

Cairn Health
(Formerly Medical Services Bureau, Inc.)

Financial Statements

December 31, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
Cairn Health
Wichita, Kansas

We have audited the accompanying financial statements of Cairn Health (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 Cairn Health as of December 31, 2019 and 2018, 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

June 15, 2020
Wichita, Kansas

Cairn Health
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash on hand and checking accounts	\$ 112,184	\$ 62,790
Total cash and cash equivalents	112,184	62,790
Accounts and grants receivable	1,075	3,619
Prepaid expense	-	256
Total current assets	113,259	66,665
Investments		
Money market accounts, at cost	217,560	217,300
Certificates of deposit, at cost	-	81,133
Total investments	217,560	298,433
Equipment, furniture & leasehold improvements		
Equipment, furniture and leasehold improvements	164,322	160,069
Less accumulated depreciation	(148,875)	(145,088)
Net equipment, furniture and leasehold improvements	15,447	14,981
Total assets	\$ 346,266	\$ 380,079
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,026	\$ 248
Payroll taxes and withholdings payable	4,208	3,023
Accrued salaries and wages	3,426	6,690
Total current liabilities	8,660	9,961
Net assets		
Without donor restrictions	303,435	315,713
With donor restrictions	34,171	54,405
Total net assets	337,606	370,118
Total liabilities and net assets	\$ 346,266	\$ 380,079

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

Cairn Health
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue and other support				
United Way	\$ 381,545	\$ -	\$ 381,545	\$ -
Sedgwick County Department on Aging	36,380	-	36,380	-
Other contributions and grants	98,401	36,750	135,151	32,080
Processing and application fees	14,567	-	14,567	-
Special events	15,386	-	15,386	-
Interest income	785	-	785	-
In-kind contribution income	88,370	-	88,370	-
Miscellaneous income	496	-	496	-
Total revenue and other support	635,930	36,750	672,680	32,080
Net assets released from restrictions	56,984	(56,984)	23,668	(23,668)
Expenses				
Program services				
Vouchers program	521,838	-	474,708	-
Prescription drug program	79,263	-	97,420	-
Total program services	601,101	-	572,127	-
Supporting services				
General administration	58,562	-	40,874	-
Fundraising	45,529	-	38,268	-
Total supporting services	104,091	-	79,142	-
Total expenses	705,192	-	651,269	-
Change in net assets	(12,278)	(20,234)	(43,092)	8,412
Net assets - beginning of year	315,713	54,405	370,118	45,993
Net assets - end of year	\$ 303,435	\$ 34,171	\$ 315,713	\$ 54,405

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

Cairn Health
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total
	Prescription		Total	Fundraising		Total	
	Vouchers	Drug Program		Administration	Supporting Services		
Prescriptions, eyeglasses, and supplies	\$ 201,366	\$ 201,366	\$ -	\$ -	\$ -	\$ -	\$ 201,366
Salaries	186,119	48,966	235,085	13,030	19,268	32,298	267,383
Fringe benefits	11,409	7,708	19,117	9,584	6,545	16,129	35,246
Payroll taxes	14,493	3,812	18,305	1,762	1,496	3,258	21,563
Professional fees	4,663	4,335	8,998	15,752	6,155	21,907	30,905
Office supplies and postage	1,330	798	2,128	1,117	625	1,742	3,870
Occupancy	8,283	7,709	15,992	6,932	6,152	13,084	29,076
Conferences, conventions and meetings	423	393	816	1,677	334	2,011	2,827
Depreciation	1,704	1,704	3,408	190	189	379	3,787
Insurance	990	920	1,910	782	781	1,563	3,473
Rental and maintenance of equipment	1,264	1,175	2,439	1,466	992	2,458	4,897
Telephone	1,456	1,353	2,809	1,149	1,149	2,298	5,107
Printing and publications	420	390	810	413	1,594	2,007	2,817
Inkind expense	87,918	-	87,918	-	-	-	87,918
Miscellaneous expense	-	-	-	4,708	249	4,957	4,957
	<u>\$ 521,838</u>	<u>\$ 79,263</u>	<u>\$ 601,101</u>	<u>\$ 58,562</u>	<u>\$ 45,529</u>	<u>\$ 104,091</u>	<u>\$ 705,192</u>

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

Cairn Health
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services			Total
	Vouchers Program	Prescription Drug Program	Program Services	General Administration	Fundraising	Supporting Services	
Prescriptions, eyeglasses, and supplies	\$ 205,048	\$ -	\$ 205,048	\$ -	\$ -	\$ -	\$ 205,048
Salaries	182,497	64,325	246,822	6,518	13,134	19,652	266,474
Fringe benefits	11,530	8,671	20,201	9,000	7,095	16,095	36,296
Payroll taxes	12,680	4,469	17,150	452	913	1,364	18,514
Professional fees	4,355	4,355	8,710	11,163	3,961	15,124	23,834
Office supplies and postage	1,345	1,151	2,496	1,550	933	2,483	4,979
Occupancy	8,246	8,246	16,492	6,892	6,746	13,638	30,130
Conferences, conventions and meetings	593	593	1,186	1,111	486	1,597	2,783
Depreciation	1,891	1,891	3,782	210	210	420	4,202
Insurance	871	871	1,742	601	686	1,287	3,029
Rental and maintenance of equipment	1,122	1,122	2,244	1,163	674	1,837	4,081
Telephone	1,341	1,341	2,682	1,226	970	2,196	4,878
Printing and publications	404	384	788	347	2,454	2,801	3,589
Inkind expense	42,697	-	42,697	-	-	-	42,697
Miscellaneous expense	88	-	88	641	6	647	735
	<u>\$ 474,708</u>	<u>\$ 97,420</u>	<u>\$ 572,127</u>	<u>\$ 40,874</u>	<u>\$ 38,268</u>	<u>\$ 79,142</u>	<u>\$ 651,269</u>

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

Cairn Health
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (32,512)	\$ (34,680)
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	3,787	4,202
Decrease/(Increase) in accounts and grants receivable	2,544	(3,099)
Decrease/(Increase) in prepaid expense	256	(256)
Increase/(Decrease) in accounts payable	778	(21,031)
Increase/(Decrease) in payroll taxes payable	1,185	(342)
Increase/(Decrease) in accrued salaries and wages	(3,264)	(740)
Net cash provided/(used) by operating activities	(27,226)	(55,946)
 Cash flows from investing activities		
Purchase of equipment, furniture and leasehold improvements	(4,253)	-
Net investment in money market accounts	(260)	(254)
Redemption of certificates of deposit	81,305	-
Interest reinvested in certificates of deposit	(172)	(603)
Net cash provided/(used) by investing activities	76,620	(857)
Net increase/(decrease) in cash and cash equivalents	49,394	(56,803)
 Cash and cash equivalents - beginning of year	62,790	119,593
 Cash and cash equivalents - end of year	\$ 112,184	\$ 62,790

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

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies

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

Change of name

During the year ended December 31, 2019, Medical Services Bureau, Inc. formerly changed its name to Carin Health. For more than 80 years, the organization has served the community, offering assistance to individuals and families who are low-income, uninsured or under-insured and without resources to pay for prescription medication and vision care. That mission and purpose is unchanged. The name of the organization was changed to better reflect the services, opportunities, and hope provided to hundreds of people in the community every single year.

Nature of operations

Cairn Health (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 two classes of net assets: with donor restrictions and without donor restrictions.

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. All gifts grants and bequests are considered unrestricted unless specifically restricted by the donor.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Contributions received are recorded with donor restrictions or without donor restrictions 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 \$1,000 is capitalized.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,787 and \$4,202, respectively.

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

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.

Functional expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis on the statement of functional expenses. Expenses that can be identified specifically to program or support services are charged directly to that function. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

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, 2019 or 2018.

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.

Recent Accounting Pronouncements

Revenue Recognition-In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods.

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

1. Summary of Significant Accounting Policies (Continued)

Leases-In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

2. Financial Assets and Liquidity Resources

The following reflects the Organization's financial assets available for general expenditure as of December 31, 2019 and 2018 within one year of the statement of financial position date:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 112,184	\$ 62,790
Account receivable	1,075	3,619
	<u>113,259</u>	<u>66,409</u>
Less those unavailable for general expenditures within one year, due to:		
Current liabilities		
Accounts payable	1,026	248
Payroll taxes and withholdings payable	4,208	3,023
Accrued salaries and wages	3,426	6,690
Total current liabilities	<u>8,660</u>	<u>9,961</u>
Restricted by donor with purpose restrictions		
Prescriptions, diabetic supplies, eye exams	34,171	29,405
Training	-	14,451
Rebranding	-	10,549
Total restricted by donor with purpose restrictions	<u>34,171</u>	<u>54,405</u>
Total financial assets available to meet cash needs for general purpose expenditures within one year	<u>\$ 70,428</u>	<u>\$ 2,043</u>

As needed, investments could be made available to support operating activities. Investments include money market accounts and certificates of deposit and have a balance of \$217,560 and \$298,433 at December 31, 2019 and 2018 respectively.

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

3. 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, 2019 and 2018 was approximately \$63,308 and \$143,382 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.

4. Donated support

The Organization received approximately 302 and 455 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2019 and 2018, 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.

5. 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 \$6,158 and \$4,764 for the years ended December 31, 2019 and 2018, respectively.

6. 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, 2021. 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 \$23,751 and \$23,313 for the years ended December 31, 2019 and 2018, 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, 2019:

Year Ending December 31	
2020	\$ 24,756
2021	22,956
	<u>\$ 47,712</u>

Cairn Health
Notes to Financial Statements
December 31, 2019 and 2018

7. Restricted net assets

Net assets with donor restrictions at December 31, 2019 and 2018 are designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Prescriptions, diabetic supplies, eye exams	\$ 34,171	\$ 29,405
Training	-	14,451
Rebranding	-	10,549
	<u>\$ 34,171</u>	<u>\$ 54,405</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.

8. Subsequent events

The Organization has evaluated subsequent events through June 15, 2020, the date which the financial statements were available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The resulting reaction, including mandates from federal, state, and local authorities requiring forced temporary closures of sectors of the economy. Cairn Health addressed these health issues by continuing to assist clients via phone, but suspended in-person assistance in March, 2020. The Organization's clients are generally at a heightened risk as well as often being actively sick when seeking services. The Organization is working on further updates to their programs to remove barriers to getting help and to further protect the community from unnecessary risk associated with walk-in services. While the limitations are expected to be temporary, the duration of the disruption and related financial impact, cannot be estimated at this time.