

Medical Service Bureau, Inc.

Financial Statements

December 31, 2015 and 2014



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

In planning and performing our audit of the financial statements of Medical Service Bureau, Inc. as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Medical Service Bureau, Inc.'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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Regier Carr & Monroe, CPA

June 5, 2016
Wichita, Kansas

Medical Service Bureau, Inc.

Financial Statements

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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, LLP

June 5, 2016
Wichita, Kansas

Medical Service Bureau, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash on hand and checking accounts	\$ 79,835	\$ 64,967
Total cash and cash equivalents	79,835	64,967
Accounts and grants receivable	7,930	5,040
Total current assets	87,765	70,007
Investments		
Money market accounts, at cost	226,653	226,375
Certificates of deposit, at cost	79,335	78,745
Total investments	305,988	305,120
Equipment and furniture		
Equipment, furniture and leasehold improvements	149,562	137,055
Less accumulated depreciation	128,817	118,297
Net furniture and equipment	20,745	18,758
Total assets	\$ 414,498	\$ 393,885
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,686	\$ 3,817
Payroll taxes and withholdings payable	3,160	5,444
Accrued salaries and wages	5,888	5,627
Total current liabilities	15,734	14,888
Net assets		
Unrestricted	376,401	378,997
Temporarily restricted	22,363	-
Total net assets	398,764	378,997
Total liabilities and net assets	\$ 414,498	\$ 393,885

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

Medical Service Bureau, Inc.
Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support						
United Way	\$ 391,527	\$ -	\$ 391,527	\$ 385,566	\$ -	\$ 385,566
Sedgwick County Department on Aging	36,380	-	36,380	35,380	-	35,380
Other contributions and grants	88,164	36,252	124,416	90,327	-	90,327
Processing and application fees	14,468	-	14,468	13,045	-	13,045
Special events	19,840	-	19,840	29,046	-	29,046
Interest income	988	-	988	1,082	-	1,082
In-kind contribution income	28,619	-	28,619	13,786	-	13,786
Miscellaneous income	1,356	-	1,356	3,531	-	3,531
Total revenue and other support	581,342	36,252	617,594	571,763	-	571,763
Net assets released from restrictions	13,889	(13,889)	-	9,081	(9,081)	-
Expenses						
Program services						
Vouchers program	438,042	-	438,042	420,104	-	420,104
Prescription drug program	83,140	-	83,140	85,765	-	85,765
Total program services	521,182	-	521,182	505,869	-	505,869
Supporting services						
General administration	41,401	-	41,401	58,593	-	58,593
Fundraising	35,244	-	35,244	31,192	-	31,192
Total supporting services	76,645	-	76,645	89,785	-	89,785
Total expenses	597,827	-	597,827	595,654	-	595,654
Change in net assets	(2,596)	22,363	19,767	(14,810)	(9,081)	(23,891)
Net assets - beginning of year	378,997	-	378,997	393,807	9,081	402,888
Net assets - end of year	\$ 376,401	\$ 22,363	\$ 398,764	\$ 378,997	\$ -	\$ 378,997

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
	Vouchers Program	Prescription Drug Program	Total Program Services	General Administration	Fundraising	Supporting 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.
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services			Supporting Services			Total
	Prescription	Drug	Program	Administration	Fundraising	Supporting	
	Program	Program	Services	Services	Services	Services	
Prescriptions, eyeglasses, and supplies	\$ 223,801	-	\$ 223,801	\$ -	\$ -	\$ -	\$ 223,801
Salaries	152,846	54,041	206,887	17,832	10,840	28,672	235,559
Fringe benefits	5,797	5,797	11,594	9,314	4,742	14,056	25,650
Payroll taxes	13,030	4,614	17,644	906	885	1,791	19,435
Professional fees	3,165	4,186	7,351	4,280	2,589	6,869	14,220
Office supplies and postage	755	577	1,332	1,659	653	2,312	3,644
Occupancy	6,775	6,775	13,550	8,632	4,939	13,571	27,121
Conferences, conventions and meetings	324	324	648	923	264	1,187	1,835
Travel	-	-	-	128	-	128	128
Depreciation	4,567	4,568	9,135	507	507	1,014	10,149
Insurance	1,025	1,025	2,050	839	840	1,679	3,729
Rental and maintenance of equipment	1,572	1,572	3,144	1,372	1,242	2,614	5,758
Telephone	1,184	1,184	2,368	969	969	1,938	4,306
Printing and publications	975	975	1,950	964	2,564	3,528	5,478
Inkind expense	4,161	-	4,161	9,625	-	9,625	13,786
Miscellaneous expense	127	127	254	643	158	801	1,055
	<u>\$ 420,104</u>	<u>\$ 85,765</u>	<u>\$ 505,869</u>	<u>\$ 58,593</u>	<u>\$ 31,192</u>	<u>\$ 89,785</u>	<u>\$ 595,654</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, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 19,767	\$ (23,891)
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	10,540	10,149
(Increase)/Decrease in accounts and grants receivable	(2,890)	(2,230)
Increase/(Decrease) in accounts payable	2,869	3,817
Increase/(Decrease) in payroll taxes payable	(2,285)	407
Increase/(Decrease) in accrued salaries and wages	261	760
Net cash provided/(used) by operating activities	28,262	(10,988)
 Cash flows from investing activities		
Purchase of equipment, furniture and leasehold improvement	(12,526)	-
Net investment in money market accounts	(278)	2,732
Purchase of certificates of deposit	(590)	(585)
Net cash provided/(used) by investing activities	(13,394)	2,147
 Net increase/(decrease) in cash and cash equivalents	14,868	(8,841)
 Cash and cash equivalents - beginning of year	64,967	73,808
 Cash and cash equivalents - end of year	\$ 79,835	\$ 64,967

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

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014

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 consolidated 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, 2015 and 2014 was \$10,540 and \$10,149, respectively.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 or 2014. The Organization's federal information return is subject to examination by the IRS, generally for three years after they are filed.

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, 2015 and 2014 was approximately \$971,000 and \$753,000 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 1,698 and 2,095 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2015 and 2014, 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.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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 \$4,282 and \$4,572 for the years ended December 31, 2015 and 2014, 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 \$21,487 and \$20,622 for the years ended December 31, 2015 and 2014, 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, 2015:

Year Ending December 31		
2016	\$	24,330
2017		24,330
2018		24,330
2019		2,160
2020		2,160
		\$ 77,310

6. Restricted net assets

Temporarily restricted net assets at December 31, 2015 and 2014 are designated for the following purposes:

	2015	2014
Prescriptions, diabetic supplies, eye exams and glasses	\$ 22,363	\$ -

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, 2015 or 2014.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

7. Subsequent events

The Organization has evaluated subsequent events through June 5, 2016, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.