

Medical Service Bureau, Inc.

Financial Statements

December 31, 2014 and 2013

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

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, 2014 and 2013, 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, 2014 and 2013, 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

May 15, 2015
Wichita, Kansas

Medical Service Bureau, Inc.
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Cash on hand and checking accounts	\$ 64,967	\$ 73,808
Total cash and cash equivalents	64,967	73,808
Accounts and grants receivable	5,040	2,810
Total current assets	70,007	76,618
Investments		
Money market accounts, at cost	226,375	229,107
Certificates of deposit, at cost	78,745	78,160
Total investments	305,120	307,267
Equipment and furniture		
Equipment and furniture	137,055	137,055
Less accumulated depreciation	118,297	108,149
Net furniture and equipment	18,758	28,906
Total assets	\$ 393,885	\$ 412,791
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,817	\$ -
Payroll taxes and withholdings payable	5,444	5,036
Accrued salaries and wages	5,627	4,867
Total current liabilities	14,888	9,903
Net assets		
Unrestricted	378,997	393,807
Temporarily restricted	-	9,081
Total net assets	378,997	402,888
Total liabilities and net assets	\$ 393,885	\$ 412,791

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

Medical Service Bureau, Inc.
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support						
United Way	\$ 385,566	-	\$ 385,566	\$ 367,206	-	\$ 367,206
Sedgwick County Department on Aging	35,380	-	35,380	32,500	-	32,500
Other contributions and grants	90,327	-	90,327	91,390	9,081	100,471
Processing and application fees	13,045	-	13,045	13,426	-	13,426
Special events	29,046	-	29,046	23,425	-	23,425
Interest income	1,082	-	1,082	1,488	-	1,488
In-kind contribution income	13,786	-	13,786	10,527	-	10,527
Miscellaneous income	3,531	-	3,531	3,685	-	3,685
Total revenue and other support	571,763	-	571,763	543,647	9,081	552,728
Net assets released from restrictions	9,081	(9,081)	-	38,100	(38,100)	-
Expenses						
Program services						
Vouchers program	420,104	-	420,104	433,934	-	433,934
Prescription drug program	85,765	-	85,765	88,072	-	88,072
Total program services	505,869	-	505,869	522,006	-	522,006
Supporting services						
General administration	58,593	-	58,593	37,219	-	37,219
Fundraising	31,192	-	31,192	33,454	-	33,454
Total supporting services	89,785	-	89,785	70,673	-	70,673
Total expenses	595,654	-	595,654	592,679	-	592,679
Change in net assets	(14,810)	(9,081)	(23,891)	(10,932)	(29,019)	(39,951)
Net assets - beginning of year	393,807	9,081	402,888	404,739	38,100	442,839
Net assets - end of year	\$ 378,997	\$ -	\$ 378,997	\$ 393,807	\$ 9,081	\$ 402,888

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		Total	Supporting		Total	
	Vouchers	Drug Program		Program Services	Administration		
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.
Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services				Supporting Services				Total	
	Prescription		Total		Administration		Fundraising			Supporting Services
	Vouchers Program	Drug Program	Program Services	Program Services	General	Administration	Fundraising			
Prescriptions, eyeglasses, and supplies	\$ 227,661	\$ -	\$ 227,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,661	
Salaries	153,134	53,340	206,474	11,310	10,749	22,059	15,067	22,059	228,533	
Fringe benefits	6,274	6,274	12,548	9,933	5,134	15,067	1,705	15,067	27,615	
Payroll taxes	11,989	4,171	16,160	874	831	1,705	5,400	1,705	17,865	
Professional fees	4,000	4,000	8,000	2,700	2,700	5,400	1,859	5,400	13,400	
Office supplies and postage	809	747	1,556	744	1,115	1,859	1,859	1,859	3,415	
Occupancy	7,905	7,905	15,810	6,467	6,467	12,934	870	12,934	28,744	
Conferences, conventions and meetings	395	395	790	506	364	870	1,660	870	1,660	
Depreciation	7,542	7,542	15,084	838	838	1,676	1,676	1,676	16,760	
Insurance	611	611	1,222	688	688	1,376	2,598	1,376	2,598	
Rental and maintenance of equipment	1,431	1,431	2,862	1,230	1,172	2,402	5,264	2,402	5,264	
Telephone	1,113	1,113	2,226	911	911	1,822	4,048	1,822	4,048	
Printing and publications	416	416	832	340	2,370	2,710	3,542	2,710	3,542	
Inkind expense	10,527	-	10,527	-	-	-	10,527	-	10,527	
Miscellaneous expense	127	127	254	678	115	793	1,047	793	1,047	
	<u>\$ 433,934</u>	<u>\$ 88,072</u>	<u>\$ 522,006</u>	<u>\$ 37,219</u>	<u>\$ 33,454</u>	<u>\$ 70,673</u>	<u>\$ 592,679</u>	<u>\$ 70,673</u>	<u>\$ 592,679</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, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (23,891)	\$ (39,951)
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	10,149	16,760
(Increase)/Decrease in accounts and grants receivable	(2,230)	1,625
Increase/(Decrease) in accounts payable	3,817	(5,894)
Increase/(Decrease) in payroll taxes payable	407	1,102
Increase/(Decrease) in accrued salaries and wages	760	3,538
Net cash provided/(used) by operating activities	(10,988)	(22,820)
 Cash flows from investing activities		
Purchase of equipment and furniture	-	(11,466)
Net investment in money market accounts	2,732	(591)
Purchase of certificates of deposit	(585)	(777)
Proceeds from certificates of deposit	-	25,000
Net cash provided/(used) by investing activities	2,147	12,166
 Net increase/(decrease) in cash and cash equivalents	(8,841)	(10,654)
 Cash and cash equivalents - beginning of year	73,808	84,462
 Cash and cash equivalents - end of year	\$ 64,967	\$ 73,808

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

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013 was \$10,149 and \$16,760, respectively.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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, 2014 or 2013. The Organization's federal information return are 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, 2014 and 2013 was approximately \$753,000 and \$875,000 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 2,095 and 2,001 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2014 and 2013, 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, 2014 and 2013

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 \$4,572 and \$4,800 for the years ended December 31, 2014 and 2013, 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, 2015. 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 following is a schedule by years of future minimum lease payments required under operating leases covering office facilities and equipment as of December 31, 2014:

Year Ending December 31	<u>2014</u>
2015	<u>\$ 22,170</u>

6. Restricted net assets

Temporarily restricted net assets at December 31, 2014 and 2013 are designated for the following purposes:

	<u>2014</u>	<u>2013</u>
Prescriptions, diabetic supplies, eye exams and glasses	<u>\$ -</u>	<u>\$ 9,081</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, 2014 or 2013.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

6. Subsequent events

The Organization has evaluated subsequent events through May 15, 2015, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.