

**VOLUNTEERS IN MEDICINE CLINIC**

**FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2014 and 2013**



VOLUNTEERS IN MEDICINE CLINIC  
FINANCIAL STATEMENTS  
For the Years Ended September 30, 2014 and 2013

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## 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, 2014 and 2013, 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 audits 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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**BEND** 300 SW Columbia Street  
Suite 201  
Bend, OR 97702  
*phone* (541) 382-3590  
*fax* (541) 382-3587

**EUGENE** 432 West 11th Avenue  
Eugene, OR 97401  
*phone* (541) 687-2320  
*fax* (541) 485-0960

**HILLSBORO** 5635 NE Elam Young Pkwy.  
Suite 100  
Hillsboro, OR 97124  
*phone* (503) 648-0521  
*fax* (503) 648-2692

## 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, 2014 and 2013, 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 19, 2015

## FINANCIAL STATEMENTS

VOLUNTEERS IN MEDICINE CLINIC  
 STATEMENTS OF FINANCIAL POSITION  
 September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 700,981	\$ 980,670
Investments	216,035	215,367
Unconditional promises to give, current portion	-	10,000
Unconditional promises to give, facility, current portion	216,262	215,294
Prepaid expenses and inventory	<u>31,750</u>	<u>24,164</u>
Total current assets	<u>1,165,028</u>	<u>1,445,495</u>
<b>Leasehold improvements and equipment, net</b>	<u>73,221</u>	<u>127,480</u>
<b>Other assets</b>		
Endowment investments	613,151	563,119
Unconditional promise to give, facility, net of current portion	<u>277,862</u>	<u>478,998</u>
Total other assets	<u>891,013</u>	<u>1,042,117</u>
<b>Total assets</b>	<u>\$ 2,129,262</u>	<u>\$ 2,615,092</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accrued expenses	\$ 18,077	\$ 19,368
Accrued vacation	<u>34,145</u>	<u>30,094</u>
Total current liabilities	<u>52,222</u>	<u>49,462</u>
<b>Net assets</b>		
Unrestricted:		
Unrestricted, undesignated	301,915	467,967
Unrestricted, Board-designated	884,999	1,002,394
Temporarily restricted	509,135	714,278
Permanently restricted	<u>380,991</u>	<u>380,991</u>
Total net assets	<u>2,077,040</u>	<u>2,565,630</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,129,262</u>	<u>\$ 2,615,092</u>

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC  
STATEMENTS OF ACTIVITIES  
For the Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Unrestricted net assets</b>		
Revenue and other support:		
Contribution income	\$ 485,919	\$ 472,325
Special events income, net	277,074	351,258
Patient income	19,881	22,497
Investment income	1,567	2,798
Gain on endowment investments	50,032	64,779
In-kind donations	1,464,801	1,939,429
In-kind donations, special events	4,864	4,854
In-kind volunteer services	274,124	323,631
Net assets released from restrictions	<u>465,875</u>	<u>563,136</u>
Total revenue and other support	<u>3,044,137</u>	<u>3,744,707</u>
Expenses:		
Program services:		
Medical clinic	2,813,510	3,275,550
Support services:		
Management and general	264,409	216,130
Fundraising	<u>249,665</u>	<u>265,633</u>
Total expenses	<u>3,327,584</u>	<u>3,757,313</u>
Decrease in unrestricted net assets	<u>(283,447)</u>	<u>(12,606)</u>
<b>Temporarily restricted net assets</b>		
Revenues and other support:		
Grant revenue	208,937	300,804
In-kind contribution, facility	51,795	453,608
Net assets released from restrictions	<u>(465,875)</u>	<u>(563,136)</u>
Increase (decrease) in temporarily restricted net assets	<u>(205,143)</u>	<u>191,276</u>
<b>Permanently restricted net assets</b>		
Revenue and other support:		
Contribution income	<u>-</u>	<u>250</u>
<b>Change in net assets</b>	(488,590)	178,920
Net assets, beginning of year	<u>2,565,630</u>	<u>2,386,710</u>
Net assets, end of year	<u>\$ 2,077,040</u>	<u>\$ 2,565,630</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, 2014 and 2013

	2014			Total
	Program Services	Support Services		
	Medical Clinic	Management and General	Fundraising	
Payroll	\$ 534,152	\$ 138,175	\$ 177,212	\$ 849,539
Payroll taxes	51,511	13,325	17,090	81,926
Employee benefits	68,497	17,719	22,725	108,941
Medicine	13,476	-	-	13,476
Insurance, professional liability	19,635	2,182	-	21,817
Fundraising and promotion	-	-	-	-
Medical record and transcription services	26,278	-	-	26,278
Cleaning and maintenance	21,849	3,667	2,662	28,178
Professional services	2,078	40,726	4,001	46,805
Utilities	16,768	-	-	16,768
Insurance, general	7,373	821	-	8,194
Volunteer and staff appreciation	7,039	828	414	8,281
Marketing and public relations	10,829	1,805	5,414	18,048
Telephone	9,757	574	1,148	11,479
Office supplies	4,869	600	531	6,000
Travel and education	1,953	300	751	3,004
Medical supplies	8,625	-	-	8,625
Miscellaneous	271	10,702	5,567	16,540
Laboratory services	985	-	-	985
Rent	1,396	73	-	1,469
Non-medical supplies	509	-	-	509
Alarm system	711	-	-	711
<b>Total accrued expenses</b>	<b>808,561</b>	<b>231,497</b>	<b>237,515</b>	<b>1,277,573</b>
In-kind medicine	1,291,204	-	-	1,291,204
In-kind volunteer services	274,124	-	-	274,124
In-kind clinical, lab services, and other	169,060	2,289	2,248	173,597
In-kind lease expense	221,728	25,197	5,038	251,963
In-kind expenses, special events	-	-	4,864	4,864
Depreciation	48,833	5,426	-	54,259
<b>Total in-kind expenses</b>	<b>2,004,949</b>	<b>32,912</b>	<b>12,150</b>	<b>2,050,011</b>
<b>Total expenses</b>	<b>\$ 2,813,510</b>	<b>\$ 264,409</b>	<b>\$ 249,665</b>	<b>\$ 3,327,584</b>
Percentage of total expenses	84.6%	7.9%	7.5%	



2013

Program Services	Support Services		
Medical Clinic	Management and General	Fundraising	Total
\$ 458,938	\$ 102,420	\$ 190,661	\$ 752,019
44,640	9,962	18,546	73,148
66,771	14,901	27,740	109,412
24,558	-	-	24,558
37,762	4,196	-	41,958
-	-	9,363	9,363
27,031	-	-	27,031
22,418	4,401	2,998	29,817
7,305	34,223	-	41,528
16,115	-	-	16,115
7,677	853	-	8,530
6,941	817	408	8,166
3,507	612	1,996	6,115
2,889	170	340	3,399
3,330	409	352	4,091
2,721	419	1,046	4,186
18,472	-	-	18,472
1,325	10,325	-	11,650
1,524	-	-	1,524
1,457	77	-	1,534
-	-	-	-
947	-	-	947
<u>756,328</u>	<u>183,785</u>	<u>253,450</u>	<u>1,193,563</u>
1,727,053	-	-	1,727,053
323,631	-	-	323,631
206,775	2,601	1,400	210,776
212,605	24,282	5,929	242,816
-	-	4,854	4,854
49,158	5,462	-	54,620
<u>2,519,222</u>	<u>32,345</u>	<u>12,183</u>	<u>2,563,750</u>
<u>\$ 3,275,550</u>	<u>\$ 216,130</u>	<u>\$ 265,633</u>	<u>\$ 3,757,313</u>
87.2%	5.8%	7.1%	

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended September 30, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (488,590)	\$ 178,920
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Non-cash contribution of facility	(51,795)	(453,608)
Depreciation	54,259	54,620
Gain on endowment investments	(50,032)	(64,779)
Amortization of donated facility	251,963	242,816
(Increase) decrease in:		
Prepaid expenses and inventory	(7,586)	259
Unconditional promises to give	10,000	10,000
Increase (decrease) in:		
Accrued expenses	(1,291)	987
Accrued vacation	4,051	(7,768)
	(279,021)	(38,553)
<b>Cash flows from investing activities</b>		
Purchase of improvements and equipment	-	(3,019)
Purchase of endowment investments	-	(250)
Proceeds from investments	-	122,301
Purchase of investments	(668)	(1,215)
	(668)	117,817
<b>Increase (decrease) in cash and cash equivalents</b>	(279,689)	79,264
Cash and cash equivalents, beginning of year	980,670	901,406
Cash and cash equivalents, end of year	\$ 700,981	\$ 980,670

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, 2014 and 2013.

**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, 2014 and 2013, investments consisted of certificates of deposit with original maturities greater than 90 days totaling \$216,035 and \$215,367, respectively.

**3. Endowment Investments**

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

	<u>2014</u>	<u>2013</u>
Earnings	\$ 232,160	\$ 182,128
Permanently restricted	<u>380,991</u>	<u>380,991</u>
Total Endowment Fund	<u>\$ 613,151</u>	<u>\$ 563,119</u>

A summary of Endowment Fund activity was as follows:

	<u>2014</u>	<u>2013</u>
Balance, October 1	\$ 563,119	\$ 498,090
Contributions	-	250
Investment returns, net	<u>50,032</u>	<u>64,779</u>
Balance, September 30	<u>\$ 613,151</u>	<u>\$ 563,119</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, 2014 and 2013.

*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, 2014:

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 613,151	\$ -	\$ -	\$ 613,151
Total assets at fair value	\$ 613,151	\$ -	\$ -	\$ 613,151

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, 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

**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, 2013 and ended on August 31, 2014. The lease was extended for one year starting on September 1, 2014.

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 lease commenced on November 1, 2011 and ended on November 30, 2013. The lease was 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:

	2014	2013
Temporarily restricted promise to give, facility	\$ 530,469	\$ 765,932
Amortized discount	(36,345)	(71,640)
Net unconditional promise to give, facility	\$ 494,124	\$ 694,292
Amounts due in:		
Less than one year	\$ 216,262	\$ 215,294
One to five years	277,862	478,998
	\$ 494,124	\$ 694,292

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>2014</u>	<u>2013</u>
Pledges	\$ -	\$ 10,000
Allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 10,000</u>
Amounts due in:		
Less than one year	\$ -	\$ 10,000
One to five years	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 10,000</u>

**7. Leasehold Improvements and Equipment**

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

	<u>2014</u>	<u>2013</u>
Medical equipment	\$ 70,696	\$ 70,696
Office equipment	94,780	94,780
Office furniture	19,046	19,046
Leasehold improvements	<u>283,248</u>	<u>283,248</u>
	467,770	467,770
Accumulated depreciation	<u>(394,549)</u>	<u>(340,290)</u>
Leasehold improvements and equipment, net	<u>\$ 73,221</u>	<u>\$ 127,480</u>

**8. Temporarily Restricted Net Assets**

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

	<u>2014</u>	<u>2013</u>
In-kind facility lease donation	\$ 494,124	\$ 694,292
Grant revenue	<u>15,011</u>	<u>19,986</u>
Total temporarily restricted net assets	<u>\$ 509,135</u>	<u>\$ 714,278</u>

**9. Board-Designated Net Assets**

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

	<u>2014</u>	<u>2013</u>
Operating reserves	<u>\$ 884,999</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 \$18,077 and \$19,369 for the years ended September 30, 2014 and 2013, respectively.

The Organization elected to close this retirement plan as of September 30, 2014 and will be setting up a new Simple IRA plan for employees starting January 1, 2015.

**11. Related Party Transactions**

The Board of Directors made contributions to the Organization of \$39,603 and \$28,311 during 2014 and 2013, respectively.

**12. In-kind Volunteer Services**

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

	<u>2014</u>	<u>2013</u>
In-kind volunteer services	<u>\$ 274,124</u>	<u>\$ 323,631</u>

Other non-eligible volunteer services for administrative functions totaled \$179,801 and \$193,656 at September 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
Special events income	\$ 338,980	\$ 418,808
Less: Direct donor benefits	<u>(61,906)</u>	<u>(67,550)</u>
Special events income, net	<u>\$ 277,074</u>	<u>\$ 351,258</u>

The Organization received \$132,165 and \$119,139 of donated auction items for the years ended September 30, 2014 and 2013, respectively. In addition, the Organization received \$4,864 and \$4,854 of miscellaneous in-kind special event donations for the years ended September 30, 2014 and 2013, respectively.

VOLUNTEERS IN MEDICINE CLINIC  
NOTES TO FINANCIAL STATEMENTS

**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.

In October 2014, the Organization entered into a pledge agreement for \$500,000, to be received in installments of \$100,000 each year, for five years, beginning June 30, 2015. The pledge is to be used to support general operating costs.