net patient service revenue is recorded net of contractual adjustments and related discounts upon completion of the related service. Contractual discounts and adjustments represent estimated differences between service revenue at established rates and amounts expected to be realized from third-party payers under contractual agreements. Certain managed care organizations may refund amounts previously withheld from the Organization based upon managed care performance. Net patient service revenue consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Gross Patient Fees	\$ 1,645,573	\$ 1,612,470
Contractual Adjustments	(635,906)	(690,622)
Total	\$ 1,009,667	\$ 921,848

**Note 8: In-kind Contributions**

In-kind contributions consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022	Usage in Programs/ Activities	Donor Restriction	Fair Value Techniques
Strategic planning consultation	\$ 13,125	\$ -	Management and General	None	Estimated based on time rates for each practitioner.
Transaction fees	5,818	4,537	Management and General	None	Estimated wholesale prices of identical or similar products if purchased in the region.
Medical supplies	1,800	-	Management and General	None	Estimated wholesale prices of identical or similar products if purchased in the region.
	\$ 20,743	\$ 4,537			

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**Note 9: Net Assets with Donor Restrictions**

Net assets with donor restrictions were restricted for the following purposes at December 31, 2023 and 2022:

	2023	2022
Time restricted	\$ 1,168,300	\$ 738,300
Capital campaign	131,869	242,628
We Are Family Fund	17,782	25,099
Total	\$ 1,317,951	\$ 1,006,027

Net assets with donor restrictions were released from restrictions for the following purposes for the years ended December 31, 2023 and 2022:

	2023	2022
Time restricted	\$ 205,000	\$ 43,700
Capital campaign	195,760	198,288
We Are Family Fund	7,326	7,534
Education	-	84,101
Total	\$ 408,086	\$ 333,623

**Note 10: Retirement Plan**

The Organization has a defined contribution profit sharing 401(k) plan in effect for its employees who meet certain age and service requirements. Employees may elect to contribute up to IRS limits. The Organization's contributions to the plan are a dollar-for-dollar match up to a max of 2% of qualified employee salaries. For the years ended December 31, 2023 and 2022, employer contributions were \$32,517 and \$38,302, respectively.

**Note 11: Commitments and Contingencies**

**A. Compliance**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with imposition of significant fines and penalties, as well as significant repayments for patient services billed.

Management believes that the Organization is in substantial compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

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**Note 11: Commitments and Contingencies (Continued)**

**B. Other**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Organization's policies.

The Organization is subject to legal proceedings which arise in the normal course of providing health care services. The Organization maintains malpractice insurance on a claims-made basis for claims made during the term of the policy. The potential loss related to any potential claims cannot currently be estimated; however, in management's opinion, adequate provision has been made for any amounts that it may require to be paid under the policy's deductible limits.

**Note 12: Liquidity and Availability of Financial Assets**

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are, on average, approximately \$526,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 1,302,788	\$ 1,756,959
Accounts receivable, net	117,606	113,172
Grants and pledges receivable	1,240,867	814,605
Total Financial Assets	2,661,261	2,684,736
Less Financial Assets Unavailable for General Expenditures Within One Year		
Cash and cash equivalents - fiscal sponsor	(899,012)	(729,743)
Grants and pledges receivable, non-current	(313,834)	(433,930)
Donor restricted net assets	(504,917)	(797,329)
Total Unavailable Financial Assets	(1,717,763)	(1,961,002)
Total Amounts Available for General Expenditures Within One Year	\$ 943,498	\$ 723,734

## SUPPLEMENTARY INFORMATION

Family Tree, Inc.  
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Consolidating Statement of Financial Position  
December 31, 2023

	Family Tree Clinic	Family Tree Real Estate Holding Company, LLC.	Eliminating Entries	Consolidated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,302,788	\$ -	\$ -	\$ 1,302,788
Accounts receivable, net of allowance for credit losses and contractual adjustments of \$113,843 in 2023	117,606	-	-	117,606
Grants and pledges receivable, current	927,033	-	-	927,033
Inventory	32,539	-	-	32,539
Prepaid expenses	6,391	-	-	6,391
Due from related party	2,944,239	-	(2,944,239)	-
Total Current Assets	<u>5,330,596</u>	<u>-</u>	<u>(2,944,239)</u>	<u>2,386,357</u>
<b>Property and Equipment</b>				
Land and improvements	250,426	1,329,086	-	1,579,512
Building and improvements	9,081	5,858,989	-	5,868,070
Furniture and equipment	149,835	215,390	-	365,225
Total Property and Equipment	<u>409,342</u>	<u>7,403,465</u>	<u>-</u>	<u>7,812,807</u>
Less: accumulated depreciation	(99,012)	(360,576)	-	(459,588)
Property and Equipment, Net	<u>310,330</u>	<u>7,042,889</u>	<u>-</u>	<u>7,353,219</u>
<b>Other Assets</b>				
Grants and pledges receivable, non-current	313,834	-	-	313,834
Total Assets	<u>\$ 5,954,760</u>	<u>\$ 7,042,889</u>	<u>\$ (2,944,239)</u>	<u>\$ 10,053,410</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 61,775	\$ -	\$ -	\$ 61,775
Accrued wages	52,048	-	-	52,048
Accrued vacation	58,339	-	-	58,339
Other accrued liabilities	5,586	14,950	-	20,536
Security deposit payable	1,583	-	-	1,583
Fiscal sponsorships	890,634	-	-	890,634
Current maturities of long-term debt	148,380	155,837	-	304,217
Due to related party	-	2,944,239	(2,944,239)	-
Total Current Liabilities	<u>1,218,345</u>	<u>3,115,026</u>	<u>(2,944,239)</u>	<u>1,389,132</u>
Long-term debt, net of deferred financing costs of \$60 and \$69,517 for FTC and FTREC, respectively	142,272	4,550,623	-	4,692,895
Total Liabilities	<u>1,360,617</u>	<u>7,665,649</u>	<u>(2,944,239)</u>	<u>6,082,027</u>
<b>Net Assets</b>				
Net assets without donor restrictions	3,276,193	(622,761)	-	2,653,432
Net assets with donor restrictions	1,317,951	-	-	1,317,951
Total Net Assets	<u>4,594,144</u>	<u>(622,761)</u>	<u>-</u>	<u>3,971,383</u>
Total Liabilities and Net Assets	<u>\$ 5,954,761</u>	<u>\$ 7,042,888</u>	<u>\$ (2,944,239)</u>	<u>\$ 10,053,410</u>

Family Tree, Inc.  
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Consolidating Statement of Activities  
For the Year Ended December 31, 2023

	Family Tree Clinic	Family Tree Real Estate Holding, LLC.	Eliminating Entries	Total
Revenue and Support				
Revenue				
Patient service revenue, net	\$ 1,009,667	\$ -	\$ -	\$ 1,009,667
Rent income	23,234	240,000	(240,000)	23,234
Other income	75,683	-	-	75,683
Total Revenue	<u>1,108,584</u>	<u>240,000</u>	<u>(240,000)</u>	<u>1,108,584</u>
Support				
Grants	990,554	-	-	990,554
Contributions	1,726,990	-	-	1,726,990
In-kind contributions	20,743	-	-	20,743
Total Support	<u>2,738,287</u>	<u>-</u>	<u>-</u>	<u>2,738,287</u>
Total Revenue and Support	<u>3,846,871</u>	<u>240,000</u>	<u>(240,000)</u>	<u>3,846,871</u>
Expenses				
Program services				
Medical and education				
Clinic	2,420,908	243,699	(156,000)	2,508,607
Community education	612,457	62,237	(39,840)	634,854
Hotline	111,013	9,373	(6,000)	114,386
Deaf education	13,272	1,500	(96)	13,812
Total Program Services	<u>3,157,650</u>	<u>316,809</u>	<u>(202,800)</u>	<u>3,271,659</u>
Supporting services				
Management and general	493,674	48,739	(31,200)	511,213
Fundraising	236,399	9,373	(6,000)	239,772
Total Supporting Services	<u>730,073</u>	<u>58,112</u>	<u>(37,200)</u>	<u>750,985</u>
Total Expenses	<u>3,887,723</u>	<u>374,921</u>	<u>(240,000)</u>	<u>4,022,644</u>
Fiscal Sponsorships				
Fiscal sponsor revenue	934,395	-	-	934,395
Less: Fiscal sponsor grants made	<u>(934,395)</u>	<u>-</u>	<u>-</u>	<u>(934,395)</u>
Total Fiscal Sponsorships	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(40,852)	(134,921)	-	(175,773)
Beginning Net Assets	<u>4,634,996</u>	<u>(487,840)</u>	<u>-</u>	<u>4,147,156</u>
Ending Net Assets	<u>\$ 4,594,144</u>	<u>\$ (622,761)</u>	<u>\$ -</u>	<u>\$ 3,971,383</u>