

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014 AND 2013
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

**TURNER HOUSE CLINIC, INC.
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FINANCIAL STATEMENTS
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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, 2014 and 2013, 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.

Auditors' 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, 2014 and 2013, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
June 18, 2015

**TURNER HOUSE CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 171,366	\$ 254,764
Assets whose use is limited	125,931	237,408
Accounts receivable	22,580	86,041
Grants receivable	732,477	523,894
Inventory	63,199	54,581
Prepaid expenses	13,900	11,693
	<u>1,129,453</u>	<u>1,168,381</u>
TOTAL CURRENT ASSETS	1,129,453	1,168,381
PROPERTY AND EQUIPMENT - net	<u>472,714</u>	<u>418,112</u>
	<u>\$ 1,602,167</u>	<u>\$ 1,586,493</u>
TOTAL ASSETS	<u>\$ 1,602,167</u>	<u>\$ 1,586,493</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 29,597	\$ 43,072
Accrued expenses	29,013	38,353
Deferred revenue	48,169	-
	<u>106,779</u>	<u>81,425</u>
TOTAL CURRENT LIABILITIES	<u>106,779</u>	<u>81,425</u>
NET ASSETS		
Unrestricted	550,123	721,076
Unrestricted - board designated	100,441	110,499
Temporarily restricted	844,824	673,493
	<u>1,495,388</u>	<u>1,505,068</u>
TOTAL NET ASSETS	<u>1,495,388</u>	<u>1,505,068</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,602,167</u>	<u>\$ 1,586,493</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 310,787	\$ 181,245
Medicaid and other reimbursements	712,587	798,092
Interest income	827	1,279
Miscellaneous income	971	239
Total Revenues	<u>1,025,172</u>	<u>980,855</u>
<u>SUPPORT</u>		
Contributions	118,911	80,894
Grants	160,050	114,422
Special Events, net of \$8,864 and \$16,555 of direct expenses in 2014 & 2013, respectively	21,374	30,394
In-kind contributions	502,755	476,898
Net assets released from restriction	818,803	817,702
Total Support	<u>1,621,893</u>	<u>1,520,310</u>
 TOTAL REVENUES AND SUPPORT	 <u>2,647,065</u>	 <u>2,501,165</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	2,315,860	2,130,887
Management and General	299,123	283,292
Fundraising	213,093	125,622
 TOTAL EXPENDITURES	 <u>2,828,076</u>	 <u>2,539,801</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>(181,011)</u>	 <u>(38,636)</u>
 <u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	990,134	782,848
Net assets released from restrictions	<u>(818,803)</u>	<u>(817,702)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>171,331</u>	 <u>(34,854)</u>
 CHANGE IN NET ASSETS	 (9,680)	 (73,490)
 NET ASSETS, BEGINNING OF YEAR	 <u>1,505,068</u>	 <u>1,578,558</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,495,388</u>	 <u>\$ 1,505,068</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (9,680)	\$ (73,490)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	73,673	61,359
Loss on disposal of property and equipment	-	1,558
Changes in operating assets and liabilities:		
Accounts receivable	(145,122)	177,162
Prepaid expenses	(2,207)	9,872
Inventory	(8,618)	2,545
Accounts payable and accrued expenses	(22,815)	42,218
Deferred revenue	48,169	-
Total Adjustments	<u>(56,920)</u>	<u>294,714</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(66,600)</u>	<u>221,224</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) decrease in assets whose use is limited	111,477	(60,077)
Purchases of property and equipment	<u>(128,275)</u>	<u>(107,007)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(16,798)</u>	<u>(167,084)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(83,398)	54,140
CASH, BEGINNING OF YEAR	<u>254,764</u>	<u>200,624</u>
CASH, END OF YEAR	<u>\$ 171,366</u>	<u>\$ 254,764</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, 2014 AND 2013**

	2014				2013			
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 1,184,300	\$ 984,454	\$ 83,287	\$ 116,559	\$ 1,114,372	\$ 915,449	\$ 107,354	\$ 91,569
Payroll taxes	88,197	70,253	9,252	8,692	89,100	73,227	8,505	7,368
Employee benefits	169,781	120,784	30,311	18,686	121,957	88,414	20,062	13,481
Total Personnel Costs	<u>1,442,278</u>	<u>1,175,491</u>	<u>122,850</u>	<u>143,937</u>	<u>1,325,429</u>	<u>1,077,090</u>	<u>135,921</u>	<u>112,418</u>
Medical Supplies	512,743	512,641	102	-	507,082	507,082	-	-
Sub-Contractor	121,314	57,767	-	63,547	38,156	32,501	-	5,655
Charitable care	232,934	232,934	-	-	153,190	153,190	-	-
Advertising	2,974	1,129	1,689	156	3,347	1,384	1,251	712
Bad debt expense	-	-	-	-	25,122	25,122	-	-
Bank fees	2,281	58	2,109	114	961	25	922	14
Dues and memberships	7,155	2,553	3,459	1,143	6,775	3,893	2,582	300
Continuing education	7,616	6,161	1,130	325	5,719	4,459	1,110	150
Equipment, rental and repair	72,020	58,854	12,378	788	68,769	48,432	19,581	756
Insurance	17,691	11,216	6,475	-	37,038	25,574	11,464	-
Postage and shipping	2,064	437	1,325	302	1,422	487	929	6
Travel	7,146	3,560	3,395	191	4,466	1,411	2,447	608
Meeting/food	665	-	627	38	1,331	115	1,169	47
Miscellaneous expense	8,034	7,273	310	451	4,985	3,600	1,134	251
Loss on sale of assets	-	-	-	-	1,558	1,558	-	-
Professional fees	149,605	98,978	50,575	52	124,589	77,186	43,616	3,787
Rent	133,967	93,777	40,190	-	117,660	75,396	42,264	-
Supplies	22,785	16,602	5,015	1,168	39,461	34,797	4,102	562
Telephone	11,007	7,705	2,421	881	10,798	7,914	2,528	356
Uniforms	124	124	-	-	584	584	-	-
Subtotal before depreciation	<u>2,754,403</u>	<u>2,287,260</u>	<u>254,050</u>	<u>213,093</u>	<u>2,478,442</u>	<u>2,081,800</u>	<u>271,020</u>	<u>125,622</u>
Depreciation	73,673	28,600	45,073	-	61,359	49,087	12,272	-
TOTAL EXPENSES	<u>\$ 2,828,076</u>	<u>\$ 2,315,860</u>	<u>\$ 299,123</u>	<u>\$ 213,093</u>	<u>\$ 2,539,801</u>	<u>\$ 2,130,887</u>	<u>\$ 283,292</u>	<u>\$ 125,622</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, 2014 and 2013, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through June 18, 2015, 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. 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.

Concentration of Risk

Medicaid and other reimbursement programs accounted for approximately 25% and 32% of revenues and support for the years ended December 31, 2014 and 2013, respectively. Laws and regulations governing Medicaid programs are extremely complex and subject to interpretation. Two other providers contributed 27% of revenues and support for the year ended December 31, 2014.

**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 2014, 2013, 2012 and 2011 remain open as of June 18, 2015, 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, 2014 and 2013, property and equipment are summarized as follows:

	<u>2014</u>	<u>2013</u>
Cost:		
Furniture and equipment	\$ 215,158	\$ 172,988
Leasehold improvements	493,069	406,964
	<u>708,227</u>	<u>579,952</u>
Less: accumulated depreciation	235,513	161,840
Property and equipment, net	<u>\$ 472,714</u>	<u>\$ 418,112</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. As of December 31, 2014, \$86,105 has been paid by the Clinic on this contract.

NOTE C - LEASE COMMITMENTS

The Clinic leases the medical and office space it occupies under the terms of an operating lease expiring 2018, with an option to renew through 2021. The Clinic also leases office equipment under the terms of an operating lease expiring in 2019. For years ended December 31, 2014 and 2013, rent expense was \$133,967 and \$117,660, respectively. Minimum future rental payments under these non-cancelable operating leases for each of the next year five years and in the aggregate follow:

<u>Calendar Years</u>	
2015	\$ 150,125
2016	153,219
2017	153,219
2018	91,279
2019	2,281
Thereafter	-
Total minimum future lease payments	<u>\$ 550,122</u>

NOTE D- GRANTS RECEIVABLE - UNCONDITIONAL PROMISES TO GIVE

The Clinic received grants in the form of unconditional promises to give, in the amount of \$732,477 and \$523,894 in 2014 and 2013, respectively. The pledges are unrestricted. The pledges receivable balance consist of the following at December 31, 2014 and 2013, respectively:

	<u>2014</u>	<u>2013</u>
Grants receivable, due in one year	\$ 692,477	\$ 523,894
Grants receivable, due in 2-5 years	40,000	-
Total grants receivable	<u>\$ 732,477</u>	<u>\$ 523,894</u>

TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2014 and 2013, activity in temporarily restricted net assets are summarized as follows:

	Balance as of January 1, 2014	Additions	Released from restrictions	Balance as of December 31, 2014
Primary Care	\$ 296,326	\$ 698,434	\$ 441,998	\$ 552,762
Dental Program	90,668	91,700	132,611	49,757
Capital	71,709	50,000	71,709	50,000
Behavioral Health	87,290	-	44,985	42,305
Restricted for time	127,500	150,000	127,500	150,000
	<u>\$ 673,493</u>	<u>\$ 990,134</u>	<u>\$ 818,803</u>	<u>\$ 844,824</u>

	Balance as of January 1, 2013	Additions	Released from restrictions	Balance as of December 31, 2013
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>

NOTE F - RETIREMENT PLAN

The Clinic sponsors a defined contribution 401(k) retirement plan that covers eligible employees. Total Clinic's discretionary contributions to the Plan were \$48,602 and \$28,785 for the years ended December 31, 2014 and 2013, respectively.

NOTE G- CONTRIBUTED SERVICES

During the years ended December 31, 2014 and 2013 the Clinic received contributed professional services with fair values of approximately \$12,327 and \$1,406, respectively.

During the years ended December 31, 2014 and 2013 the Clinic received contributed medical supplies with estimated fair values of approximately \$490,428 and \$463,470, respectively.