

Medical Service Bureau, Inc.

Financial Statements

December 31, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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.

Other Matter

As discussed in Note 1 to the financial statements, in 2018, Medical Services Bureau, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 985). Our opinion is not modified with respect to this matter.

Regier Carr & Monroe, CPA

June 7, 2019
Wichita, Kansas

Medical Service Bureau, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash on hand and checking accounts	\$ 62,790	\$ 119,593
Total cash and cash equivalents	62,790	119,593
Accounts and grants receivable	3,619	520
Prepaid expense	256	-
Total current assets	<u>66,665</u>	<u>120,113</u>
Investments		
Money market accounts, at cost	217,300	217,046
Certificates of deposit, at cost	81,133	80,530
Total investments	<u>298,433</u>	<u>297,576</u>
Equipment, furniture & leasehold improvements		
Equipment, furniture and leasehold improvements	160,069	160,069
Less accumulated depreciation	(145,088)	(140,886)
Net equipment, furniture and leasehold improvements	<u>14,981</u>	<u>19,183</u>
Total assets	<u>\$ 380,079</u>	<u>\$ 436,872</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 248	\$ 21,279
Payroll taxes and withholdings payable	3,023	3,365
Accrued salaries and wages	6,690	7,430
Total current liabilities	<u>9,961</u>	<u>32,074</u>
Net assets		
Without donor restrictions	315,713	358,805
With donor restrictions	54,405	45,993
Total net assets	<u>370,118</u>	<u>404,798</u>
Total liabilities and net assets	<u>\$ 380,079</u>	<u>\$ 436,872</u>

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

Medical Service Bureau, Inc.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support						
United Way	\$ 381,545	\$ -	\$ 381,545	\$ 394,171	\$ -	\$ 394,171
Sedgwick County Department on Aging	36,380	-	36,380	36,380	-	36,380
Other contributions and grants	92,173	32,080	124,253	97,028	48,580	145,608
Processing and application fees	10,288	-	10,288	13,517	-	13,517
Special events	19,405	-	19,405	20,230	-	20,230
Interest income	983	-	983	978	-	978
In-kind contribution income	43,071	-	43,071	69,801	-	69,801
Miscellaneous income	664	-	664	2,557	-	2,557
Total revenue and other support	584,509	32,080	616,589	634,662	48,580	683,242
Net assets released from restrictions	23,668	(23,668)	-	18,996	(18,996)	-
Expenses						
Program services						
Vouchers program	474,708	-	474,708	500,492	-	500,492
Prescription drug program	97,420	-	97,420	90,692	-	90,692
Total program services	572,127	-	572,127	591,184	-	591,184
Supporting services						
General administration	40,874	-	40,874	52,587	-	52,587
Fundraising	38,268	-	38,268	36,811	-	36,811
Total supporting services	79,142	-	79,142	89,398	-	89,398
Total expenses	651,269	-	651,269	680,582	-	680,582
Change in net assets	(43,092)	8,412	(34,680)	(26,924)	29,584	2,660
Net assets - beginning of year	358,805	45,993	404,798	385,729	16,409	402,138
Net assets - end of year	\$ 315,713	\$ 54,405	\$ 370,118	\$ 358,805	\$ 45,993	\$ 404,798

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, 2018

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

Medical Service Bureau, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services			Supporting Services		
	Prescription		Total	Supporting Services		Total
	Vouchers	Drug Program		General Administration	Fundraising	
Prescriptions, eyeglasses, and supplies	\$ 226,729	\$ -	\$ 226,729	\$ -	\$ -	\$ 226,729
Salaries	165,363	58,237	223,600	16,089	13,162	252,851
Fringe benefits	7,742	7,742	15,484	5,441	5,441	26,366
Payroll taxes	12,824	4,517	17,341	1,224	1,015	19,580
Professional fees	3,132	3,132	6,264	13,087	2,736	22,087
Office supplies and postage	1,337	1,103	2,440	1,302	1,373	5,115
Occupancy	7,995	7,995	15,990	6,633	6,382	29,005
Conferences, conventions and meetings	196	196	392	889	159	1,440
Depreciation	2,772	2,772	5,544	308	308	6,160
Insurance	987	987	1,974	807	807	3,588
Rental and maintenance of equipment	1,714	1,661	3,375	1,401	1,362	6,138
Telephone	1,274	1,274	2,548	1,042	1,042	4,632
Printing and publications	678	678	1,356	787	2,531	4,674
Inkind expense	67,351	-	67,351	2,450	-	69,801
Miscellaneous expense	398	398	796	1,127	493	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>\$ 680,582</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (34,680)	\$ 2,660
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation	4,202	6,160
Decrease/(Increase) in accounts and grants receivable	(3,099)	125
Decrease/(Increase) in prepaid expense	(256)	-
Increase/(Decrease) in accounts payable	(21,031)	9,145
Increase/(Decrease) in payroll taxes payable	(342)	(108)
Increase/(Decrease) in accrued salaries and wages	(740)	780
Net cash provided/(used) by operating activities	<u>(55,946)</u>	<u>18,762</u>
Cash flows from investing activities		
Purchase of equipment, furniture and leasehold improvements	-	(2,482)
Net investment in money market accounts	(254)	(139)
Purchase of certificates of deposit	<u>(603)</u>	<u>(599)</u>
Net cash provided/(used) by investing activities	<u>(857)</u>	<u>(3,220)</u>
Net increase/(decrease) in cash and cash equivalents	(56,803)	15,542
Cash and cash equivalents - beginning of year	<u>119,593</u>	<u>104,051</u>
Cash and cash equivalents - end of year	<u><u>\$ 62,790</u></u>	<u><u>\$ 119,593</u></u>

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

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 two classes of net assets: with donor restrictions and without donor restrictions. 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, 2018 and 2017

1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (Continued)

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 \$500 is capitalized.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$4,202 and \$6,160, respectively.

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.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. Summary of Significant Accounting Policies (Continued)

Functional expenses

The cost of providing the Organizations 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, 2018 or 2017.

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, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

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

Medical Service Bureau, Inc.
Notes to Financial Statements
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1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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, 2020 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.

Non-Profit Organizations

During 2018, the Organization adopted ASU No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. Upon Adoption, the ASU requires the amendments to be applied on a retrospective basis. Accordingly, 2017 has been restated to apply the amendments of ASU No. 2016-14.

Medical Service Bureau, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

2. Financial Assets and Liquidity Resources

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

Financial assets:

Cash and cash equivalents	\$ 62,790
Account receivable	3,619
	<u>66,409</u>

**Less those unavailable for general expenditures
within one year, due to:**

Current liabilities

Accounts payable	248
Payroll taxes and withholdings payable	3,023
Accrued salaries and wages	6,690
Total current liabilities	<u>9,961</u>

Restricted by donor with purpose restrictions

Prescriptions, diabetic supplies, eye exams	29,405
Training	14,451
Rebranding	10,549
Total restricted by donor with purpose restrictions	<u>54,405</u>

**Total financial assets available to meet cash needs for
general purpose expenditures within one year**

\$ 2,043

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 \$298,433 at December 31, 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, 2018 and 2017 was approximately \$143,382 and \$302,000 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.

4. Donated support

The Organization received approximately 455 and 1,681 hours of donated services from the United Way Volunteer Program during the years ended December 31, 2018 and 2017, 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, 2018 and 2017

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 \$4,764 and \$3,929 for the years ended December 31, 2018 and 2017, 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 \$23,313 and \$22,477 for the years ended December 31, 2018 and 2017, 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, 2018:

Year Ending December 31	
2019	\$ 25,116
2020	24,756
2021	22,956
	<u>\$ 72,828</u>

7. Restricted net assets

Net assets with donor restrictions at December 31, 2018 and 2017 are designated for the following purposes:

	2018	2017
Prescriptions, diabetic supplies, eye exams	\$ 29,405	\$ 20,993
Training	14,451	25,000
Rebranding	10,549	-
	<u>\$ 54,405</u>	<u>\$ 45,993</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.

7. Subsequent events

The Organization has evaluated subsequent events through June 7, 2019, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.