

VOLUNTEERS IN MEDICINE CLINIC

FINANCIAL STATEMENTS

For the Years Ended September 30, 2013 and 2012



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FINANCIAL STATEMENTS
For the Years Ended September 30, 2013 and 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Volunteers in Medicine Clinic
Springfield, Oregon

We have audited the accompanying financials statements of Volunteers in Medicine Clinic (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers in Medicine Clinic as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
January 16, 2014

FINANCIAL STATEMENTS

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 980,670	\$ 901,406
Investments	215,367	336,453
Unconditional promises to give, current portion	10,000	10,000
Unconditional promises to give, facility, current portion	215,294	205,638
Prepaid expenses and inventory	<u>24,164</u>	<u>24,423</u>
Total current assets	<u>1,445,495</u>	<u>1,477,920</u>
Leasehold improvements and equipment, net	<u>127,480</u>	<u>179,082</u>
Other assets		
Endowment investments	563,119	498,090
Unconditional promise to give, net of current portion	-	10,000
Unconditional promise to give, facility, net of current portion	<u>478,998</u>	<u>277,861</u>
Total other assets	<u>1,042,117</u>	<u>785,951</u>
Total assets	<u>\$ 2,615,092</u>	<u>\$ 2,442,953</u>
Liabilities and Net Assets		
Current liabilities		
Accrued expenses	\$ 19,368	\$ 18,381
Accrued vacation	<u>30,094</u>	<u>37,862</u>
Total current liabilities	<u>49,462</u>	<u>56,243</u>
Net assets		
Unrestricted:		
Unrestricted, undesignated	467,967	480,573
Unrestricted, Board-designated	1,002,394	1,002,394
Temporarily restricted	714,278	523,002
Permanently restricted	<u>380,991</u>	<u>380,741</u>
Total net assets	<u>2,565,630</u>	<u>2,386,710</u>
Total liabilities and net assets	<u>\$ 2,615,092</u>	<u>\$ 2,442,953</u>

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Revenue and other support:		
Contribution income	\$ 472,325	\$ 484,223
Special events income, net	351,258	329,949
Patient income	22,497	56,713
Investment income	2,798	4,307
Gain (loss) on endowment investments	64,779	73,751
In-kind donations	1,939,429	1,592,879
In-kind donations, special events	4,854	32,919
In-kind volunteer services	323,631	467,780
Net assets released from restrictions	<u>563,136</u>	<u>561,495</u>
Total revenue and other support	<u>3,744,707</u>	<u>3,604,016</u>
Expenses:		
Program services:		
Medical clinic	3,275,550	3,095,001
Support services:		
Management and general	216,130	201,256
Fundraising	<u>265,633</u>	<u>282,652</u>
Total expenses	<u>3,757,313</u>	<u>3,578,909</u>
Increase (decrease) in unrestricted net assets	<u>(12,606)</u>	<u>25,107</u>
Temporarily restricted net assets		
Revenues and other support:		
Grant revenue	300,804	356,878
In-kind contribution, facility	453,608	88,297
Net assets released from restrictions	<u>(563,136)</u>	<u>(561,495)</u>
Increase (decrease) in temporarily restricted net assets	<u>191,276</u>	<u>(116,320)</u>
Permanently restricted net assets		
Revenue and other support:		
Contribution income	<u>250</u>	<u>-</u>
Change in net assets	178,920	(91,213)
Net assets, beginning of year	<u>2,386,710</u>	<u>2,477,923</u>
Net assets, end of year	<u>\$ 2,565,630</u>	<u>\$ 2,386,710</u>

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2013 and 2012

	2013			
	Program Services	Support Services		
	Medical Clinic	Management and General	Fundraising	Total
Payroll	\$ 458,938	\$ 102,420	\$ 190,661	\$ 752,019
Payroll taxes	44,640	9,962	18,546	73,148
Employee benefits	66,771	14,901	27,740	109,412
Medicine	24,558	-	-	24,558
Insurance, professional liability	37,762	4,196	-	41,958
Fundraising and promotion	-	-	9,363	9,363
Medical record and transcription services	27,031	-	-	27,031
Cleaning and maintenance	22,418	4,401	2,998	29,817
Professional services	7,305	34,223	-	41,528
Utilities	16,115	-	-	16,115
Insurance, general	7,677	853	-	8,530
Volunteer and staff appreciation	6,941	817	408	8,166
Marketing and public relations	3,507	612	1,996	6,115
Telephone	2,889	170	340	3,399
Office supplies	3,330	409	352	4,091
Travel and education	2,721	419	1,046	4,186
Medical supplies	18,472	-	-	18,472
Miscellaneous	1,325	10,325	-	11,650
Laboratory services	1,524	-	-	1,524
Rent	1,457	77	-	1,534
Non-medical supplies	-	-	-	-
Alarm system	947	-	-	947
	<u>756,328</u>	<u>183,785</u>	<u>253,450</u>	<u>1,193,563</u>
Total accrued expenses				
In-kind medicine	1,727,053	-	-	1,727,053
In-kind volunteer services	323,631	-	-	323,631
In-kind clinical, lab services, and other	206,775	2,601	1,400	210,776
In-kind lease expense	212,605	24,282	5,929	242,816
In-kind expenses, special events	-	-	4,854	4,854
Depreciation	49,158	5,462	-	54,620
	<u>2,519,222</u>	<u>32,345</u>	<u>12,183</u>	<u>2,563,750</u>
Total in-kind expenses				
Total expenses	<u>\$ 3,275,550</u>	<u>\$ 216,130</u>	<u>\$ 265,633</u>	<u>\$ 3,757,313</u>
Percentage of total expenses	87.2%	5.8%	7.1%	

2012

Program Services	Support Services		
Medical Clinic	Management and General	Fundraising	Total
\$ 486,328	\$ 93,975	\$ 177,376	\$ 757,679
44,709	8,639	16,307	69,655
75,029	14,498	27,365	116,892
25,974	-	-	25,974
37,072	4,119	-	41,191
-	-	14,461	14,461
30,672	-	-	30,672
21,817	4,301	3,095	29,213
-	31,250	-	31,250
14,742	-	-	14,742
8,095	900	-	8,995
3,001	353	177	3,531
3,010	540	1,847	5,397
7,489	441	880	8,810
6,940	850	704	8,494
3,651	562	1,404	5,617
10,135	-	-	10,135
4,470	9,829	-	14,299
4,649	-	-	4,649
2,658	140	-	2,798
54	-	-	54
1,387	-	-	1,387
<u>791,882</u>	<u>170,397</u>	<u>243,616</u>	<u>1,205,895</u>
1,324,829	-	-	1,324,829
467,780	-	-	467,780
263,599	2,916	1,535	268,050
201,611	22,910	4,582	229,103
-	-	32,919	32,919
45,300	5,033	-	50,333
<u>2,303,119</u>	<u>30,859</u>	<u>39,036</u>	<u>2,373,014</u>
<u>\$ 3,095,001</u>	<u>\$ 201,256</u>	<u>\$ 282,652</u>	<u>\$ 3,578,909</u>
86.5%	5.6%	7.9%	

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 178,920	\$ (91,213)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash contribution of facility	(453,608)	(88,297)
Depreciation	54,620	50,333
Gain on endowment investments	(64,779)	(73,751)
Amortization of donated facility	242,816	229,103
(Increase) decrease in:		
Prepaid expenses and inventory	259	750
Unconditional promises to give	10,000	30,926
Increase (decrease) in:		
Accounts payable	987	(11,032)
Accrued vacation	(7,768)	10,206
	<u>(38,553)</u>	<u>57,025</u>
 Cash flows from investing activities		
Purchase of improvements and equipment	(3,019)	(27,524)
Purchase of endowment investments	(250)	(1,809)
Proceeds from investments	122,301	-
Purchase of investments	(1,215)	-
	<u>117,817</u>	<u>(29,333)</u>
 Increase in cash and cash equivalents	 79,264	 27,692
Cash and cash equivalents, beginning of year	<u>901,406</u>	<u>873,714</u>
Cash and cash equivalents, end of year	<u>\$ 980,670</u>	<u>\$ 901,406</u>

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Volunteers in Medicine Clinic (the Organization) is a nonprofit organization that operates in Lane County, Oregon, providing health and wellness needs of the medically underserved and their households.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investments

Investments are composed of certificates of deposit and are carried at fair value. Endowment investments are composed of mutual funds and are carried at fair value.

Grants Receivable

Grants receivable are recorded in the period that the unconditional commitment is made. Management has determined that grants receivable are fully collectible. Therefore, an allowance for uncollectible grants has not been recorded.

Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Leasehold Improvements, Equipment, and Depreciation

Leasehold improvements and equipment are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated on the double declining balance and straight line method over their estimated useful lives.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Inventory

Inventory consists of purchased and donated medicines. They are carried at cost at acquisition or fair market value at the date of the donation.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of donated non-cash assets and services are recorded at their fair value in the period received.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore no provision for federal or state income taxes has been included in these financial statements. The Organization's information returns are generally subject to examination by taxing authorities for a period of three years after filing.

Concentration of Credit Risk

The Organization maintains its cash in various financial institutions. The balances, at times, may exceed the federally insured limits of \$250,000. Deposits were fully insured as of September 30, 2013 and 2012.

Net Assets

Net assets of the Organization consist of the following:

Unrestricted - These net assets are available for general obligations of the Organization.

Temporarily restricted - These net assets are restricted by donors and grantors to be used for specific purposes.

Permanently restricted - These net assets are permanently restricted by donors and cannot be used by the Organization.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Endowment Fund Policy

The Board of Directors has established guidelines for the utilization of the Endowment Fund maintained to benefit the general purposes of the Organization. The policy sets forth that the Organization shall accept current and deferred gifts to the Endowment Fund. The Organization's policy is to maintain the principal of the fund in perpetuity. The policy allows any interest earned in the Endowment Fund to be expended in a given fiscal year as determined by the Board.

The Organization's endowment investment strategy is to emphasize long-term growth as measured by total return, while avoiding excessive risk. The primary investment objective is to achieve a balanced return of income consistent with principal growth and to achieve a rate of return, net of fees, to exceed a return of relevant indices or other benchmarks as determined by the Organization's Investment Committee.

Endowment fund investments are limited to mutual funds.

2. Investments

At September 30, 2013 and 2012, investments consisted of certificates of deposit with original maturities greater than 90 days totaling \$215,367 and \$336,453, respectively.

3. Endowment Investments

At September 30, the Endowment Fund consisted of the following:

	<u>2013</u>	<u>2012</u>
Earnings	\$ 182,128	\$ 117,349
Permanently restricted	<u>380,991</u>	<u>380,741</u>
Total Endowment Fund	<u>\$ 563,119</u>	<u>\$ 498,090</u>

A summary of Endowment Fund activity was as follows:

	<u>2013</u>	<u>2012</u>
Balance, October 1	\$ 498,090	\$ 424,339
Contributions	250	-
Investment returns, net	<u>64,779</u>	<u>73,751</u>
Balance, September 30	<u>\$ 563,119</u>	<u>\$ 498,090</u>

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to their fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2013 and 2012.

Mutual funds: Valued at the net asset value of units held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2013:

	Assets at Fair Value as of September 30, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 563,119	\$ -	\$ -	\$ 563,119
Total assets at fair value	\$ 563,119	\$ -	\$ -	\$ 563,119

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurement, continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2012:

	Assets at Fair Value as of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 498,090	\$ -	\$ -	\$ 498,090
Total assets at fair value	\$ 498,090	\$ -	\$ -	\$ 498,090

5. Unconditional Promise to Give, Facility

The Organization leases a 9,126 square foot building (new clinic) under a 5-year operating lease where the annual lease payment is \$12. The original lease commenced on April 1, 2010, and had an expiration date of March 31, 2015. This lease was extended in February 2013 for an additional two year period and will now expire on March 31, 2017.

The Organization also leases a 1,100 square foot building (storage) under a 1-year operating lease where the annual lease payment is \$1. The current lease commenced on September 1, 2012 and ended on August 31, 2013. The lease was extended for one year starting on September 1, 2013.

The Organization also leases a 1,513 square foot space (administrative office) under a 2-year operating lease where the annual lease payment is \$12. The current lease commenced on November 1, 2011 and will end on November 30, 2013. The lease has been extended for an additional two years from December 1, 2013 to November 30, 2015.

At September 30, the present value of the estimated future fair value of these lease payments using a discount rate of 6 percent has been treated as an unconditional promise to give and consisted of the following:

	2013	2012
Temporarily restricted promise to give, facility	\$ 765,932	\$ 519,658
Amortized discount	(71,640)	(36,159)
Net unconditional promise to give, facility	\$ 694,292	\$ 483,499
Amounts due in:		
Less than one year	\$ 215,294	\$ 205,638
One to five years	478,998	277,861
	\$ 694,292	\$ 483,499

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

6. Unconditional Promises to Give

At September 30, unconditional promises to give consisted of the following:

	<u>2013</u>	<u>2012</u>
Pledges	\$ 10,000	\$ 20,000
Allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 10,000</u>	<u>\$ 20,000</u>
Amounts due in:		
Less than one year	\$ 10,000	\$ 10,000
One to five years	<u>-</u>	<u>10,000</u>
	<u>\$ 10,000</u>	<u>\$ 20,000</u>

7. Leasehold Improvements and Equipment

At September 30, leasehold improvements and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Medical equipment	\$ 70,696	\$ 69,096
Office equipment	94,780	91,003
Office furniture	19,046	19,046
Leasehold improvements	<u>283,248</u>	<u>283,248</u>
	467,770	462,393
Accumulated depreciation	<u>(340,290)</u>	<u>(283,311)</u>
Leasehold improvements and equipment, net	<u>\$ 127,480</u>	<u>\$ 179,082</u>

8. Temporarily Restricted Net Assets

At September 30, temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
In-kind facility lease donation	\$ 694,292	\$ 483,500
Grant revenue	<u>19,986</u>	<u>39,502</u>
Total temporarily restricted net assets	<u>\$ 714,278</u>	<u>\$ 523,002</u>

9. Board-Designated Net Assets

At September 30, Board-designated net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Operating reserves	<u>\$ 1,002,394</u>	<u>\$ 1,002,394</u>

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

10. Retirement Plan

During 2009, the Organization established a 401(k) Safe Harbor retirement plan for its employees. Employees are eligible upon reaching six months of service. Under the plan, the Organization pays a percentage of compensation into the plan, which is determined on a year-to-year basis. Contributions to the plan totaled \$19,369 and \$18,381 for the years ended September 30, 2013 and 2012, respectively.

11. Related Party Transactions

The Board of Directors made contributions to the Organization of \$28,311 and \$27,638 during 2013 and 2012, respectively.

12. In-kind Volunteer Services

At September 30, in-kind volunteer services consisted of the following:

	<u>2013</u>	<u>2012</u>
In-kind volunteer services	<u>\$ 323,631</u>	<u>\$ 467,780</u>

Other non-eligible volunteer services for administrative functions totaled \$193,656 and \$193,688 at September 30, 2013 and 2012, respectively. These non-eligible amounts are not included in the financial statements.

13. Special Events

At September 30, special events consisted of the following:

	<u>2013</u>	<u>2012</u>
Special events income	\$ 418,808	\$ 389,656
Less: Direct donor benefits	<u>(67,550)</u>	<u>(59,707)</u>
Special events income, net	<u>\$ 351,258</u>	<u>\$ 329,949</u>

The Organization received \$119,139 and \$145,961 of donated auction items for the years ended September 30, 2013 and 2012, respectively. In addition, the Organization received \$4,854 and \$32,919 of miscellaneous in-kind special event donations for the years ended September 30, 2013 and 2012, respectively.

14. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.