

# **Kansas City Free Health Clinic**

Accountants' Report and Financial Statements

March 31, 2012 and 2011



# Kansas City Free Health Clinic

March 31, 2012 and 2011

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors  
Kansas City Free Health Clinic  
Kansas City, Missouri

We have audited the accompanying statements of financial position of Kansas City Free Health Clinic as of March 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Clinic's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Free Health Clinic as of March 31, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012, on our consideration of the Clinic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*BKD, LLP*

Kansas City, Missouri  
August 20, 2012

**Kansas City Free Health Clinic**  
**Statements of Financial Position**  
**March 31, 2012 and 2011**

**Assets**

|  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
| Cash and cash equivalents  | \$ 352,135   | \$ 253,155   |
| Grant reimbursements receivable  | 999,699      | 1,096,125    |
| Contributions receivable   | 16,500       | -            |
| Prepaid expenses   | 145,604      | 81,144       |
| Investments  | 488,702      | 565,960      |
| Donor restricted assets  |              |              |
| Cash   | 404,982      | 272,915      |
| Investments  | 112,823      | 111,917      |
| Contributions receivable   | 114,674      | 114,674      |
| Property and equipment, net of accumulated depreciation;<br>2012 - \$1,500,079, 2011 - \$1,375,929 | 2,138,228    | 2,226,806    |
| Total assets   | \$ 4,773,347 | \$ 4,722,696 |

**Liabilities and Net Assets**

**Liabilities**

|                   |            |            |
|-------------------|------------|------------|
| Accounts payable  | \$ 283,587 | \$ 243,181 |
| Accrued expenses  | 266,548    | 256,163    |
| Deferred revenue  | 53,128     | 28,780     |
| Total liabilities | 603,263    | 528,124    |

**Net Assets**

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Unrestricted                     | 3,537,605    | 3,695,066    |
| Temporarily restricted           | 517,675      | 387,202      |
| Permanently restricted           | 114,804      | 112,304      |
| Total net assets                 | 4,170,084    | 4,194,572    |
| Total liabilities and net assets | \$ 4,773,347 | \$ 4,722,696 |

**Kansas City Free Health Clinic**  
**Statement of Activities**  
**Year Ended March 31, 2012**

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Revenues, Gains and Other Support</b>               |                     |                                   |                                   |                     |
| Government financial assistance                        | \$ 5,346,741        |                                   |                                   | \$ 5,346,741        |
| Contributions  | 1,901,266           | \$ 503,701                        | \$ 2,500                          | 2,407,467           |
| Contributed goods and services                         | 3,884,365           |                                   |                                   | 3,884,365           |
| Special events, net of direct expenses<br>of \$182,588 | 263,756             |                                   |                                   | 263,756             |
| United Way   | 191,984             |                                   |                                   | 191,984             |
| Investment income (loss)                               | 5,377               | (1,594)                           |                                   | 3,783               |
| Other  | 9,984               |                                   |                                   | 9,984               |
| Net assets released from restriction                   | 371,634             | (371,634)                         |                                   | -                   |
|  | <u>11,975,107</u>   | <u>130,473</u>                    | <u>2,500</u>                      | <u>12,108,080</u>   |
| <b>Expenses and Losses</b>                             |                     |                                   |                                   |                     |
| Program services                                       |                     |                                   |                                   |                     |
| Medical, dental and<br>behavioral health               | 5,718,631           |                                   |                                   | 5,718,631           |
| HIV  | 5,015,471           |                                   |                                   | 5,015,471           |
| Supporting services                                    |                     |                                   |                                   |                     |
| Management and general                                 | 1,033,514           |                                   |                                   | 1,033,514           |
| Fundraising  | 364,952             |                                   |                                   | 364,952             |
|  | <u>12,132,568</u>   | <u>-</u>                          | <u>-</u>                          | <u>12,132,568</u>   |
| <b>Change in Net Assets</b>                            | (157,461)           | 130,473                           | 2,500                             | (24,488)            |
| <b>Net Assets, Beginning of Year</b>                   | <u>3,695,066</u>    | <u>387,202</u>                    | <u>112,304</u>                    | <u>4,194,572</u>    |
| <b>Net Assets, End of Year</b>                         | <u>\$ 3,537,605</u> | <u>\$ 517,675</u>                 | <u>\$ 114,804</u>                 | <u>\$ 4,170,084</u> |

**Kansas City Free Health Clinic**  
**Statement of Activities**  
**Year Ended March 31, 2011**

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>Revenues, Gains and Other Support</b>               |                     |                                   |                                   |                     |
| Government financial assistance                        | \$ 5,821,491        |                                   |                                   | \$ 5,821,491        |
| Contributions  | 1,425,018           | \$ 375,285                        |                                   | 1,800,303           |
| Contributed goods and services                         | 4,556,812           |                                   |                                   | 4,556,812           |
| Special events, net of direct expenses<br>of \$267,384 | 140,293             |                                   |                                   | 140,293             |
| United Way   | 196,699             |                                   |                                   | 196,699             |
| Investment income                                      | 8,868               | 10,641                            |                                   | 19,509              |
| Other  | 10,747              |                                   |                                   | 10,747              |
| Net assets released from restriction                   | 413,378             | (413,378)                         |                                   | -                   |
|  | <u>12,573,306</u>   | <u>(27,452)</u>                   |                                   | <u>12,545,854</u>   |
| <b>Expenses and Losses</b>                             |                     |                                   |                                   |                     |
| Program services                                       |                     |                                   |                                   |                     |
| Medical, dental and<br>behavioral health               | 6,353,357           |                                   |                                   | 6,353,357           |
| HIV  | 5,131,508           |                                   |                                   | 5,131,508           |
| Supporting services                                    |                     |                                   |                                   |                     |
| Management and general                                 | 877,661             |                                   |                                   | 877,661             |
| Fundraising  | 377,632             |                                   |                                   | 377,632             |
|  | <u>12,740,158</u>   | <u>-</u>                          |                                   | <u>12,740,158</u>   |
| <b>Change in Net Assets</b>                            | (166,852)           | (27,452)                          |                                   | (194,304)           |
| <b>Net Assets, Beginning of Year</b>                   | <u>3,861,918</u>    | <u>414,654</u>                    | <u>\$ 112,304</u>                 | <u>4,388,876</u>    |
| <b>Net Assets, End of Year</b>                         | <u>\$ 3,695,066</u> | <u>\$ 387,202</u>                 | <u>\$ 112,304</u>                 | <u>\$ 4,194,572</u> |

**Kansas City Free Health Clinic**  
**Statement of Functional Expenses**  
**Year Ended March 31, 2012**

|                                  | <u>Program Services</u>                      |                     |                      | <u>Supporting Services</u>    |                    |                         | <u>Total Expenses</u> |
|----------------------------------|--|---------------------|----------------------|-------------------------------|--------------------|-------------------------|-----------------------|
|                                  | <u>Medical, Dental and Behavioral Health</u> | <u>HIV</u>          | <u>Total Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Supporting</u> |                       |
| Salaries                         | \$ 1,524,983                                 | \$ 2,058,820        | \$ 3,583,803         | \$ 540,645                    | \$ 272,763         | \$ 813,408              | \$ 4,397,211          |
| Benefits and taxes               | 270,398                                      | 398,198             | 668,596              | 127,807                       | 49,310             | 177,117                 | 845,713               |
| Contributed goods and services   | 3,311,016                                    | 463,948             | 3,774,964            | 102,680                       | 3,221              | 105,901                 | 3,880,865             |
| Professional fees                | 106,810                                      | 367,442             | 474,252              | 46,884                        | 279                | 47,163                  | 521,415               |
| Supplies                         | 161,501                                      | 294,369             | 455,870              | 14,692                        | 4,336              | 19,028                  | 474,898               |
| Telephone                        | 16,878                                       | 29,582              | 46,460               | 4,361                         | 1,704              | 6,065                   | 52,525                |
| Postage and shipping             | 3,012  | 3,770               | 6,782                | 2,889                         | 3,270              | 6,159                   | 12,941                |
| Occupancy                        | 77,485                                       | 61,979              | 139,464              | 18,885                        | 6,097              | 24,982                  | 164,446               |
| Equipment rental and maintenance | 71,918                                       | 55,095              | 127,013              | 35,375                        | 10,233             | 45,608                  | 172,621               |
| Printing and publications        | 13,287                                       | 11,703              | 24,990               | 1,477                         | 3,084              | 4,561                   | 29,551                |
| Travel and meals                 | 14,979                                       | 103,213             | 118,192              | 7,724                         | 2,311              | 10,035                  | 128,227               |
| Training                         | 7,891  | 26,578              | 34,469               | 905                           | 119                | 1,024                   | 35,493                |
| Assistance to individuals        | 2,722  | 4,869               | 7,591                | -                             | -                  | -                       | 7,591                 |
| Membership dues                  | 9,804  | 2,171               | 11,975               | 5,784                         | 855                | 6,639                   | 18,614                |
| Interest expense                 | -  | -                   | -                    | 2,147                         | -                  | 2,147                   | 2,147                 |
| Recognition awards               | 401  | 66                  | 467                  | 2,418                         | 204                | 2,622                   | 3,089                 |
| Insurance                        | 36,437                                       | 35,461              | 71,898               | 5,390                         | 2,602              | 7,992                   | 79,890                |
| Payments to subrecipients        | -  | 1,065,644           | 1,065,644            | -                             | -                  | -                       | 1,065,644             |
| Miscellaneous                    | 348  | 1,494               | 1,842                | 15,966                        | 1,506              | 17,472                  | 19,314                |
| Loss on disposal of equipment    | -  | -                   | -                    | 13,690                        | -                  | 13,690                  | 13,690                |
| Depreciation and amortization    | 88,761                                       | 31,069              | 119,830              | 83,795                        | 3,058              | 86,853                  | 206,683               |
| <b>Total</b>                     | <b>\$ 5,718,631</b>                          | <b>\$ 5,015,471</b> | <b>\$ 10,734,102</b> | <b>\$ 1,033,514</b>           | <b>\$ 364,952</b>  | <b>\$ 1,398,466</b>     | <b>\$ 12,132,568</b>  |

**Kansas City Free Health Clinic**  
**Statement of Functional Expenses**  
**Year Ended March 31, 2011**

|                                  | <u>Program Services</u>                                  |                     |                          | <u>Supporting Services</u>        |                    |                             | <u>Total Expenses</u> |
|----------------------------------|--|---------------------|--------------------------|-----------------------------------|--------------------|-----------------------------|-----------------------|
|                                  | <u>Medical,<br/>Dental and<br/>Behavioral<br/>Health</u> | <u>HIV</u>          | <u>Total<br/>Program</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total<br/>Supporting</u> |                       |
| Salaries                         | \$ 1,316,662   | \$ 2,025,499        | \$ 3,342,161             | \$ 502,335                        | \$ 283,090         | \$ 785,425                  | \$ 4,127,586          |
| Benefits and taxes               | 225,885  | 381,954             | 607,839                  | 103,584                           | 59,037             | 162,621                     | 770,460               |
| Contributed goods and services   | 4,078,047  | 419,165             | 4,497,212                | 50,100                            | -                  | 50,100                      | 4,547,312             |
| Professional fees                | 128,225  | 559,471             | 687,696                  | 66,040                            | -                  | 66,040                      | 753,736               |
| Supplies                         | 295,841  | 256,433             | 552,274                  | 7,095                             | 1,994              | 9,089                       | 561,363               |
| Telephone                        | 12,682   | 25,313              | 37,995                   | 3,624                             | 1,503              | 5,127                       | 43,122                |
| Postage and shipping             | 2,967  | 3,398               | 6,365                    | 944                               | 2,582              | 3,526                       | 9,891                 |
| Occupancy                        | 75,780   | 80,769              | 156,549                  | 15,483                            | 8,094              | 23,577                      | 180,126               |
| Equipment rental and maintenance | 46,926   | 44,517              | 91,443                   | 27,025                            | 5,114              | 32,139                      | 123,582               |
| Printing and publications        | 19,808   | 16,263              | 36,071                   | 2,611                             | 2,895              | 5,506                       | 41,577                |
| Travel and meals                 | 11,119   | 86,485              | 97,604                   | 4,783                             | 2,137              | 6,920                       | 104,524               |
| Training                         | 3,655  | 14,088              | 17,743                   | 1,051                             | 1,552              | 2,603                       | 20,346                |
| Assistance to individuals        | 449  | 2,502               | 2,951                    | -                                 | -                  | -                           | 2,951                 |
| Membership dues                  | 12,864   | 3,322               | 16,186                   | 3,220                             | 1,880              | 5,100                       | 21,286                |
| Interest expense                 | 10   | -                   | 10                       | 1,323                             | -                  | 1,323                       | 1,333                 |
| Recognition awards               | 335  | 479                 | 814                      | 1,407                             | 1,211              | 2,618                       | 3,432                 |
| Insurance                        | 35,466   | 34,108              | 69,574                   | 7,118                             | 2,768              | 9,886                       | 79,460                |
| Payments to subrecipients        | -  | 1,144,370           | 1,144,370                | -                                 | -                  | -                           | 1,144,370             |
| Miscellaneous                    | 270  | 976                 | 1,246                    | 5,522                             | 406                | 5,928                       | 7,174                 |
| Loss on disposal of equipment    | -  | -                   | -                        | 5,145                             | -                  | 5,145                       | 5,145                 |
| Depreciation and amortization    | 86,366   | 32,396              | 118,762                  | 69,251                            | 3,369              | 72,620                      | 191,382               |
| <b>Total</b>                     | <b>\$ 6,353,357</b>                                      | <b>\$ 5,131,508</b> | <b>\$ 11,484,865</b>     | <b>\$ 877,661</b>                 | <b>\$ 377,632</b>  | <b>\$ 1,255,293</b>         | <b>\$ 12,740,158</b>  |

**Kansas City Free Health Clinic**  
**Statements of Cash Flows**  
**Years Ended March 31, 2012 and 2011**

|  | <b>2012</b>       | <b>2011</b>       |
|--|-------------------|-------------------|
| <b>Operating Activities</b>  |                   |                   |
| Change in net assets   | \$ (24,488)       | \$ (194,304)      |
| Items not requiring (providing) operating activities cash flows                            |                   |                   |
| Depreciation and amortization  | 206,683           | 191,382           |
| Contribution of property and equipment   | (3,500)           | (9,500)           |
| Loss on disposal of property and equipment   | 13,690            | 5,145             |
| Net realized and unrealized gain (loss) on investments                                     | 2,153             | (10,587)          |
| Contributions received restricted for long-term investment                                 | (2,500)           | -                 |
| Changes in   |                   |                   |
| Grant reimbursements and contributions receivable  | 79,926            | 104,334           |
| Prepaid expenses   | (64,460)          | (25,704)          |
| Accounts payable   | 27,466            | (313,429)         |
| Accrued expenses   | 10,385            | 3,698             |
| Deferred revenue   | 24,348            | (3,768)           |
|  | <u>269,703</u>    | <u>(252,733)</u>  |
| <b>Investing Activities</b>  |                   |                   |
| Purchase of investments  | (83,324)          | (8,080)           |
| Proceeds from the disposition of investments   | 157,523           | 108,141           |
| Purchase of property and equipment   | (115,355)         | (86,200)          |
| Proceeds from sale of property and equipment   | -                 | 500               |
|  | <u>(41,156)</u>   | <u>14,361</u>     |
| <b>Financing Activities</b>  |                   |                   |
| Proceeds from contributions restricted for long-term investment                            | 2,500             | -                 |
|  | <u>2,500</u>      | <u>-</u>          |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                    | 231,047           | (238,372)         |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | <u>526,070</u>    | <u>764,442</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u>\$ 757,117</u> | <u>\$ 526,070</u> |
| <b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b> |                   |                   |
| Cash and equivalents   | \$ 352,135        | \$ 253,155        |
| Donor restricted cash  | 404,982           | 272,915           |
|  | <u>\$ 757,117</u> | <u>\$ 526,070</u> |
| <b>Supplemental Cash Flows Information</b>   |                   |                   |
| Interest paid  | \$ 2,147          | \$ 1,333          |
| Property and equipment purchases in accounts payable                                       | 12,940            | -                 |

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Kansas City Free Health Clinic (the "Clinic") is a not-for-profit clinic formed in 1971 whose mission and principal activities are to provide free quality health care to those who might not otherwise have had access to such care. The Clinic's revenues and other support are derived principally from contributions and federal and state grants, and its activities are conducted principally in the Kansas City area.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

The Clinic considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At March 31, 2012, the Clinic's cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value are carried at fair value. Investments in certificates of deposits are carried at amortized cost. Investment return includes interest and other investment income; realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

***Grant Reimbursements Receivable***

Grant reimbursements receivable are billed after the expenditures are incurred, on a cost reimbursement basis. The Clinic considers grant reimbursements receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. The Clinic writes off grant reimbursements receivable when they become uncollectible. Following are significant grant commitments that extend beyond March 31, 2012:

| <b>Grant</b>   | <b>Term</b>           | <b>Grant<br/>Amount</b> | <b>Earned as of<br/>March 31, 2012</b> | <b>Funding<br/>Available</b> |
|--|-----------------------|-------------------------|--|------------------------------|
| Outpatient Early Intervention<br>Services with Respect<br>to HIV Disease | 1/1/2012 - 12/31/2012 | \$ 911,465              | \$ 171,228                             | \$ 740,237                   |
| HIV Emergency Relief<br>Project Grant - Primary<br>Medical Care          | 3/1/2012 - 2/28/2013  | \$ 719,197              | \$ 11,847                              | \$ 707,350                   |

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

|                       |              |
|-----------------------|--------------|
| Land and building     | 5 - 40 years |
| Building improvements | 5 - 40 years |
| Equipment             | 2 - 10 years |
| Software              | 3 years      |

***Long-lived Asset Impairment***

The Clinic evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended March 31, 2012 and 2011.

# Kansas City Free Health Clinic

## Notes to Financial Statements

March 31, 2012 and 2011

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Clinic has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Clinic in perpetuity.

### **Contributions**

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

### **Contributed Goods and Services**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed services consist primarily of professional medical services for which there is a determinable value. Contributed goods consist principally of lab services and pharmaceuticals. It is the policy of the Clinic to record the estimated fair value of contributed goods and services as an expense or addition to property and equipment, and similarly increase contribution revenue by a like amount. Approximately 72% and 81% of contributed goods and services were received from two donors during 2012 and 2011, respectively.

The following is a breakdown of contributed goods and services received during 2012 and 2011:

|   | <b>2012</b>         | <b>2011</b>         |
|---|---------------------|---------------------|
| Medical, dental and behavioral health program | \$ 3,311,016        | \$ 4,078,047        |
| HIV program                                   | 463,948             | 419,165             |
| Management and general                        | 102,680             | 50,100              |
| Fundraising                                   | 7,240               | 91,883              |
| Property and equipment                        | 3,500               | 9,500               |
|   | <u>\$ 3,888,384</u> | <u>\$ 4,648,695</u> |

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

Contributed goods and services revenue is reflected in the statements of activities as follows:

|                                | <b>2012</b>  | <b>2011</b>  |
|--------------------------------|--------------|--------------|
| Contributed goods and services | \$ 3,884,365 | \$ 4,556,812 |
| Special events                 | 4,019        | 91,883       |
|                                | \$ 3,888,384 | \$ 4,648,695 |

***Deferred Revenue***

Deferred revenue consists of revenue from tickets sold for fundraising events that have not occurred as of the end of the year as well as funds received for services not yet performed as of year-end.

***Government Financial Assistance***

Support funded by the government through grants is recognized as the Clinic performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. The grants are renewed annually and the activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Government grants accounted for 44% and 46% of the Clinic's total revenues for the years ended March 31, 2012 and 2011, respectively.

***Income Taxes***

The Clinic is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Clinic is subject to federal income tax on any unrelated business taxable income. With a few exceptions, the Clinic is no longer subject to U.S. federal examinations by tax authorities for years before 2008.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the actual expenses and salaries expense. The Clinic is allowed under the grant agreements to allocate management and general expenses to its program services; however, such allocations are not reflected in the statements of functional expenses.

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

***Reclassifications***

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Investments and Investment Return**

Investments at March 31, 2012 and 2011 consisted of the following:

|                           | <b>2012</b> | <b>2011</b> |
|---------------------------|-------------|-------------|
| Certificates of deposit   | \$ 488,702  | \$ 565,960  |
| Money market              | 5,259       | 50,105      |
| Fixed income mutual funds | 26,529      | 51,581      |
| Equity mutual funds       | 65,343      | -           |
| Exchange traded funds     | 12,287      | 10,231      |
| Commodities               | 3,405       | -           |
|                           | \$ 601,525  | \$ 677,877  |

Total investment return is comprised of the following:

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| Interest and dividend income               | \$ 5,936    | \$ 8,922    |
| Net realized and unrealized gains (losses) | (2,153)     | 10,587      |
|  | \$ 3,783    | \$ 19,509   |

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

**Note 3: Property and Equipment**

Property and equipment consisted of the following at March 31, 2012 and 2011:

|   | <b>2012</b>  | <b>2011</b>  |
|---|--------------|--------------|
| Land and building                         | \$ 2,613,712 | \$ 2,613,712 |
| Building improvements                     | 72,397       | 29,405       |
| Equipment                                 | 889,447      | 899,867      |
| Software                                  | 62,751       | 59,751       |
|   | 3,638,307    | 3,602,735    |
| Accumulated depreciation and amortization | 1,500,079    | 1,375,929    |
|   | \$ 2,138,228 | \$ 2,226,806 |

As a result of the demolition of a neighboring building, an exterior wall of the Clinic building will require certain masonry repairs estimated at \$175,000. The Clinic expects to incur the expenditures related to these repairs in fiscal year 2013.

The Clinic has entered into an agreement to purchase an electronic medical record system with an estimated cost of approximately \$84,000. Implementation of the system is expected to occur in fiscal year 2013.

**Note 4: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at March 31, 2012 and 2011 are available for the following purposes or periods:

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| For periods after March 31 - endowment earnings          | \$ 10,323   | \$ 11,917   |
| For periods after March 31 - contributions receivable    | 114,674     | 114,674     |
| Medical, dental and behavioral health program activities | 392,678     | 260,611     |
|  | \$ 517,675  | \$ 387,202  |

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

***Permanently Restricted Net Assets***

Permanently restricted net assets at March 31, 2012 and 2011 consisted of:

|                   | <b>2012</b> | <b>2011</b> |
|-------------------|-------------|-------------|
| General endowment | \$ 12,304   | \$ 12,304   |
| Polsky endowment  | 102,500     | 100,000     |
|                   | \$ 114,804  | \$ 112,304  |

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| Time restrictions expired  | \$ 114,674  | \$ 118,749  |
| Purpose restrictions accomplished for medical, dental and behavioral health program expenses | 256,960     | 294,629     |
|  | \$ 371,634  | \$ 413,378  |

**Note 5: Endowment**

The Clinic's endowment consists of two donor-restricted funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Clinic's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Clinic classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Clinic in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

2. Purposes of the Clinic and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Clinic
7. Investment policies of the Clinic

A summary of donor restricted endowment funds by net asset type at March 31, 2012 and 2011 was:

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| Permanently restricted net assets:   |             |             |
| Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation   | \$ 114,804  | \$ 112,304  |
| Temporarily restricted net assets:   |             |             |
| Portion of perpetual endowment funds subject to time restrictions under SPMIFA with purpose restrictions | 10,323      | 11,917      |
|  | \$ 125,127  | \$ 124,221  |

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

Changes in donor restricted endowment net assets for the years ended March 31, 2012 and 2011 was:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets,<br>March 31, 2010 | \$ -                | \$ 1,276                          | \$ 112,304                        | \$ 113,580        |
| Investment return                       |                     |                                   |                                   |                   |
| Investment income                       | -                   | 54                                | -                                 | 54                |
| Net appreciation                        | -                   | 10,587                            | -                                 | 10,587            |
| Total investment<br>return              | -                   | 10,641                            | -                                 | 10,641            |
| Endowment net assets,<br>March 31, 2011 | -                   | 11,917                            | 112,304                           | 124,221           |
| Contributions                           | -                   | -                                 | 2,500                             | 2,500             |
| Investment return                       |                     |                                   |                                   |                   |
| Investment income                       | -                   | 559                               | -                                 | 559               |
| Net depreciation                        | -                   | (2,153)                           | -                                 | (2,153)           |
| Total investment<br>return              | -                   | (1,594)                           | -                                 | (1,594)           |
| Endowment net assets,<br>March 31, 2012 | <u>\$ -</u>         | <u>\$ 10,323</u>                  | <u>\$ 114,804</u>                 | <u>\$ 125,127</u> |

The Polsky endowment was established in 2010 with an initial gift of \$50,000 from the Norman and Elaine Polsky Family Supporting Foundation and a matching contribution from the Clinic of \$50,000, both of which are to be held in perpetuity, as required by the endowment agreement (the "agreement"). The agreement specifies investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by the endowment while seeking to maintain the purchasing power of the endowment. The Clinic expects its endowment funds to provide an aggregate rate of return that is consistent with average U.S. equity security returns. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Clinic relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Clinic targets a diversified asset allocation that places a greater emphasis on USA diversified equity based mutual funds to achieve its long-term return objectives within prudent risk constraints.

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

The agreement requires all earnings on endowment assets to be accumulated in the fund for an initial five year period and then may be appropriated for expenditure for specific projects or programs as specified in the endowment agreement.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Clinic is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. The Clinic did not have any deficiencies of this nature at March 31, 2012 and 2011.

**Note 6: Defined Contribution Plan**

The Clinic has a defined contribution 403(b) employee benefit plan covering substantially all employees. During 2012 and 2011, the Clinic contributed up to a 5% match of each employee's contribution percentage. Pension expense was \$94,531 and \$92,394 for 2012 and 2011, respectively.

**Note 7: Disclosures About Fair Value of Assets and Liabilities**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

**Kansas City Free Health Clinic**  
**Notes to Financial Statements**  
**March 31, 2012 and 2011**

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include a money market fund, fixed income mutual funds, equity mutual funds, exchange traded funds and commodities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Clinic did not have any Level 2 or 3 securities at March 31, 2012 and 2011.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2012 and 2011:

|                           | <b>Fair Value Measurements Using</b> |   |  |  |
|---------------------------|--------------------------------------|---|--|--|
|                           | <b>Fair Value</b>                    | <b>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>March 31, 2012</b>     |                                      |   |  |  |
| Money market              | \$ 5,259                             | \$ 5,259  | \$ -   | \$ -   |
| Fixed income mutual funds | 26,529                               | 26,529  | -  | -  |
| Equity mutual funds       | 65,343                               | 65,343  | -  | -  |
| Exchange traded funds     | 12,287                               | 12,287  | -  | -  |
| Commodities               | 3,405                                | 3,405   | -  | -  |
| <b>March 31, 2011</b>     |                                      |   |  |  |
| Money market              | \$ 50,105                            | \$ 50,105   | \$ -   | \$ -   |
| Fixed income mutual funds | 51,581                               | 51,581  | -  | -  |
| Equity mutual funds       | -                                    | -   | -  | -  |
| Exchange traded funds     | 10,231                               | 10,231  | -  | -  |
| Commodities               | -                                    | -   | -  | -  |

# Kansas City Free Health Clinic

## Notes to Financial Statements

March 31, 2012 and 2011

### Note 8: Professional Liability Claims

The Clinic purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Clinic's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In 2012, the Clinic adopted the provisions of Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which eliminates the practice of netting claim liabilities with expected related insurance recoveries for statement of financial position presentation. Claim liabilities are to be determined without regard for recoveries and presented gross. Expected recoveries are presented separately. Prior to the adoption of ASU 2010-24, accounting principles generally accepted in the United States of America required a health care provider to accrue only an estimate of the malpractice claims cost for both reported claims and claims incurred but not reported where the risk of loss had not been transferred to a financially viable insurer. There was no material impact of the ASU adoption to the Clinic's financial statements.

### Note 9: Significant Concentrations and Uncertainties

Accounting principles generally accepted in the United States of America require disclosure of certain significant uncertainties and current vulnerabilities due to certain concentrations. Those matters include the following:

#### **Contributions**

Approximately 30% of contribution revenue was received from one donor in 2012. There were no concentrations of contribution revenue in 2011.

#### **Investments**

The Clinic invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

# **Kansas City Free Health Clinic**

## **Notes to Financial Statements**

### **March 31, 2012 and 2011**

#### ***Health Care Reform***

The *Patient Protection and Affordable Care Act* (PPACA) was signed into law on March 23, 2010. The implications of the PPACA are continuing to evolve and the impact of the PPACA on the Clinic are being evaluated and planned for as information becomes available and as implementation dates become effective. The overall impact of the health care reform on the Clinic is not presently determinable.

#### ***Current Economic Conditions***

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing. A significant decline in contribution revenue, governmental support and grant revenue could have an adverse impact on the Clinic's future operating results. The financial statements have been prepared using values and information currently available to the Clinic.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Clinic's ability to maintain sufficient liquidity.

#### **Note 10: Subsequent Events**

Subsequent to year-end, the Clinic launched a \$750,000 capital campaign to raise funds to purchase an electronic medical records system and perform various capital improvements (as discussed in *Note 3*) and to purchase a new phone system.

Subsequent events have been evaluated through the date of the Independent Accountants' Report on Financial Statements and Supplementary Information, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Kansas City Free Health Clinic**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended March 31, 2012**

| Federal Grantor/Pass-Through Grantor/Program Title   | CFDA<br>Number | Grant or<br>Identifying<br>Number | Amount           |
|--|----------------|-----------------------------------|------------------|
| Department of Health and Human Services Health Resources and Services Administration   |                |                                   |                  |
| Outpatient Early Intervention Services with Respect to HIV Disease   | 93.918         | 6H76HA00140-18                    | \$ 630,752       |
| Outpatient Early Intervention Services with Respect to HIV Disease   | 93.918         | 6H76HA00140-19                    | 171,228          |
| Ryan White Title III HIV Capacity Development and Planning Grants  | 93.918         | 1PO6HA21095-01                    | 21,660           |
|  |                |                                   | <u>823,640</u>   |
| Hepatitis C Treatment Expansion Initiative   | 93.928         | 6H97HA19760-01                    | 25,732           |
| Hepatitis C Treatment Expansion Initiative   | 93.928         | 5H97HA19760-02                    | 45,388           |
|  |                |                                   | <u>71,120</u>    |
| Coordinated Services and Access to Research for Women, Infants,<br>Children and Youth  | 93.153         | 5H12HA23004-11                    | 201,624          |
| Coordinated Services and Access to Research for Women, Infants,<br>Children and Youth  | 93.153         | 5H12HA23004-12                    | 278,908          |
|  |                |                                   | <u>480,532</u>   |
| Department of Health and Human Services Centers for Disease Control and Prevention   |                |                                   |                  |
| HIV Prevention Project   | 93.939         | 1U65PS003470-01                   | 110,015          |
| Department of Health and Human Services Health Resources and Services Administration, passed through Kansas City, Missouri Health Department |                |                                   |                  |
| HIV Emergency Relief Project Grant - Primary Medical Care  | 93.914         | Cont #5003100616                  | 754,580          |
| HIV Emergency Relief Project Grant - Primary Medical Care  | 93.914         | Cont #5003100616                  | 11,847           |
| HIV Emergency Relief Project Grant - Mental Health Services  | 93.914         | Cont #5003100614                  | 40,622           |
| HIV Emergency Relief Project Grant - Mental Health Services  | 93.914         | Cont #5003100614                  | 3,483            |
| HIV Emergency Relief Project Grant - Substance Abuse Services Outpatient   | 93.914         | Cont #5003100609                  | 75,845           |
| HIV Emergency Relief Project Grant - Substance Abuse Services Outpatient   | 93.914         | Cont #5003100609                  | 7,133            |
| HIV Emergency Relief Project Grant - Substance Abuse Services Outpatient   | 93.914         | Cont #5003100609                  | 6,377            |
| HIV Emergency Relief Project Grant - Case Management   | 93.914         | Cont #5003100601                  | 532,938          |
| HIV Emergency Relief Project Grant - Case Management   | 93.914         | Cont #5003100601                  | 32,737           |
| HIV Emergency Relief Project Grant - Case Management MAI   | 93.914         | Cont #5019100613                  | 106,108          |
| HIV Emergency Relief Project Grant - Case Management MAI   | 93.914         | Cont #5019100613                  | 3,528            |
| HIV Emergency Relief Project Grant - Treatment Adherence   | 93.914         | Cont #5003100612                  | 41,840           |
| HIV Emergency Relief Project Grant - Treatment Adherence   | 93.914         | Cont #5003100612                  | 3,241            |
| HIV Emergency Relief Project Grant - Oral Health Care  | 93.914         | Cont #5003100615                  | 89,721           |
| HIV Emergency Relief Project Grant - Oral Health Care  | 93.914         | Cont #5003100615                  | 15,554           |
|  |                |                                   | <u>1,725,554</u> |

**Kansas City Free Health Clinic**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended March 31, 2012**

| Federal Grantor/Pass-Through Grantor/Program Title   | CFDA<br>Number | Grant or<br>Identifying<br>Number | Amount           |
|--|----------------|-----------------------------------|------------------|
| Department of Health and Human Services Health Resources and Services<br>Administration, passed through Missouri Department of Health and Senior Services<br>Expanded & Integrated HIV Testing for Populations                     | 93.914         | 1 U62PS000770-04                  | \$ 128,515       |
|  |                |                                   | <u>1,854,069</u> |
| Department of Health and Human Services Substance Abuse and Mental Health<br>Services Administration<br>Substance Abuse and Mental Health Services Project of<br>Regional and National Significance                                | 93.243         | 1U79SP015205-01                   | 48,781           |
| Substance Abuse and Mental Health Services Project of<br>Regional and National Significance  | 93.243         | 1U79SP015205-03                   | 186,689          |
| Substance Abuse and Mental Health Services Project of<br>Regional and National Significance  | 93.243         | 5U79SP015205-04                   | 162,461          |
|  |                |                                   | <u>397,931</u>   |
| Department of Health and Human Services Health Resources and Services<br>Administration, passed through American Red Cross St. Louis Area Chapter<br>AIDS Education and Training Centers   | 93.145         | 5U20HA06171-05                    | 6,402            |
| Department of Health and Human Services Health Resources and Services<br>Administration, passed through University of Illinois at Chicago<br>Midwest AIDS Education and Training Center  | 93.145         | H4A HA00062-09                    | 100,013          |
| Midwest AIDS Education and Training Center   | 93.145         | 5H4AHA00062-10                    | 153,773          |
|  |                |                                   | <u>253,786</u>   |
| Department of Health and Human Services Health Resources and Services<br>Administration, passed through the Trustees of Boston University<br>Minority AIDS Initiative Special Projects of National Significance                    | 93.145         | 1 U69HA2362-01                    | 7,206            |
|  |                |                                   | <u>267,394</u>   |
| Department of Health and Human Services Administration for Children and Families,<br>passed through the Missouri Department of Health and Senior Services<br>Adolescent Health Program<br>Evidence Based Teen Pregnancy Prevention | 93.092         | Cont #C312009004                  | 5,679            |
| Evidence Based Teen Pregnancy Prevention   | 93.092         | Cont #C312009006                  | 5,903            |
|  |                |                                   | <u>11,582</u>    |

**Kansas City Free Health Clinic**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended March 31, 2012**

| Federal Grantor/Pass-Through Grantor/Program Title   | CFDA<br>Number | Grant or<br>Identifying<br>Number | Amount              |
|--|----------------|-----------------------------------|---------------------|
| Department of Health and Human Services Centers for Disease Control and Prevention, passed through Kansas City, Missouri Health Department                               |                |                                   |                     |
| HIV Prevention Activities Health Department Based - Syphilis Initiative  | 93.940         | Cont #5413835801                  | \$ 11,523           |
| HIV Prevention Activities Health Department Based - Syphilis Initiative  | 93.940         | Cont #5413835801                  | 3,637               |
| HIV Prevention Activities Health Department Based - HIV Counseling/Testing and Referral  | 93.940         | Cont #5413835901                  | 46,385              |
| HIV Prevention Activities Health Department Based - HIV Counseling/Testing and Referral  | 93.940         | Cont #5413835901                  | 15,750              |
| HIV Prevention Activities Health Department Based - Health Education Risk Reduction - WMSM   | 93.940         | Cont #5413113354                  | 75,782              |
| HIV Prevention Activities Health Department Based - Health Education Risk Reduction - WMSM   | 93.940         | Cont #5413113354                  | 19,976              |
| HIV Prevention Activities Health Department Based - Health Education Risk Reduction - AAW  | 93.940         | Cont #5413113353                  | 49,779              |
| HIV Prevention Activities Health Department Based - Health Education Risk Reduction - AAW  | 93.940         | Cont #5413113353                  | 15,603              |
|  |                |                                   | <u>238,435</u>      |
| Department of Health and Human Services Centers for Disease Control and Prevention, passed through Missouri Department of Health and Senior Services                     |                |                                   |                     |
| HIV Prevention Activities Health Department Based - HIV Prevention Projects  | 93.940         | 5U62PS723511-07                   | 54,229              |
|  |                |                                   | <u>292,664</u>      |
| Department of Health and Human Services Health Resources and Services Administration, passed through Kansas City, Missouri Health Department                             |                |                                   |                     |
| HIV Care Formula Grant - Case Management   | 93.917         | Cont #5404060103                  | 68,241              |
| Department of Health and Human Services Health Resources and Services Administration, passed through the Missouri Department of Health-Bureau of HIV, STD, and Hepatitis |                |                                   |                     |
| HIV Care Formula Grant - HIV Education and Training Program  | 93.917         | Cont #C311090001                  | 28,759              |
|  |                |                                   | <u>97,000</u>       |
| ARRA - Department of Health and Human Services, passed through the Curators of the University of Missouri at Kansas City   |                |                                   |                     |
| African Americans in Health Science Research   | 93.701         | 1RC4MD005738-01                   | 18,407              |
|  |                |                                   | <u>\$ 4,424,354</u> |

**Kansas City Free Health Clinic**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended March 31, 2012**

**Notes to Schedule**

1. This schedule includes the federal awards activity of Kansas City Free Health Clinic and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, Kansas City Free Health Clinic provided federal awards to subrecipients as follows:

| Program  | CFDA<br>Number | Subrecipient   | Amount<br>Provided |
|--|----------------|----------------|--------------------|
| Department of Health and Human Services Health Resources and Services Administration   |                |                |                    |
| Outpatient Early Intervention Services with Respect to HIV Disease   | 93.918         | Various        | \$ 162,106         |
| Hepatitis C Treatment Expansion Initiative   | 93.928         | St. Luke's     | 78                 |
| Coordinated Services and Access to Research for Women, Infants, Children and Youth   | 93.153         | Various        | 208,321            |
| Department of Health and Human Services Centers for Disease Control and Prevention   |                |                |                    |
| HIV Prevention Project   | 93.939         | Good Samaritan | 24,605             |
| Department of Health and Human Services Health Resources and Services Administration, passed through Kansas City, Missouri Health Department |                |                |                    |
| HIV Emergency Relief Project Grant - Primary Medical Care  | 93.914         | Various        | 393,685            |
| HIV Emergency Relief Project Grant - Oral Health Care  | 93.914         | Various        | 81,340             |
|  |                |                | 475,025            |
| Department of Health and Human Services Substance Abuse and Mental Health Services Administration  |                |                |                    |
| Substance Abuse and Mental Health Services Project of Regional and National Significance   | 93.243         | Various        | 6,694              |
| Department of Health and Human Services Health Resources and Services Administration, passed through University of Illinois at Chicago       |                |                |                    |
| Midwest AIDS Education and Training Center   | 93.145         | Various        | 7,180              |
|  |                |                | \$ 884,009         |

## **Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Kansas City Free Health Clinic  
Kansas City, Missouri

We have audited the financial statements of Kansas City Free Health Clinic as of and for the year ended March 31, 2012, and have issued our report thereon dated August 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

Management of the Clinic is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Clinic's internal control over financial reporting as a basis for designing our auditing procedures 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 Clinic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over financial reporting.

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 Clinic's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Clinic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and

Board of Directors  
Kansas City Free Health Clinic  
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material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Clinic's management in a separate letter dated August 20, 2012.

This report is intended solely for the information and use of the Board of Directors, management and others within the Clinic and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Kansas City, Missouri  
August 20, 2012

## **Independent Accountants' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Kansas City Free Health Clinic  
Kansas City, Missouri

### **Compliance**

We have audited the compliance of Kansas City Free Health Clinic with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012. The Clinic's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Clinic's management. Our responsibility is to express an opinion on the compliance of Kansas City Free Health Clinic based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Clinic's compliance with those requirements.

In our opinion, Kansas City Free Health Clinic complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012.

### **Internal Control Over Compliance**

The management of Kansas City Free Health Clinic is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Clinic's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Clinic and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Kansas City, Missouri  
January 17, 2013



**Kansas City Free Health Clinic**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended March 31, 2012**

**Findings Required to be Reported by *Government Auditing Standards***

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
| None                        |                |                             |

**Findings Required to be Reported by OMB Circular A-133**

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
| None                        |                |                             |

**Kansas City Free Health Clinic**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended March 31, 2012**

| <b>Reference<br/>Number</b> | <b>Summary of Finding</b> | <b>Status</b> |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

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None