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CHRISTOPHER J. CLAIR, CPA, P.A.

MEDICAL SOCIETY OF JOHNSON AND WYANDOTTE COUNTIES FOUNDATION

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2016

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CHRISTOPHER J. CLAIR, CPA, P.A.

INDEPENDENT AUDITORS' REPORT
October 9, 2017

To the Board of Directors
Medical Society of Johnson and Wyandotte Counties Foundation

We have audited the accompanying financial statements of the Medical Society of Johnson and Wyandotte Counties Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Foundation'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 Foundation'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Society of Johnson and Wyandotte Counties Foundation as of December 31, 2016, and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Christopher J. Clair, CPA, P.A.
Shawnee, KS

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Financial Position
December 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	$ 18,815
Grant receivable	25,000
Total Current Assets	43,815
Property and Equipment:	
Office equipment	9,059
Computer software	107,875
	116,934
Less accumulated depreciation	(116,934)
Net Property and Equipment	---
Total Assets	**$ 43,815**

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Financial Position
December 31, 2016

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	11,524
Total Current Liabilities		11,524
Net Assets:		
Unrestricted		(1,633)
Temporarily restricted		33,924
Total Net Assets		32,291
Total Liabilities and Net Assets	**$**	**43,815**

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Activities
Year Ended December 31, 2016

Revenues:	
Restricted grants	
HCF shared grant	$ 100,000
HCF - ADG	22,000
WHF	9,500
H & R Block Foundation	25,000
	156,500
Unrestricted funds	
Events	2,136
Interest income	2
	2,138
Total Revenues	**158,638**
Expenses:	
Program services	150,123
Supporting services - management and general	2,601
Supporting services - fundraising	7,644
Total Expenses	**160,368**
Decrease in Net Assets (See statement)	**$ (1,730)**

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Functional Expenses
Year Ended December 31, 2016

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Management services fees - KCMS	$23,000	$0	$0	$23,000
Strategic planning report	7,000	0	0	7,000
Accounting services	0	1,000	0	1,000
Grant writing fees	10,000	0	0	10,000
Other professional fees	750	0	0	750
Carescope hosting and support fees	24,095	0	0	24,095
Wages	65,453	0	0	65,453
Payroll taxes and benefits	8,724	0	0	8,724
Staff development	165	0	0	165
Contracted labor	1,000	0	0	1,000
Recruiting	5,901	0	0	5,901
Events	0	0	7,644	7,644
Meetings and travel	1,766	194	0	1,960
Telephone	2,269	252	0	2,521
Office supplies/expenses	0	768	0	768
Bank charges	0	105	0	105
Miscellaneous	0	282	0	282
Total Expenses	**$150,123**	**$2,601**	**$7,644**	**$160,368**

(See Independent Auditors' Report and Accompanying Notes)

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Net Assets at 12/31/15	$ 6,474	$ 27,547	$ 34,021
2016 Activity:			
Revenues	2,138	156,500	158,638
Expenses	(10,245)	(150,123)	(160,368)
Increase (decrease) in Net Assets	**(8,107)**	**6,377**	**(1,730)**
Net Assets at 12/31/16	**$ (1,633)**	**$ 33,924**	**$ 32,291**

(See Independent Auditors' Report and Accompanying Notes)

Medical Society of Johnson and Wyandotte Counties Foundation
Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities:	
Decrease in net assets	$ (1,730)
Changes in assets and liabilities:	
Decrease in grants receivable	72,200
Decrease in accounts payable	(67,298)
Net cash provided by operating activities	11,059
Net increase in cash and cash equivalents	**3,172**
Cash and cash equivalents, beginning of year	**15,643**
Cash and cash equivalents, end of year	**$ 18,815**

(See Independent Auditors' Report and Accompanying Notes)

Note A - Nature of Organization

The Medical Society of Johnson and Wyandotte Counties Foundation (the "Foundation") is a non-profit organization that was formed on December 29, 2005 as a Kansas nonprofit corporation. The Foundation's program mission is to enhance access to health care and improve the health status of low income, uninsured residents of Johnson and Wyandotte counties by partnering with safety net clinics to connect their patients with donated specialty medical services.

The Foundation connects safety net clinic patients with specialists willing to donate their time and expertise to care for the low-income, uninsured. It is an opportunity for physicians, hospitals, city and county governments, and other community agencies to help existing safety net clinics and agencies provide needed care in a way that is coordinated, efficient, and more effective than any single entity could provide alone.

The Foundation serves as a centralized point of entry for safety net clinics' patient specialty referrals. Patients can be referred by providers working in the safety net clinics or two county health departments. Patients are assigned to specialists on a rotating basis to ensure an equal distribution of these patients among the physicians who signed up to participate. A similar rotating assignment protocol is used for the hospital-based laboratory, imaging studies, surgeries and inpatient care needed.

The Foundation's major source of program service revenue is derived from their shared grant from the Health Care Foundation of Greater Kansas City (HCF). In addition, the Foundation typically receives other grants from various healthcare foundations, as well as corporate and individual donations at times.

Note B - Summary of Significant Accounting Policies

A summary of the Foundation's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates
The Foundation uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits held in a checking account at Country Club Bank.

Property and Equipment
Property and equipment are carried at cost. Depreciation is provided utilizing the straight-line method over the estimated useful life of three to seven years for the computer software and office equipment, respectively. The property and equipment was fully depreciated in 2015.

Recognition of Grantor Restrictions
Grant revenue support that is restricted by the grantor is reported as an increase to temporarily restricted net assets. As restrictions expire and expenditures are incurred, the temporarily restricted net assets are reduced accordingly.

Income Taxes
The Foundation is a not-for-profit organization exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. The Foundation has no significant income taxable under the Internal Revenue Code as "unrelated business taxable income."

Financial Statement Presentation
The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted and unrestricted net assets. There were no permanently restricted net assets. Temporarily restricted net assets as of December 31, 2016 consist of grantor restricted revenues whose uses have been subject to certain limitations and requirements according to specific time periods, goals and purposes. The restrictions and limitations are typically specified by the grantor in the particular grant award agreements. As the specific restrictions expire and as goals and purposes are achieved, the temporarily restricted net assets are reduced accordingly. The specific grantors typically do not require that the Foundation segregate grant funds into specific designated restricted bank accounts.

Grant Revenues
Depending on the nature and terms of the specific grant, support revenue funded by grants is either recognized upon approval for the grant award or as the Foundation performs the contracted services or incurs outlays eligible for reimbursement under the terms of the particular grant award agreements. Grant activities and outlays are subject to audit and acceptance by the grantor entity and, as a result of such audit, adjustments could be required.

Note B - Summary of Significant Accounting Policies (Continued)

Grant Receivable

The Foundation was awarded a $25,000 grant from the H & R Block Foundation in December, 2016. The grant funds were disbursed to the Foundation in December, 2016 but not deposited by the Foundation until February, 2017. This approved grant is to support translation services for patients needing specialty care.

Donated Services

Services donated to the Foundation are generally philanthropic in nature. The value of these services are not recorded in the accompanying financial statements. The Foundation would only record donated services to the extent that they would create or enhance non-financial assets. Donated services from doctors and hospitals for 2016 are discussed further in Note C.

Expense Allocation

Directly identifiable expenses are allocated to program services and fund raising supporting services. Typically, expenses related to more than one function are allocated utilizing management's estimate. Management and general expenses include those expenses that are not identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Note C – In-Kind Donations

The Foundation has recruited various health care providers, including physicians, imaging centers, hospitals, laboratories and surgical centers, who have committed to accepting patient referrals and treating patients at no cost. Medical services, supplies and equipment are donated. Local hospitals donate surgical, radiology and supplies to the patients. Participating providers are asked to submit a non-payable claim to Blue Cross Blue Shield of Kansas City or to the Foundation directly. The Foundation tracks the diagnoses, procedures performed, cost of the donated physician care and cost of the donated hospital services. Costs are reported as self-pay charges, as this would be the required payment from the patient if not being donated.

During 2016, there were approximately 750 physicians, all hospitals in Johnson and Wyandotte Counties, and several labs participating, which resulted in medical services being provided for approximately 1,200 patient referrals with an estimated value of $6,300,000. The basis for recording the value of the medical services is the lowest reimbursement offered by area insurers (BlueKC and United Healthcare) when patients are insured.

Note D – Shared Grant

The Foundation has a shared grant arrangement with MetroCare of Greater Kansas City (MetroCare) and Northland Health Care Access (NHCA). MetroCare typically has been awarded a $500,000 annual grant by the Health Care Foundation of Greater Kansas City (HCF) to support the *Access to Primary & Specialty Care Project,* which is a joint collaboration between MetroCare, the Foundation and NHCA. The grant funds are allocated 40% to both MetroCare and NHCA and 20% ($100,000) to the Foundation.

The performance grant period typically is for 12-months and generally runs from September through August each year. The Foundation is subject to various terms and reporting requirements within the structure of the grant award agreement. All expenditures of grant funds must be consistent with the "Project Budget" and approved by HCF. Interim project status reports are to be provided to HCF six months into the grant period and final progress and financial reports are to be provided to HCF within thirty days after project completion.

In accordance with the grant award agreement, the disbursement of the $500,000 of grant funds is as follows: $225,000 (45%) within 30 days of the executed agreement, $225,000 (45%) upon receipt and approval of the interim progress and financial report and the final payment of $50,000 (10%) upon receipt and approval of the final progress and financial report. HCF typically pays MetroCare the full grant disbursement amount and then MetroCare cuts checks to NHCA and the Foundation for their allocated share amounts.

Note E – Related Party Transactions

The Foundation and the Medical Society of Johnson and Wyandotte Counties (the "Society") share staff and personnel positions. The Executive Director is a full-time employee with the Society and contributes a percentage of time to the Foundation's programs as the Foundation's Administrator. Other Society staff and personnel devote a percentage of their time to the Foundation as well. All wages and related taxes and benefits are paid by the Society and reimbursed by the Foundation. During 2016, the Foundation reimbursed wages of $65,453 and payroll taxes/benefits of $8,724 to the Society.

The Foundation and the Society also share facilities and equipment. During 2016, the Society donated office space and operations support (phone, fax, computer support) to the Foundation. These in-kind donations were valued at $18,000. The in-kind donations have not been reported as donation revenue and expenditures in these financial statements.

Note F – Association Management Agreement

The Foundation's affiliated organization, the Medical Society of Johnson and Wyandotte Counties (the "Society"), entered into an Association Management Agreement with the Kansas City Medical Society (KCMS) on August 25, 2015. In accordance with the agreement, KCMS is to provide contracted administrative and executive services to the Society. The services provided consist of governance, membership, communications, events and meetings and finances. The Foundation shares in these services and responsibilities with the Society and therefore a portion of the management services fee is paid by the Foundation. The Foundation paid $23,000 to KCMS during 2016 for their allocated share of the management services fee.

The agreement is for an initial term of three (3) years, which expires on September 1, 2018. After the initial term has expired, the agreement automatically renews for successive subsequent one (1) year terms thereafter unless otherwise terminated in accordance with the terms and conditions of the agreement. The Foundation has an annual fixed fee commitment of $17,000 for the duration of this agreement.

Note G – Tax Positions

As a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, the Foundation is required to file a Form 990 annually. The information in these returns is used by the IRS to substantiate the Foundation's continuing tax exempt status. These returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2016, returns for the tax years 2013, 2014 and 2015 remain open and potentially subject to IRS examination. The Foundation has no material uncertain tax positions to be accounted for in the financial statements under ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*. Any assessments by taxing authorities could result in potential penalties and interest being assessed.

Note H – Subsequent Events

Management has evaluated subsequent events through October 9, 2017, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.