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# **Turner House Clinic, Inc. d/b/a Vibrant Health**

## **Independent Auditor's Report and Financial Statements**

December 31, 2022 and 2021

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**Turner House Clinic, Inc.**  
**d/b/a Vibrant Health**  
**December 31, 2022 and 2021**

**Contents**

<b>Independent Auditor’s Report.....</b>	<b>1</b>	
 <b>Financial Statements</b>		
Balance Sheets.....	4	
Statements of Operations.....	5	
Statements of Changes in Net Assets .....	6	
Statements of Cash Flows .....	7	
Notes to Financial Statements .....	8	
 <b>Supplementary Information</b>		
Schedule of Expenditures of Federal Awards .....	30	
Notes to the Schedule of Expenditures of Federal Awards .....	31	
 <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report .....</b>		<b>32</b>
 <b>Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report.....</b>		<b>34</b>
 <b>Schedule of Findings and Questioned Costs.....</b>	<b>37</b>	
 <b>Summary Schedule of Prior Audit Findings.....</b>	<b>42</b>	

## Independent Auditor's Report

Board of Directors  
Turner House Clinic, Inc.  
d/b/a Vibrant Health  
Kansas City, Kansas

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Turner House Clinic, Inc. d/b/a Vibrant Health (the Organization), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matters**

The 2021 financial statements, before they were restated for the matters discussed in *Note 17*, were audited by other auditors, and their report thereon, dated August 9, 2022, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

As discussed in *Note 11* to the financial statements, in 2022, the Organization adopted new accounting guidance for leases. Our audit report is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards are required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, on our consideration of the Organization'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 solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**FORVIS,LLP**

Kansas City, Missouri  
September 8, 2023

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Balance Sheets

December 31, 2022 and 2021

### Assets

	2022	2021 <i>(As Restated - Note 17)</i>
<b>Current Assets</b>		
Cash	\$ 3,092,277	\$ 3,470,505
Patient accounts receivable	557,793	448,360
Other receivables	41,762	111,772
Grants and contributions receivable	1,431,961	1,910,774
Inventory	338,145	431,887
Prepaid expenses	161,847	171,098
	<u>5,623,785</u>	<u>6,544,396</u>
<b>Property, Plant, and Equipment, At Cost</b>		
Furniture and fixtures	232,603	209,032
Equipment	1,560,023	1,184,292
Leasehold improvements	2,387,839	1,505,129
Construction in progress	17,400	278,875
	<u>4,197,865</u>	<u>3,177,328</u>
Less accumulated depreciation	1,261,674	902,336
	<u>2,936,191</u>	<u>2,274,992</u>
<b>Other Assets</b>		
Right-of-use assets - operating leases, net	5,508,759	-
Grants and contributions receivable	-	205,000
	<u>5,508,759</u>	<u>205,000</u>
Total other assets	<u>5,508,759</u>	<u>205,000</u>
Total assets	<u>\$ 14,068,735</u>	<u>\$ 9,024,388</u>

### Liabilities and Net Assets

<b>Current Liabilities</b>		
Accounts payable and other accrued liabilities	\$ 340,619	\$ 583,998
Current portion of operating lease liabilities	940,238	-
Accrued salaries and benefits	399,423	292,311
	<u>1,680,280</u>	<u>876,309</u>
Total current liabilities	<u>1,680,280</u>	<u>876,309</u>
<b>Operating Lease Liabilities</b>		
	<u>4,900,958</u>	<u>-</u>
<b>Deferred Rent</b>		
	<u>-</u>	<u>314,013</u>
<b>Net Assets</b>		
Without donor restrictions	4,407,861	5,080,663
With donor restrictions	3,079,636	2,753,403
	<u>7,487,497</u>	<u>7,834,066</u>
Total net assets	<u>7,487,497</u>	<u>7,834,066</u>
Total liabilities and net assets	<u>\$ 14,068,735</u>	<u>\$ 9,024,388</u>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Statements of Operations**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
		<b>(As Restated - Note 17)</b>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>		
Patient service revenue	\$ 6,729,228	\$ 4,927,890
Grants and contributions	912,513	1,138,140
Other revenues	2,551,898	947,474
Net assets released from restrictions used for operations	6,423,126	7,704,575
Total revenues, gains and other support without donor restrictions	16,616,765	14,718,079
<b>Expenses</b>		
Salaries and wages	8,113,582	5,792,305
Employee benefits	1,485,430	1,063,129
Purchased services, supplies and other	7,579,455	5,279,625
Depreciation and amortization	359,427	177,521
Interest	-	13,836
Total expenses	17,537,894	12,326,416
<b>Operating Income (Loss)</b>	<b>(921,129)</b>	<b>2,391,663</b>
<b>Other Income (Loss)</b>		
Special events, net of direct expenses	238,557	212,642
Investment income	9,694	1,759
Gain (loss) on the disposal of assets	76	(21,700)
Total other income	248,327	192,701
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>(672,802)</b>	<b>2,584,364</b>
<b>Contribution of Property and Equipment</b>	<b>-</b>	<b>156,270</b>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<b>\$ (672,802)</b>	<b>\$ 2,740,634</b>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Statements of Changes in Net Assets**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
		<i>(As Restated - Note 17)</i>
<b>Net Assets Without Donor Restrictions</b>		
Excess (deficiency) of revenues over expenses	\$ (672,802)	\$ 2,584,364
Contribution of property and equipment	-	156,270
Increase (decrease) in net assets without donor restrictions	(672,802)	2,740,634
<b>Net Assets With Donor Restrictions</b>		
Grants and contributions received	5,568,596	8,591,374
Contributed nonfinancial assets	1,180,763	1,442,076
Net assets released from restrictions	(6,423,126)	(7,704,575)
Increase in net assets with donor restrictions	326,233	2,328,875
<b>Change in Net Assets</b>	(346,569)	5,069,509
<b>Net Assets, Beginning of Year, as Previously Reported</b>	-	2,770,480
<b>Adjustment Due to Error Correction</b>	-	(5,923)
<b>Net Assets, Beginning of Year, as Restated</b>	7,834,066	2,764,557
<b>Net Assets, End of Year</b>	\$ 7,487,497	\$ 7,834,066

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
		<b>(As Restated - Note 17)</b>
<b>Operating Activities</b>		
Change in net assets	\$ (346,569)	\$ 5,069,509
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	359,426	177,521
(Gain) loss on disposal of asset	(76)	21,700
Donated property and equipment	-	(156,270)
Change in donated inventory	146,730	(331,040)
Noncash operating lease expense	951,292	-
Changes in		
Patient accounts receivable	(109,433)	(303,072)
Inventory	(52,988)	(4,256)
Prepaid expenses	9,251	(150,399)
Other receivables	70,010	(111,772)
Grants and contributions receivable	683,813	(557,552)
Accounts payable, other accrued liabilities and deferred rent	(243,379)	651,177
Accrued salaries and benefits	107,112	138,750
Refundable advances	-	(976,076)
Operating lease liabilities	(932,868)	-
Net cash provided by operating activities	642,321	3,468,220
<b>Investing Activities</b>		
Proceeds from disposition of property and equipment	6,112	-
Acquisition of property and equipment	(1,026,661)	(1,917,872)
Net cash used in investing activities	(1,020,549)	(1,917,872)
<b>Increase (Decrease) in Cash</b>	(378,228)	1,550,348
<b>Cash, Beginning of Year</b>	3,470,505	1,920,157
<b>Cash, End of Year</b>	\$ 3,092,277	\$ 3,470,505
<b>Supplemental Cash Flows Information</b>		
Noncash investing activities		
Donated equipment	\$ -	\$ 156,270

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Turner House Clinic, Inc. d/b/a Vibrant Health (the Organization), is a Missouri not-for-profit organization that provides quality outpatient health care services to patients in Wyandotte County, Kansas and the surrounding area. The Organization was established in 1989 by a small group of volunteer physicians who recognized the urgent, unmet health care needs of uninsured and underserved children of Wyandotte County and has since expanded to treat patients of all ages.

***Use of Estimates***

The preparation of financial statements in conformity 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 amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, the Organization did not have cash equivalents.

The Organization's cash accounts exceeded federally insured limits by approximately \$568,000 at December 31, 2022.

***Patient Accounts Receivable***

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Bad debt expense was not significant for the years ended December 31, 2022 and 2021.

***Inventory***

Supplies inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Donated vaccines are valued at their estimated fair market value. Estimated fair market values are determined using the first-in, first-out method.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and equipment	5 – 7 years
Leasehold improvements	5 – 39 years

### ***Long-Lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

### ***Refund Liabilities***

From time to time, the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. Approximately \$69,000 and \$0 is included in accounts payable on the balance sheets at December 31, 2022 and 2021, respectively.

### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. These restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

***Patient Service Revenue***

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

***Contributions***

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**Government Grants**

The Organization participates in numerous grants from various departments and agencies of the federal, state and local governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Grant revenue is generally recognized as the Organization meets the conditions prescribed by the grant agreements, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant awards received in excess of the amount recognized as revenue are recorded as deferred revenue until the stated conditions have been met. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**Medical Malpractice Insurance**

The Organization obtains medical malpractice coverage under the *Federal Tort Claims Act* (FTCA). Under such policy, coverage is comparable to an “occurrence” policy without a monetary cap.

**Income Taxes**

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 2: Grants and Contributions Receivable

Grants and contributions receivable consisted of the following:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ 40,000	\$ 1,391,961	\$ 1,431,961
	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ 46,896	\$ 1,863,878	\$ 1,910,774
Due within one to five years	40,000	165,000	205,000
	\$ 86,896	\$ 2,028,878	\$ 2,115,774

### Note 3: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at December 31, 2022 and 2021 that are not recognized in the financial statements.

	<b>2022</b>	<b>2021</b>
Conditional promises to give upon incurring qualifying expenses subject to the Uniform Guidance	\$ 933,338	\$ 2,812,756
Conditional promises to give upon meeting certain clinical, strategic and community goals	1,000,000	-
	\$ 1,933,338	\$ 2,812,756

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 4: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash	\$ 3,092,277	\$ 3,470,505
Patient accounts receivable	557,793	448,360
Other receivables	41,762	111,772
Grants and contributions receivable	<u>1,431,961</u>	<u>2,115,774</u>
Total financial assets	<u>5,123,793</u>	<u>6,146,411</u>
Less amounts not available to be used within one year		
Grants and contributions receivable - due after one year	-	205,000
Restricted for capital equipment	<u>-</u>	<u>47,325</u>
Financial assets not available to be used within one year	<u>-</u>	<u>252,325</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,123,793</u>	<u>\$ 5,894,086</u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$250,000, which it could draw upon. See *Note 7* for further information on this line of credit.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### **Note 5: Patient Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

#### ***Performance Obligations***

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient centers. The Organization measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Organization does not believe it is required to provide additional goods related to the patient.

#### ***Transaction Price***

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### **Third-Party Payors**

Agreements with third-party payors typically provide for payments at amounts less than established charges. The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. A summary of the payment arrangements with major third-party payors follows:

*Medicare.* Covered services rendered to Medicare program beneficiaries are paid on a prospective payment system (PPS). Medicare payment under the FQHC PPS and patient coinsurance will be paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Accordingly, to the extent the Organization's charge is below the applicable PPS rate, Medicare FQHC reimbursement will be limited. Services not covered under the FQHC PPS benefit are paid based on established fee schedules.

*Medicaid.* Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for services in the interim based on a Medicaid fee schedule with final settlement determined after submission of an annual cost report by the Organization and audits thereof by the Medicaid fiscal intermediary.

*Other.* Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### ***Patient and Uninsured Payors***

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for its sliding fee discount program are provided care without charge or at amounts less than established rates. Such amounts determined to qualify for the sliding fee discount program are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

### ***Revenue Composition***

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service (for example, medical, dental, behavioral health, etc.)

For the years ended December 31, 2022 and 2021, the Organization recognized revenue of \$8,746,110 and \$5,631,703, respectively, from goods and services that transfer to the customer over time and \$535,016 and \$243,661, respectively, from goods and services that transfer to the customer at a point in time.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

The composition of patient service revenue recognized in the years ended December 31, 2022 and 2021 was approximately:

	<u>2022</u>	<u>2021</u>
Medicaid	\$ 5,312,347	\$ 4,078,104
Medicare	118,004	93,557
Commercial	673,873	225,278
Other government	123,986	177,950
Self-pay	<u>501,018</u>	<u>353,001</u>
Patient service revenue	<u>\$ 6,729,228</u>	<u>\$ 4,927,890</u>

### Note 6: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2022 and 2021, is:

	<u>2022</u>	<u>2021</u>
Medicaid	51%	50%
Medicare and Medicare HMO	9%	2%
Other third-party payors	31%	48%
Patients	<u>9%</u>	<u>0%</u>
	<u>100%</u>	<u>100%</u>

### Note 7: Line of Credit

At December 31, 2022, the Organization had an unused \$250,000 line of credit with a local bank to be drawn upon as needed. The line of credit has a variable interest rate based on the *Wall Street Journal* prime rate plus 0.75 percent. The rate at December 31, 2022 is 7.00 percent. The line of credit matures on December 1, 2023.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 8: Net Assets

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
		<i>(As Restated)</i>
Subject to expenditure for specified purpose		
Medical, dental and behavioral health program activities	<u>\$ 3,079,636</u>	<u>\$ 2,753,403</u>

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions at December 31 are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
		<i>(As Restated)</i>
Undesignated	\$ 1,471,670	\$ 2,805,671
Invested in property and equipment	<u>2,936,191</u>	<u>2,274,992</u>
	<u>\$ 4,407,861</u>	<u>\$ 5,080,663</u>

#### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2022</u>	<u>2021</u>
		<i>(As Restated)</i>
Satisfaction of purpose restrictions		
Medical, dental and behavioral health program activities	<u>\$ 6,423,126</u>	<u>\$ 7,704,575</u>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 9: Contributed Nonfinancial Assets**

In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of operations and changes in net assets and disclosures within the notes to the financial statements about the valuation methodology for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

The Organization received nonfinancial asset contributions of medical supplies with estimated fair values of \$1,198,814 and \$1,442,076 during the years ended December 31, 2022 and 2021, respectively. The Organization received donated equipment with estimated fair values of \$0 and \$156,270 during the years ended December 31, 2022 and 2021, respectively.

The medical supply nonfinancial assets listed above were recognized as contributed nonfinancial assets within the statements of changes in net assets with the fair market value estimated based on the market cost of the various supplies at the time of donation. These contributed nonfinancial assets had donor-imposed restrictions and were utilized in providing medical care to patients.

The equipment nonfinancial assets listed above were recognized as contributed nonfinancial assets within the statements of operations with the fair market value estimated based on the market cost of the various equipment at the time of donation. These contributed nonfinancial assets did not have any donor-imposed restrictions and were utilized in providing medical care to patients.

**Note 10: Leases under ASC 840**

Noncancellable operating leases for office and clinic space, as well as minor equipment, expires in various years through 2030. These leases generally contain renewal options for periods ranging from five to six years.

Future minimum lease payments at December 31, 2021, were:

2022	\$ 935,114
2023	930,482
2024	798,799
2025	778,194
2026	783,736
Thereafter	<u>1,801,445</u>
	<u><u>\$ 6,027,770</u></u>

Rent expense was \$918,891 for the year ended December 31, 2021.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 11: Leases under ASC 842**

***Change in Accounting Principle***

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$6,460,051 and \$6,774,064, respectively. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU asset. The standard did not significantly affect the statements of operations or cash flows.

***Accounting Policies***

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its various leases.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

***Nature of Leases***

The Organization has entered into the following lease arrangements:

***Operating Leases***

The Organization leases office and clinical space, as well as minor equipment, that expires in various years through 2030. Some of these leases contain renewal options for periods ranging from five to six years. Some of the lease payments have an escalating fee schedule, of which the increase is varied in timing and amount. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

***Short-Term Leases***

The Organization leases certain equipment and clinical space in which the expected lease terms are less than 12 months. Total lease expense included in operating expenses for the year ended December 31, 2022 was \$399,290.

***All Leases***

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Quantitative Disclosures**

The lease cost and other required information for the year ended December 31, 2022 is:

	<b>2022</b>
Lease cost	
Operating lease cost	\$ 1,044,414
Other lease cost (short-term, variable, etc.)	399,290
Total lease cost	\$ 1,443,704
	<b>2022</b>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,025,990
Weighted-average remaining lease term	
Operating leases	6.80 years
Weighted-average discount rate	
Operating leases	1.50%

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2022, are as follows:

	<b>Operating Leases</b>
2023	\$ 1,027,613
2024	935,857
2025	925,475
2026	932,800
2027	643,695
Thereafter	1,681,308
Total future undiscounted lease payments	6,146,748
Less interest	(305,552)
Lease liabilities	\$ 5,841,196

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 12: Functional Expenses**

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the program services, management and general, and fundraising functional expense classifications based on use. The following schedules present the natural classification of expenses by function as follows:

	<b>2022</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 6,023,105	\$ 2,014,395	\$ 76,611	\$ 8,114,111
Employee benefits	580,508	253,382	8,172	842,062
Payroll taxes	485,209	151,099	6,531	642,839
Total salaries, wages and related expenses	7,088,822	2,418,876	91,314	9,599,012
Medical supplies	1,750,390	-	-	1,750,390
Contracted labor	1,490,450	226,487	-	1,716,937
Advertising	8,082	27,141	42	35,265
Bank fees	3,304	7,127	1,536	11,967
Dues and memberships	37,634	75,473	-	113,107
Continuing education	17,867	28,744	-	46,611
Equipment, rental and repair	462,932	277,146	4,339	744,417
Insurance	276	32,363	-	32,639
Postage and shipping	2,888	5,237	180	8,305
Travel	12,471	15,333	-	27,804
Meeting/food	3,289	26,756	44	30,089
Miscellaneous	62,588	98,604	696	161,888
Professional fees	364,361	558,181	70,168	992,710
Rent and utilities	50,364	1,349,513	-	1,399,877
Supplies	408,689	14,097	-	422,786
Telephone	6,087	46,944	-	53,031
Transportation	25,474	-	-	25,474
Uniforms	-	6,159	-	6,159
Total expenses before depreciation	11,795,967	5,214,182	168,319	17,178,467
Depreciation	282,399	77,028	-	359,427
Total expenses	<u>\$ 12,078,366</u>	<u>\$ 5,291,210</u>	<u>\$ 168,319</u>	<u>\$ 17,537,894</u>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

	<b>2021</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 4,184,776	\$ 1,368,533	\$ 238,996	\$ 5,792,305
Employee benefits	398,419	204,962	23,184	626,565
Payroll taxes	317,595	99,733	19,236	436,564
<b>Total salaries, wages and related expenses</b>	<b>4,900,790</b>	<b>1,673,228</b>	<b>281,416</b>	<b>6,855,434</b>
Medical supplies	1,533,557	-	-	1,533,557
Contracted labor	1,145,584	95,246	-	1,240,830
Advertising	9,029	39,254	576	48,859
Bank fees	-	5,260	3,495	8,755
Dues and memberships	10,211	45,722	1,821	57,754
Continuing education	22,810	26,010	2,400	51,220
Equipment, rental and repair	222,837	304,303	3,731	530,871
Insurance	7,074	17,944	-	25,018
Postage and shipping	1,868	1,947	341	4,156
Travel	4,291	2,607	-	6,898
Meeting/food	1,191	12,954	144	14,289
Miscellaneous	56,476	31,327	2,056	89,859
Professional fees	246,133	296,329	5,500	547,962
Rent and utilities	-	954,023	-	954,023
Supplies	97,704	2,240	-	99,944
Telephone	14,713	33,466	-	48,179
Transportation	13,523	144	-	13,667
Uniforms	-	3,784	-	3,784
<b>Total expenses before depreciation and interest</b>	<b>8,287,791</b>	<b>3,545,788</b>	<b>301,480</b>	<b>12,135,059</b>
Depreciation	132,922	44,599	-	177,521
Interest	-	13,836	-	13,836
<b>Total expenses</b>	<b>\$ 8,420,713</b>	<b>\$ 3,604,223</b>	<b>\$ 301,480</b>	<b>\$ 12,326,416</b>

**Note 13: Defined Contribution Retirement Plan**

The Organization has a defined contribution 401(k) retirement plan covering all employees who are at least 21 years of age. Employer contributions to the plan for the years ended December 31, 2022 and 2021 were \$152,351 and \$121,816, respectively.

# Turner House Clinic, Inc. d/b/a Vibrant Health

## Notes to Financial Statements

December 31, 2022 and 2021

### Note 14: Medical Malpractice Insurance

Effective June 4, 2020, the United States Department of Health and Human Services deemed the Organization and its participating physicians covered under the *Federal Torts Claims Act* (FTCA). Under such policy, coverage is comparable to an occurrence policy without a monetary cap. The Organization's coverage under FTCA renewed on January 1, 2022, for coverage period January 1, 2022 to December 31, 2022. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of potential improper professional services occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Organization's claim experience, no such accrual has been made. However, because of the risks involved in providing health care services, it is possible that an event has occurred which could be the basis of a future material claim.

### Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Significant Estimates***

Estimates of variable consideration in determining transaction price for patient service revenue are described in *Notes 1* and *5*.

#### ***Admitting Physicians***

The Organization is served by a group of admitting physicians whose patients comprise approximately 41 percent and 29 percent of the Organization's patient service revenues at December 31, 2022 and 2021, respectively.

### Note 16: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

***Provider Relief Fund***

During the years ended December 31, 2022 and 2021, the Organization received approximately \$0 and \$177,000, respectively, of distributions from the CARES Act and other regulations (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Organization accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses through December 31, 2022, the Organization recognized approximately \$0 and \$536,000 in the years ended December 31, 2022 and 2021, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as other income in the accompanying statements of operations.

The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization’s Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

***Paycheck Protection Program (PPP) Loans***

The Organization received PPP loans established by the CARES Act and has elected to account for the funding as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Interest is accrued in accordance with the loan agreements. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

In 2021, the Organization received legal notice that the PPP loans and accrued interest were forgiven, including both principal and accrued interest of approximately \$1,300,000. This forgiveness is included in net assets released from restrictions used for operations within the statement of operations.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 17: Restatements of Prior-Year Financial Statements**

In prior years, the Organization did not properly record rent expense on the straight-line basis or defer lease incentives and amortize against rent expense over the life of the lease. During 2022, the Organization restated the 2021 and prior financial statements to properly account for these transactions in accordance with ASC Topic 840, *Leases*. This restatement reduced the previously reported 2021 change in net assets by \$314,013.

Additionally, the Organization previously did not properly present the net assets released from restriction for acquisition for property and equipment. During 2022, the Organization restated the 2021 statement of operations to properly present this activity as net assets released from restrictions for operations. This restatement had no impact on the previously reported change in net assets.

A change in the classification of net assets within the balance sheet was also required to appropriately reflect the restatements discussed above.

Lastly, a performance indicator was added to appropriately reflect the excess (deficiency) of revenues over expenses within the statement of operations.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

The following financial statement line items were affected by these corrections:

	<b>2021</b> <b>(As Previously</b> <b>Reported)</b>	<b>Effect of</b> <b>Change</b>	<b>2021</b> <b>(As Restated)</b>
<b>Balance Sheet</b>			
Deferred rent	\$ -	\$ 314,013	\$ 314,013
Net assets without donor restrictions	5,826,563	(745,900)	5,080,663
Net assets with donor restrictions	2,321,516	431,887	2,753,403
Total net assets	8,148,079	(314,013)	7,834,066
<b>Statement of Operations</b>			
Net assets released from restrictions used for operations	\$ 6,885,531	819,044	\$ 7,704,575
In-kind contributions, without donor restrictions	1,598,346	(1,598,346)	-
Total revenues, gains and other support without donor restrictions	15,497,381	(779,302)	14,718,079
Purchased services, supplies and other	5,251,535	28,090	5,279,625
Total expenses	12,298,326	28,090	12,326,416
Operating income (loss)	3,199,055	(807,392)	2,391,663
Net assets released from restriction for acquisition of property and equipment	1,298,265	(1,298,265)	-
Total other income	1,490,966	(1,298,265)	192,701
Excess (deficiency) of revenues over expenses	-	2,584,364	2,584,364
Contribution of property and equipment	-	156,270	156,270
Increase (decrease) in net assets without donor restrictions	4,690,021	(1,949,387)	2,740,634
<b>Statement of Changes in Net Assets</b>			
Excess (deficiency) of revenues over expenses	\$ -	\$ 2,584,364	\$ 2,584,364
Contribution of property and equipment	-	156,270	156,270
Increase (decrease) in net assets without donor restrictions	4,690,021	(1,949,387)	2,740,634
Grants and contributions received, with donor restrictions	8,871,374	(280,000)	8,591,374
Contributed nonfinancial assets, with donor restrictions	-	1,442,076	1,442,076
Net assets released from restrictions	(8,183,796)	479,221	(7,704,575)
Increase in net assets with donor restrictions	687,578	1,641,297	2,328,875
Change in net assets	5,377,599	(308,090)	5,069,509
Net assets, beginning of year	2,770,480	(5,923)	2,764,557
Net assets, end of year	8,148,079	(314,013)	7,834,066
<b>Statement of Cash Flows</b>			
Change in net assets	\$ 5,377,599	\$ (308,090)	\$ 5,069,509
Changes in accounts payable and other accrued liabilities	343,087	308,090	651,177

**Note 18: Subsequent Events**

Subsequent events have been evaluated through September 8, 2023, which is the date the financial statements were available to be issued.

# **Turner House Clinic, Inc. d/b/a Vibrant Health**

## **Notes to Financial Statements**

**December 31, 2022 and 2021**

### ***FHC Acquisition***

Subsequent to year-end, the Organization acquired the assets and assumed the liabilities of Family Health Care, Inc. (FHC), a not-for-profit health clinic in Kansas City, Kansas. The acquisition was undertaken with the intent to expand geographic reach and no consideration was transferred for the acquisition. The valuation of the assets and liabilities are still ongoing as of the date of this report.

## **Supplementary Information**

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct programs:				
Health Center Program Cluster - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224		\$ -	\$ 638,326
COVID-19 Health Center Program Cluster - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224		-	1,720,342
Total ALN# 93.224			-	2,358,668
Health Center Program Cluster - Grants for New and Expanded Services under the Health Center Program	93.527		-	43,168
Total Health Center Program Cluster			-	2,401,836
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		-	177,029
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		-	58,710
Passed through KC Care Health Center HIV-Related Training and Technical Assistance	93.145	5U1OHA29293-07-00	-	25,000
Passed through Kansas Department of Health and Environment Immunization Cooperative Agreements	93.268	CDC-RFA-IP19-1901	-	61,444
Passed through Unified Government of Wyandotte County, Kansas City, Kansas Public Health Department Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	None	-	101,750
			\$ -	\$ 2,825,769

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Turner House Clinic, Inc. d/b/a Vibrant Health (the “Organization”) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3: Indirect Cost Rate**

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## 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*

### Independent Auditor's Report

Board of Directors  
Turner House Clinic, Inc.  
d/b/a Vibrant Health  
Kansas City, Kansas

We have audited, 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 (*Government Auditing Standards*), the financial statements of Turner House Clinic, Inc. d/b/a Vibrant Health (the "Organization"), which comprise the Organization's balance sheet as of December 31, 2022, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2023, which contained "Emphasis of Matters" paragraphs referencing the report of other auditors, a restatement and changes in accounting principle.

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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*.

### ***Organization's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS, LLP**

Kansas City, Missouri  
September 8, 2023

## Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

Board of Directors  
Turner House Clinic, Inc.  
d/b/a Vibrant Health  
Kansas City, Kansas

#### Report on Compliance for the Major Federal Program

##### *Opinion on the Major Federal Program*

We have audited Turner House Clinic, Inc. d/b/a Vibrant Health's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

##### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

##### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors  
Turner House Clinic, Inc.  
d/b/a Vibrant Health  
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS,LLP**

Kansas City, Missouri  
September 8, 2023



**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

7. Identification of major federal programs:

<b>Name of Federal Program or Cluster</b>	<b>Federal Assistance Listing Number</b>
Health Center Program Cluster	
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224
COVID-19 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless and Public Housing Primary Care)	93.224
Grants for New and Expanded Services under the Health Center Program	93.527

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee?  Yes  No

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
2022-001	<p><b>Criteria</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> – Accounts receivable balances were over-reserved based on the aging of the related accounts and corresponding payer mix.</p> <p><b>Cause</b> – The current accounts receivable valuation process is infrequent and does not include all of the relevant information required to properly value the allowances for implicit and explicit price concessions.</p> <p><b>Effect or Potential Effect</b> – An audit adjustment for \$160,000 was proposed and recorded by management to correct the allowances for implicit and explicit price concessions on patient account receivables.</p> <p><b>Recommendation</b> – We recommend the Organization evaluate the accounts receivable valuation process and implement a monitoring mechanism to review account receivable allowances for implicit and explicit price concessions on a more frequent basis in conjunction with reviewing payer mix and historical collections data.</p> <p><b>View of Responsible Official and Planned Corrective Actions</b> – The Organization is going to evaluate the accounts receivable valuation process and look to implement a more formal monitoring mechanism to review account receivable allowances more frequently and to explicitly review the payer mix and historical collections data of the accounts receivable as part of this process.</p>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Finding</b>
2022-002	<p><b>Criteria</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> – Lease payments in 2021 were not recorded using the straight-line methodology and a tenant improvement allowance was incorrectly recorded as income as opposed to being deferred and amortized against rent expense over the life of the lease, as required by GAAP.</p> <p><b>Cause</b> – The current lease arrangement review process is infrequent and does not include all of the relevant information required to properly assess the impacts of various lease terms.</p> <p><b>Effect or Potential Effect</b> – The financial statements were restated to properly record the lease transactions in accordance with GAAP.</p> <p><b>Recommendation</b> – We recommend the Organization implement a more formal process of reviewing lease arrangement terms and obtain a better understanding of the impacts of ASC 842, <i>Leases</i>, on their general processes currently in place.</p> <p><b>View of Responsible Official and Planned Corrective Actions</b> – The Organization is going to look to implement a more formal monitoring mechanism to review lease contracts and their terms, while also striving to understand the related impacts of ASC 842, <i>Leases</i>.</p>

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Finding</b>
2022-003	<p><b>Criteria</b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b>Condition</b> – Net assets released from restriction for acquisition of property and equipment was incorrectly recorded and should have been recorded as net assets released from restrictions for operations. Additionally, contributed nonfinancial assets should have been partially recorded as with donor restrictions and subsequently released and partially recorded below the performance indicator without donor restrictions. Lastly, the supporting net asset rollforward by classification did not reconcile to the historical ending net assets by classification.</p> <p><b>Cause</b> – The current financial statement review process does not include any reviews over the appropriate presentation of net assets released from restrictions.</p> <p><b>Effect or Potential Effect</b> – The financial statements were restated to properly record the restricted contributions, net assets released from restrictions and ending net asset classifications in accordance with GAAP.</p> <p><b>Recommendation</b> – We recommend the Organization implement a more formal process of reviewing net assets and obtain a better understanding of the presentational impact of these releases.</p> <p><b>View of Responsible Official and Planned Corrective Actions</b> – The Organization is going to look to implement a more formal monitoring mechanism to review net assets.</p>

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

**Turner House Clinic, Inc. d/b/a Vibrant Health**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2021-001	<p><b>Finding: Application of Sliding Fee Discount Program</b></p> <p><b>Condition</b> – The Organization’s sliding fee discount was improperly calculated for two eligible patients.</p> <p><b>Effect</b> – Control procedures did not prevent the incorrect sliding fee discount being applied to the patient’s accounts.</p>	Corrected