

Medical Service Bureau, Inc.

Financial Statements

December 31, 2016 and 2015

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Independent Auditor's Report

The Board of Directors
Medical Service Bureau, Inc.
Wichita, Kansas

We have audited the accompanying financial statements of Medical Service Bureau, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Service Bureau, Inc. as of December 31, 2016 and 2015, 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.

Regier Carr & Monroe, CPA

May 10, 2017
Wichita, Kansas

Medical Service Bureau, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash on hand and checking accounts	\$ 104,051	\$ 79,835
Total cash and cash equivalents	104,051	79,835
Accounts and grants receivable	645	7,930
Total current assets	104,696	87,765
Investments		
Money market accounts, at cost	216,907	226,653
Certificates of deposit, at cost	79,931	79,335
Total investments	296,838	305,988
Equipment, furniture & leasehold improvements		
Equipment, furniture and leasehold improvements	157,587	149,562
Less accumulated depreciation	(134,726)	(128,817)
Net equipment, furniture and leasehold improvements	22,861	20,745
Total assets	\$ 424,395	\$ 414,498
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,134	\$ 6,686
Payroll taxes and withholdings payable	3,473	3,160
Accrued salaries and wages	6,650	5,888
Total current liabilities	22,257	15,734
Net assets		
Unrestricted	385,729	376,401
Temporarily restricted	16,409	22,363
Total net assets	402,138	398,764
Total liabilities and net assets	\$ 424,395	\$ 414,498

The accompanying notes are an integral part of the financial statements.

Medical Service Bureau, Inc.
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Revenue and other support						
United Way	\$ 406,797	-	\$ 406,797	\$ 391,527	-	\$ 391,527
Sedgwick County Department on Aging	36,380	-	36,380	36,380	-	36,380
Other contributions and grants	81,793	29,020	110,813	88,164	36,252	124,416
Processing and application fees	14,478	-	14,478	14,468	-	14,468
Special events	25,660	-	25,660	19,840	-	19,840
Interest income	980	-	980	988	-	988
In-kind contribution income	51,851	-	51,851	28,619	-	28,619
Miscellaneous income	1,350	-	1,350	1,356	-	1,356
Total revenue and other support	619,289	29,020	648,309	581,342	36,252	617,594
Net assets released from restrictions	34,974	(34,974)	-	13,889	(13,889)	-
Expenses						
Program services						
Vouchers program	481,087	-	481,087	438,042	-	438,042
Prescription drug program	86,708	-	86,708	83,140	-	83,140
Total program services	567,795	-	567,795	521,182	-	521,182
Supporting services						
General administration	45,977	-	45,977	41,401	-	41,401
Fundraising	31,163	-	31,163	35,244	-	35,244
Total supporting services	77,140	-	77,140	76,645	-	76,645
Total expenses	644,935	-	644,935	597,827	-	597,827
Change in net assets	9,328	(5,954)	3,374	(2,596)	22,363	19,767
Net assets - beginning of year	376,401	22,363	398,764	378,997	-	378,997
Net assets - end of year	\$ 385,729	\$ 16,409	\$ 402,138	\$ 376,401	\$ 22,363	\$ 398,764

The accompanying notes are an integral part of the financial statements.

Medical Service Bureau, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services			Supporting Services			Total
	Prescription		Total	Supporting Services		Total	
	Vouchers	Drug		Program	General		
Program	Program	Program	Services	Administration	Fundraising	Services	Total
Prescriptions, eyeglasses, and supplies	\$ 228,343	\$ -	\$ 228,343	\$ -	\$ -	\$ -	\$ 228,343
Salaries	161,480	55,418	216,898	9,265	11,988	21,253	238,151
Fringe benefits	8,370	8,370	16,740	6,449	4,849	11,298	28,038
Payroll taxes	12,047	4,205	16,252	1,210	921	2,131	18,383
Professional fees	3,336	3,336	6,672	11,565	2,512	14,077	20,749
Office supplies and postage	1,560	370	1,930	1,866	193	2,059	3,989
Occupancy	7,861	7,861	15,722	7,997	4,767	12,764	28,486
Conferences, conventions and meetings	325	325	650	425	258	683	1,333
Depreciation	2,659	2,659	5,318	296	295	591	5,909
Insurance	1,078	1,078	2,156	970	795	1,765	3,921
Rental and maintenance of equipment	1,220	1,167	2,387	2,502	950	3,452	5,839
Telephone	1,373	1,162	2,535	1,040	1,033	2,073	4,608
Printing and publications	614	614	1,228	619	2,365	2,984	4,212
Inkind expense	50,678	-	50,678	1,173	-	1,173	51,851
Miscellaneous expense	143	143	286	600	237	837	1,123
	<u>\$ 481,087</u>	<u>\$ 86,708</u>	<u>\$ 567,795</u>	<u>\$ 45,977</u>	<u>\$ 31,163</u>	<u>\$ 77,140</u>	<u>\$ 644,935</u>

The accompanying notes are an integral part of the financial statements.

Medical Service Bureau, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services			Supporting Services			Total	
	Prescription		Total	General		Fundraising		Supporting
	Vouchers	Drug		Administration	Services			
Prescriptions, eyeglasses, and supplies	\$ 222,234	\$ -	\$ 222,234	\$ -	\$ -	\$ -	\$ 222,234	
Salaries	147,550	51,216	198,766	14,342	11,334	25,676	224,442	
Fringe benefits	8,171	8,171	16,342	5,812	5,712	11,524	27,866	
Payroll taxes	12,192	4,233	16,425	1,063	929	1,992	18,417	
Professional fees	2,812	2,812	5,624	6,139	2,639	8,778	14,402	
Office supplies and postage	941	442	1,383	1,482	588	2,070	3,453	
Occupancy	7,173	7,173	14,346	6,951	7,204	14,155	28,501	
Conferences, conventions and meetings	124	124	248	279	101	380	628	
Depreciation	4,743	4,743	9,486	527	527	1,054	10,540	
Insurance	1,025	1,025	2,050	1,039	639	1,678	3,728	
Rental and maintenance of equipment	1,359	1,359	2,718	1,112	1,112	2,224	4,942	
Telephone	1,243	1,243	2,486	1,017	1,017	2,034	4,520	
Printing and publications	415	415	830	340	3,155	3,495	4,325	
Inkind expense	27,874	-	27,874	744	-	744	28,618	
Miscellaneous expense	186	184	370	554	287	841	1,211	
	<u>\$ 438,042</u>	<u>\$ 83,140</u>	<u>\$ 521,182</u>	<u>\$ 41,401</u>	<u>\$ 35,244</u>	<u>\$ 76,645</u>	<u>\$ 597,827</u>	

The accompanying notes are an integral part of the financial statements.

Medical Service Bureau, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 3,374	\$ 19,767
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	5,909	10,540
(Increase)/Decrease in accounts and grants receivable	7,285	(2,890)
Increase in accounts payable	5,448	2,869
Increase/(Decrease) in payroll taxes payable	313	(2,285)
Increase in accrued salaries and wages	762	261
Net cash provided by operating activities	23,091	28,262
 Cash flows from investing activities		
Purchase of equipment, furniture and leasehold improvements	(8,025)	(12,526)
Net investment in money market accounts	9,746	(278)
Purchase of certificates of deposit	(596)	(590)
Net cash provided/(used) by investing activities	1,125	(13,394)
 Net increase in cash and cash equivalents	24,216	14,868
 Cash and cash equivalents - beginning of year	79,835	64,967
 Cash and cash equivalents - end of year	\$ 104,051	\$ 79,835

The accompanying notes are an integral part of the financial statements.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Nature of operations

Medical Service Bureau, Inc. (the Organization) provides access to prescription medications and diabetic supplies, and prescription eyeglasses and referrals for low-cost eye exams to qualified clients. Qualified clients are individuals, families, children and seniors, who live and or work in Sedgwick County, have no prescription insurance or qualify for any government program, and live at or below the poverty guidelines established by the federal government. The services are provided through two different programs; the voucher program and the prescription drug program.

The voucher program provides limited emergency funds yearly through vouchers to qualified clients for prescription medication and diabetic supplies, low-cost eye exam referrals, and to purchase prescription eyeglasses. The voucher is faxed to a pharmacy that then fills the prescription for the client and then bills the Organization. This service is available to qualified individuals who are at or below 150% of the Federal Poverty Guidelines (adults without children qualify for up to \$125 per year, families with children up to \$300 per household per year and seniors up to \$180 per year). Clients must qualify for this service each year.

The prescription drug program is a service where the Organization completes an application(s) to a pharmaceutical company for a brand name medication(s) and if determined eligible by the pharmaceutical company the client will receive the medication free from the pharmaceutical company. Under this program the Organization completes the application, the client signs it, the physician signs and provides the written prescription for the medication, and then the completed application is mailed to the pharmaceutical company. The pharmaceutical company will ship the medication to the physician or directly to the client. The Organization must reapply for most medications every three months. The eligibility requirements are set by the pharmaceutical companies and vary by drug company, but generally are for individuals at 130% - 200% of the Federal Poverty Guidelines.

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. All gifts, grants and bequests are considered unrestricted unless specifically restricted by the donor.

Temporarily restricted net assets-Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restriction.

Permanently restricted net assets-Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of these assets allow the Organization to use all or part of the income earned on related investments for unrestricted or restricted purposes.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in checking accounts, which is available for operating purposes.

Accounts and grants receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. All receivables are unsecured and non-interest bearing and are expected to be collected within one year.

Investments

Investments include amounts held in money market accounts and certificate of deposit accounts. The certificate of deposit accounts have original maturities up to twenty-four months. The fair value of investments approximates their cost.

Equipment and furniture

Equipment and furniture are carried at cost, and are depreciated on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years. The cost of the equipment and furniture purchased in excess of \$500 is capitalized.

Depreciation expense for the years ended December 31, 2016 and 2015 was \$5,909 and \$10,540, respectively.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements.

The Organization files a federal information return (Form 990) which includes information about its operations and exempt activities. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS or Kansas income tax returns for unrelated business income tax for the years ended December 31, 2016 or 2015.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. It is the Organization's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

2. Donated prescriptions

Various pharmaceutical companies provide free prescriptions to patients referred by the Organization. The value of these prescriptions donated by pharmaceutical companies during the year ended December 31, 2016 and 2015 was approximately \$448,000 and \$971,000 respectively. No amounts have been recognized in the accompanying statement of activities because these are considered to be an agency transaction, and the criteria for recognition have not been satisfied.

3. Donated support

The Organization received approximately 1,664 and 1,698 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2016 and 2015, respectively. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

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Notes to Financial Statements
December 31, 2016 and 2015

4. Pension plan

The Organization has a SIMPLE IRA Plan. The Organization matches the employees' contributions up to 3% of the employees' wages, for those employees who are contributing to the plan via salary reduction. The Organization's matching contributions amounted to \$5,277 and \$4,282 for the years ended December 31, 2016 and 2015, respectively.

5. Operating leases

The Organization leases office space under an operating lease that commenced March 15, 2010 and has been amended to extend the lease term through December 31, 2018. The monthly lease payment includes base rent, real estate taxes, insurance and common area maintenance charges. The base rent rate is subject to change on an annual basis in proportion to the consumer price index. The Organization recognized lease expense, including real estate taxes, insurance and common area maintenance charges, of \$21,997 and \$21,487 for the years ended December 31, 2016 and 2015, respectively.

The Organization also leases a copier under an operating lease that commenced July 28, 2015.

The following is a schedule by years of future minimum lease payments required under operating leases covering office facilities and equipment as of December 31, 2016:

Year Ending December 31	
2016	\$ 24,330
2017	24,330
2018	2,160
2019	1,800
	<u>\$ 52,620</u>

6. Restricted net assets

Temporarily restricted net assets at December 31, 2016 and 2015 are designated for the following purposes:

	<u>2016</u>	<u>2015</u>
Prescriptions, diabetic supplies, eye exams and glasses	<u>\$ 16,409</u>	<u>\$ 22,363</u>

Net assets are released from donor restrictions by either the expiration of time restrictions or by incurring expenses satisfying the restricted purpose specified by the donors.

The Organization had no permanently restricted net assets at December 31, 2016 or 2015.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

7. Subsequent events

The Organization has evaluated subsequent events through May 10, 2017, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.