

**TURNER HOUSE CLINIC, INC.  
dba TURNER HOUSE CHILDREN'S CLINIC  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012  
AND FOR THE YEARS THEN ENDED  
WITH INDEPENDENT AUDITORS' REPORT**

**TURNER HOUSE CLINIC, INC.  
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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, 2013 and 2012, 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**

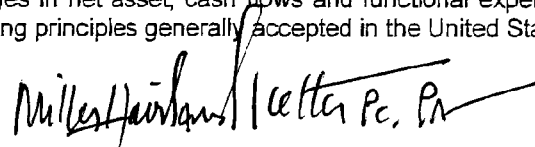
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2013 and 2012, and the statement of activities and changes in net asset, cash flows and functional expenses 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 "Miller/Hairman/Cetter P.C. PA". The signature is written in a cursive style with a long horizontal stroke extending to the right.

**CERTIFIED PUBLIC ACCOUNTANTS**

Westwood, Kansas  
June 9, 2014

**TURNER HOUSE CLINIC, INC.  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 254,764	\$ 200,624
Assets whose use is limited	237,408	177,331
Accounts receivable (net of \$30,000 allowance in 2013 and 2012)	86,041	69,474
Grants receivable	523,894	717,623
Inventory	54,581	57,126
Prepaid expenses	11,693	21,565
	<u>1,168,381</u>	<u>1,243,743</u>
TOTAL CURRENT ASSETS	1,168,381	1,243,743
PROPERTY AND EQUIPMENT - net	<u>418,112</u>	<u>374,022</u>
	<u>\$ 1,586,493</u>	<u>\$ 1,617,765</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 43,072	\$ 36,794
Accrued expenses	<u>38,353</u>	<u>2,413</u>
	<u>81,425</u>	<u>39,207</u>
TOTAL CURRENT LIABILITIES	81,425	39,207
NET ASSETS		
Unrestricted	721,076	759,862
Unrestricted - board designated	110,499	110,349
Temporarily restricted	<u>673,493</u>	<u>708,347</u>
	<u>1,505,068</u>	<u>1,578,558</u>
TOTAL NET ASSETS	1,505,068	1,578,558
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,586,493</u>	<u>\$ 1,617,765</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 181,245	\$ 208,808
Medicaid and other reimbursements	798,092	607,334
Interest income	1,279	3,625
Miscellaneous income	239	227
Total Revenues	<u>980,855</u>	<u>819,994</u>
<u>SUPPORT</u>		
Contributions	80,894	92,667
Grants	114,422	156,750
Special Events, net of \$16,555 and \$4,172 of direct expenses in 2013 & 2012, respectively	30,394	11,190
In-kind contributions	476,898	410,130
Net assets released from restriction	817,702	575,136
Total Support	<u>1,520,310</u>	<u>1,245,873</u>
TOTAL REVENUES AND SUPPORT	<u>2,501,165</u>	<u>2,065,867</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	2,130,887	1,930,500
Management and General	283,292	214,963
Fundraising	125,622	106,020
TOTAL EXPENDITURES	<u>2,539,801</u>	<u>2,251,483</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(38,636)</u>	<u>(185,616)</u>
<u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	782,848	854,595
Contributions	-	4,270
Net assets released from restrictions	<u>(817,702)</u>	<u>(575,136)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(34,854)</u>	<u>283,729</u>
CHANGE IN NET ASSETS	(73,490)	98,113
NET ASSETS, BEGINNING OF YEAR	<u>1,578,558</u>	<u>1,480,445</u>
NET ASSETS, END OF YEAR	<u>\$ 1,505,068</u>	<u>\$ 1,578,558</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (73,490)	\$ 98,113
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	61,359	43,139
Loss on disposal of property and equipment	1,558	-
Changes in operating assets and liabilities:		
Accounts receivable	177,162	(266,964)
Prepaid expenses	9,872	(959)
Inventory	2,545	(17,334)
Accounts payable	6,278	13,353
Accrued expenses	35,940	(1,854)
Total Adjustments	<u>294,714</u>	<u>(230,619)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>221,224</u>	<u>(132,506)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in assets whose use is limited	(60,077)	72,600
Purchases of property and equipment	<u>(107,007)</u>	<u>(195,697)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(167,084)</u>	<u>(123,097)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	54,140	(255,603)
CASH, BEGINNING OF YEAR	<u>200,624</u>	<u>456,227</u>
CASH, END OF YEAR	<u>\$ 254,764</u>	<u>\$ 200,624</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, 2013 AND 2012**

	2013				2012			
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 1,114,372	\$ 915,449	\$ 107,354	\$ 91,569	\$ 992,003	\$ 866,234	\$ 40,704	\$ 85,065
Payroll taxes	89,100	73,227	8,505	7,368	83,859	73,227	3,441	7,191
Employee benefits	121,957	88,414	20,062	13,481	114,234	98,751	4,687	9,796
Total Personnel Costs	<u>1,325,429</u>	<u>1,077,090</u>	<u>135,921</u>	<u>112,418</u>	<u>1,190,096</u>	<u>1,039,212</u>	<u>48,832</u>	<u>102,052</u>
Medical Supplies	507,082	507,082	-	-	403,892	403,892	-	-
Sub-Contractor	38,156	32,501	-	5,655	39,910	31,875	8,035	-
Charitable care	153,190	153,190	-	-	176,413	176,413	-	-
Advertising	3,347	1,384	1,251	712	2,224	664	1,069	491
Bad debt expense	25,122	25,122	-	-	-	-	-	-
Bank fees	961	25	922	14	1,123	65	1,058	-
Dues and memberships	6,775	3,893	2,582	300	7,461	3,685	3,526	250
Continuing education	5,719	4,459	1,110	150	12,924	8,697	3,478	749
Equipment, rental and repair	68,769	48,432	19,581	756	64,570	43,828	19,539	1,203
Insurance	37,038	25,574	11,464	-	30,852	21,651	9,201	-
Postage and shipping	1,422	487	929	6	1,052	134	778	140
Travel	4,466	1,411	2,447	608	5,650	3,162	2,009	478
Meeting/food	1,331	115	1,169	47	1,633	25	1,395	213
Miscellaneous expense	4,985	3,600	1,134	251	7,242	6,208	1,034	-
Loss on sale of assets	1,558	1,558	-	-	-	-	-	-
Professional fees	124,589	77,186	43,616	3,787	101,735	56,102	45,422	211
Rent	117,660	75,396	42,264	-	115,725	69,435	46,290	-
Supplies	39,461	34,797	4,102	562	37,978	29,255	8,491	232
Telephone	10,798	7,914	2,528	356	7,224	1,046	6,178	-
Uniforms	584	584	-	-	640	640	-	-
Subtotal before depreciation	<u>2,478,442</u>	<u>2,081,800</u>	<u>271,020</u>	<u>125,622</u>	<u>2,208,344</u>	<u>1,895,989</u>	<u>206,335</u>	<u>106,020</u>
Depreciation	61,359	49,087	12,272	-	43,139	34,511	8,628	-
TOTAL EXPENSES	<u>\$ 2,539,801</u>	<u>\$ 2,130,887</u>	<u>\$ 283,292</u>	<u>\$ 125,622</u>	<u>\$ 2,251,483</u>	<u>\$ 1,930,500</u>	<u>\$ 214,963</u>	<u>\$ 106,020</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. The Clinic 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, 2013 and 2012, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through June 9, 2014, 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.

Concentration of Risk

Medicaid and other reimbursement programs accounted for approximately 32% and 26% of revenues and support for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing Medicaid programs are extremely complex and subject to interpretation. Regarding 2013 support and revenue, one provider contributed 19% of the total.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Cash

Cash consists of demand deposit accounts held at financial institutions, specifically excluding money market accounts classified as assets whose use is limited. From time to time, the Clinic maintains deposits at financial institutions in excess of federally insured limits.

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.

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 2013, 2012, 2011 and 2010 remain open as of June 9, 2014, 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 management is unaware of any unlikely tax positions with the result that none are reported.

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.

Inventory

Inventory consists of donated vaccines and is valued at its estimated fair market value, which approximates cost determined on the first-in, first-out method as applied to the value of each item on the date of each in-kind donation.

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

**NOTE B - PROPERTY AND EQUIPMENT**

At December 31, 2013 and 2012, property and equipment are summarized as follows:

	<u>2013</u>	<u>2012</u>
Cost:		
Furniture and equipment	\$ 172,988	\$ 144,829
Leasehold improvements	406,964	350,078
	<u>579,952</u>	<u>494,907</u>
Less: accumulated depreciation	161,840	120,885
Property and equipment, net	<u>\$ 418,112</u>	<u>\$ 374,022</u>

In 2014, the Clinic underwent construction to remodel and expand the medical and office space to include a dental clinic at a contracted amount of \$109,348.

**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, 2013 and 2012, lease payments were \$117,660 and \$115,724, respectively. Minimum future rental payments under this non-cancelable operating lease for each of the next two calendar years and in the aggregate follow:

<u>Calendar Years</u>	
2014	\$ 116,970
2015	68,232
Thereafter	-
Total minimum future lease payments	<u>\$ 185,202</u>

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

**NOTE D** - TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2013 and 2012, activity in temporarily restricted net assets are summarized as follows:

	<b>Balance as of January 1, 2013</b>	<b>Additions</b>	<b>Released from restrictions</b>	<b>Balance as of December 31, 2013</b>
Primary Care	\$ 417,729	\$ 437,943	\$ 559,346	\$ 296,326
Dental Program	120,840	50,115	80,287	90,668
Capital	49,778	80,000	58,069	71,709
Behavioral Health	-	87,290	-	87,290
Restricted for time	120,000	127,500	120,000	127,500
	<u>\$ 708,347</u>	<u>\$ 782,848</u>	<u>\$ 817,702</u>	<u>\$ 673,493</u>

	<b>Balance as of January 1, 2012</b>	<b>Additions</b>	<b>Released from restrictions</b>	<b>Balance as of December 31, 2012</b>
Primary Care	\$ 309,418	\$ 536,025	\$ 427,714	\$ 417,729
Dental Program	-	120,840	-	120,840
Capital	-	82,000	32,222	49,778
Restricted for time	115,200	120,000	115,200	120,000
	<u>\$ 424,618</u>	<u>\$ 858,865</u>	<u>\$ 575,136</u>	<u>\$ 708,347</u>

Grants receivable related to subsequent years are considered temporarily restricted net assets - "Restricted for time" as noted above. \$115,200 of grants receivable was reclassified from unrestricted net assets to temporarily restricted net assets as of January 1, 2012. This reclassification had no effect on total assets, total liabilities nor on change in net assets.

**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 \$28,785 and \$26,381 for the years ended December 31, 2013 and 2012, respectively.

**NOTE F**- CONTRIBUTED SERVICES

During the years ended December 31, 2013 and 2012 the Clinic received contributed professional services with fair values of approximately \$1,406 and \$7,040, respectively.

During the years ended December 31, 2013 and 2012 the Clinic received contributed medical supplies with estimated fair values of approximately \$463,470 and \$392,303, respectively.