

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, 2024 AND 2023

Family Tree, Inc.
dba Family Tree Clinic
and Family Tree Real Estate Holding, LLC.
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December 31, 2024 and 2023

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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 consolidated financial statements of Family Tree, Inc. dba Family Tree Clinic and Family Tree Real Estate Holding, LLC. (collectively known as "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2024 and 2023, 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 Consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2024 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 28, 2025



CONSOLIDATED FINANCIAL STATEMENTS

Family Tree, Inc.
dba Family Tree Clinic
and Family Tree Real Estate Holding, LLC.
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 280,730	\$ 403,776
Cash and cash equivalents - fiscal sponsor	418,572	899,012
Accounts receivable, net of allowance for credit losses and contractual adjustments of \$213,605 and \$113,843 in 2024 and 2023, respectively	241,133	117,606
Grants and pledges receivable, current	619,789	927,033
Inventory	41,193	32,539
Prepaid expenses	4,780	6,391
Total Current Assets	<u>1,606,197</u>	<u>2,386,357</u>
Property and Equipment		
Land	1,579,512	1,579,512
Building and improvements	5,868,070	5,868,070
Furniture and equipment	365,225	365,225
Total Property and Equipment	<u>7,812,807</u>	<u>7,812,807</u>
Less: accumulated depreciation	<u>(649,466)</u>	<u>(459,588)</u>
Property and Equipment, Net	<u>7,163,341</u>	<u>7,353,219</u>
Other Assets		
Grants and pledges receivable, non-current	<u>116,634</u>	<u>313,834</u>
Total Assets	<u><u>\$ 8,886,172</u></u>	<u><u>\$ 10,053,410</u></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 Financial Position (Continued)
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 100,152	\$ 61,775
Accrued wages	85,162	52,048
Accrued vacation	65,470	58,339
Other accrued liabilities	20,807	20,536
Security deposit payable	1,200	1,583
Fiscal sponsorships	414,868	890,634
Current maturities of long-term debt	1,161,421	304,217
Total Current Liabilities	<u>1,849,080</u>	<u>1,389,132</u>
Long-term debt, net of deferred financing costs of \$52,138 and \$69,577 in 2024 and 2023, respectively	<u>3,541,186</u>	<u>4,692,895</u>
Total Liabilities	<u>5,390,266</u>	<u>6,082,027</u>
Net Assets		
Net assets without donor restrictions	2,594,936	2,653,432
Net assets with donor restrictions	<u>900,970</u>	<u>1,317,951</u>
Total Net Assets	<u>3,495,906</u>	<u>3,971,383</u>
Total Liabilities and Net Assets	<u><u>\$ 8,886,172</u></u>	<u><u>\$ 10,053,410</u></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 Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenue			
Patient service revenue, net of contractual adjustments	\$ 1,511,316	\$ -	\$ 1,511,316
Rent income	23,330	-	23,330
Other income	77,088	-	77,088
Total Revenue	<u>1,611,734</u>	<u>-</u>	<u>1,611,734</u>
Support			
Grants	1,666,634	-	1,666,634
Contributions	727,296	225,000	952,296
In-kind contributions	55,723	-	55,723
Net assets released from restriction	641,981	(641,981)	-
Total Support	<u>3,091,634</u>	<u>(416,981)</u>	<u>2,674,653</u>
Total Revenue and Support	<u>4,703,368</u>	<u>(416,981)</u>	<u>4,286,387</u>
Expenses			
Program services			
Medical and education			
Medical	3,092,863	-	3,092,863
Education	917,432	-	917,432
Total program services	<u>4,010,295</u>	<u>-</u>	<u>4,010,295</u>
Supporting services			
Management and general	506,465	-	506,465
Fundraising	245,104	-	245,104
Total supporting services	<u>751,569</u>	<u>-</u>	<u>751,569</u>
Total Expenses	<u>4,761,864</u>	<u>-</u>	<u>4,761,864</u>
Fiscal Sponsorships			
Fiscal sponsor revenue	-	755,033	755,033
Less: Fiscal sponsor grants made	-	(755,033)	(755,033)
Total Fiscal Sponsorships	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(58,496)	(416,981)	(475,477)
Beginning Net Assets	<u>2,653,432</u>	<u>1,317,951</u>	<u>3,971,383</u>
Ending Net Assets	<u>\$ 2,594,936</u>	<u>\$ 900,970</u>	<u>\$ 3,495,906</u>

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

Family Tree, Inc.
dba Family Tree Clinic
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Consolidated Statements of Activities (Continued)
For the Year Ended December 31, 2023

	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	<u>1,108,584</u>	<u>-</u>	<u>1,108,584</u>
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	<u>2,426,363</u>	<u>311,924</u>	<u>2,738,287</u>
Total Revenue and Support	<u>3,534,947</u>	<u>311,924</u>	<u>3,846,871</u>
Expenses			
Program services			
Medical and education			
Medical	2,508,607	-	2,508,607
Education	763,052	-	763,052
Total program services	<u>3,271,659</u>	<u>-</u>	<u>3,271,659</u>
Supporting services			
Management and general	511,213	-	511,213
Fundraising	239,772	-	239,772
Total supporting services	<u>750,985</u>	<u>-</u>	<u>750,985</u>
Total Expenses	<u>4,022,644</u>	<u>-</u>	<u>4,022,644</u>
Fiscal Sponsorships			
Fiscal sponsor revenue	-	934,395	934,395
Less: Fiscal sponsor grants made	<u>-</u>	<u>(934,395)</u>	<u>(934,395)</u>
Total Fiscal Sponsorships	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(487,697)	311,924	(175,773)
Beginning Net Assets	<u>3,141,129</u>	<u>1,006,027</u>	<u>4,147,156</u>
Ending Net Assets	<u>\$ 2,653,432</u>	<u>\$ 1,317,951</u>	<u>\$ 3,971,383</u>

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

Family Tree, Inc.
dba Family Tree Clinic
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Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2024

	Program Services			Supporting Services		Total
	Medical	Education	Total Program Services	Management and General	Fundraising	Expenses
Personnel Expenses						
Salaries and wages	\$ 1,721,875	\$ 569,812	\$ 2,291,687	\$ 328,805	\$ 150,982	\$ 2,771,474
Payroll taxes	126,993	41,984	168,977	24,068	11,077	204,122
Employee benefits	225,790	78,236	304,026	41,697	16,688	362,411
Total Personnel Expenses	2,074,658	690,032	2,764,690	394,570	178,747	3,338,007
Professional services	169,789	40,785	210,574	39,223	13,553	263,350
Office supplies	14,353	5,623	19,976	2,452	1,739	24,167
Electronic health records	76,081	-	76,081	-	-	76,081
Medical and lab supplies	154,818	595	155,413	425	-	155,838
Lab test fees	14,692	-	14,692	-	-	14,692
Printing	10,958	9,147	20,105	1,035	6,982	28,122
Dues and subscriptions	14,476	214	14,690	1,793	11,485	27,968
Licenses and fees	484	28	512	250	5	767
Advertising and publicity	53,691	8,033	61,724	327	609	62,660
Repairs and maintenance	3,964	660	4,624	322	113	5,059
Travel and meetings	37	10,102	10,139	1,086	66	11,291
Minnesota care provider tax	21,132	-	21,132	-	-	21,132
Miscellaneous	834	70	904	(662)	8	250
Insurance	17,022	3,112	20,134	3,948	566	24,648
Telephone and utilities	37,268	13,106	50,374	6,698	2,252	59,324
Property taxes	4,325	1,345	5,670	655	229	6,554
Interest expense	116,244	36,106	152,350	27,035	6,818	186,203
Provision for credit losses	126,695	-	126,695	-	7,334	134,029
Fundraising expenses	-	-	-	-	55	55
Staff and board development	24,669	6,853	31,522	2,542	650	34,714
Bank fees	9,363	359	9,722	3,069	6,325	19,116
Occupancy	7,128	2,214	9,342	1,080	378	10,800
Supplies	2,157	47,500	49,657	-	63	49,720
Total Expenses Before Depreciation and Amortization	2,954,838	875,884	3,830,722	485,848	237,977	4,554,547
Depreciation and amortization	138,025	41,548	179,573	20,617	7,127	207,317
Total Expenses	<u>\$ 3,092,863</u>	<u>\$ 917,432</u>	<u>\$ 4,010,295</u>	<u>\$ 506,465</u>	<u>\$ 245,104</u>	<u>\$ 4,761,864</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, 2023

	Program Services			Supporting Services		Total
	Medical	Education	Total Program Services	Management and General	Fundraising	Expenses
Personnel Expenses						
Salaries and wages	\$ 1,407,174	\$ 470,332	\$ 1,877,506	\$ 307,295	\$ 116,522	\$ 2,301,323
Payroll taxes	104,057	35,224	139,281	22,859	8,304	170,444
Employee benefits	189,260	59,663	248,923	28,794	8,110	285,827
Total Personnel Expenses	1,700,491	565,219	2,265,710	358,948	132,936	2,757,594
Professional services	129,917	36,691	166,608	63,576	37,733	267,917
Office supplies	10,792	2,476	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	5,250	9,042	2,557	5,385	16,984
Dues and subscriptions	12,776	656	13,432	1,265	7,689	22,386
Licenses and fees	192	20	212	184	2	398
Advertising and publicity	5,695	9,188	14,883	43	400	15,326
Repairs and maintenance	6,350	1,060	7,410	706	136	8,252
Travel and meetings	-	5,980	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	2,886	19,735	4,020	458	24,213
Telephone and utilities	40,733	12,427	53,160	8,642	1,817	63,619
Property taxes	4,324	1,297	5,621	865	166	6,652
Interest expense	119,641	35,893	155,534	27,413	6,579	189,526
Provision for credit losses	65,896	-	65,896	-	33,100	98,996
Staff and board development	18,426	5,946	24,372	6,433	487	31,292
Bank fees	7,099	282	7,381	24	4,171	11,576
Occupancy	6,435	1,931	8,366	1,287	247	9,900
Supplies	8,683	36,777	45,460	-	-	45,460
Total Expenses Before Depreciation and Amortization	2,374,071	723,979	3,098,050	481,514	233,735	3,813,299
Depreciation and amortization	134,536	39,073	173,609	29,699	6,037	209,345
Total Expenses	<u>\$ 2,508,607</u>	<u>\$ 763,052</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 Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (475,477)	\$ (175,773)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	189,878	190,906
Deferred financing cost interest	17,439	18,439
Loss on sale of property and equipment	-	1,867
Forgiveness of debt	-	(37,500)
Provision for credit losses	134,029	98,996
Changes in assets and liabilities:		
Accounts receivable	(257,556)	(103,430)
Grants and pledges receivable	504,444	(426,262)
Inventory	(8,654)	(6,449)
Prepaid expenses	1,611	3,712
Accounts payable	38,377	(14,204)
Accrued wages	33,114	8,840
Accrued vacation	7,131	(8,606)
Other accrued liabilities	271	(1,279)
Security deposit payable	(383)	-
Fiscal sponsorships	(475,766)	122,963
Net Cash Used By Operating Activities	<u>(291,542)</u>	<u>(327,780)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(10,579)
Cash Flows from Financing Activities		
Payments of long-term debt	<u>(311,944)</u>	<u>(115,812)</u>
Net Change in Cash and Cash Equivalents	(603,486)	(454,171)
Cash and Cash Equivalents at Beginning of Year	<u>1,302,788</u>	<u>1,756,959</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 699,302</u></u>	<u><u>\$ 1,302,788</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	<u><u>\$ 186,203</u></u>	<u><u>\$ 189,526</u></u>
Supplemental Disclosure of Non-Cash Transactions		
Purchase of fixed assets using long-term debt	<u><u>\$ -</u></u>	<u><u>\$ 49,813</u></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.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

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. (collectively known as “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.

In 2024, the Organization made the decision to end its fiscal sponsor program due to a lack of staff capacity. As of December 31, 2024, the Organization had \$418,572 in funds designated for fiscally sponsored groups. These funds will be distributed as the groups identify and contract with new sponsors.

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, 2024 and 2023

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 credit loss expense. 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 credit loss expense, 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 credit loss expense 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, 2024 and 2023, the allowance for credit losses was \$213,605 and \$113,843, 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, 2024 and 2023, 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
Buildings and improvements	39
Furniture and equipment	3 - 10

Depreciation expense for 2024 and 2023 was \$189,878 and \$190,906, respectively.

Family Tree, Inc.
dba Family Tree Clinic
and Family Tree Real Estate Holding, LLC.
Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023, the total debt issuance costs were \$109,575. The total debt issuance costs are included in Note 5.

J. Revenue Recognition

Revenue Recognition Policy

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.

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 Organization's revenue based on performance obligations satisfied at a point in time was \$1,511,316 and \$1,009,667 for the year ended December 31, 2024 and 2023, respectively. Revenue from performance obligations satisfied at a point in time consists of patient service revenue. There was no revenue from performance obligations satisfied over a period of time.

Contract Balances

Billing primarily occurs concurrently with recognition of revenue. However, the Organization may offer payment terms resulting in accounts receivable, which are considered contract assets. Accounts receivable included on the statement of financial position represent all amounts billed and additional amounts recorded as accrued unbilled revenue as of December 31, 2024, January 01, 2024, and January 01, 2023. Accounts receivable contract balances consist of the following as of December 31, 2024, January 01, 2024, and January 01, 2023:

	<u>December 31, 2024</u>	<u>January 01, 2024</u>	<u>January 01, 2023</u>
Patient service fees	<u>\$ 241,133</u>	<u>\$ 117,606</u>	<u>\$ 113,172</u>

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 consolidated financial statements because it does not meet the definition of recognition under generally accepted accounting principles.

Family Tree, Inc.
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Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

Note 1: Summary of Significant Accounting Policies (Continued)

L. Advertising Expense

The Organization's advertising costs are expensed as incurred. Advertising expense was \$62,660 and \$15,326 for the years ended December 31, 2024 and 2023, respectively.

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 wages, 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. Subsequent Events

Subsequent events were evaluated through May 28, 2025, which is the date the financial statements were available to be issued.

Note 2: Accounts Receivable

Accounts receivable consists of the following at December 31:

	2024	2023
Patient fees receivable	\$ 454,438	\$ 230,999
Other accounts receivable	300	450
Total accounts receivable	454,738	231,449
Less: allowance for credit losses	(86,088)	(47,149)
Less: allowance for contractual adjustments	(127,517)	(66,694)
Total accounts receivable, net of allowances	<u>\$ 241,133</u>	<u>\$ 117,606</u>

Family Tree, Inc.
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Notes to the Consolidated Financial Statements
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Note 3: Grants and Pledges Receivable

Grants and pledges receivable are due as of December 31, 2024 as follows:

For the Year Ended December 31,	Amount
2025	\$ 619,789
2026	66,200
2027	25,434
2028	25,000
Total	<u>\$ 736,423</u>

Note 4: Current Expected Credit Losses

Changes in the allowance for credit losses during the year ended December 31 were as follows:

	2024	2023
Balance, January 1	\$ 47,149	\$ 17,511
Adoption of CECL	-	22,818
Credit loss expense	65,872	6,820
Write-offs	<u>(26,933)</u>	<u>-</u>
Balance, December 31	<u>\$ 86,088</u>	<u>\$ 47,149</u>

Family Tree, Inc.
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Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

Note 5: Long-term Debt

The Organization had long-term debt at December 31 as follows:

	2024	2023
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 has monthly payments of \$7,824 and accrues interest at 4.15%, due January 12, 2028, and is collateralized by the underlying property. Due to the failure of debt covenants, the full balance of the note is classified as current as of December 31, 2024.	1,115,767	1,275,977
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 both January 2023 and January 2024, \$37,500 was granted to Family Tree Clinic for Recovery Capital Loan Forgiveness. The loan accrues interest payments at a rate of 3%. The Loan is set to mature on December 31, 2027.	138,978	220,712
In October 2018, the Organization entered into a note payable of \$100,000 with Venn Foundation. The note payable has 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 days after the 5th anniversary, October 2023 through March 2024. The note is secured by substantially all organization assets.	-	70,000
Total	4,754,745	5,066,689
Less: deferred financing costs	(52,138)	(69,577)
Less: current portion	(1,161,421)	(304,217)
Long-term Note Payable	<u>\$ 3,541,186</u>	<u>\$ 4,692,895</u>

Future debt maturities as of December 31, 2024 are as follows:

For the Year Ended December 31,	Principal Portion	Less Loan Costs	Total
2025	\$ 1,161,421	\$ (17,379)	\$ 1,144,042
2026	47,043	(17,379)	29,664
2027	46,281	(17,380)	28,901
2028	3,500,000	-	3,500,000
Total	<u>\$ 4,754,745</u>	<u>\$ (52,138)</u>	<u>\$ 4,702,607</u>

Family Tree, Inc.
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Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

Note 6: Major Grantor

The Organization received three grants from the Minnesota Department of Health for the year ended December 31, 2024, making up 70% of its grant revenues and 27% of its total revenues in 2024. 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.

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:

	2024	2023
Gross patient fees	\$ 2,571,154	\$ 1,645,573
Contractual adjustments	<u>(1,059,838)</u>	<u>(635,906)</u>
Total	<u>\$ 1,511,316</u>	<u>\$ 1,009,667</u>

Note 8: In-kind Contributions

In-kind contributions consists of the following for the years ended December 31:

	2024	2023	Usage in Programs/ Activities	Fair Value Techniques
Advertising services	\$ 50,000	\$ -	Clinic program	Estimated wholesale prices of identical or similar products if purchased in the region.
Transaction fees	5,298	5,818	Fundraising	Estimated based on transaction fees charged on similar platforms.
Medical supplies	425	1,800	Management and general	Estimated wholesale prices of identical or similar products if purchased in the region.
Strategic planning consultation	<u>-</u>	<u>13,125</u>	Management and general	Estimated based on time rates for each practitioner.
Total In-kind Contributions	<u>\$ 55,723</u>	<u>\$ 20,743</u>		

In the years ended December 31, 2024 and 2023, there were no donor restrictions on any in-kind donations.

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Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at December 31:

	2024	2023
Time restricted	\$ 895,300	\$ 1,168,300
Capital campaign	2,834	131,869
We Are Family Fund	2,836	17,782
Total	<u>\$ 900,970</u>	<u>\$ 1,317,951</u>

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

	2024	2023
Time restricted	\$ 498,000	\$ 205,000
Capital campaign	129,034	195,760
We Are Family Fund	14,947	7,326
Total	<u>\$ 641,981</u>	<u>\$ 408,086</u>

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, 2024 and 2023, employer contributions were \$36,750 and \$32,517, 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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Notes to the Consolidated Financial Statements
December 31, 2024 and 2023

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: Line of Credit

The Organization has a line of credit with a maximum of \$300,000 and a 8% interest rate. The line of credit matures on February 16, 2025. Subsequent to December 31, 2024, the Organization renewed the line of credit, which now matures on March 18, 2026. The line of credit had no balance due at December 31, 2024 and 2023.

Note 13: 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 \$587,000. 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:

	2024	2023
Financial Assets		
Cash and cash equivalents	\$ 280,730	\$ 403,776
Accounts receivable, net	241,133	117,606
Grants and pledges receivable	736,423	1,240,867
Total Financial Assets	<u>1,258,286</u>	<u>1,762,249</u>
Less Financial Assets Unavailable for General Expenditures Within One Year		
Cash and cash equivalents - fiscal sponsor	(418,572)	(899,012)
Donor restricted net assets	(288,934)	(504,917)
Total Unavailable Financial Assets	<u>(707,506)</u>	<u>(1,403,929)</u>
Total Amounts Available for General Expenditures Within One Year	<u>\$ 550,780</u>	<u>\$ 358,320</u>

SUPPLEMENTARY INFORMATION

Family Tree, Inc.
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Consolidating Statement of Financial Position
December 31, 2024

	Family Tree Clinic	Family Tree Real Estate Holding Company, LLC.	Eliminating Entries	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 699,302	\$ -	\$ -	\$ 699,302
Accounts receivable, net of allowance for credit losses and contractual adjustments of \$213,605 in 2024	241,133	-	-	241,133
Grants and pledges receivable, current	619,789	-	-	619,789
Inventory	41,193	-	-	41,193
Prepaid expenses	4,780	-	-	4,780
Due from related party	3,035,806	-	(3,035,806)	-
Total Current Assets	4,642,003	-	(3,035,806)	1,606,197
Property and Equipment				
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	409,342	7,403,465	-	7,812,807
Less: accumulated depreciation	(107,890)	(541,576)	-	(649,466)
Property and Equipment, Net	301,452	6,861,889	-	7,163,341
Other Assets				
Grants and pledges receivable, non-current	116,634	-	-	116,634
Total Assets	\$ 5,060,089	\$ 6,861,889	\$ (3,035,806)	\$ 8,886,172
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 100,152	\$ -	\$ -	\$ 100,152
Accrued wages	85,162	-	-	85,162
Accrued vacation	65,470	-	-	65,470
Other accrued liabilities	6,002	14,805	-	20,807
Security deposit payable	1,200	-	-	1,200
Fiscal sponsorships	414,868	-	-	414,868
Current maturities of long-term debt	45,654	1,115,767	-	1,161,421
Due to related party	-	3,035,806	(3,035,806)	-
Total Current Liabilities	718,508	4,166,378	(3,035,806)	1,849,080
Long-term debt, net of deferred financing costs of \$0 and \$52,138 for FTC and FTREC, respectively	93,324	3,447,862	-	3,541,186
Total Liabilities	811,832	7,614,240	(3,035,806)	5,390,266
Net Assets				
Net assets without donor restrictions	3,347,287	(752,351)	-	2,594,936
Net assets with donor restrictions	900,970	-	-	900,970
Total Net Assets	4,248,257	(752,351)	-	3,495,906
Total Liabilities and Net Assets	\$ 5,060,089	\$ 6,861,889	\$ (3,035,806)	\$ 8,886,172

Family Tree, Inc.
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Consolidating Statement of Activities
For the Year Ended December 31, 2024

	Family Tree Clinic	Family Tree Real Estate Holding, LLC.	Eliminating Entries	Total
Revenue and Support				
Revenue				
Patient service revenue, net	\$ 1,511,316	\$ -	\$ -	\$ 1,511,316
Rent income	23,330	240,000	(240,000)	23,330
Other income	77,088	-	-	77,088
Total Revenue	<u>1,611,734</u>	<u>240,000</u>	<u>(240,000)</u>	<u>1,611,734</u>
Support				
Grants	1,666,634	-	-	1,666,634
Contributions	952,296	-	-	952,296
In-kind contributions	55,723	-	-	55,723
Total Support	<u>2,674,653</u>	<u>-</u>	<u>-</u>	<u>2,674,653</u>
Total Revenue and Support	<u>4,286,387</u>	<u>240,000</u>	<u>(240,000)</u>	<u>4,286,387</u>
Expenses				
Program services				
Medical and education				
Medical	3,012,304	238,959	(158,400)	3,092,863
Education	893,676	72,956	(49,200)	917,432
Total Program Services	<u>3,905,980</u>	<u>311,915</u>	<u>(207,600)</u>	<u>4,010,295</u>
Supporting services				
Management and general	485,879	44,586	(24,000)	506,465
Fundraising	240,415	13,089	(8,400)	245,104
Total Supporting Services	<u>726,294</u>	<u>57,675</u>	<u>(32,400)</u>	<u>751,569</u>
Total Expenses	<u>4,632,274</u>	<u>369,590</u>	<u>(240,000)</u>	<u>4,761,864</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	(345,887)	(129,590)	-	(475,477)
Beginning Net Assets	<u>4,594,144</u>	<u>(622,761)</u>	<u>-</u>	<u>3,971,383</u>
Ending Net Assets	<u>\$ 4,248,257</u>	<u>\$ (752,351)</u>	<u>\$ -</u>	<u>\$ 3,495,906</u>