

THE VOLUNTEERS IN MEDICINE CLINIC
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

THE VOLUNTEERS IN MEDICINE CLINIC
Hilton Head Island, South Carolina

June 30, 2016 and 2015

C O N T E N T S

INDEPENDENT AUDITORS' REPORT	1
-------------------------------------	----------

FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 – 8
Notes to Financial Statements	9 – 19

Independent Auditors' Report

To the Board of Directors
The Volunteers in Medicine Clinic
Hilton Head Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of **The Volunteers in Medicine Clinic** (the "Clinic"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Volunteers in Medicine Clinic as of June 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.

Other Matter

The financial statements of The Volunteers in Medicine Clinic as of June 30, 2015, were audited by other auditors whose report dated January 25, 2016, expressed an unqualified opinion on those statements.

WebsterRogers LLP

Bluffton, South Carolina
November 28, 2016

THE VOLUNTEERS IN MEDICINE CLINIC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents		
Cash in deposit accounts	\$ 651,253	\$ 858,621
Cash in brokerage accounts	<u>75,184</u>	<u>292,227</u>
Total cash and cash equivalents	726,437	1,150,848
Investments	5,744,245	5,333,844
Receivables	237,715	14,804
Prepaid expenses	<u>59,644</u>	<u>57,146</u>
Total current assets	6,768,041	6,556,642
Property and equipment, net	<u>1,809,136</u>	<u>1,843,433</u>
TOTAL ASSETS	<u>\$ 8,577,177</u>	<u>\$ 8,400,075</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 21,136	\$ 52,428
Deposits held for others	13,513	9,335
Accrued salaries	20,930	63,019
Deferred revenue	<u>225,000</u>	<u>-</u>
Total current liabilities	<u>280,579</u>	<u>124,782</u>
Net assets		
Unrestricted - undesignated	1,927,118	1,682,019
Unrestricted - board designated	<u>3,643,638</u>	<u>3,781,273</u>
Total unrestricted	5,570,756	5,463,292
Temporarily restricted	931,952	1,018,111
Permanently restricted	<u>1,793,890</u>	<u>1,793,890</u>
Total net assets	<u>8,296,598</u>	<u>8,275,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,577,177</u>	<u>\$ 8,400,075</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues								
Contributed support								
Contributions and grants	\$ 1,380,266	\$ 583,886	\$ -	\$1,964,152	\$ 970,508	\$ 423,660	\$ -	\$1,394,168
Services and materials donated	3,494,085	-	-	3,494,085	3,080,200	-	-	3,080,200
Benefit events, net	273,539	-	-	273,539	221,511	-	-	221,511
Total contributed support	5,147,890	583,886	-	5,731,776	4,272,219	423,660	-	4,695,879
Interest and dividend income, net of expense	106,404	36,218	-	142,622	121,904	41,855	-	163,759
Realized and unrealized gains (losses)								
on investments	(107,003)	(36,505)	-	(143,508)	(60,436)	(13,178)	-	(73,614)
Rental income	69,645	-	-	69,645	70,400	-	-	70,400
Administrative fees	244,789	-	-	244,789	256,212	-	-	256,212
Miscellaneous income	10,293	-	-	10,293	25,243	-	-	25,243
Net assets released from restrictions	669,758	(669,758)	-	-	640,231	(640,231)	-	-
Total support and revenues	6,141,776	(86,159)	-	6,055,617	5,325,773	(187,894)	-	5,137,879
Expenses								
Program services	5,576,054	-	-	5,576,054	4,745,152	-	-	4,745,152
Support services								
Administrative and general	93,252	-	-	93,252	214,104	-	-	214,104
Fundraising	292,426	-	-	292,426	361,833	-	-	361,833
Building rental	72,580	-	-	72,580	56,988	-	-	56,988
Total expenses	6,034,312	-	-	6,034,312	5,378,077	-	-	5,378,077
Change in net assets	107,464	(86,159)	-	21,305	(52,304)	(187,894)	-	(240,198)
Net Assets at Beginning of Year	5,463,292	1,018,111	1,793,890	8,275,293	5,515,596	1,206,005	1,793,890	8,515,491
Net Assets at End of Year	\$ 5,570,756	\$ 931,952	\$ 1,793,890	\$8,296,598	\$ 5,463,292	\$ 1,018,111	\$ 1,793,890	\$8,275,293

The accompanying Notes to Financial Statements are an integral part of these financial statements.

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,305	\$ (240,198)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	189,431	148,044
Unrealized losses on investments	291,490	366,981
Realized gains on sale of investments	(147,982)	(325,554)
In-kind donations of investments	(21,534)	(5,080)
(Increase) decrease in:		
Receivables	(222,911)	(14,804)
Prepaid expenses	(2,498)	(15,649)
Increase (decrease) in:		
Accounts payable	(31,703)	(22,573)
Deposits held for others	4,178	2,320
Accrued salaries	(41,678)	14,560
Deferred revenue	225,000	-
Net cash flows provided by (used in) operating activities	<u>263,098</u>	<u>(91,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,838,093	4,100,866
Purchase of investments	(2,370,468)	(3,291,765)
Purchase of property and equipment	(155,134)	(29,974)
Net cash flows provided by (used in) investing activities	<u>(687,509)</u>	<u>779,127</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable trust liabilities	-	(16,841)
Net cash flows provided by (used in) investing activities	<u>-</u>	<u>(16,841)</u>
Net increase (decrease) in cash	(424,411)	670,333
Cash and Cash Equivalents at Beginning of Year	<u>1,150,848</u>	<u>480,515</u>
Cash and Cash Equivalents at End of Year	<u>\$ 726,437</u>	<u>\$ 1,150,848</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
In-kind donations of investments	<u>\$ 21,534</u>	<u>\$ 5,080</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Building Rental</u>	<u>Total</u>
Compensation and related costs					
Contributed professional services	\$ 1,734,137	\$ -	\$ -	\$ -	\$ 1,734,137
Salaries and wages	1,142,353	64,177	77,013	-	1,283,543
Payroll taxes	91,098	5,118	6,141	-	102,357
Contract labor	13,928	782	939	-	15,649
Employee benefits	8,011	450	540	-	9,001
Insurance	55,868	3,139	3,766	-	62,773
Education, training, and travel	1,960	110	132	-	2,202
Recruiting and recognition	10,418	585	702	-	11,705
Total compensation and related costs	3,057,773	74,361	89,233	-	3,221,367
Administrative and development costs					
Advertising, printing, and promotional	-	-	179,993	-	179,993
Board expenses	-	1,211	1,408	-	2,619
Computer repairs and software	21,335	1,199	1,438	-	23,972
Credit card processing fees	6,251	351	421	-	7,023
Copier lease and usage	8,629	485	582	-	9,696
General office supplies	24,699	1,388	1,665	-	27,752
Postage and delivery	4,353	245	294	-	4,892
Professional fees	30,830	1,732	2,078	-	34,640
Total administrative and development costs	96,097	6,611	187,879	-	290,587
Program costs					
Medical supplies and services	43,376	-	-	-	43,376
Medical lab costs	68,606	-	-	-	68,606
Diabetes clinic	339,587	-	-	-	339,587
Electronic medical records	19,165	-	-	-	19,165
Gynecology clinic	53,274	-	-	-	53,274
Hypertension clinic	765,893	-	-	-	765,893
Mammography clinic	66,888	-	-	-	66,888
Mental health clinic	84	-	-	-	84
Patient incentives	6,123	-	-	-	6,123
Pharmacy	606,025	-	-	-	606,025
Pulmonary	31,473	-	-	-	31,473
Surgical contract services	136,040	-	-	-	136,040
Wellness center	10,496	-	-	-	10,496
Adult dental clinic	32,130	-	-	-	32,130
Pediatric dental clinic	21,452	-	-	-	21,452
Total program costs	2,200,612	-	-	-	2,200,612

(Continued)

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(CONTINUED)**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Building Rental</u>	<u>Total</u>
Occupancy costs					
Intern housing	\$ 12,166	\$ -	\$ -	\$ 4,137	\$ 16,303
Rent/storage	3,608	203	243	-	4,054
Utilities	28,524	1,678	2,097	9,648	41,947
Telephone and communications	10,101	567	681	-	11,349
Janitorial	1,747	103	129	591	2,570
Landscaping	3,867	227	284	1,308	5,686
Building repairs and maintenance	6,059	356	446	2,049	8,910
Insurance	26,204	1,541	1,927	8,863	38,535
Property taxes	483	28	35	163	709
Management fee	-	-	-	2,252	2,252
	<u>92,759</u>	<u>4,703</u>	<u>5,842</u>	<u>29,011</u>	<u>132,315</u>
Total occupancy costs					
Depreciation	<u>128,813</u>	<u>7,577</u>	<u>9,472</u>	<u>43,569</u>	<u>189,431</u>
Total expenses	<u>\$ 5,576,054</u>	<u>\$ 93,252</u>	<u>\$ 292,426</u>	<u>\$ 72,580</u>	<u>\$ 6,034,312</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	Program Services	Administrative and General	Fundraising	Building Rental	Total
Compensation and related costs					
Contributed professional services	\$ 1,835,088	\$ -	\$ -	\$ -	\$ 1,835,088
Salaries and wages	881,405	174,350	160,791	-	1,216,546
Payroll taxes	78,721	12,680	12,515	-	103,916
Contract labor	12,952	208	88	-	13,248
Employee benefits	5,176	1,226	-	-	6,402
Insurance	47,615	2,106	933	-	50,654
Education, training, and travel	5,482	592	1,140	-	7,214
Recruiting and recognition	6,633	1,326	32	-	7,991
Total compensation and related costs	2,873,072	192,488	175,499	-	3,241,059
Administrative and development costs					
Advertising, printing, and promotional	-	-	151,380	-	151,380
Board expenses	-	1,677	1,464	-	3,141
Computer repairs and software	12,328	1,666	2,481	-	16,475
Credit card processing fees	5,355	357	-	-	5,712
Copier lease and usage	8,962	273	620	-	9,855
General office supplies	26,500	6,031	2,287	-	34,818
Postage and delivery	3,800	126	1,463	-	5,389
Professional fees	13,903	4,683	13,891	-	32,477
Total administrative and development costs	70,848	14,813	173,586	-	259,247
Program costs					
Medical supplies and services	34,768	-	-	-	34,768
Medical lab costs	115,866	-	-	-	115,866
Diabetes clinic	256,599	-	-	-	256,599
Electronic medical records	12,728	-	-	-	12,728
Gynecology clinic	55,359	-	-	-	55,359
Hypertension clinic	442,417	-	-	-	442,417
Mammography clinic	54,411	-	-	-	54,411
Mental health clinic	111	-	-	-	111
Pharmacy	406,928	-	-	-	406,928
Pulmonary	33,795	-	-	-	33,795
Surgical contract services	76,522	-	-	-	76,522
Wellness center	27,732	-	-	-	27,732
Adult dental clinic	35,553	-	-	-	35,553
Pediatric dental clinic	20,825	-	-	-	20,825
Total program costs	1,573,614	-	-	-	1,573,614

(Continued)

THE VOLUNTEERS IN MEDICINE CLINIC

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(CONTINUED)**

	Program Services	Administrative and General	Fundraising	Building Rental	Total
Occupancy costs					
Intern housing	\$ 4,105	\$ -	\$ -	\$ 11,000	\$ 15,105
Rent/storage	4,443	146	776	-	5,365
Utilities	38,423	1,146	2,746	962	43,277
Telephone and communications	8,764	1,722	1,118	-	11,604
Janitorial	647	46	1	80	774
Landscaping	8,241	1,018	374	384	10,017
Building repairs and maintenance	8,772	151	426	16,707	26,056
Insurance	27,515	781	2,342	9,368	40,006
Property taxes	790	23	70	279	1,162
Management fee	-	-	-	2,747	2,747
Total occupancy costs	101,700	5,033	7,853	41,527	156,113
Depreciation	125,918	1,770	4,895	15,461	148,044
Total expenses	\$ 4,745,152	\$ 214,104	\$ 361,833	\$ 56,988	\$ 5,378,077

The accompanying Notes to Financial Statements are an integral part of these financial statements.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Note 1. Nature of Organization

The Volunteers in Medicine Clinic (the "Clinic") was incorporated on May 14, 1992, for the purposes of understanding and serving the health and wellness needs of the medically underserved population living and/or working on Hilton Head and Daufuskie Islands in South Carolina. The Clinic provides these services through proceeds from private contributions and grants.

Note 2. Summary of Significant Accounting Policies

Basis of accounting

The Clinic maintains its accounts on the accrual basis of accounting. Revenues are recognized when the earnings process is completed and expenses are recognized in the period incurred.

Financial statement presentation

Financial statement presentation follows accounting standards issued by the Financial Accounting Standards Board ("FASB") for Not-for-Profit Organizations. These standards require the Clinic to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained by the Clinic.

Temporarily Restricted – Net assets whose use by the Clinic is subject to donor-imposed stipulations that can be fulfilled by actions of the Clinic pursuant to those stipulations or that expire by the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Clinic or may otherwise be limited by contractual agreements with outside parties.

Cash and cash equivalents

The Clinic considers its investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of equity securities, mutual funds, and debt securities, and are stated at fair value in the statements of financial position based on quoted market prices. Realized gains and losses on dispositions are based on the net proceeds and the average cost of the shares sold. Unrealized gains and losses are charged or credited to the statements of activities. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Grants receivable

Grants receivable represent amounts which have been awarded and relate to the following fiscal year. These amounts are included in Receivables and Deferred revenue within the Statements of Financial Position.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Note 2. Summary of Significant Accounting Policies (Continued)

Property and equipment

The Clinic records newly acquired real and personal property and major improvements at cost and donated property at fair market value. The Clinic calculates depreciation on fixed assets over the estimated useful lives, using straight line and accelerated methods, which are as follows:

	<u>Years</u>
Buildings and improvements	25
Equipment	3 - 10

Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost is removed from the asset account, and the related depreciation reserve is adjusted with the difference charged to income.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting period. Reality could differ from those estimates.

Functional expenses

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel time and space utilized for the related activities. Administrative and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Clinic.

Donated services and supplies

Donated services and supplies are recognized as contributions when such services require specialized skills and would otherwise need to be purchased by the Clinic. Donated services from individual volunteers in areas not requiring specialized skills are not recognized as contributions in the financial statements, since they do not meet the recognition criteria under accounting standards.

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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 statement of activities as net assets released from restrictions.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2015 revenue and expense accounts were reclassified to conform to the 2016 financial statement presentation. There was no impact of the changes in net assets as of June 30, 2015.

Note 3. Concentrations of Credit Risk

Financial instruments that potentially subject the Clinic to concentrations of credit risk consist principally of cash and cash equivalent accounts held at financial institutions and investments. The credit worthiness of the parties to these transactions is subject to continuous review and evaluation.

The Clinic places its cash and cash equivalents on deposit with financial institutions in the United States. The Securities Investor Protection Corporation (SIPC) provides protection from loss resulting from brokerage firm fraud or failure for cash and securities up to \$500,000, including \$250,000 for cash. The Federal Deposit Insurance Corporation (FDIC) insures deposits held at insured financial institutions up to \$250,000 for each deposit ownership category.

The Clinic, from time to time, may have amounts on deposit in excess of the respective insurance and protection limits. The Clinic's uninsured or unprotected cash balances totaled \$383,906 and \$627,540 as of June 30, 2016 and 2015, respectively.

Note 4. Investments

Summary of investments at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Held at brokerage firm	<u>\$ 5,369,950</u>	<u>\$ 4,948,809</u>
Endowment fund held by other entity		
Board designated, invested by Foundation	372,236	385,035
Donor restricted, spendable portion	<u>2,059</u>	<u>-</u>
Total held by other entity	<u>374,295</u>	<u>385,035</u>
Total reported on Statement of Financial Position	<u>\$ 5,744,245</u>	<u>\$ 5,333,844</u>

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 4. Investments (Continued)

Investments, held at brokerage firm

The amortized costs, gross unrealized gains and losses and estimated fair values of investment securities held at a brokerage firm are summarized as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
June 30, 2016				
US Treasuries	\$ 4,492	\$ 1,542	\$ -	\$ 6,034
Corporate debt	864,887	76,372	-	941,259
Municipal debt	85,276	697	-	85,973
Equity securities	1,954,497	379,348	(87,832)	2,246,013
Mutual funds	551,878	-	(65,653)	486,225
Exchange traded funds	1,505,786	128,256	(29,596)	1,604,446
Total	\$ 4,966,816	\$ 586,215	\$ (183,081)	\$ 5,369,950
June 30, 2015				
US Treasuries	\$ 4,535	\$ 1,315	\$ -	\$ 5,850
Corporate debt	675,809	60,420	-	736,229
Equity securities	1,642,573	502,111	-	2,144,682
Mutual funds	443,342	-	(3,388)	439,954
Exchange traded funds	1,498,669	123,425	-	1,622,094
Total	\$ 4,264,928	\$ 687,271	\$ (3,388)	\$ 4,948,809

Endowment investment fund – agency funds

The Board of Directors elected to invest funds in an endowment with the Community Foundation of the Lowcountry Inc. (the "Foundation"). These funds are managed by the Foundation as part of a pool of investments and the Clinic has no control regarding investment decisions. Funds available for distribution on an annual basis are determined by calculating 5% of the average market value of the fund over a 12-quarter period. Assets may also be distributed to meet emergency funding needs of the Clinic as determined by the Foundation in its sole discretion. The Clinic may elect to add all or any part of the distribution back to the fund. Amounts related to this fund reported in the Statement of Financial Position as investment funds as of June 30, 2016 and 2015, was \$372,236 and \$385,035, respectively.

The Foundation investments represent the proportional interest in the investment pool managed by the Foundation. The investments are reported at their fair value which is estimated as the fair value of the underlying assets held by the Foundation. This investment is categorized as Level 3 under the fair value measurement hierarchy. The components of the investment funds related to the endowment are classified as permanently restricted.

Endowment investment fund – third-party funds

The Clinic also has an endowment fund which is the accumulation of amounts donated to the Foundation by third-party donors for the ultimate benefit of The Volunteers in Medicine Clinic (Third Party Fund). In accordance with generally accepted accounting principles, the Clinic has excluded from their financial statements the non-spendable portion of the contributions and related investment gains, losses, and fees that are from third-party donors. The balance of the non-spendable portion excluded from the financial statements was \$33,796 and \$37,072 as of June 30, 2016 and 2015, respectively.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Note 4. Investments (Continued)

Funds available for distribution from this fund on an annual basis (the spendable portion) are determined by calculating 5% of the average market value of the fund over a 12-quarter period. The Clinic may elect to add all or any part of the distribution back to the fund. The spendable portion of this fund reported in the Statement of Financial Position as investment funds as of June 30, 2016 and 2015, was \$2,059 and \$-0-, respectively.

Note 5. Fair Value Measurements

Accounting principles generally accepted in the United States of America provide a framework for measuring fair value (FASB ASC 820-10), *Fair Value Measurements and Disclosures*. The 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 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Clinic 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 specific (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 the 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 June 30, 2016 and 2015.

- *Equity securities and exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Debt securities:* Valued at the closing price reported on the active market on which the individual bonds are traded.
- *Mutual funds:* Valued at the quoted net asset value (NAV) of shares held by the Clinic at year end.
- *Investment held by other entity:* As the Clinic does not know the precise allocation of the underlying assets on an ongoing basis; the asset is classified as Level 3 within the valuation hierarchy based upon the asset's fair value as represented by the fund's management.

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 5. Fair Value Measurements (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 values. Furthermore, while the Clinic believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Clinic's assets at fair value as of June 30, 2016 and 2015:

Assets at Fair Value as of June 30, 2016				
	Level 1	Level 2	Level 3	Total Fair Value
US Treasuries	\$ 6,034	\$ -	\$ -	\$ 6,034
Corporate debt	941,259	-	-	941,259
Municipal debt	85,973	-	-	85,973
Equity securities	2,246,013	-	-	2,246,013
Mutual funds	486,225	-	-	486,225
Exchange traded funds	1,604,446	-	-	1,604,446
Investments held by other entity	-	-	374,295	374,295
Total assets	\$ 5,369,950	\$ -	\$ 374,295	\$ 5,744,245

Assets at Fair Value as of June 30, 2015				
	Level 1	Level 2	Level 3	Total Fair Value
US Treasuries	\$ 5,850	\$ -	\$ -	\$ 5,850
Corporate debt	736,229	-	-	736,229
Equity securities	2,144,682	-	-	2,144,682
Mutual funds	439,954	-	-	439,954
Exchange traded funds	1,622,094	-	-	1,622,094
Investments held by other entity	-	-	385,035	385,035
Total assets	\$ 4,948,809	\$ -	\$ 385,035	\$ 5,333,844

The following table sets forth a summary of changes in the fair value of the Clinic's level 3 assets for the years ended June 30, 2016 and 2015:

	Investments Held by Other Entity
Balance, June 30, 2014	\$ 410,058
Unrealized losses	(3,089)
Management fees	(21,934)
Balance, June 30, 2015	385,035
Unrealized losses	(6,306)
Management fees	(4,434)
Balance, June 30, 2016	\$ 374,295

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 5. Fair Value Measurements (Continued)

Total net losses for Level 3 assets for the periods ended June 30, 2016 and 2015 are included in net realized and unrealized gains (losses) on investments in the Statement of Activities. There were no transfers in or out of Level 3 assets for the years ended June 30, 2016 and 2015.

Note 6. Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land	\$ 781,240	\$ 781,240
Buildings	1,730,796	1,585,674
Computers and software	369,287	360,146
Medical furniture, fixtures, and equipment	505,332	503,350
Office furniture, fixtures, and equipment	481,545	482,620
	3,868,200	3,713,030
Subtotal	3,868,200	3,713,030
Less accumulated depreciation	2,059,064	1,869,597
	\$ 1,809,136	\$ 1,843,433
Net property and equipment	\$ 1,809,136	\$ 1,843,433

Note 7. Net Assets – Unrestricted and Temporarily Restricted

Unrestricted net assets consists of the following as of June 30:

	2016	2015
Board designated endowed funds	\$ 3,603,534	\$ 3,754,305
Imlay/McConnel fund	40,104	26,968
	3,643,638	3,781,273
Total board designated funds	3,643,638	3,781,273
Undesignated	1,927,118	1,682,019
	\$ 5,570,756	\$ 5,463,292
Total unrestricted net assets	\$ 5,570,756	\$ 5,463,292

The Clinic has received various contributions which are restricted in their use. Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Adult dental clinic	\$ 3,000	\$ -
Healing services	420	15,916
Mammography clinic	15,817	48,150
Other restricted programs	50,109	28,555
Surgical program	138,838	93,857
Wellness center	171,398	207,220
Endowment available for appropriations	552,370	624,413
	\$ 931,952	\$ 1,018,111
Total temporarily restricted net assets	\$ 931,952	\$ 1,018,111

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 8. Net Assets – Endowment

The Clinic's endowment consists of donor restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of South Carolina adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective July 1, 2008. The Board of Trustees of the Foundation has interpreted the UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of the gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations or reductions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to or the reduction subtracted from the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until these amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described in the UPMIFA. In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

At June 30, 2016, the Foundation had the following endowment net assets composition by type of fund:

	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 552,370	\$ 1,793,890	\$ 2,346,260
Board-designated endowment funds	<u>3,603,534</u>	<u>-</u>	<u>-</u>	<u>3,603,534</u>
Total funds	<u>\$ 3,603,534</u>	<u>\$ 552,370</u>	<u>\$ 1,793,890</u>	<u>\$ 5,949,794</u>

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 8. Net Assets – Endowment (Continued)

The following are the changes in endowment net assets for the year ended June 30, 2016:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 3,754,305	\$ 624,413	\$ 1,793,890	\$ 6,172,608
Investment return:				
Investment income	106,404	36,218	-	142,622
Net realized and unrealized investment losses	(107,003)	(36,505)	-	(143,508)
Appropriation of endowment assets for expenditure	<u>(150,172)</u>	<u>(71,756)</u>	<u>-</u>	<u>(221,928)</u>
Endowment net assets, June 30, 2016	<u>\$ 3,603,534</u>	<u>\$ 552,370</u>	<u>\$ 1,793,890</u>	<u>\$ 5,949,794</u>

At June 30, 2015, the Foundation had the following endowment net assets composition by type of fund:

	<u>Unrestricted- Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 624,413	\$ 1,793,890	\$ 2,418,303
Board-designated endowment funds	<u>3,754,305</u>	<u>-</u>	<u>-</u>	<u>3,754,305</u>
Total funds	<u>\$ 3,754,305</u>	<u>\$ 624,413</u>	<u>\$ 1,793,890</u>	<u>\$ 6,172,608</u>

The following are the changes in endowment net assets for the year ended June 30, 2015:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 3,845,295	\$ 666,861	\$ 1,793,890	\$ 6,306,046
Investment return:				
Investment income	89,717	41,855	-	131,572
Net realized and unrealized investment losses	(28,249)	(13,178)	-	(41,427)
Appropriation of endowment assets for expenditure	<u>(152,458)</u>	<u>(71,125)</u>	<u>-</u>	<u>(223,583)</u>
Endowment net assets, June 30, 2015	<u>\$ 3,754,305</u>	<u>\$ 624,413</u>	<u>\$ 1,793,890</u>	<u>\$ 6,172,608</u>

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Note 8. Net Assets – Endowment (Continued)

Funds with deficiencies – From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Clinic to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016 and 2015.

Return objectives and risk parameters – The Clinic has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the Clinic. Endowment assets include those assets of donor-restricted funds that the Clinic must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Clinic expects its endowment funds, over time, to provide an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy long-term rate-of-return objectives, the Clinic relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Clinic targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – The Clinic's spending policy is to appropriate for distribution each year up to 4.5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Clinic considered the long-term expected return on its endowment. Accordingly, over the long term, the Clinic expects the current spending policy to allow its endowment to grow at an average of 1.5% annually. This is consistent with the Clinic's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2016 and 2015, the Clinic's permanently restricted net assets consist of investments providing a permanent source of income for operations and for the use of furthering the mission of the Clinic.

Note 9. Operating LeasesClinic as lessor

The Clinic has non-cancelable lease agreements for the rental portion of the Clinic's facilities. The lease income is approximately \$4,200 per month as of June 30, 2016, and the leases expire in December 2016 and August 2017. As of June 30, 2016, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased, is approximately \$1,188,481 and \$393,556, respectively. As of June 30, 2015, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased was approximately \$1,184,000 and \$358,000, respectively. The lease income under this lease was approximately \$52,000 and \$54,000 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease income under these leases is as follows:

2017	\$	30,996
2018		1,850
	\$	<u>32,846</u>

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Note 9. Operating Leases (Continued)

Clinic as lessee

During June 2016 the Clinic entered into an operating lease for an apartment used for temporary housing for a staff member. The lease expires in May 2017 and payments are \$1,213 per month.

Note 10. Income Taxes

The Clinic is a not-for-profit organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Clinic believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements as of June 30, 2016 and 2015.

The Clinic files information returns in the U.S. federal jurisdiction and the state of South Carolina.

Note 11. Retirement Plan

The Clinic sponsors a 403(b), tax deferred annuity plan in which any employee may elect to defer a portion of their compensation. The Plan does not include a provision for employer contributions.

Note 12. Subsequent Events

The Clinic has evaluated subsequent events through November 28, 2016, in connection with the preparation of these financial statements, which is the date that the financial statements were available to be issued. There were no subsequent events requiring disclosure as of this date.