

**TURNER HOUSE CLINIC, INC.
(DBA TURNER HOUSE CHILDREN'S CLINIC)
A 501(c)(3) Not-For-Profit Organization)**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

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Ralph C. Johnson & Company p.c.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Turner House Clinic, Inc.
Kansas City, Kansas

We have audited the accompanying statement of financial position of **TURNER HOUSE CLINIC, INC. (DBA TURNER HOUSE CHILDREN'S CLINIC) (The Clinic)** as of December 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence which supports the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Clinic** as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2009, on our consideration of **The Clinic's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **The Clinic** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other funding sources of **The Clinic**, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kansas City
08 JULY 2010
OUR 39th YEAR

Ralph C. Johnson & Company, P.C.

TURNER HOUSE CLINIC, INC.
Statement of Financial Position
For the Years Ending December 31,

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 1)	\$ 407,127	\$ 130,010
Certificate of Deposit	202,252	280,577
Accounts Receivable	577,021	466,903
Prepaid Insurance	3,025	5,510
Total current assets	1,189,425	883,000
CAPITAL ASSETS		
Furniture and Equipment	52,407	33,401
Leasehold Improvements	213,933	31,040
Leasehold Improvements - Construction In Process	-	166,480
	266,340	230,921
Less, Accumulated Depreciation	42,385	25,237
	223,955	205,684
TOTAL ASSETS	1,413,380	1,088,684
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	30,904	10,756
Payroll Withholding	1,553	2,128
Total current liabilities	32,457	12,884
NET ASSETS		
Unrestricted Net Assets	962,309	892,830
Temporarily restricted net assets (note 6)	418,615	182,970
	1,380,924	1,075,800
TOTAL LIABILITIES AND NET ASSETS	\$ 1,413,380	\$ 1,088,684

TURNER HOUSE CLINIC, INC.
Statement of Activity
and changes in Net Assets (note 1)
For the Years Ending December 31,

	<u>2009</u>	<u>2008</u>
UNRESTRICTED REVENUE:		
Patient Fees Collected	\$ 50,126	\$ 38,321
Medicaid and Other Reimbursements	302,079	250,009
Contributions	20,996	81,812
Grants	21,793	381,094
Interest Income	8,345	10,400
Voucher Program	-	512
Miscellaneous Income	5,671	2,580
	<u>409,010</u>	<u>764,728</u>
In-Kind Contributions	374,910	315,113
Net assets released from restrictions	653,675	340,364
TOTAL REVENUE	<u>1,437,595</u>	<u>1,420,205</u>
UNRESTRICTED EXPENDITURES:		
Program Services	1,202,585	877,595
Management and General	80,877	99,535
Fundraising	84,654	51,856
TOTAL EXPENDITURES	<u>1,368,116</u>	<u>1,028,986</u>
CHANGE IN UNRESTRICTED NET ASSETS	69,479	391,219
Unrestricted Net Assets, Beginning of Year	<u>892,830</u>	<u>501,611</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>962,309</u>	<u>892,830</u>
TEMPORARILY RESTRICTED REVENUE		
Grants	855,620	494,780
Contributions	33,700	
Net assets released from restrictions	(653,675)	(340,364)
TOTAL REVENUE	<u>235,645</u>	<u>154,416</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	235,645	154,416
Temporarily Restricted Net Assets, Beginning of Year	<u>182,970</u>	<u>28,554</u>
TEMPORARILY RESTRICTED NET ASSETS, END OF YEAR	<u>418,615</u>	<u>182,970</u>
PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,380,924</u>	<u>\$ 380,326</u>

TURNER HOUSE CLINIC, INC.
STATEMENT OF CASH FLOWS
For the Years Ending December 31,

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 305,124	\$ 545,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,150	2,691
(Increase) decrease in accounts receivable	(110,118)	(317,064)
(Increase) decrease in prepaid Insurance	2,485	(5,510)
Increase in accounts payable	20,146	10,756
Increase (decrease) in payroll withholding	(575)	1,481
Cash provided by operating activities	<u>234,212</u>	<u>237,988</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of capital assets	<u>(35,419)</u>	<u>(176,382)</u>
 Net increase in cash and cash equivalents	198,793	61,606
 Cash and cash equivalents, beginning of year	410,586	348,980
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 609,379</u>	<u>\$ 410,586</u>
 Interest paid	<u>\$ Nil</u>	<u>\$ Nil</u>
 Income taxes paid	<u>\$ Nil</u>	<u>\$ Nil</u>

See accompanying notes to financial statements.

TURNER HOUSE CLINIC, INC.
Statement of Functional Expenses
For the Years Ending December 31,

2009

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 653,372	\$ 38,715	\$ 74,411	\$ 766,498
Medical supplies	379,303	-	-	379,303
Sub-Contractor	32,861	-	-	32,861
Advertising	11,690	-	-	11,690
Bank Fees	-	804	-	804
Depreciation	13,720	3,430	-	17,150
Dues & Subscriptions	8,307	550	95	8,952
Continuing Education	3,349	270	-	3,619
Equipment Rental	4,479	401	108	4,988
Insurance	10,036	8,136	-	18,172
Postage & Shipping	1,175	147	147	1,469
Travel	277	35	34	346
Meeting/Food	3,278	291	74	3,643
Miscellaneous Expense	1,549	2,394	19	3,962
Professional fees	1,448	16,118	181	17,747
Rent	55,245	6,906	6,905	69,056
Supplies	10,783	1,348	1,348	13,479
Telephone	10,656	1,332	1,332	13,320
Uniforms	1,057	-	-	1,057
TOTAL	\$ 1,202,585	\$ 80,877	\$ 84,654	\$ 1,368,116

2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 431,333	\$ 41,483	\$ 44,009	\$ 516,825
Medical supplies	316,492	-	-	316,492
Sub-Contractor	32,300	-	-	32,300
Advertising	3,465	-	-	3,465
Bank Fees	-	931	-	931
Depreciation	1,895	796	-	2,691
Dues & Subscriptions	894	440	-	1,334
Continuing Education	2,235	57	-	2,292
Equipment Rental	3,877	345	86	4,308
Insurance	15,264	3,130	180	18,574
Postage & Shipping	896	112	112	1,120
Travel	540	68	67	675
Meeting/Food	2,667	237	60	2,964
Miscellaneous Expense	266	486	-	752
Professional fees	-	38,813	-	38,813
Rent	40,477	5,060	5,060	50,597
Supplies	14,637	6,381	1,086	22,104
Telephone	9,565	1,196	1,196	11,957
Uniforms	792	-	-	792
TOTAL	\$ 877,595	\$ 99,535	\$ 51,856	\$ 1,028,986

TURNER HOUSE CLINIC, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

1. **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

a. **Organization and Programs**

TURNER HOUSE CLINIC, INC (the **Clinic**) is a 501(c)(3) not-for-profit organization, which 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 undersevered children of Wyandotte County.

b. **Basis of Accounting**

The financial statements of the **Clinic** are prepared on the accrual basis of accounting for income and expenses.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the **Clinic** is required to present a statement of cash flows.

c. **Revenue**

The **Clinic** has two primary sources of revenue, grants and contributions and medical service reimbursements. Grants, contracts and other contributions of cash received are recorded as unrestricted, temporarily restricted, or permanently restricted support in accordance with any donor restrictions. All donor-restricted revenues are reported as an increase in temporarily or permanently restricted net assets, according to the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

d. **Cash and Cash Equivalents**

The **Clinic's** cash and cash equivalents consists of cash and other securities with a maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

e. **Contributions**

Contributions are recognized as received. Non-cash contributions are recorded at their fair market value at the time of the gift.

f. **Reclassifications**

Certain reclassifications have been made to the 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

g. **Compensated Absences**

Every full-time employee earns 10 days of vacation, three days of personal leave, and three days of sick leave annually which can be taken after completion of three months of service. Earned and un-used compensated absences are not paid to an employee upon their termination.

TURNER HOUSE CLINIC, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

h. Property and Equipment

The **Clinic's** expenditures for property and equipment, and for renewals or betterments, which extend the originally estimated lives of the assets are capitalized. Expenditure for maintenance and repairs are charged to expense. When items are disposed of, the cost and accumulated depreciation are removed from the accounts, and the gain or loss is included in the results of operations. Depreciation or amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets. Furniture and equipment is depreciated under the straight-line method over a period of 5 to 7 years.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, consisted of the following:

	<u>2009</u>	<u>2008</u>
Furniture and Equipment	\$ 52,407	\$ 33,401
Leasehold Improvement	213,933	31,040
Construction in Progress	<u>-0-</u>	<u>166,480</u>
	266,340	230,921
Less: accumulated depreciation	<u>42,385</u>	<u>23,237</u>
Total Property and Equipment	<u>\$ 223,955</u>	<u>\$ 205,684</u>

3. INCOME TAX STATUS

The **Clinic** is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and State income taxes.

4. RENTAL EXPENSE AND LEASE COMMITMENTS

The **Clinic** leases the medical and office space it occupies. This operating lease expires July 31, 2013. The leases was amended in 2008 to add the new space that was acquired during construction. The changes put the square footage costs on an escalator that changes annually. The **Clinic** entered into a new operating lease for a copier in September 2006 with monthly lease payments of \$155 and expires in September 2011.

Lease payments were \$69,056 and \$54,905, respectively, for the years ending December 31, 2009 and 2008.

	<i>Occupancy</i>	<i>Copier</i>
2009	\$ 67,614	\$ 1,860
2010	68,955	1,395
2011	71,254	-0-
2012	42,905	-0-
2013	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 317,385</u>	<u>\$ 3,255</u>

TURNER HOUSE CLINIC, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

5. CLINIC EXPANSION

In 2008, the **Clinic** committed to increasing its capacity to serve uninsured and underserved children by nearly doubling the office and clinical space. The expansion cost was fully funded by contributions and was estimated to be completed by October 2008. Currently there are costs associated to the construction that have not been paid.

6. TEMPORARILY RESTRICTED REVENUE

Net assets of \$653,675 and \$361,918, for the years ended December 31, 2009 and 2008 respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the years 2009 and 2008.

Purposes or time restricted satisfied:	<u>2009</u>	<u>2008</u>
Organization's Telephone System	\$ -0-	\$ 7,000
Medication	12,000	5,000
Operating and Expansion	<u>641,675</u>	<u>328,364</u>
	<u>\$ 653,675</u>	<u>\$ 340,364</u>

Temporarily restricted net assets in the amount of \$418,615 and \$182,970, for the years ended December 31, 2009 and 2008 respectively, are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Operating and Expansion	<u>\$ 418,615</u>	<u>\$ 182,970</u>

7. CHANGE IN ACCOUNTING PRINCIPLE

At the beginning of the 2008 fiscal period, the Clinic changed its accounting method from the basis of cash received and disbursements made, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America to the accrual basis. The change was made to increase the usability of reports in order to show more accurately revenues and expenses. The changes made in prior period were to record accounts receivable and revenues related to that operating year. The effect of income for the effect of the current period was the reduction of revenues for the previous year and recording of income receivable at year end. The cumulative effect on net assets is an increase in the beginning balance of approximately \$149,839.

8. CONTRIBUTED SERVICES

The Clinic records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance a long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements are in-kind contributions and are offset by like amounts included in expenses or additions to property and equipment.

The Clinic received contributed professional services during the years ended December 31, 2009 and 2008 with a fair value of approximately \$60,000 and \$52,688, respectively.

The Clinic received contributed medical supplies during the years ended December 31, 2009 and 2008 with a fair value of approximately \$314,910 and \$262,425, respectively.

**TURNER HOUSE CLINIC, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 8, 2010 which is the date the financial statements were available to be issued.

OTHER REQUIRED REPORTS

TURNER HOUSE CLINIC, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
American Recovery and Reinvestment Act of 2009 Passthrough: Kansas Housing Resource Corporation	unknown	<u>\$16,331</u>
		<u>\$16,331</u>

NOTE — BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **TURNER HOUSE CLINIC, INC. (DBA TURNER HOUSE CHILDREN'S CLINIC)**, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SUPPLEMENTARY INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
The Turner House Clinic, Inc.
Kansas City, Kansas

We have audited the financial statements of **TURNER HOUSE CLINIC, INC. (DBA TURNER HOUSE CHILDREN'S CLINIC (The Clinic))** as of and for the year ended December 31, 2009, and have issued our report thereon dated July 08, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **The Clinic's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **The Clinic's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Kansas City
08 JULY 2010
OUR 39TH YEAR

Ralph C. Johnson & Company, P.C.

Ralph C. Johnson & Company, p.c.