

**TURNER HOUSE CLINIC, INC.  
(DBA TURNER HOUSE CHILDREN'S CLINIC)  
A 501(c)(3) Not-For-Profit Organization)**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

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*Ralph C. Johnson & Company, p.c.*

CERTIFIED PUBLIC ACCOUNTS

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Turner House Clinic, Inc.  
Kansas City, Kansas

We have audited the accompanying statements of financial position of **TURNER HOUSE CLINIC, INC. (DBA TURNER HOUSE CHILDREN'S CLINIC) (The Clinic)** as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence which supports the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Clinic** as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kansas City  
16 June 2011  
**OUR 40<sup>th</sup> YEAR**

*Ralph C. Johnson & Company, P.C.*

**AUDITED FINANCIAL STATEMENTS**

**TURNER HOUSE CLINIC, INC.**  
**Statements of Financial Position**  
**For the Years Ending December 31,**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 492,314	\$ 407,127
Certificate of Deposit	248,226	202,252
Accounts Receivable	595,320	577,021
Prepaid Insurance	15,370	3,025
<b>Total current assets</b>	<b>1,351,230</b>	<b>1,189,425</b>
Inventory	78,986	-
<b>CAPITAL ASSETS</b>		
Furniture and Equipment	60,551	52,407
Leasehold Improvements	216,613	213,933
	277,164	266,340
Less, Accumulated Depreciation	61,790	42,385
	215,374	223,955
<b>TOTAL ASSETS</b>	<b>1,645,590</b>	<b>1,413,380</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	33,997	30,903
Payroll Withholding	2,566	1,553
<b>Total current liabilities</b>	<b>36,563</b>	<b>32,456</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,248,346	962,309
Temporarily restricted net assets (note 6)	360,681	418,615
	1,609,027	1,380,924
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,645,590</b>	<b>\$ 1,413,380</b>

**TURNER HOUSE CLINIC, INC.**  
**Statements of Activities**  
**and changes in Net Assets**  
**For the Years Ending December 31,**

	<u>2010</u>	<u>2009</u>
<b>UNRESTRICTED REVENUE:</b>		
Patient Fees Collected	\$ 49,749	\$ 50,126
Medicaid and Other Reimbursements	388,911	302,079
Contributions	54,491	20,996
Grants	196,690	21,793
Interest Income	5,866	8,345
Miscellaneous Income	1,159	5,671
	<u>696,866</u>	<u>409,010</u>
In-Kind Contributions	440,574	374,910
Net assets released from restrictions	621,912	653,675
<b>TOTAL REVENUE</b>	<u><u>1,759,352</u></u>	<u><u>1,437,595</u></u>
 <b>UNRESTRICTED EXPENDITURES:</b>		
Program Services	1,309,382	1,202,585
Management and General	75,431	80,877
Fundraising	88,502	84,654
<b>TOTAL EXPENDITURES</b>	<u><u>1,473,315</u></u>	<u><u>1,368,116</u></u>
 <b>CHANGE IN UNRESTRICTED NET ASSETS</b>	286,037	69,479
Unrestricted Net Assets, Beginning of Year	962,309	892,830
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u><u>1,248,346</u></u>	<u><u>962,309</u></u>
 <b>TEMPORARILY RESTRICTED REVENUE</b>		
Grants	532,478	855,620
Contributions	31,500	33,700
Net assets released from restrictions	(621,912)	(653,675)
<b>TOTAL REVENUE</b>	<u><u>(57,934)</u></u>	<u><u>235,645</u></u>
 <b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	(57,934)	235,645
Temporarily Restricted Net Assets, Beginning of Year	418,615	182,970
<b>TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR</b>	<u><u>360,681</u></u>	<u><u>418,615</u></u>
 <b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,609,027</u></u>	<u><u>\$ 1,380,924</u></u>

**TURNER HOUSE CLINIC, INC.**  
**Statements of Cash Flows**  
**For the Years Ending December 31,**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 228,103	\$ 305,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,405	17,150
(Increase) decrease in accounts receivable	(18,299)	(110,118)
(Increase) decrease in prepaid Insurance	(12,345)	2,485
(Increase) decrease in inventory	(78,986)	-
Increase in accounts payable	3,094	20,146
Increase (decrease) in payroll withholding	1,013	(575)
<b>Cash provided by operating activities</b>	<b>141,985</b>	<b>234,212</b>
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in investments (certificates of deposit)	(45,974)	78,325
Purchase of capital assets	(10,824)	(35,419)
<b>Cash provided by investing activities</b>	<b>(56,798)</b>	<b>42,906</b>
 Net increase in cash and cash equivalents	 85,187	 277,118
 Cash and cash equivalents, beginning of year	 407,127	 130,009
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 492,314</b>	<b>\$ 407,127</b>
 Interest paid	 \$ Nil	 \$ Nil
 Income taxes paid	 \$ Nil	 \$ Nil

See accompanying notes to financial statements.

**TURNER HOUSE CLINIC, INC.**  
**Statements of Functional Expenses**  
**For the Years Ending December 31,**

	2010			
	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	\$ 735,584	26,835	\$ 77,969	\$ 840,388
Medical supplies	371,846	-	-	371,846
Sub-Contractor	54,906	-	-	54,906
Advertising	11,608	-	-	11,608
Bank Fees	-	2,884	-	2,884
Depreciation	15,525	3,880	-	19,405
Dues & Subscriptions	1,731	145	-	1,876
Continuing Education	3,136	1,545	-	4,681
Equipment, Rental, and Repair	9,444	882	334	10,660
Insurance	11,107	7,614	-	18,721
Postage & Shipping	904	113	113	1,130
Travel	1,049	131	131	1,311
Meeting/Food	2,227	198	50	2,475
Miscellaneous Expense	1,362	699	-	2,061
Professional fees	8,772	20,600	-	29,372
Rent	57,505	7,188	7,188	71,881
Supplies	10,463	1,308	1,308	13,079
Telephone	11,275	1,409	1,409	14,093
Uniforms	938	-	-	938
<b>TOTAL</b>	<b>\$ 1,309,382</b>	<b>\$ 75,431</b>	<b>\$ 88,502</b>	<b>\$ 1,473,315</b>

	2009			
	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	\$ 653,372	\$ 38,715	\$ 74,411	\$ 766,498
Medical supplies	379,303	-	-	379,303
Sub-Contractor	32,861	-	-	32,861
Advertising	11,690	-	-	11,690
Bank Fees	-	804	-	804
Depreciation	13,720	3,430	-	17,150
Dues & Subscriptions	8,307	550	95	8,952
Continuing Education	3,349	270	-	3,619
Equipment, Rental, and Repair	4,479	401	108	4,988
Insurance	10,036	8,136	-	18,172
Postage & Shipping	1,175	147	147	1,469
Travel	277	35	34	346
Meeting/Food	3,278	291	74	3,643
Miscellaneous Expense	1,549	2,394	19	3,962
Professional fees	1,448	16,118	181	17,747
Rent	55,245	6,906	6,905	69,056
Supplies	10,783	1,348	1,348	13,479
Telephone	10,656	1,332	1,332	13,320
Uniforms	1,057	-	-	1,057
<b>TOTAL</b>	<b>\$ 1,202,585</b>	<b>\$ 80,877</b>	<b>\$ 84,654</b>	<b>\$ 1,368,116</b>



**TURNER HOUSE CLINIC, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**a. Organization and Programs**

**TURNER HOUSE CLINIC, INC** (the **Clinic**) is a not-for-profit organization which provides medical services to children who have difficulty accessing fee-for-service care. It was established in 1989 by a small group of volunteer physicians who recognized the urgent, unmet healthcare needs of uninsured and undersevered children of Wyandotte County.

**b. Basis of Accounting**

The financial statements of the **Clinic** are prepared on the accrual basis of accounting for income and expenses.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958 (formerly Statement of Financial Accounting No. 117, Financial Statements of Not-for-Profit Organizations). Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. In addition, the **Clinic** is required to present a statement of cash flows.

Contributions

The Organization has adopted FASB ASC 958-605 (formerly SFAS No. 116, "Accounting for Contributions Received and Contributions Made"). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Non-cash contributions are recorded at their estimated fair value at the time of the gift.

**c. Revenue**

The **Clinic** has four primary sources of revenue: patient fees, grants; contributions and medical service reimbursements. Patient fees, grants and medical service reimbursements are reported on the accrual basis of accounting. Contributions are reported as outlined above.

Medical service reimbursements are provided by state and federal agencies to ensure quality services for low income families living in the Kansas City, Kansas area.

**d. Cash and Cash Equivalents**

The **Clinic's** cash and cash equivalents consist of cash and other securities with a maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**e. Reclassifications**

Certain reclassifications were made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged because of these reclassifications.

**f. Compensated Absences**

Every full-time employee earns 10 days of vacation, three days of personal leave, and three days of sick leave annually which can be taken after completion of three months of service. Earned and un-used compensated absences are not paid to an employee upon their separation from the Organization.

**TURNER HOUSE CLINIC, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)**

**g. Capital Assets**

The **Clinic's** expenditures for capital assets, and for renewals or betterments, which extend the originally estimated lives of the assets are capitalized. Expenditure for maintenance and repairs are charged to expense as incurred. Upon disposition of a capital asset, the cost and the related accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations. Depreciation and/or amortization of all such items are computed on a straight-line basis over the estimated useful lives of the assets. Furniture and equipment is depreciated under the straight-line method over a period of 5 to 7 years.

**2. CAPITAL ASSETS**

Capital assets at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$ 60,551	\$ 52,407
Leasehold Improvement	<u>216,613</u>	<u>213,933</u>
	277,164	266,340
Less: accumulated depreciation	<u>61,790</u>	<u>42,385</u>
Total Property and Equipment	<u>\$ 215,374</u>	<u>\$ 223,955</u>

**3. INCOME TAX STATUS**

The **Clinic** is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and State income taxes.

**4. RENTAL EXPENSE AND LEASE COMMITMENTS**

The **Clinic** leases the medical and office space it occupies. This operating lease expires July 31, 2013. The leases was amended in 2009 to add more space. The amendment put the square footage costs on an escalator that changes annually. The **Clinic** entered into an operating lease for a copier in September 2006 which has monthly lease payments of \$155 and expires in September 2011.

Lease payments were \$71,881 and \$69,056, respectively, for the years ending December 31, 2010 and 2009.

	<u>OCCUPANCY</u>	<u>COPIER</u>
2011	\$ 71,254	\$ 1,395
2012	<u>42,905</u>	<u>-0-</u>
Total	<u>\$ 114,159</u>	<u>\$ 1,395</u>

**5. CLINIC EXPANSION**

In 2009, the **Clinic** committed to increasing its capacity to serve uninsured and underserved children by nearly doubling the office and clinical space. The expansion cost was fully funded by contributions and was completed in October 2009.

**6. TEMPORARILY RESTRICTED REVENUE**

Net assets of \$621,912 and \$653,675, for the years ended December 31, 2010 and 2009 respectively, were released from donor restrictions because expenses were incurred which satisfied the restricted purposes specified by the donors.

**TURNER HOUSE CLINIC, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 and 2009**

**6. TEMPORARILY RESTRICTED REVENUE (continued)**

Purposes or time restricted satisfied:	<u>2010</u>	<u>2009</u>
Medication	\$ -0-	\$ 12,000
Operating and Expansion	<u>621,912</u>	<u>641,675</u>
	<u>\$ 621,912</u>	<u>\$ 653,675</u>

Temporarily restricted net assets in the amount of \$360,681 and \$418,615, for the years ended December 31, 2010 and 2009 respectively, are available for expansion and operations.

**7. UNCERTAIN TAX POSITIONS**

Financial accounting standards govern how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. These standards require the evaluation of tax positions taken or expected to be taken in the course of preparing an entity's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would not be recognized in the financial statements of the current year.

The Federal Income Tax Form 990 for the years ended December 31, 2010, 2009, 2008 and 2007 are subject to examination by the Internal Revenue Service (IRS) for three years after they are filed. As of DATE, no returns have been selected for examination by the IRS.

**8. CONTRIBUTED SERVICES**

The Clinic records various types of in-kind contributions. Contributed services are recognized at estimated fair value if the services received (a) create or enhance a long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at estimated fair value when received. The amounts reflected in the accompanying financial statements are in-kind contributions and are offset by like amounts included in expenses or additions to capital assets.

The Clinic received contributed professional services during the years ended December 31, 2010 and 2009 with a fair value of approximately \$60,000 for each year.

The Clinic received contributed medical supplies during the years ended December 31, 2010 and 2009 with an estimated fair value of approximately \$440,574 and \$314,910, respectively.

**9. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 16, 2011 which is the date the financial statements were available to be issued.

**11. FAIR VALUE MEASUREMENTS**

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standards are described as follows:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**TURNER HOUSE CLINIC, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 and 2009**

- Level 2      Inputs to the valuation methodology include:
- ◆ Quoted prices for similar assets or liabilities in active markets;
  - ◆ Quoted prices for identical or similar assets or liabilities in inactive markets;
  - ◆ Inputs other than quoted prices that are observable for the asset or liability;
  - ◆ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a summary of the inputs used, as of December 31, 2010 involving the Plan's assets carried at fair value. The inputs or methodologies used for valuing investments may not be an indication for the risk associated with investing in those securities. Furthermore, although the Plan believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

Description	Fair Value Measurements at Reporting Date			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 248,226	\$ -0-	\$ -0-	\$ 248,226