

VOLUNTEERS IN MEDICINE CLINIC

FINANCIAL STATEMENTS

For the Years Ended September 30, 2015 and 2014



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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Volunteers in Medicine Clinic (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, 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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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, 2015 and 2014, 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 18, 2016

FINANCIAL STATEMENTS

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 674,447	\$ 700,981
Investments	216,654	216,035
Unconditional promise to give, current portion	100,000	-
Unconditional promises to give, facility, current portion	198,819	216,262
Prepaid expenses and inventory	17,661	31,750
Total current assets	1,207,581	1,165,028
Leasehold improvements and equipment, net	26,382	73,221
Other assets		
Endowment investments	594,430	613,151
Unconditional promise to give, net of current portion	291,964	-
Unconditional promises to give, facility, net of current portion	94,168	277,862
Total other assets	980,562	891,013
Total assets	\$ 2,214,525	\$ 2,129,262
Liabilities and Net Assets		
Current liabilities		
Accrued expenses	\$ 475	\$ 18,077
Accrued vacation	40,689	34,145
Total current liabilities	41,164	52,222
Net assets		
Unrestricted:		
Unrestricted, undesignated	750,761	301,915
Unrestricted, Board-designated	730,000	884,999
Temporarily restricted	311,609	509,135
Permanently restricted	380,991	380,991
Total net assets	2,173,361	2,077,040
Total liabilities and net assets	\$ 2,214,525	\$ 2,129,262

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted net assets		
Revenue and other support:		
Contribution income	\$ 851,337	\$ 485,919
Special events income, net	245,417	277,074
Patient income	15,161	19,881
Investment income	1,070	1,567
Gain (loss) on endowment investments	(18,721)	50,032
In-kind donations	1,650,315	1,464,801
In-kind donations, special events	7,649	4,864
In-kind volunteer services	273,308	274,124
Net assets released from restrictions	<u>635,905</u>	<u>465,875</u>
Total revenue and other support	<u>3,661,441</u>	<u>3,044,137</u>
Expenses:		
Program services:		
Medical clinic	2,817,514	2,813,510
Support services:		
Management and general	254,549	264,409
Fundraising	<u>295,531</u>	<u>249,665</u>
Total expenses	<u>3,367,594</u>	<u>3,327,584</u>
Increase (decrease) in unrestricted net assets	<u>293,847</u>	<u>(283,447)</u>
Temporarily restricted net assets		
Revenues and other support:		
Grant revenue	398,772	208,937
In-kind contribution, facility	39,607	51,795
Net assets released from restrictions	<u>(635,905)</u>	<u>(465,875)</u>
Decrease in temporarily restricted net assets	<u>(197,526)</u>	<u>(205,143)</u>
Change in net assets	96,321	(488,590)
Net assets, beginning of year	<u>2,077,040</u>	<u>2,565,630</u>
Net assets, end of year	<u>\$ 2,173,361</u>	<u>\$ 2,077,040</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, 2015 and 2014

	2015			
	Program Services	Support Services		Total
	Medical Clinic	Management and General	Fundraising	
	\$	\$	\$	
Payroll	430,863	134,049	211,547	
Payroll taxes	40,148	12,491	19,711	72,350
Employee benefits	45,088	14,028	22,136	81,252
Medicine	15,486	-	-	15,486
Insurance, professional liability	14,679	1,631	-	16,310
Medical record and transcription services	18,400	-	-	18,400
Cleaning and maintenance	18,111	3,083	2,687	23,881
Professional services	-	34,451	5,775	40,226
Utilities	14,553	-	-	14,553
Insurance, general	8,411	935	-	9,346
Volunteer and staff appreciation	19,897	2,341	1,170	23,408
Marketing and public relations	12,616	2,103	6,309	21,028
Telephone	9,552	562	1,124	11,238
Office supplies	4,466	553	511	5,530
Travel and education	1,455	224	560	2,239
Medical supplies	6,951	-	-	6,951
Miscellaneous	564	6,507	-	7,071
Laboratory services	716	-	-	716
Rent	1,467	77	-	1,544
Non-medical supplies	128	-	-	128
Alarm system	623	-	-	623
	<u>664,174</u>	<u>213,035</u>	<u>271,530</u>	<u>1,148,739</u>
Total accrued expenses				
In-kind medicine	1,452,251	-	-	1,452,251
In-kind volunteer services	273,308	-	-	273,308
In-kind clinical, lab services, and other	173,771	12,755	11,538	198,064
In-kind lease expense	211,855	24,075	4,814	240,744
In-kind expenses, special events	-	-	7,649	7,649
Depreciation	42,155	4,684	-	46,839
	<u>2,153,340</u>	<u>41,514</u>	<u>24,001</u>	<u>2,218,855</u>
Total in-kind expenses				
Total expenses	<u>\$ 2,817,514</u>	<u>\$ 254,549</u>	<u>\$ 295,531</u>	<u>\$ 3,367,594</u>
Percentage of total expenses	83.7%	7.5%	8.8%	

2014

Program Services	Support Services		
Medical Clinic	Management and General	Fundraising	Total
\$ 534,152	\$ 138,175	\$ 177,212	\$ 849,539
51,511	13,325	17,090	81,926
68,497	17,719	22,725	108,941
13,476	-	-	13,476
19,635	2,182	-	21,817
26,278	-	-	26,278
21,849	3,667	2,662	28,178
2,078	40,726	4,001	46,805
16,768	-	-	16,768
7,373	821	-	8,194
7,039	828	414	8,281
10,829	1,805	5,414	18,048
9,757	574	1,148	11,479
4,869	600	531	6,000
1,953	300	751	3,004
8,625	-	-	8,625
271	10,702	5,567	16,540
985	-	-	985
1,396	73	-	1,469
509	-	-	509
711	-	-	711
<u>808,561</u>	<u>231,497</u>	<u>237,515</u>	<u>1,277,573</u>
1,291,204	-	-	1,291,204
274,124	-	-	274,124
169,060	2,289	2,248	173,597
221,728	25,197	5,038	251,963
-	-	4,864	4,864
<u>48,833</u>	<u>5,426</u>	<u>-</u>	<u>54,259</u>
<u>2,004,949</u>	<u>32,912</u>	<u>12,150</u>	<u>2,050,011</u>
<u>\$ 2,813,510</u>	<u>\$ 264,409</u>	<u>\$ 249,665</u>	<u>\$ 3,327,584</u>
84.6%	7.9%	7.5%	

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 96,321	\$ (488,590)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Non-cash contribution of facility	(39,607)	(51,795)
Depreciation	46,839	54,259
Loss (gain) on endowment investments	18,721	(50,032)
Amortization of donated facility	240,744	251,963
(Increase) decrease in:		
Prepaid expenses and inventory	14,089	(7,586)
Unconditional promises to give	(391,964)	10,000
Increase (decrease) in:		
Accrued expenses	(17,602)	(1,291)
Accrued vacation	6,544	4,051
Net cash used by operating activities	(25,915)	(279,021)
Cash flows from investing activities		
Purchase of investments	(619)	(668)
Decrease in cash and cash equivalents	(26,534)	(279,689)
Cash and cash equivalents, beginning of year	700,981	980,670
Cash and cash equivalents, end of year	\$ 674,447	\$ 700,981

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, no allowance for uncollectible grants receivable was recorded at September 30, 2015 and 2014, respectively.

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. Promises to give that are to be received in future periods are discounted at an appropriate rate. Management has determined that outstanding promises to give are fully collectible. Therefore, no allowance for uncollectible promises to give is considered necessary at September 30, 2015 and 2014, respectively.

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.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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. As of September 30, 2015, deposits exceeded federally insured limits by \$33,416. Deposits were fully insured as of September 30, 2014.

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, 2015 and 2014, investments consisted of certificates of deposit with original maturities greater than 90 days totaling \$216,654 and \$216,035, respectively.

3. Endowment Investments

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

	<u>2015</u>	<u>2014</u>
Earnings	\$ 213,439	\$ 232,160
Permanently restricted	<u>380,991</u>	<u>380,991</u>
Total Endowment Fund	<u>\$ 594,430</u>	<u>\$ 613,151</u>

The following table summarizes Endowment Fund activity:

	<u>2015</u>	<u>2014</u>
Balance, October 1	\$ 613,151	\$ 563,119
Investment returns, net	<u>(18,721)</u>	<u>50,032</u>
Balance, September 30	<u>\$ 594,430</u>	<u>\$ 613,151</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; and
- 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 methodology used for assets measured at fair value. There have been no changes in the methodology used at September 30, 2015 and 2014.

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

The method 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 method is 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, 2015:

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 594,430	\$ -	\$ -	\$ 594,430
Total assets at fair value	\$ 594,430	\$ -	\$ -	\$ 594,430

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, 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

5. Unconditional Promises 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 original lease commenced on September 1, 2014, and ended on August 31, 2015. The lease was extended for one year starting on September 1, 2015.

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. In November 2015, the lease was further extended for another two years from December 1, 2015 to November 30, 2017.

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

	2015	2014
Temporarily restricted promises to give, facility	\$ 306,225	\$ 530,469
Amortized discount	(13,238)	(36,345)
Net unconditional promises to give, facility	\$ 292,987	\$ 494,124
Amounts due in:		
Less than one year	\$ 198,819	\$ 216,262
One to five years	94,168	277,862
	\$ 292,987	\$ 494,124

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

6. Unconditional Promise to Give

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

	<u>2015</u>	<u>2014</u>
Pledges	\$ 400,000	\$ -
Allowance for uncollectible promise to give	-	-
Discount to present value	<u>(8,036)</u>	<u>-</u>
Net unconditional promise to give	<u>\$ 391,964</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 100,000	\$ -
One to five years	<u>300,000</u>	<u>-</u>
	400,000	-
Less discount to present value	<u>(8,036)</u>	<u>-</u>
	<u>\$ 391,964</u>	<u>\$ -</u>

The promise to give is discounted at a rate of 1.37 percent.

7. Leasehold Improvements and Equipment

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

	<u>2015</u>	<u>2014</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>(441,388)</u>	<u>(394,549)</u>
Leasehold improvements and equipment, net	<u>\$ 26,382</u>	<u>\$ 73,221</u>

8. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
In-kind facility lease donation	\$ 292,987	\$ 494,124
Grant revenue	<u>18,622</u>	<u>15,011</u>
Total temporarily restricted net assets	<u>\$ 311,609</u>	<u>\$ 509,135</u>

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

9. Board-designated Net Assets

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

	<u>2015</u>	<u>2014</u>
Operating reserves	<u>\$ 730,000</u>	<u>\$ 884,999</u>

10. Retirement Plan

During 2009, the Organization established a 401(k) Safe Harbor retirement plan for its employees. Employees were eligible upon reaching six months of service. Under the plan, the Organization paid a percentage of compensation into the plan, which was determined on a year-to-year basis. Contributions to the plan totaled \$18,077 for the year ended September 30, 2014.

The Organization closed the 401(k) Safe Harbor retirement plan as of September 30, 2014, and set up a Savings Incentive Match Plan for Employees (SIMPLE) effective January 1, 2015. Under the SIMPLE plan, eligible employees may make elective contributions up to the maximum amount allowable by law. The Organization will make a non-elective contribution equal to 2 percent of the eligible employees' compensation each calendar year. No contributions were made to plan by the Organization during the year ended September 30, 2015 as the plan was not yet effective for a full calendar year.

11. Related Party Transactions

The Board of Directors made contributions to the Organization of \$37,290 and \$39,603 during the years ended September 30, 2015 and 2014, respectively.

12. In-kind Volunteer Services

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

	<u>2015</u>	<u>2014</u>
In-kind volunteer services	<u>\$ 273,308</u>	<u>\$ 274,124</u>

Other non-eligible volunteer services for administrative functions totaled \$138,680 and \$179,801 at September 30, 2015 and 2014, respectively. These non-eligible amounts are not included in the financial statements.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

13. Special Events

At September 30, special events consisted of the following:

	<u>2015</u>	<u>2014</u>
Special events income	\$ 309,361	\$ 338,980
Less: Direct donor benefits	<u>(63,944)</u>	<u>(61,906)</u>
Special events income, net	<u>\$ 245,417</u>	<u>\$ 277,074</u>

The Organization received \$74,409 and \$132,165 of donated auction items for the years ended September 30, 2015 and 2014, respectively. In addition, the Organization received \$11,633 and \$13,836 of in-kind special event services, and \$7,649 and \$4,864 of miscellaneous in-kind special event donations for the years ended September 30, 2015 and 2014, 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.

In November 2015, the Organization extended its administrative office operating lease agreement through November 30, 2017. All other terms of the original lease agreement remained unchanged.