

**TURNER HOUSE CLINIC, INC.  
dba TURNER HOUSE CHILDREN'S CLINIC  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2012 AND 2011  
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 financial statements of

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

which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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**

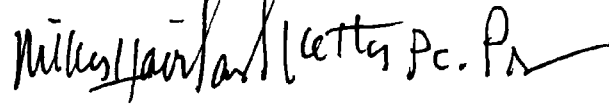
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 entity'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 entity'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.

**Opinion**

In our opinion, the 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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Mikey Hain" followed by a flourish and "Cetty P.C. PA".

**CERTIFIED PUBLIC ACCOUNTANTS**

Westwood, Kansas  
July 3, 2013

**TURNER HOUSE CLINIC, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 200,624	\$ 456,227
Assets whose use is limited	177,331	249,931
Accounts receivable	69,474	90,771
Grants receivable	717,623	429,362
Inventory	57,126	39,792
Prepaid expenses	21,565	20,606
	<u>1,243,743</u>	<u>1,286,689</u>
TOTAL CURRENT ASSETS	1,243,743	1,286,689
PROPERTY AND EQUIPMENT - net	<u>374,022</u>	<u>246,464</u>
	<u>\$ 1,617,765</u>	<u>\$ 1,533,153</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 39,207	\$ 27,708
Tenant finish liability	-	25,000
	<u>39,207</u>	<u>52,708</u>
TOTAL CURRENT LIABILITIES	39,207	52,708
NET ASSETS		
Unrestricted	879,862	973,642
Unrestricted - board designated	110,349	197,385
Temporarily restricted	588,347	309,418
	<u>1,578,558</u>	<u>1,480,445</u>
TOTAL NET ASSETS	1,578,558	1,480,445
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,617,765</u>	<u>\$ 1,533,153</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 208,808	\$ 43,527
Medicaid and other reimbursements	607,334	320,079
Interest income	3,625	5,537
Miscellaneous income	227	(1,453)
Total Revenues	<u>819,994</u>	<u>367,690</u>
<u>SUPPORT</u>		
Contributions	92,667	67,479
Grants	276,750	276,247
Special Events, net of \$4,172 of direct expenses	11,190	-
In-kind contributions	410,130	471,560
Net assets released from restriction	459,936	553,637
Total Support	<u>1,250,673</u>	<u>1,368,923</u>
TOTAL REVENUES AND SUPPORT	<u>2,070,667</u>	<u>1,736,613</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	1,930,500	1,597,597
Management and General	214,963	103,353
Fundraising	106,020	112,982
TOTAL EXPENDITURES	<u>2,251,483</u>	<u>1,813,932</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(180,816)</u>	<u>(77,319)</u>
<u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	734,595	497,374
Contributions	4,270	5,000
Net assets released from restrictions	<u>(459,936)</u>	<u>(553,637)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>278,929</u>	<u>(51,263)</u>
CHANGE IN NET ASSETS	98,113	(128,582)
NET ASSETS, BEGINNING OF YEAR	<u>1,480,445</u>	<u>1,609,027</u>
NET ASSETS, END OF YEAR	<u>\$ 1,578,558</u>	<u>\$ 1,480,445</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
CHANGE IN NET ASSETS	<u>\$ 98,113</u>	<u>\$ (128,582)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,139	22,792
Loss on disposal of property and equipment	-	1,813
Changes in operating assets and liabilities:		
Accounts receivable	(266,964)	75,187
Prepaid expenses	(959)	(5,236)
Inventory	(17,334)	39,194
Accounts payable	11,499	(6,289)
Accrued wages	-	(2,566)
Total Adjustments	<u>(230,619)</u>	<u>124,895</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(132,506)</u>	<u>(3,687)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in assets whose use is limited	72,600	(1,705)
Purchases of property and equipment	<u>(195,697)</u>	<u>(30,695)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(123,097)</u>	<u>(32,400)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
DECREASE IN CASH	(255,603)	(36,087)
CASH, BEGINNING OF YEAR	<u>456,227</u>	<u>492,314</u>
CASH, END OF YEAR	<u><u>\$ 200,624</u></u>	<u><u>\$ 456,227</u></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, 2012 AND 2011

	2012				2011			
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 992,003	\$ 866,234	\$ 40,704	\$ 85,065	\$ 823,673	\$ 713,124	\$ 31,635	\$ 78,914
Payroll taxes	114,234	99,751	4,687	9,796	70,812	61,308	2,720	6,784
Employee benefits	83,859	73,227	3,441	7,191	94,313	81,916	3,885	8,512
Total Personnel Costs	<u>1,190,096</u>	<u>1,039,212</u>	<u>48,832</u>	<u>102,052</u>	<u>988,798</u>	<u>856,348</u>	<u>38,240</u>	<u>94,210</u>
Medical Supplies	403,892	403,892	-	-	508,010	508,010	-	-
Sub-Contractor	39,910	31,875	8,035	-	6,827	6,827	-	-
Charitable care	176,413	176,413	-	-	10,010	10,010	-	-
Advertising	2,224	664	1,069	491	6,553	-	-	6,553
Bank fees	1,123	65	1,058	-	974	-	974	-
Dues and memberships	7,461	3,685	3,526	250	884	884	-	-
Continuing education	12,924	8,697	3,478	749	4,932	2,856	1,460	616
Equipment, rental and repair	64,570	43,828	19,539	1,203	33,364	19,594	13,552	218
Insurance	30,852	21,651	9,201	-	22,464	16,015	6,449	-
Postage and shipping	1,052	134	778	140	1,410	1,128	141	-
Travel	5,660	3,162	2,009	479	2,860	-	2,860	-
Meeting/food	1,633	25	1,395	213	3,528	-	3,528	-
Miscellaneous expense	7,242	6,208	1,034	-	11,353	7,676	2,512	1,165
Professional fees	101,735	56,102	45,422	211	67,094	48,094	19,000	-
Rent	115,725	69,435	46,290	-	77,387	61,909	7,739	7,739
Supplies	37,978	29,255	8,491	232	32,793	30,351	1,221	1,221
Telephone	7,224	1,046	6,178	-	11,185	8,947	1,119	1,119
Uniforms	640	640	-	-	714	714	-	-
Subtotal before depreciation	<u>2,208,344</u>	<u>1,895,989</u>	<u>206,335</u>	<u>106,020</u>	<u>1,791,140</u>	<u>1,579,363</u>	<u>98,795</u>	<u>112,982</u>
Depreciation	<u>43,139</u>	<u>34,511</u>	<u>8,628</u>	<u>-</u>	<u>22,792</u>	<u>18,234</u>	<u>4,558</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 2,251,483</u>	<u>\$ 1,930,500</u>	<u>\$ 214,963</u>	<u>\$ 106,020</u>	<u>\$ 1,813,932</u>	<u>\$ 1,597,597</u>	<u>\$ 103,353</u>	<u>\$ 112,982</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 1989 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, 2012 and 2011, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through July 3, 2013, 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 2012, 2011, 2010 and 2009 remain open as of July 3, 2013, 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

The Clinic provides medical services that are rendered to children. The Clinic has agreements with third party payors that provide for payments to the Clinic at amounts different from its established rates. Payment arrangements include prospectively determined rates per procedure. Accounts receivable are written off after billing reimbursement efforts have been followed in accordance with the Clinic's policies. Revenues are reported at the estimated net realizable amounts from third party payors for services rendered.

Revenues Medicaid and other reimbursement programs accounted for approximately 26% and 19% of revenues and support for the years ended December 31, 2012 and 2011, respectively. Laws and regulations governing Medicaid programs are extremely complex and subject to interpretation.

During 2012, one provider contributed 16.5% of the clinic's total support and revenue.

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, 2012 and 2011, property and equipment are summarized as follows:

	<u>2012</u>	<u>2011</u>
Cost:		
Furniture and equipment	\$ 144,829	\$ 104,597
Leasehold improvements	349,856	219,613
Construction in progress	222	-
	<u>494,907</u>	<u>324,210</u>
Less: accumulated depreciation	120,885	77,746
Property and equipment, net	<u>\$ 374,022</u>	<u>\$ 246,464</u>

**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, 2012 and 2011, lease payments were \$115,724 and \$77,387, 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>	
2013	\$ 117,610
2014	118,325
2015	69,023
Subsequent to 2015	-
Total minimum future lease payments	<u>\$ 304,958</u>

**NOTE D - TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2012 and 2011, temporarily restricted net assets in the amount of \$588,347 and \$309,418, respectively, are available for future operations and for expansion and renovation.

During the years ended December 31, 2012 and 2011, donor and grantor stipulations were satisfied resulting in release of restrictions as follows:

	<u>2012</u>	<u>2011</u>
Operations and expansion	\$ 459,936	\$ 553,637

**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 \$26,381 and \$19,099 for the years ended December 31, 2012 and 2011, respectively.

**NOTE F - CONTRIBUTED SERVICES**

During the years ended December 31, 2012 and 2011 the Clinic received contributed professional services with fair values of approximately \$7,040 and \$25,000 respectively.

During the years ended December 31, 2012 and 2011 the Clinic received contributed medical supplies with estimated fair values of approximately \$392,303 and \$471,560, respectively.