

VOLUNTEERS IN MEDICINE CLINIC
FINANCIAL STATEMENTS
For the Year Ended September 30, 2016



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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 statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2016, and the changes in its net assets and its cash flows for the year 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, 2017

FINANCIAL STATEMENTS

VOLUNTEERS IN MEDICINE CLINIC
STATEMENT OF FINANCIAL POSITION
September 30, 2016

Assets

Current assets

Cash and cash equivalents	\$ 562,840
Investments	368,293
Unconditional promise to give, current portion	100,000
Unconditional promises to give, facility, current portion	130,179
Inventory	389,470
Prepaid expenses	<u>9,130</u>
 Total current assets	 <u>1,559,912</u>

Leasehold improvements and equipment, net

22,702

Other assets

Endowment investments	660,639
Unconditional promise to give, net of current portion	195,964
Unconditional promises to give, facility, net of current portion	<u>3,604</u>
 Total other assets	 <u>860,207</u>

Total assets

\$ 2,442,821

Liabilities and Net Assets

Current liabilities

Accrued vacation	\$ <u>47,495</u>
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Net assets

Unrestricted:	
Unrestricted, undesignated	1,114,116
Unrestricted, Board-designated	730,000
Temporarily restricted	170,219
Permanently restricted	<u>380,991</u>
 Total net assets	 <u>2,395,326</u>

Total liabilities and net assets

\$ 2,442,821

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

Unrestricted net assets

Revenue and other support:	
Contribution income	\$ 333,985
Special events income, net	266,508
Patient income	22,889
Investment income	1,970
Gain on endowment investments	66,209
In-kind donations	1,338,192
In-kind donations, special events	1,196
In-kind volunteer services	254,062
Net assets released from restrictions	<u>643,179</u>
Total revenue and other support	<u>2,928,190</u>
Expenses:	
Program services:	
Medical clinic	2,032,519
Support services:	
Management and general	238,806
Fundraising	<u>293,510</u>
Total expenses	<u>2,564,835</u>
Increase in unrestricted net assets	<u>363,355</u>

Temporarily restricted net assets

Revenues and other support:	
Grant revenue	431,059
In-kind contribution, facility	70,730
Net assets released from restrictions	<u>(643,179)</u>
Decrease in temporarily restricted net assets	<u>(141,390)</u>

Change in net assets

	221,965
Net assets, beginning of year	<u>2,173,361</u>
Net assets, end of year	<u>\$ 2,395,326</u>

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016

	Program Services		Support Services		Total
	Medical Clinic	Management and General	Fundraising		
Payroll	\$ 393,717	\$ 127,128	\$ 211,911	\$ 732,756	
Payroll taxes	36,986	11,942	19,907	68,835	
Employee benefits	55,989	18,078	30,135	104,202	
Medicine	15,212	-	-	15,212	
Insurance, professional liability	14,999	1,666	-	16,665	
Medical record and transcription services	14,752	-	-	14,752	
Cleaning and maintenance	21,737	3,770	2,441	27,948	
Professional services	18,538	25,003	522	44,063	
Utilities	16,217	-	-	16,217	
Insurance, general	7,013	779	-	7,792	
Volunteer and staff appreciation	8,013	943	471	9,427	
Marketing and public relations	11,863	1,978	5,931	19,772	
Telephone	9,168	539	1,079	10,786	
Office supplies	3,115	389	391	3,895	
Travel and education	2,939	452	1,131	4,522	
Medical supplies	8,097	-	-	8,097	
Miscellaneous	1,001	7,260	-	8,261	
Laboratory services	2,104	-	-	2,104	
Rent	1,541	81	-	1,622	
Non-medical supplies	32	-	-	32	
Alarm system	1,651	-	-	1,651	
Total accrued expenses	644,684	200,008	273,919	1,118,611	
In-kind medicine	776,916	-	-	776,916	
In-kind volunteer services	254,062	-	-	254,062	
In-kind clinical, lab services, and other	147,412	15,016	13,796	176,224	
In-kind lease expense	202,341	22,993	4,599	229,933	
In-kind expenses, special events	-	-	1,196	1,196	
Depreciation	7,104	789	-	7,893	
Total in-kind expenses	1,387,835	38,798	19,591	1,446,224	
Total expenses	\$ 2,032,519	\$ 238,806	\$ 293,510	\$ 2,564,835	
Percentage of total expenses	79.3%	9.3%	11.4%		

The accompanying notes are an integral part of these statements.

VOLUNTEERS IN MEDICINE CLINIC
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2016

Cash flows from operating activities	
Change in net assets	\$ 221,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-cash contribution of facility	(70,730)
Depreciation	7,893
Gain on endowment investments	(66,209)
Amortization of donated facility	229,933
Non-cash donation of medicine inventory	(385,052)
(Increase) decrease in:	
Inventory	4,098
Prepaid expenses	15
Unconditional promises to give	96,000
Increase (decrease) in:	
Accrued expenses	(475)
Accrued vacation	<u>6,807</u>
Net cash provided by operating activities	<u>44,245</u>
Cash flows from investing activities	
Purchase of PP&E	(4,213)
Purchase of investments	<u>(151,639)</u>
Net cash used by investing activities	<u>(155,852)</u>
Decrease in cash and cash equivalents	(111,607)
Cash and cash equivalents, beginning of year	<u>674,447</u>
Cash and cash equivalents, end of year	<u>\$ 562,840</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 for the 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, 2016.

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, 2016.

VOLUNTEERS IN MEDICINE CLINIC NOTES TO FINANCIAL STATEMENTS

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

Inventory

Inventory consists of purchased, free and donated medicines. Purchased medicines are stated at the lower of cost at acquisition (first in, first out method) or market. Free and donated medicines are stated at the lower of fair market value at the date of the donation (first in, first out method) or market. Effective October 1, 2015, the Organization elected to capitalize in inventory free and donated medicines on hand. Previously, such medicines were expensed at the date of donation. This policy is being applied prospectively as it was impracticable for the Organization to determine the effects of the change on previously reported financial statement line items. Therefore, there have been no changes to the previously reported change in net assets for the year ended September 30, 2015 or beginning net assets for the year ended September 30, 2016. As a result of this change in policy, there was an increase in inventory on the statement of financial position of \$385,052 at September 30, 2016, and a respective decrease in in-kind medicine expense on the statement of activities for the same amount.

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 limit of \$250,000. At September 30, 2016, deposits exceeded the federally insured limit by \$187,232.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2016, investments consisted of certificates of deposit with original maturities greater than 90 days totaling \$368,293.

3. Endowment Investments

At September 30, 2016, the Endowment Fund consisted of the following:

Earnings	\$ 279,648
Permanently restricted	<u>380,991</u>
Total Endowment investments	<u>\$ 660,639</u>

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

3. Endowment Investments, continued

The following table summarizes Endowment Fund activity for the year ended September 30, 2016:

Balance, October 1	\$ 594,430
Investment returns, net	<u>66,209</u>
Balance, September 30	<u>\$ 660,639</u>

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, 2016.

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

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

4. Fair Value Measurement, continued

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, 2016:

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 660,639	\$ -	\$ -	\$ 660,639

5. Unconditional Promises to Give, Facility

The Organization leases a 9,126 square foot building (new clinic) under a five-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 one-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 and was further extended for the one-year period starting September 1, 2016.

The Organization also leases a 1,513 square foot space (administrative office) under a two-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.

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

5. Unconditional Promises to Give, Facility, continued

At September 30, 2016, 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:

Temporarily restricted promises to give, facility	\$ 136,366	
Amortized discount	(2,583)	
Net unconditional promises to give, facility	\$ 133,783	
Amounts due in:		
Less than one year	\$ 130,179	
One to five years	3,604	
	\$ 133,783	

6. Unconditional Promise to Give

At September 30, 2016, unconditional promise to give consisted of the following:

Pledges	\$ 300,000	
Discount to present value	(4,036)	
Net unconditional promise to give	\$ 295,964	
Amounts due in:		
Less than one year	\$ 100,000	
One to five years	200,000	
	300,000	
Less discount to present value	(4,036)	
	\$ 295,964	

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

7. Leasehold Improvements and Equipment

At September 30, 2016, leasehold improvements and equipment consisted of the following:

Medical equipment	\$ 74,909	
Office equipment	94,780	
Office furniture	19,046	
Leasehold improvements	283,248	
	471,983	
Accumulated depreciation	(449,281)	
Leasehold improvements and equipment, net	\$ 22,702	

VOLUNTEERS IN MEDICINE CLINIC
NOTES TO FINANCIAL STATEMENTS

8. Temporarily Restricted Net Assets

At September 30, 2016, temporarily restricted net assets were available for the following purposes:

In-kind facility lease donation	\$ 133,783
Grant revenue	<u>36,436</u>
Total temporarily restricted net assets	<u>\$ 170,219</u>

9. Board-designated Net Assets

At September 30, 2016, Board-designated net assets were available for the following purposes:

Operating reserves	<u>\$ 730,000</u>
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10. Retirement Plan

The Organization established 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. Contributions to the plan totaled \$13,917 for the year ended September 30, 2016.

11. Related Party Transactions

The Board of Directors made contributions to the Organization of \$31,036 during the year ended September 30, 2016.

12. In-kind Volunteer Services

At September 30, 2016, in-kind volunteer services consisted of the following:

In-kind volunteer services	<u>\$ 254,062</u>
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Other non-eligible volunteer services for administrative functions totaled \$150,390 for the year ended September 30, 2016. 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, 2016, special events consisted of the following:

Special events income	\$ 337,594
Less: Direct donor benefits	<u>(71,086)</u>
Special events income, net	<u>\$ 266,508</u>

The Organization received \$83,275 of donated auction items for the year ended September 30, 2016. In addition, the Organization received \$8,603 of in-kind special event services and \$1,196 of miscellaneous in-kind special event donations for the year ended September 30, 2016.

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.