

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, 2017, 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 19, 2018  
Wichita, Kansas

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

We have audited the financial statements of Medical Service Bureau, Inc. for the year ended December 31, 2017, and have issued our report thereon dated June 19, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Medical Service Bureau, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the donated prescriptions in the Prescription Drug Program is based on the volume and fair value of drug prescriptions provided to the Organization's referred clients. We evaluated the key factors and assumptions used to develop the fair value estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

The disclosure of the nature of operations in Note 1 to the financial statements describes the Organization's primary programs and the accounting policies used to account for them.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 19, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors of Medical Service Bureau, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Regier Can C Mowal, CPA*

June 19, 2018  
Wichita, Kansas

Client: **45000 - Medical Services Bureau**  
 Engagement: **45000 - 2017 - Medical Service Bureau**  
 Period Ending: **12/31/2017**  
 Trial Balance: **2030 - Trial Balance Data**  
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>4501.01</b>		
Adjust depreciation to actual				
1310	Depreciation		339.59	
6200	Depreciation Expense			339.59
<b>Total</b>			<b>339.59</b>	<b>339.59</b>

**Medical Service Bureau, Inc.**

**Financial Statements**

**December 31, 2017 and 2016**



# **Medical Service Bureau, Inc.**

## **Financial Statements**

**December 31, 2017 and 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 19, 2018  
Wichita, Kansas



**Medical Service Bureau, Inc.**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash on hand and checking accounts	\$ 119,593	\$ 104,051
Total cash and cash equivalents	119,593	104,051
Accounts and grants receivable	520	645
Total current assets	120,113	104,696
<b>Investments</b>		
Money market accounts, at cost	217,046	216,907
Certificates of deposit, at cost	80,530	79,931
Total investments	297,576	296,838
<b>Equipment, furniture &amp; leasehold improvements</b>		
Equipment, furniture and leasehold improvements	160,069	157,587
Less accumulated depreciation	(140,886)	(134,726)
Net equipment, furniture and leasehold improvements	19,183	22,861
Total assets	\$ 436,872	\$ 424,395
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 21,279	\$ 12,134
Payroll taxes and withholdings payable	3,365	3,473
Accrued salaries and wages	7,430	6,650
Total current liabilities	32,074	22,257
<b>Net assets</b>		
Unrestricted	358,805	385,729
Temporarily restricted	45,993	16,409
Total net assets	404,798	402,138
Total liabilities and net assets	\$ 436,872	\$ 424,395

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

**Medical Service Bureau, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and other support</b>						
United Way	\$ 394,171	-	\$ 394,171	\$ 406,797	-	\$ 406,797
Sedgwick County Department on Aging	36,380	-	36,380	36,380	-	36,380
Other contributions and grants	97,028	48,580	145,608	81,793	29,020	110,813
Processing and application fees	13,517	-	13,517	14,478	-	14,478
Special events	20,230	-	20,230	25,660	-	25,660
Interest income	978	-	978	980	-	980
In-kind contribution income	69,801	-	69,801	51,851	-	51,851
Miscellaneous income	2,557	-	2,557	1,350	-	1,350
Total revenue and other support	634,662	48,580	683,242	619,289	29,020	648,309
<b>Net assets released from restrictions</b>	18,996	(18,996)	-	34,974	(34,974)	-
<b>Expenses</b>						
Program services						
Vouchers program	500,492	-	500,492	481,087	-	481,087
Prescription drug program	90,692	-	90,692	86,708	-	86,708
Total program services	591,184	-	591,184	567,795	-	567,795
Supporting services						
General administration	52,587	-	52,587	45,977	-	45,977
Fundraising	36,811	-	36,811	31,163	-	31,163
Total supporting services	89,398	-	89,398	77,140	-	77,140
Total expenses	680,582	-	680,582	644,935	-	644,935
Change in net assets	(26,924)	29,584	2,660	9,328	(5,954)	3,374
<b>Net assets - beginning of year</b>	385,729	16,409	402,138	376,401	22,363	398,764
<b>Net assets - end of year</b>	\$ 358,805	\$ 45,993	\$ 404,798	\$ 385,729	\$ 16,409	\$ 402,138

*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, 2017**

	Program Services			Supporting Services				Total
	Vouchers Program	Prescription		Program Services	General Administration	Fundraising	Supporting Services	
		Drug Program	Total					
Prescriptions, eyeglasses, and supplies	\$ 226,729	\$ -	\$ 226,729	\$ -	\$ -	\$ -	\$ -	\$ 226,729
Salaries	165,363	58,237	223,600	16,089	13,162	29,251	29,251	252,851
Fringe benefits	7,742	7,742	15,484	5,441	5,441	10,882	10,882	26,366
Payroll taxes	12,824	4,517	17,341	1,224	1,015	2,239	2,239	19,580
Professional fees	3,132	3,132	6,264	13,087	2,736	15,823	15,823	22,087
Office supplies and postage	1,337	1,103	2,440	1,302	1,373	2,675	2,675	5,115
Occupancy	7,995	7,995	15,990	6,633	6,382	13,015	13,015	29,005
Conferences, conventions and meetings	196	196	392	889	159	1,048	1,048	1,440
Depreciation	2,772	2,772	5,544	308	308	616	616	6,160
Insurance	987	987	1,974	807	807	1,614	1,614	3,588
Rental and maintenance of equipment	1,714	1,661	3,375	1,401	1,362	2,763	2,763	6,138
Telephone	1,274	1,274	2,548	1,042	1,042	2,084	2,084	4,632
Printing and publications	678	678	1,356	787	2,531	3,318	3,318	4,674
Inkind expense	67,351	-	67,351	2,450	-	2,450	2,450	69,801
Miscellaneous expense	398	398	796	1,127	493	1,620	1,620	2,416
	<u>\$ 500,492</u>	<u>\$ 90,692</u>	<u>\$ 591,184</u>	<u>\$ 52,587</u>	<u>\$ 36,811</u>	<u>\$ 89,398</u>	<u>\$ 89,398</u>	<u>\$ 680,582</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, 2016**

	Program Services			Supporting Services			Total	
	Prescription		Total	General		Fundraising		Supporting
	Vouchers	Drug		Program	Administration			
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.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,660	\$ 3,374
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	6,160	5,909
Decrease in accounts and grants receivable	125	7,285
Increase in accounts payable	9,145	5,448
Increase/(Decrease) in payroll taxes payable	(108)	313
Increase in accrued salaries and wages	780	762
Net cash provided by operating activities	18,762	23,091
 <b>Cash flows from investing activities</b>		
Purchase of equipment, furniture and leasehold improvements	(2,482)	(8,025)
Net investment in money market accounts	(139)	9,746
Purchase of certificates of deposit	(599)	(596)
Net cash provided/(used) by investing activities	(3,220)	1,125
Net increase in cash and cash equivalents	15,542	24,216
 <b>Cash and cash equivalents - beginning of year</b>	104,051	79,835
 <b>Cash and cash equivalents - end of year</b>	\$ 119,593	\$ 104,051

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

**Medical Service Bureau, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**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, 2017 and 2016**

**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, 2017 and 2016 was \$6,160 and \$5,909, respectively.

**Medical Service Bureau, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**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, 2017 or 2016.

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, 2017 and 2016 was approximately \$302,000 and \$448,000 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 1,681 and 1,664 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2017 and 2016, 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, 2017 and 2016**

**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 \$3,929 and \$5,277 for the years ended December 31, 2017 and 2016, 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 \$22,477 and \$21,997 for the years ended December 31, 2017 and 2016, 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, 2017:

Year Ending December 31	
2018	\$ 24,330
2019	2,160
2020	1,800
	<u>\$ 28,290</u>

**6. Restricted net assets**

Temporarily restricted net assets at December 31, 2017 and 2016 are designated for the following purposes:

	<u>2017</u>	<u>2016</u>
Prescriptions, diabetic supplies, eye exams	\$ 20,993	\$ 16,409
Training	25,000	-
	<u>\$ 45,993</u>	<u>\$ 16,409</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, 2017 or 2016.

**Medical Service Bureau, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**7. Subsequent events**

The Organization has evaluated subsequent events through June 19, 2018, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.