

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011 AND 2010
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Board of Directors
Kansas City, Kansas

We have audited the accompanying statements of financial position of

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC**

as of December 31, 2011 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Turner House Children's Clinic as of December 31, 2010, were audited by other auditors whose report dated June 16, 2011, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Turner House Children's Clinic as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
June 18, 2012

TURNER HOUSE CLINIC, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 456,227	\$ 492,314
Assets whose use is limited	249,931	248,226
Accounts receivable	90,771	29,262
Grants receivable	429,362	566,058
Inventory	39,792	78,986
Prepaid expenses	<u>20,606</u>	<u>15,370</u>
TOTAL CURRENT ASSETS	1,286,689	1,430,216
PROPERTY AND EQUIPMENT - net	<u>246,464</u>	<u>215,374</u>
TOTAL ASSETS	<u>\$ 1,533,153</u>	<u>\$ 1,645,590</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 27,708	\$ 33,997
Tenant finish liability	25,000	-
Payroll withholding	<u>-</u>	<u>2,566</u>
TOTAL CURRENT LIABILITIES	<u>52,708</u>	<u>36,563</u>
NET ASSETS		
Unrestricted	973,642	1,112,106
Unrestricted - board designated	197,385	136,240
Temporarily restricted	<u>309,418</u>	<u>360,681</u>
TOTAL NET ASSETS	<u>1,480,445</u>	<u>1,609,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,533,153</u>	<u>\$ 1,645,590</u>

The accompanying notes are an integral part of these financial statements.

TURNER HOUSE CLINIC, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 43,527	\$ 49,749
Medicaid and other reimbursements	320,079	388,911
Interest income	5,537	5,866
Miscellaneous income	(1,453)	1,159
Total Revenues	<u>367,690</u>	<u>445,685</u>
<u>SUPPORT</u>		
Contributions	67,479	54,491
Grants	276,247	196,690
In-kind contributions	471,560	440,574
Net assets released from restriction	553,637	621,912
Total Support	<u>1,368,923</u>	<u>1,313,667</u>
 TOTAL REVENUES AND SUPPORT	 <u>1,736,613</u>	 <u>1,759,352</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	1,597,597	1,309,382
Management and General	103,353	75,431
Fundraising	112,982	88,502
 TOTAL EXPENDITURES	 <u>1,813,932</u>	 <u>1,473,315</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>(77,319)</u>	 <u>286,037</u>
 <u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	497,374	532,478
Contributions	5,000	31,500
Net assets released from restrictions	(553,637)	(621,912)
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(51,263)</u>	 <u>(57,934)</u>
 CHANGE IN NET ASSETS	 (128,582)	 228,103
NET ASSETS, BEGINNING OF YEAR	<u>1,609,027</u>	<u>1,380,924</u>
NET ASSETS, END OF YEAR	<u>\$ 1,480,445</u>	<u>\$ 1,609,027</u>

The accompanying notes are an integral part of these financial statements.

TURNER HOUSE CLINIC, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
CHANGE IN NET ASSETS	<u>\$ (128,582)</u>	<u>\$ 228,103</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,792	19,405
Loss on disposal of property and equipment	1,813	-
Changes in operating assets and liabilities:		
Accounts receivable	75,187	(18,299)
Prepaid expenses	(5,236)	(12,345)
Inventory	39,194	(78,986)
Accounts payable	(6,289)	3,094
Accrued wages	<u>(2,566)</u>	<u>1,013</u>
Total Adjustments	<u>124,895</u>	<u>(86,118)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(3,687)</u>	<u>141,985</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in assets whose use is limited	(1,705)	(45,974)
Purchases of property and equipment	<u>(30,695)</u>	<u>(10,824)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(32,400)</u>	<u>(56,798)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(36,087)	85,187
CASH, BEGINNING OF YEAR	<u>492,314</u>	<u>407,127</u>
CASH, END OF YEAR	<u>\$ 456,227</u>	<u>\$ 492,314</u>

The accompanying notes are an integral part of these financial statements.

TURNER HOUSE CLINIC, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010				
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 823,673	\$ 713,124	\$ 31,635	\$ 78,914	\$ 696,047	\$ 606,090	\$ 22,887	\$ 67,070
Payroll taxes	70,812	61,308	2,720	6,784	60,184	52,106	2,312	5,766
Employee benefits	94,313	81,916	3,885	8,512	84,157	77,388	1,636	5,133
Total Personnel Costs	<u>988,798</u>	<u>856,348</u>	<u>38,240</u>	<u>94,210</u>	<u>840,388</u>	<u>735,584</u>	<u>26,835</u>	<u>77,969</u>
Medical Supplies	508,010	508,010	-	-	371,846	371,846	-	-
Sub-Contractor	6,827	6,827	-	-	54,906	54,906	-	-
Charitable care	10,010	10,010	-	-	-	-	-	-
Advertising	6,553	-	-	6,553	11,608	11,608	-	-
Bank fees	974	-	974	-	2,884	-	2,884	-
Dues and memberships	884	884	-	-	1,876	1,731	145	-
Continuing education	4,932	2,856	1,460	616	4,681	3,136	1,545	-
Equipment, rental and repair	33,364	19,594	13,552	218	10,660	9,444	882	334
Insurance	22,464	16,015	6,449	-	18,721	11,107	7,614	-
Postage and shipping	1,410	1,128	141	141	1,130	904	113	113
Travel	2,860	-	2,860	-	1,311	1,049	131	131
Meeting/food	3,528	-	3,528	-	2,475	2,227	198	50
Miscellaneous expense	11,353	7,676	2,512	1,165	2,061	1,362	699	-
Professional fees	67,094	48,094	19,000	-	29,372	8,772	20,600	-
Rent	77,387	61,909	7,739	7,739	71,881	57,505	7,188	7,188
Supplies	32,793	30,351	1,221	1,221	13,079	10,463	1,308	1,308
Telephone	11,185	8,947	1,119	1,119	14,093	11,275	1,409	1,409
Uniforms	714	714	-	-	938	938	-	-
Subtotal before depreciation	<u>1,791,140</u>	<u>1,579,363</u>	<u>98,795</u>	<u>112,982</u>	<u>1,453,910</u>	<u>1,293,857</u>	<u>71,551</u>	<u>88,502</u>
Depreciation	22,792	18,234	4,558	-	19,405	15,525	3,880	-
TOTAL EXPENSES	<u>\$ 1,813,932</u>	<u>\$ 1,597,597</u>	<u>\$ 103,353</u>	<u>\$ 112,982</u>	<u>\$ 1,473,315</u>	<u>\$ 1,309,382</u>	<u>\$ 75,431</u>	<u>\$ 88,502</u>

The accompanying notes are an integral part of these financial statements.

TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Programs

Turner House Clinic, Inc. dba Turner House Children's Clinic (the Clinic) is a not-for-profit organization that provides medical services to children who have difficulty accessing fee-for-service care. It was established in 1969 by a small group of volunteer physicians who recognized the urgent, unmet healthcare needs of uninsured and underserved children of Wyandotte County.

Basis of Accounting

The financial statements of the Clinic are prepared on the accrual basis of accounting.

Financial Statement Presentation

The Clinic reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 2011 and 2010, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through June 18, 2012 which is the date the financial statements were available to be issued.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of 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.

Revenue

The Clinic has two primary sources of revenue: patient fees and medical service reimbursements. Patient fees and medical service reimbursements are reported on the accrual basis of accounting. 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.

Cash

Cash consists of demand deposit accounts held at financial institutions, specifically excluding money market accounts classified as assets whose use is limited.

Assets Whose Use is Limited

Assets whose use is limited consist of money market accounts held at financial institutions for restricted purposes that are stipulated by grantors and donors.

TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Clinic is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income tax returns filed by the Clinic on Form 990 are subject to examination by the Internal Revenue Service (IRS) for three years after the date filed, with the result that the years 2011, 2010, 2009 and 2008 remain open as of June 18, 2012, although no returns have been selected for examination by the IRS. Management has evaluated tax positions taken or expected to be taken in the course of preparing the Clinic's tax returns with assistance from the Clinic's tax preparer to determine whether its tax positions are more likely than not to be sustained by applicable taxing authorities; likely tax positions are reported in these financial statements, and unlikely tax positions are not.

Property & Equipment

The Clinic capitalizes expenditures for property and equipment, and for renewals or betterments, that extend the originally estimated lives of the assets. Expenditures 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. Depreciation is computed using the straight-line method over a useful lives 5 to 7 years for furniture and equipment, and 15 to 39 years for leasehold improvements.

Concentration of Risk

During 2011, the Clinic received 19% of its total support and revenue in the form of contributed vaccines from the Kansas Department of Health and Environment.

Inventory

Inventory consists of donated vaccines and is valued at its estimated fair market value.

**TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE B - PROPERTY AND EQUIPMENT

At December 31, 2011 and 2010, property and equipment are summarized as follows:

	<u>2011</u>	<u>2010</u>
Cost:		
Furniture and equipment	\$ 104,597	\$ 60,551
Leasehold improvements	219,613	216,613
	<u>324,210</u>	<u>277,164</u>
Less: accumulated depreciation	77,746	61,790
Property and equipment, net	<u>\$ 246,464</u>	<u>\$ 215,374</u>

In 2011, the Clinic purchased \$30,695 of property and equipment, primarily upgrades to computer equipment and software licenses for the electronic medical records system. In 2012, the Clinic underwent construction to remodel and expand the medical and office space at a contracted amount of \$143,409; as a result, the board of directors designated unrestricted assets for this specific purpose.

NOTE C - LEASE COMMITMENTS

The Clinic leases the medical and office space it occupies under the terms of an operating lease expiring 2015. For years ended December 31, 2011 and 2010, lease payments were \$77,387 and \$71,881, respectively. Minimum future rental payments under this non-cancelable operating lease for each of the next four calendar years and in the aggregate follow:

<u>Calendar Years</u>	
2012	\$ 115,724
2013	117,610
2014	118,325
2015	69,023
Subsequent to 2015	-
Total minimum future lease payments	<u>\$ 420,682</u>

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2011 and 2010, temporarily restricted net assets in the amount of \$309,418 and \$360,681, respectively, are available for future operations and for expansion.

During the years ended December 31, 2011 and 2010, donor and grantor stipulations were satisfied resulting in release of restrictions as follows:

	<u>2011</u>	<u>2010</u>
Operations and expansion	\$ 553,637	\$ 621,912

TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - RETIREMENT PLAN

The Clinic sponsors a defined contribution 401(k) retirement plan that covers eligible employees. Total Clinic contributions to the Plan were \$19,099 and \$20,647 for the years ended December 31, 2011 and 2010, respectively.

NOTE F- CONTRIBUTED SERVICES

During the years ended December 31, 2011 and 2010 the Clinic received contributed professional services with fair values of approximately \$25,000 and \$60,000 respectively.

During the years ended December 31, 2011 and 2010 the Clinic received contributed medical supplies with estimated fair values of approximately \$446,560 and \$380,574, respectively.