

**TURNER HOUSE CLINIC, INC.
dba TURNER HOUSE CHILDREN'S CLINIC
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND 2015
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, 2016 and 2015, 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, 2016 and 2015, 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 & HETTER PC, PA
CERTIFIED PUBLIC ACCOUNTANTS

Westwood, Kansas
September 26, 2017

**TURNER HOUSE CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 248,836	\$ 102,287
Assets whose use is limited	(10)	89,588
Accounts receivable	38,484	35,546
Grants receivable	622,056	729,427
Inventory	86,549	48,346
Prepaid expenses	<u>2,450</u>	<u>46,086</u>
TOTAL CURRENT ASSETS	998,365	1,051,280
PROPERTY AND EQUIPMENT - net	<u>468,809</u>	<u>488,543</u>
TOTAL ASSETS	<u>\$ 1,467,174</u>	<u>\$ 1,539,823</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 84,465	\$ 63,316
Accrued expenses	20,876	20,581
Line of credit	100,000	-
Deferred revenue	<u>-</u>	<u>20,676</u>
TOTAL CURRENT LIABILITIES	<u>205,341</u>	<u>104,573</u>
NET ASSETS		
Unrestricted	530,490	559,291
Unrestricted - board designated	-	63,745
Temporarily restricted	<u>731,343</u>	<u>812,214</u>
TOTAL NET ASSETS	<u>1,261,833</u>	<u>1,435,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,467,174</u>	<u>\$ 1,539,823</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>		
<u>UNRESTRICTED REVENUES</u>		
Patient fees collected	\$ 425,522	\$ 305,055
Medicaid and other reimbursements	717,789	830,420
Investment income (loss)	(1,519)	277
Miscellaneous income	2,565	18,076
Total Revenues	<u>1,144,357</u>	<u>1,153,828</u>
<u>SUPPORT</u>		
Contributions	132,025	131,921
Grants	90,392	67,000
Special Events, net of \$17,942 and \$21,904 of direct expenses in 2016 & 2015, respectively	52,553	25,494
In-kind contributions	570,554	470,070
Net assets released from restriction	934,272	930,766
Total Support	<u>1,779,796</u>	<u>1,625,251</u>
TOTAL REVENUES AND SUPPORT	<u>2,924,153</u>	<u>2,779,079</u>
<u>UNRESTRICTED EXPENDITURES</u>		
Program services	2,593,919	2,361,795
Management and General	330,148	316,009
Fundraising	92,632	128,803
TOTAL EXPENDITURES	<u>3,016,699</u>	<u>2,806,607</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(92,546)</u>	<u>(27,528)</u>
<u>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>TEMPORARILY RESTRICTED SUPPORT</u>		
Grants	853,401	898,156
Net assets released from restrictions	<u>(934,272)</u>	<u>(930,766)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(80,871)</u>	<u>(32,610)</u>
CHANGE IN NET ASSETS	(173,417)	(60,138)
NET ASSETS, BEGINNING OF YEAR	<u>1,435,250</u>	<u>1,495,388</u>
NET ASSETS, END OF YEAR	<u>\$ 1,261,833</u>	<u>\$ 1,435,250</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (173,417)	\$ (60,138)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	99,110	91,923
Changes in operating assets and liabilities:		
Accounts receivable	104,433	(9,916)
Prepaid expenses	43,636	(32,186)
Inventory	(38,203)	14,853
Accounts payable and accrued expenses	21,444	25,287
Deferred revenue	(20,676)	(27,493)
Total Adjustments	<u>209,744</u>	<u>62,468</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>36,327</u>	<u>2,330</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in assets whose use is limited	89,598	36,343
Purchases of property and equipment	<u>(79,376)</u>	<u>(107,752)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>10,222</u>	<u>(71,409)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line of credit	<u>100,000</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>100,000</u>	<u>-</u>
INCREASE IN CASH	146,549	(69,079)
CASH, BEGINNING OF YEAR	<u>102,287</u>	<u>171,366</u>
CASH, END OF YEAR	<u>\$ 248,836</u>	<u>\$ 102,287</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, 2016 AND 2015**

	2016			2015				
	Total	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising
Salaries & wages	\$ 1,262,097	\$ 1,121,554	\$ 74,842	\$ 65,701	\$ 1,249,804	\$ 1,064,841	\$ 88,015	\$ 96,948
Payroll taxes	87,338	76,943	5,348	5,047	93,339	78,086	7,202	8,051
Employee benefits	135,363	104,635	17,738	12,990	139,631	106,482	18,637	14,512
Total Personnel Costs	<u>1,484,798</u>	<u>1,303,132</u>	<u>97,928</u>	<u>83,738</u>	<u>1,482,774</u>	<u>1,249,409</u>	<u>113,854</u>	<u>119,511</u>
Medical Supplies	583,162	582,175	987	-	513,780	513,293	487	-
Sub-Contractor	3,055	3,055	-	-	5,832	5,512	320	-
Charitable care	327,882	327,882	-	-	230,298	230,298	-	-
Advertising	3,054	318	550	2,186	4,540	500	3,170	870
Bank fees	3,107	16	2,781	310	2,536	219	1,954	363
Dues and memberships	4,615	3,221	1,255	139	7,604	4,024	3,580	-
Continuing education	7,926	6,945	831	150	5,277	4,442	800	35
Equipment, rental and repair	79,666	69,015	8,338	2,313	95,202	75,195	17,351	2,656
Insurance	33,063	23,299	9,764	-	28,113	19,488	8,625	-
Postage and shipping	891	406	485	-	1,761	1,359	304	98
Travel	3,382	1,578	1,282	522	5,438	2,544	2,180	714
Meeting/food	1,187	532	655	-	1,608	431	1,100	77
Miscellaneous expense	8,510	4,404	4,106	-	10,196	6,735	3,461	-
Professional fees	198,275	79,005	117,020	2,250	143,227	77,999	62,378	2,850
Rent	148,656	118,925	29,731	-	145,562	101,893	43,669	-
Supplies	17,219	14,927	1,981	311	22,946	18,884	3,072	990
Telephone	7,834	6,051	1,070	713	7,990	5,593	1,758	639
Subtotal before depreciation and interest	2,916,282	2,544,886	278,764	92,632	2,714,684	2,317,818	268,063	128,803
Depreciation	99,110	49,033	50,077	-	91,923	43,977	47,946	-
Interest	1,307	-	1,307	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 3,016,699</u>	<u>\$ 2,593,919</u>	<u>\$ 330,148</u>	<u>\$ 92,632</u>	<u>\$ 2,806,607</u>	<u>\$ 2,361,795</u>	<u>\$ 316,009</u>	<u>\$ 128,803</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, 2016 and 2015, the Clinic reported no permanently restricted net assets.

Subsequent Events

Subsequent events have been evaluated through September 26, 2017, 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 30% of revenues and support for the years ended December 31, 2016 and 2015, respectively. Laws and regulations governing Medicaid programs are extremely complex and subject to interpretation. One other provider contributed 20% of revenues and support for the year ended December 31, 2016.

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 2016, 2015, 2013 and 2012 remain open as of September 26, 2017, 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, 2016 and 2015, property and equipment are summarized as follows:

	<u>2016</u>	<u>2015</u>
Cost:		
Furniture and equipment	\$ 381,280	\$ 263,522
Leasehold improvements	514,074	514,074
	<u>895,354</u>	<u>777,596</u>
Less: accumulated depreciation	426,545	327,436
Add: equipment not in service	-	38,383
Property and equipment, net	<u>\$ 468,809</u>	<u>\$ 488,543</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, 2016 and 2015, rent expense was \$148,656 and \$145,562, 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>	
2017	\$ 153,219
2018	91,279
2019	2,281
Thereafter	-
Total minimum future lease payments	<u>\$ 246,779</u>

In 2016, the Clinic established a \$100,000 line of credit secured by substantially all assets of the Clinic due 2018 with an interest rate of 5%; at December 31, 2016 the balance outstanding was \$100,000.

NOTE D- GRANTS RECEIVABLE - UNCONDITIONAL PROMISES TO GIVE

The Clinic received grants in the form of unconditional promises to give, in the amount of \$622,056 and \$729,427 in 2016 and 2015, respectively. The pledges are unrestricted. The pledges receivable balance consist of the following at December 31, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Grants receivable, due in one year	\$ 574,056	\$ 679,427
Grants receivable, due in 2-5 years	48,000	50,000
Total grants receivable	<u>\$ 622,056</u>	<u>\$ 729,427</u>

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

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2016 and 2015, activity in temporarily restricted net assets are summarized as follows:

	<u>Balance as of January 1, 2016</u>	<u>Additions</u>	<u>Released from restrictions</u>	<u>Balance as of December 31, 2016</u>
Primary Care	\$ 374,039	\$ 612,963	\$ 486,125	\$ 500,877
Dental Program	120,870	45,000	125,842	40,028
Capital	52,500	5,000	57,500	-
Behavioral Health	42,305	-	42,305	-
Restricted for time	222,500	190,438	222,500	190,438
	<u>\$ 812,214</u>	<u>\$ 853,401</u>	<u>\$ 934,272</u>	<u>\$ 731,343</u>

	<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>

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 \$31,714 and \$49,966 for the years ended December 31, 2016 and 2015, respectively.

NOTE G- CONTRIBUTED SERVICES

During the years ended December 31, 2016 and 2015 the Clinic received contributed professional services with fair values of approximately \$4,234 and \$11,935, respectively.

During the years ended December 31, 2016 and 2015 the Clinic received contributed medical supplies with estimated fair values of approximately \$566,321 and \$458,135, respectively.