

**HEALTH CARE ACCESS, INC.**  
**LAWRENCE, KANSAS**

**FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

and

**INDEPENDENT AUDITORS' REPORT**

**KOHART ACCOUNTING, P.A.**

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*A Professional Association • Certified Public Accountant*

**HEALTH CARE ACCESS, INC.**  
Lawrence, Kansas

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The Board of Directors  
Health Care Access, Inc.  
330 Maine St  
Lawrence, KS 66046

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying statement of financial position of Health Care Access, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Health Care Access, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated, May 31, 2011, on our consideration of Health Care Access, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

*Kohart Accounting, PA*

Kohart Accounting, PA  
A Professional Association  
Certified Public Accountant

May 31, 2011

**HEALTH CARE ACCESS, INC.**

Lawrence, Kansas

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2010

<b>Assets</b>	
Current assets	
Cash and cash equivalents (Note 3)	\$ 310,471
Investments (Note 1)	68,160
Other receivable (Note 8)	10,487
Prepaid expenses (Note 4)	3,760
	<hr/>
Total current assets	392,878
Fixed assets (Note 2)	
Building	257,365
Land	81,360
Equipment	69,638
Leasehold improvements	9,155
Accumulated depreciation	(49,025)
	<hr/>
Total fixed assets	368,493
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Total assets	\$ 761,371
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<b>Liabilities and Net Assets</b>	
Current Liabilities	
Accrued compensated absences	\$ 20,734
Accrued wages	11,273
Payroll taxes payable	410
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Total current liabilities	32,417
	<hr/>
Net Assets	
Unrestricted	654,954
Temporarily restricted	74,000
	<hr/>
Total net assets	728,954
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Total liabilities and net assets	\$ 761,371
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The accompanying notes to financial statements  
are an integral part of this statement.

**HEALTH CARE ACCESS, INC.**

Lawrence, Kansas

**STATEMENT OF ACTIVITIES**

For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue</b>				
State of Kansas	\$ 191,626	\$ -	\$ -	\$ 191,626
City of Lawrence	26,000			26,000
Douglas County	23,000			23,000
United Way	66,997			66,997
Other grants	113,757			113,757
Program revenue	21,084			21,084
In-Kind contributions	3,341,910			3,341,910
Contributions	169,805	74,000	561	244,366
Investment income	9,041			9,041
Fundraising income	130,506			130,506
Miscellaneous income	2,596			2,596
Assets released from restrictions	30,517	(13,606)	(16,911)	-
	<u>4,126,840</u>	<u>60,394</u>	<u>(16,350)</u>	<u>4,170,884</u>
<b>Expenditures</b>				
Program services	3,616,743			3,616,743
Management and general	207,210			207,210
Fundraising	121,424			121,424
	<u>3,945,377</u>	<u>-</u>	<u>-</u>	<u>3,945,377</u>
<b>Change in Net Assets</b>	181,463	60,394	(16,350)	225,507
<b>Net assets, beginning of year</b>	<u>473,491</u>	<u>13,606</u>	<u>16,350</u>	<u>503,447</u>
<b>Net assets, end of year</b>	<u>\$ 654,954</u>	<u>\$ 74,000</u>	<u>\$ (0)</u>	<u>\$ 728,954</u>

The accompanying notes to financial statements  
are an integral part of this statement.

HEALTH CARE ACCESS, INC.

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2010

	Program Services	Management and General	Fundraising	Total
Wages	\$ 167,836	\$ 142,561	\$ 40,279	\$ 350,676
Payroll taxes	14,039	11,924	3,369	29,332
Employee benefits	6,916	5,874	1,660	14,450
In-Kind expense	3,341,910			3,341,910
Pharmacy	4,482			4,482
Insurance	9,875			9,875
Equipment rent and maintenance	1,849			1,849
Dues and memberships		2,459		2,459
Occupancy	7,131			7,131
Telephone	3,530			3,530
Postage	5,584			5,584
Printing and publications	8,046			8,046
Advertising			5,205	5,205
Travel	2,572			2,572
Investment fees		624		624
Conferences and meetings		2,835		2,835
Audit		2,440		2,440
Supplies	15,602	3,706	70,537	89,845
Miscellaneous	1,605			1,605
Bank fees		1,416		1,416
Professional fees		4,406	375	4,781
Depreciation	15,632			15,632
Interest expense		2,513		2,513
Information technology	10,133			10,133
Repairs and maintenance		26,451		26,451
Total Expenses	<u>\$ 3,616,743</u>	<u>\$ 207,210</u>	<u>\$ 121,424</u>	<u>\$ 3,945,377</u>

The accompanying notes to financial statements  
are an integral part of this statement

**HEALTH CARE ACCESS, INC.**

Lawrence, Kansas

**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2010**Cash flows from operating activities**

Reconciliation of changes in net assets to net cash provided (used) by operating activities:	
Increase (decrease) in net assets	\$ 225,507
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	15,632
Loss on disposal of leasehold improvements	9,436
Unrealized holding loss (gain) on investments	(5,263)
Changes in current assets and liabilities	
(Increase) decrease in prepaid expenses	108
(Increase) decrease in other receivable	(10,487)
Increase (decrease) in accrued compensated absences and wages	(1,597)
Increase (decrease) in accrued interest and payroll taxes	(3,333)
<b>Net cash provided (used) by operating activities</b>	<u>230,003</u>

**Cash flows from investing activities**

Reinvestment of investment income held with DCCF (net of fees)	(2,440)
Purchase of depreciable assets	(36,552)
<b>Net cash provided (used) by investing activities</b>	<u>(38,992)</u>

**Cash flows from financing activities**

Payment on short term private financing	(58,000)
<b>Net cash provided (used) by financing activities</b>	<u>(58,000)</u>

**Net increase (decrease) in cash for period** 133,011

**Cash as of beginning of period** 177,460

**Cash as of end of period** \$ 310,471

**Supplemental Information**

Interest paid \$ 2,513

Income taxes paid \$ -

The accompanying notes to financial statements  
are an integral part of this statement

# HEALTH CARE ACCESS, INC.

Lawrence, Kansas

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Summary of Significant Accounting Policies**

Health Care Access, Inc. was incorporated as a nonprofit organization under the laws of the State of Kansas on November 21, 1988. The nature of Health Care Access, Inc.'s business is:

1. To facilitate access to health care services to the low-income, uninsured in Douglas County;
2. To provide, coordinate and manage an information and referral system for the medically indigent to needed health care services;
3. Develop resources to acquire needed prescription medication and supplies for the medically indigent; and
4. To inform and educate community members and leaders on issues related to medical indigence.

The financial statements of Health Care Access, Inc. have been prepared on the accrual basis of accounting which is in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are described below:

**Definition of the Entity** – Health Care Access, Inc. is a nonprofit corporation governed by a fourteen member board. Health Care Access, Inc. as an entity has been defined to include on a combined basis (a) Health Care Access, Inc. (b) organizations for which Health Care Access, Inc. is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Health Care Access, Inc. are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in Health Care Access, Inc.'s report.

**Basis of Presentation** – Health Care Access, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Health Care Access, Inc. is required to present a statement of cash flows. As permitted by this new statement, the Health Care Access, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

**Statement of Functional Expenses** – The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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 what will affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

HEALTH CARE ACCESS, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Income Taxes** – Health Care Access, Inc. is a not-for-profit entity under Internal Revenue Code Section 501(c) (3) and therefore no provision for federal or state income tax has been made in the accompanying financial statements. Further, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509 (a) of the Code because the Organization is described in Section 509 (a) (2). There was no unrelated business income for the year ended December 31, 2010.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit. The Organization considers all cash to be cash equivalents.

**Long-Term Assets** – Property and equipment with a life that benefits future periods has been capitalized at cost. Depreciation is provided over the estimated useful lives of the respective assets (five to thirty-nine years) using the straight-line method. The Kansas Department of Health and Environment retain restrictions over disposition of equipment purchased with grant funds. Depreciation expense for the year ended December 31, 2010 was \$15,632.

**Leasehold Improvements** – Improvements are recorded at cost and amortized over 31.5 years using the straight-line method.

**Unconditional Promises to Give** – Contributions are recognized when the donor makes a promise to give to Health Care Access, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All promises to give are valued at fair market value. All promises to give are deemed collectible. There were no promises to give as of December 31, 2010.

**Investments Held at Douglas County Community Foundation** – The Organization has deposited monies into a fund that is held at Prairie Capital and under the management of Douglas County Community Foundation. Both Prairie Capital and the Foundation charge a monthly fee for holding the assets. The Organization has complete control over these assets and may withdraw the monies at any time. The market value of the Organization's portion of the fund at December 31, 2010, was \$68,160.

**HEALTH CARE ACCESS, INC.**

Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Fixed Assets**

Property and equipment are summarized by major classifications at December 31, 2010 as follows:

	<u>Balance @ 12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance @ 12/31/2010</u>
Equipment	\$ 42,241	\$ 27,397	\$ -	\$ 69,638
Buildings	\$ 257,365			257,365
Land	\$ 81,360			81,360
Leasehold improvements	<u>19,447</u>	<u>9,155</u>	<u>19,447</u>	<u>9,155</u>
	<u>\$ 400,413</u>	<u>\$ 36,552</u>	<u>\$ 19,447</u>	<u>\$ 417,518</u>

**Note 3 – Cash and Credit Risk**

At year end, the bank carrying amounts of the Organization's deposits were \$381,240, which consisted of \$197,113 in checking accounts, \$109,597 in money markets, \$6,370 in certificates of deposit, and \$68,160 in investment accounts.

On November 9, 2010, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution. The deposits were under secured by \$118,097 as of December 31, 2010. The board has determined to accept the risk involved for under secured deposits.

**Note 4 – Prepaid Expenses**

Prepaid expenses consist of the following:

Prepaid Insurance	<u>\$ 3,760</u>
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HEALTH CARE ACCESS, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

**Note 5 – Investments**

The organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are also reported in the statement of activities.

	<u>Cost basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Douglas County Community Foundation	<u>65,626</u>	<u>68,160</u>	<u>2,534</u>
	<u>\$ 65,626</u>	<u>\$ 68,160</u>	<u>\$ 2,534</u>

Investment activity on the statement of activities consists of the following:

Interest income	\$ 1,530
Dividend income	2,052
Realized gains	197
Unrealized gains	<u>5,262</u>
	<u>\$ 9,041</u>

**HEALTH CARE ACCESS, INC.**

Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**Note 6 – Compensated Absences**

**Paid Time Off (PTO)** – Paid time off accumulates beginning after one month of employment at the rate of 10 hours per month for the first five years of employment with a maximum accumulation of 200 hours. For employees with more than five years of employment accumulate PTO at the rate of 12 hours per month with a maximum accumulation of 240 hours.

Staff members are not eligible to take accumulated paid time off until success completion of the 30 days of employment. Voluntary termination after one year or more of service qualifies employees for payment of accumulated paid time off.

The provision for accrued paid time off as of December 31, 2010 totaled \$20,734.

**Sick Leave** – After thirty calendar days of employment, full time employee shall accrue sick leave at six hours per month to total no more than 360 hours. Upon termination or retirement of any employee, there is no cash payment for any accrued sick leave.

No provision is made for accumulated sick leave in these financial statements.

**Note 7 – Donated Services and Materials**

The Organization relies on local physicians, nurses and hospitals to achieve its objective of serving the health care needs of Douglas County, Kansas. Health Care Access, Inc. has calculated the amount of donated services based on the average value of a survey of doctors multiplied by the number of hours contributed. This amounted to \$468,155 for the 2010 year. Local hospitals donated \$2,667,845 of services in 2010.

Additionally, the Organization receives prescription medicines in the form of samples from various drug companies and local physicians. The value of these totaled \$203,777 for the 2010 year.

The building, Health Care Access, Inc. resided and operated business activities, had been rented from the City of Lawrence for \$1 per year through February 2010. The estimated fair market rental of the building was \$2,133.

**Note 8 – Note Payable**

On June 23, 2009, the Organization entered into a contract, with Ed and Katherine Manda, to purchase real estate located at 330 Maine St, Lawrence, Kansas. The Sellers, Ed and Katherine Manda agreed to privately finance the purchase at an annual interest rate of 4.5%. The note was secured by the real estate located at 330 Maine St, Lawrence, Kansas. The Organization was required to make monthly interest payments on the first of each month until the note is paid in full. The note was fulfilled in February 2011. The Organization miscalculated the final installment payment and overpaid the installment in the amount of \$10,427. Management worked with the mortgage holder and in July 2011 the overpayment was returned to the Organization.

**HEALTH CARE ACCESS, INC.**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**Note 9 – Commitments and Contingencies**

The Organization receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

**Note 10 – Risk Management**

The Organization is exposed to various risks of loss related to limited torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters. The Organization carries commercial insurance and has not incurred any losses in the past three years.

Board of Directors  
Health Care Access Clinic, Inc.  
Lawrence, Kansas 66044

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Health Care Access Clinic, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010 and have issued our report thereon dated May 31, 2011. 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**

In planning and performing our audit, we considered Health Care Access Clinic, Inc.'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 Health Care Access Clinic, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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 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 Health Care Access Clinic, Inc.'s financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 management of Health Care Access Clinic, Inc. in a separate letter dated May 31, 2011.

This report is intended solely for the information and use of management, the audit committee, others within the organization, 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.

*Kohart Accounting, PA*

Kohart Accounting, PA  
A Professional Association  
Certified Public Accountant

May 31, 2011

