

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014 AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses.....	6
Notes to Financial Statements	7



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, 2015 and 2014, 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, 2015 and 2014, 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.

Miller Haviland Ketter PCPA

CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
June 15, 2016

TURNER HOUSE CLINIC, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 102,287	\$ 171,366
Assets whose use is limited	89,588	125,931
Accounts receivable	35,546	22,580
Grants receivable	729,427	732,477
Inventory	48,346	63,199
Prepaid expenses	46,086	13,900
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,051,280	1,129,453
PROPERTY AND EQUIPMENT - net	488,543	472,714
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,539,823</u>	<u>\$ 1,602,167</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 63,316	\$ 29,597
Accrued expenses	20,581	29,013
Deferred revenue	20,676	48,169
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	104,573	106,779
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	559,291	550,123
Unrestricted - board designated	63,745	100,441
Temporarily restricted	812,214	844,824
	<hr/>	<hr/>
TOTAL NET ASSETS	1,435,250	1,495,388
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,539,823</u>	<u>\$ 1,602,167</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 305,055	\$ 310,787
Medicaid and other reimbursements	830,420	712,587
Interest income	277	827
Miscellaneous income	18,076	971
Total Revenues	<u>1,153,828</u>	<u>1,025,172</u>
<u>SUPPORT</u>		
Contributions	131,921	118,911
Grants	67,000	160,050
Special Events, net of \$21,904 and \$8,864 of direct expenses in 2015 & 2014, respectively	25,494	21,374
In-kind contributions	470,070	502,755
Net assets released from restriction	930,766	818,803
Total Support	<u>1,625,251</u>	<u>1,621,893</u>
TOTAL REVENUES AND SUPPORT	<u>2,779,079</u>	<u>2,647,065</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	2,361,795	2,315,860
Management and General	316,009	299,123
Fundraising	128,803	213,093
TOTAL EXPENDITURES	<u>2,806,607</u>	<u>2,828,076</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(27,528)</u>	<u>(181,011)</u>
<u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	898,156	990,134
Net assets released from restrictions	<u>(930,766)</u>	<u>(818,803)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(32,610)</u>	<u>171,331</u>
CHANGE IN NET ASSETS	(60,138)	(9,680)
NET ASSETS, BEGINNING OF YEAR	<u>1,495,388</u>	<u>1,505,068</u>
NET ASSETS, END OF YEAR	<u>\$ 1,435,250</u>	<u>\$ 1,495,388</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	<u>\$ (60,138)</u>	<u>\$ (9,680)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	91,923	73,673
Changes in operating assets and liabilities:		
Accounts receivable	(9,916)	(145,122)
Prepaid expenses	(32,186)	(2,207)
Inventory	14,853	(8,618)
Accounts payable and accrued expenses	25,287	(22,815)
Deferred revenue	<u>(27,493)</u>	<u>48,169</u>
Total Adjustments	<u>62,468</u>	<u>(56,920)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,330</u>	<u>(66,600)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in assets whose use is limited	36,343	111,477
Purchases of property and equipment	<u>(107,752)</u>	<u>(128,275)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(71,409)</u>	<u>(16,798)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
DECREASE IN CASH	(69,079)	(83,398)
CASH, BEGINNING OF YEAR	<u>171,366</u>	<u>254,764</u>
CASH, END OF YEAR	<u>\$ 102,287</u>	<u>\$ 171,366</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, 2015 AND 2014

	2015				2014			
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 1,249,804	\$ 1,064,841	\$ 88,015	\$ 96,948	\$ 1,184,300	\$ 984,454	\$ 83,287	\$ 116,559
Payroll taxes	93,339	78,086	7,202	8,051	88,197	70,253	9,252	8,692
Employee benefits	139,631	106,482	18,637	14,512	169,781	120,784	30,311	18,686
Total Personnel Costs	1,482,774	1,249,409	113,854	119,511	1,442,278	1,175,491	122,850	143,937
Medical Supplies	513,780	513,293	487	-	512,743	512,641	102	-
Sub-Contractor	5,832	5,512	320	-	121,314	57,767	-	63,547
Charitable care	230,298	230,298	-	-	232,934	232,934	-	-
Advertising	4,540	500	3,170	870	2,974	1,129	1,689	156
Bank fees	2,536	219	1,954	363	2,281	58	2,109	114
Dues and memberships	7,604	4,024	3,580	-	7,155	2,553	3,459	1,143
Continuing education	5,277	4,442	800	35	7,616	6,161	1,130	325
Equipment, rental and repair	95,202	75,195	17,351	2,656	72,020	58,854	12,378	788
Insurance	28,113	19,488	8,625	-	17,691	11,216	6,475	-
Postage and shipping	1,761	1,359	304	98	2,064	437	1,325	302
Travel	5,438	2,544	2,180	714	7,146	3,560	3,395	191
Meeting/food	1,608	431	1,100	77	665	-	627	38
Miscellaneous expense	10,196	6,735	3,461	-	8,034	7,273	310	451
Professional fees	143,227	77,999	62,378	2,850	149,605	98,978	50,575	52
Rent	145,562	101,893	43,669	-	133,967	93,777	40,190	-
Supplies	22,946	18,884	3,072	990	22,785	16,602	5,015	1,168
Telephone	7,990	5,593	1,758	639	11,007	7,705	2,421	881
Uniforms	-	-	-	-	124	124	-	-
Subtotal before depreciation	2,714,684	2,317,818	268,063	128,803	2,754,403	2,287,260	254,050	213,093
Depreciation	91,923	43,977	47,946	-	73,673	28,600	45,073	-
TOTAL EXPENSES	\$ 2,806,607	\$ 2,361,795	\$ 316,009	\$ 128,803	\$ 2,828,076	\$ 2,315,860	\$ 299,123	\$ 213,093

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, 2015 and 2014, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through June 15, 2016, 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 25% of revenues and support for the years ended December 31, 2015 and 2014, respectively. Laws and regulations governing Medicaid programs are extremely complex and subject to interpretation. Two other providers contributed 28% of revenues and support for the year ended December 31, 2015.

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 2015, 2014, 2013 and 2012 remain open as of June 15, 2016, 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, 2015 and 2014, property and equipment are summarized as follows:

	<u>2015</u>	<u>2014</u>
Cost:		
Furniture and equipment	\$ 263,522	\$ 215,158
Leasehold improvements	514,074	493,069
	<u>777,596</u>	<u>708,227</u>
Less: accumulated depreciation	327,436	235,513
Add: equipment not in service	38,383	-
Property and equipment, net	<u>\$ 488,543</u>	<u>\$ 472,714</u>

NOTE C - 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, 2015 and 2014, rent expense was \$145,562 and \$133,967, 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>	
2016	\$ 153,219
2017	153,219
2018	91,279
2019	2,281
Thereafter	-
Total minimum future lease payments	<u>\$ 399,998</u>

In 2016, the Clinic established a \$100,000 line of credit secured by substantially all assets of the Clinic due 2017 with an interest rate of 5%.

NOTE D - GRANTS RECEIVABLE - UNCONDITIONAL PROMISES TO GIVE

The Clinic received grants in the form of unconditional promises to give, in the amount of \$729,427 and \$732,477 in 2015 and 2014, respectively. The pledges are unrestricted. The pledges receivable balance consist of the following at December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Grants receivable, due in one year	\$ 679,427	\$ 660,877
Grants receivable, due in 2-5 years	50,000	71,600
Total grants receivable	<u>\$ 729,427</u>	<u>\$ 732,477</u>

TURNER HOUSE CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2015 and 2014, activity in temporarily restricted net assets are summarized as follows:

	<u>Balance as of January 1, 2015</u>	<u>Additions</u>	<u>Released from restrictions</u>	<u>Balance as of December 31, 2015</u>
Primary Care	\$ 552,762	\$ 573,321	\$ 752,044	\$ 374,039
Dental Program	49,757	99,835	28,722	120,870
Capital	50,000	2,500	-	52,500
Behavioral Health	42,305	-	-	42,305
Restricted for time	150,000	222,500	150,000	222,500
	<u>\$ 844,824</u>	<u>\$ 898,156</u>	<u>\$ 930,766</u>	<u>\$ 812,214</u>

	<u>Balance as of January 1, 2014</u>	<u>Additions</u>	<u>Released from restrictions</u>	<u>Balance as of December 31, 2014</u>
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>

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 \$49,966 and \$48,602 for the years ended December 31, 2015 and 2014, respectively.

NOTE G- CONTRIBUTED SERVICES

During the years ended December 31, 2015 and 2014 the Clinic received contributed professional services with fair values of approximately \$11,935 and \$12,327, respectively.

During the years ended December 31, 2015 and 2014 the Clinic received contributed medical supplies with estimated fair values of approximately \$458,135 and \$490,428, respectively.