

**THE VOLUNTEERS IN MEDICINE CLINIC**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**THE VOLUNTEERS IN MEDICINE CLINIC**  
Hilton Head Island, South Carolina

**June 30, 2018 and 2017**

C O N T E N T S

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**Independent Auditors' Report**

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

We have audited the accompanying financial statements of **The Volunteers in Medicine Clinic** (the "Clinic"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

**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 Clinic as of June 30, 2018 and 2017, 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.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, the 2017 financial statements has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*WebsterRogers* **LLP**

Bluffton, South Carolina  
January 3, 2019

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THE VOLUNTEERS IN MEDICINE CLINIC

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents		
Cash in deposit accounts	\$ 906,746	\$ 931,248
Cash in brokerage accounts	108,066	100,913
<b>Total cash and cash equivalents</b>	<b>1,014,812</b>	1,032,161
Investments	7,105,501	6,446,361
Receivables	20,440	19,308
Inventory	2,870	-
Prepaid expenses	58,578	61,758
<b>Total current assets</b>	<b>8,202,201</b>	7,559,588
Property and Equipment, net	1,634,348	1,710,296
<b>TOTAL ASSETS</b>	<b>\$ 9,836,549</b>	<b>\$ 9,269,884</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 48,837	\$ 24,338
Deposits held for others	19,637	16,614
Accrued salaries	23,260	30,172
Deferred revenue	108,750	24,950
Other accrued liabilities	6,500	9,000
<b>Total current liabilities</b>	<b>206,984</b>	105,074
<b>TOTAL LIABILITIES</b>	<b>206,984</b>	105,074
Net Assets		
Unrestricted - undesignated	2,542,692	2,375,751
Unrestricted - board designated	4,170,111	3,998,215
<b>Total unrestricted</b>	<b>6,712,803</b>	6,373,966
Temporarily restricted	1,122,872	996,954
Permanently restricted	1,793,890	1,793,890
<b>Total net assets</b>	<b>9,629,565</b>	9,164,810
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,836,549</b>	<b>\$ 9,269,884</b>

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

**THE VOLUNTEERS IN MEDICINE CLINIC**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues								
Contributed support								
Contributions and grants	\$ 1,129,288	\$ 587,180	\$ -	\$ 1,716,468	\$ 1,546,384	\$ 258,264	\$ -	\$ 1,804,648
Services and materials donated	2,862,409	-	-	2,862,409	3,471,589	-	-	3,471,589
Benefit events, net	300,737	-	-	300,737	265,822	-	-	265,822
<b>Total contributed support</b>	<b>4,292,434</b>	<b>587,180</b>	<b>-</b>	<b>4,879,614</b>	5,283,795	258,264	-	5,542,059
Interest and dividend income, net of expense	95,359	43,825	-	139,184	82,064	40,835	-	122,899
Realized and unrealized gains on investments	227,747	104,667	-	332,414	361,920	180,169	-	542,089
Rental income	10,800	-	-	10,800	47,431	-	-	47,431
Administrative fees	261,324	-	-	261,324	333,027	-	-	333,027
Miscellaneous income	6,073	-	-	6,073	4,019	-	-	4,019
Net assets released from restrictions	609,754	(609,754)	-	-	414,266	(414,266)	-	-
<b>Total support and revenues</b>	<b>5,503,491</b>	<b>125,918</b>	<b>-</b>	<b>5,629,409</b>	6,526,522	65,002	-	6,591,524
Expenses								
Program services	4,747,971	-	-	4,747,971	5,351,861	-	-	5,351,861
Support services								
Administrative and general	95,624	-	-	95,624	88,768	-	-	88,768
Fundraising	253,227	-	-	253,227	216,041	-	-	216,041
Occupancy costs	67,832	-	-	67,832	66,642	-	-	66,642
<b>Total expenses</b>	<b>5,164,654</b>	<b>-</b>	<b>-</b>	<b>5,164,654</b>	5,723,312	-	-	5,723,312
<b>Change in net assets</b>	<b>338,837</b>	<b>125,918</b>	<b>-</b>	<b>464,755</b>	803,210	65,002	-	868,212
Net Assets at Beginning of Year	6,373,966	996,954	1,793,890	9,164,810	5,570,756	931,952	1,793,890	8,296,598
<b>Net Assets at End of Year</b>	<b>\$ 6,712,803</b>	<b>\$ 1,122,872</b>	<b>\$ 1,793,890</b>	<b>\$ 9,629,565</b>	<b>\$ 6,373,966</b>	<b>\$ 996,954</b>	<b>\$ 1,793,890</b>	<b>\$ 9,164,810</b>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 464,755	\$ 868,212
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	168,934	176,232
Unrealized gains on investments	(71,190)	(425,951)
Realized gains on sale of investments	(250,678)	(84,637)
In-kind donations of investments	(36,459)	(50,000)
(Increase) decrease in:		
Receivables	(1,132)	218,407
Inventory	2,870	-
Prepaid expenses	(2,560)	(2,114)
Increase (decrease) in:		
Accounts payable	24,499	3,202
Deposits held for others	3,023	3,101
Accrued expenses	(9,412)	18,242
Deferred revenue	83,800	(200,050)
<b>Net cash flows provided by operating activities</b>	<b><u>376,450</u></b>	<b><u>524,644</u></b>
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,966,806	1,261,017
Purchase of investments	(2,267,619)	(1,402,545)
Purchase of property and equipment	(92,986)	(77,392)
<b>Net cash flows used in investing activities</b>	<b><u>(393,799)</u></b>	<b><u>(218,920)</u></b>
<b>Net increase (decrease) in cash</b>	<b>(17,349)</b>	<b>305,724</b>
Cash and Cash Equivalents at Beginning of Year	<u>1,032,161</u>	<u>726,437</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 1,014,812</u></b>	<b><u>\$ 1,032,161</u></b>

Schedule of Non-Cash Investing Activities

In-kind donations of investments	<u>\$ 36,459</u>	<u>\$ 50,000</u>
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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, 2018**

	2018				
	Program Services	Administrative and General	Fundraising	Building Rental	Total
Compensation and related costs					
Contributed professional services	\$ 1,724,171	\$ -	\$ -	\$ -	\$ 1,724,171
Salaries and wages	993,264	55,801	66,962	-	1,116,027
Payroll taxes	74,333	4,176	5,011	-	83,520
Contract labor	35,177	1,976	2,372	-	39,525
Employee benefits	5,900	332	398	-	6,630
Insurance	52,635	2,957	3,548	-	59,140
Education, training, and travel	8,087	454	545	-	9,086
Recruiting and recognition	5,793	325	390	-	6,508
<b>Total compensation and related costs</b>	<b>2,899,360</b>	<b>66,021</b>	<b>79,226</b>	<b>-</b>	<b>3,044,607</b>
Administrative and development costs					
Advertising, printing, and promotional	22,846	10,964	151,855	-	185,665
Board expenses	-	1,115	1,296	-	2,411
Computer repairs and software	36,083	2,027	2,433	-	40,543
Credit card processing fees	8,081	454	545	-	9,080
Copier lease and usage	8,184	460	552	-	9,196
General office supplies	17,133	963	1,155	-	19,251
Internet & web cost	4,502	614	-	-	5,116
Postage and delivery	5,647	317	381	-	6,345
Professional fees	20,006	1,124	1,349	-	22,479
<b>Total administrative and development costs</b>	<b>122,482</b>	<b>18,038</b>	<b>159,566</b>	<b>-</b>	<b>300,086</b>
Program costs					
Laboratory costs	73,115	-	-	-	73,115
Pathology services	46,793	-	-	-	46,793
Screenings	142,473	-	-	-	142,473
Medicine and drug costs	775,589	-	-	-	775,589
Medical supplies	55,529	-	-	-	55,529
Dental supplies	39,225	-	-	-	39,225
Patient education materials	447	-	-	-	447
Patient support	11,907	-	-	-	11,907
Classroom instruction	3,374	-	-	-	3,374
Classroom supplies	194	-	-	-	194
Hospital/surgery center costs	180,059	-	-	-	180,059
Physician costs	134,647	-	-	-	134,647
Software and equipment maintenance	36,544	-	-	-	36,544
Medical equipment and services	18,086	-	-	-	18,086
<b>Total program costs</b>	<b>1,517,982</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,517,982</b>

(Continued)

**THE VOLUNTEERS IN MEDICINE CLINIC**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Building Rental</u>	<u>Total</u>
Occupancy costs					
Intern housing	\$ 11,196	\$ -	\$ -	\$ 3,807	\$ 15,003
Rent/storage	2,501	141	169	-	2,811
Utilities	25,143	1,479	1,849	8,504	36,975
Telephone and communications	5,153	289	347	-	5,789
Janitorial	11,728	690	862	3,967	17,247
Landscaping	108	6	8	35	157
Building repairs and maintenance	15,346	903	1,128	5,190	22,567
Insurance	21,161	1,245	1,556	7,158	31,120
Property taxes	936	55	69	316	1,376
	<u>93,272</u>	<u>4,808</u>	<u>5,988</u>	<u>28,977</u>	<u>133,045</u>
<b>Total occupancy costs</b>					
Depreciation	<u>114,875</u>	<u>6,757</u>	<u>8,447</u>	<u>38,855</u>	<u>168,934</u>
<b>Total expenses</b>	<u><u>\$ 4,747,971</u></u>	<u><u>\$ 95,624</u></u>	<u><u>\$ 253,227</u></u>	<u><u>\$ 67,832</u></u>	<u><u>\$ 5,164,654</u></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, 2017**

	Program Services	Administrative and General	Fundraising	Building Rental	Total
<b>Compensation and related costs</b>					
Contributed professional services	\$ 1,732,888	\$ -	\$ -	\$ -	\$ 1,732,888
Salaries and wages	1,057,811	59,428	71,313	-	1,188,552
Payroll taxes	78,488	4,409	5,291	-	88,188
Contract labor	5,818	327	392	-	6,537
Employee benefits	6,933	389	467	-	7,789
Insurance	54,059	3,037	3,644	-	60,740
Education, training, and travel	4,604	259	310	-	5,173
Recruiting and recognition	6,988	393	471	-	7,852
<b>Total compensation and related costs</b>	<b>2,947,589</b>	<b>68,242</b>	<b>81,888</b>	<b>-</b>	<b>3,097,719</b>
<b>Administrative and development costs</b>					
Advertising, printing, and promotional	15,446	3,625	113,332	-	132,403
Board expenses	-	235	273	-	508
Computer repairs and software	16,408	922	1,106	-	18,436
Credit card processing fees	6,993	393	471	-	7,857
Copier lease and usage	7,754	436	523	-	8,713
General office supplies	21,020	1,181	1,417	-	23,618
Postage and delivery	5,460	307	368	-	6,135
Professional fees	31,256	1,756	2,107	-	35,119
<b>Total administrative and development costs</b>	<b>104,337</b>	<b>8,855</b>	<b>119,597</b>	<b>-</b>	<b>232,789</b>
<b>Program costs</b>					
Laboratory costs	74,103	-	-	-	74,103
Pathology services	42,446	-	-	-	42,446
Screenings	30,089	-	-	-	30,089
Medicine and drug costs	1,702,051	-	-	-	1,702,051
Medical supplies	47,433	-	-	-	47,433
Dental supplies	39,802	-	-	-	39,802
Patient education materials	721	-	-	-	721
Patient support	14,971	-	-	-	14,971
Classroom instruction	3,011	-	-	-	3,011
Classroom supplies	362	-	-	-	362
Hospital/surgery center costs	27,349	-	-	-	27,349
Physician costs	58,809	-	-	-	58,809
Software and equipment maintenance	39,711	-	-	-	39,711
Medical equipment and services	10,155	-	-	-	10,155
<b>Total program costs</b>	<b>2,091,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,091,013</b>

(Continued)

**THE VOLUNTEERS IN MEDICINE CLINIC**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**

	Program Services	Administrative and General	Fundraising	Building Rental	Total
Occupancy costs					
Intern housing	\$ 9,975	\$ -	\$ -	\$ 3,392	\$ 13,367
Rent/storage	4,299	242	290	-	4,831
Utilities	25,724	1,513	1,892	8,701	37,830
Telephone and communications	7,648	430	516	-	8,594
Janitorial	10,240	602	753	3,464	15,059
Landscaping	6,294	370	463	2,128	9,255
Building repairs and maintenance	9,946	585	731	3,364	14,626
Insurance	13,986	823	1,028	4,731	20,568
Property taxes	972	57	71	329	1,429
<b>Total occupancy costs</b>	<b>89,084</b>	<b>4,622</b>	<b>5,744</b>	<b>26,109</b>	<b>125,559</b>
Depreciation	119,838	7,049	8,812	40,533	176,232
<b>Total expenses</b>	<b>\$ 5,351,861</b>	<b>\$ 88,768</b>	<b>\$ 216,041</b>	<b>\$ 66,642</b>	<b>\$ 5,723,312</b>

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, 2018 AND 2017

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#### **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, performance completed but grant monies not received. These amounts are included in Receivables and Contributions and grants within the Statements of Financial Position and Statements of Activities, respectively.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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**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, 2018 AND 2017**

**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 \$619,841 and \$661,173 as of June 30 2018 and 2017, respectively.

**Note 4. Investments**

Summary of investments at June 30, 2018 and 2017 were:

	<b>2018</b>	<b>2017</b>
Held at brokerage firm	<b>\$ 6,696,700</b>	<b>\$ 6,031,742</b>
Endowment fund held by other entity, the Community Foundation of the Lowcountry, Inc. (CFL)		
Board designated, invested by CFL Donor	403,264	410,788
Donor restricted, spendable portion	5,537	3,831
Total held by CFL	408,801	414,619
Total reported on Statements of Financial Position	<b>\$ 7,105,501</b>	<b>\$ 6,446,361</b>

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:

	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>June 30, 2018</b>				
Corporate debt	\$ 1,009,715	\$ 13,219	\$ (14,981)	\$ 1,007,953
Municipal debt	84,827	-	(6,190)	78,637
Equity securities	2,241,672	693,829	(24,250)	2,911,251
Mutual funds	675,695	1,441	-	677,136
Exchange traded funds	1,847,797	180,408	(6,482)	2,021,723
Total	<b>\$ 5,859,706</b>	<b>\$ 888,897</b>	<b>\$ (51,903)</b>	<b>\$ 6,696,700</b>

**THE VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**Note 4. Investments (Continued)**

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
<u>June 30, 2017</u>				
Corporate debt	\$ 1,196,314	\$ 52,492	\$ (1,090)	\$ 1,247,716
Municipal debt	84,989	-	(2,276)	82,713
Equity securities	2,186,593	625,111	(19,307)	2,792,397
Mutual funds	703,004	17,608	-	720,612
Exchange traded funds	1,072,081	118,511	(2,288)	1,188,304
Total	<u>\$ 5,242,981</u>	<u>\$ 813,722</u>	<u>\$ (24,961)</u>	<u>\$ 6,031,742</u>

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, 2018 and 2017, were \$403,264 and \$410,788, 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 \$126,561 and \$35,738 as of June 30, 2018 and 2017, respectively.

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 Clinic made no such election in 2018 or 2017. The spendable portion of this fund reported in the Statements of Financial Position as investment funds as of June 30, 2018 and 2017, was \$5,537 and \$3,831, 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:

## THE VOLUNTEERS IN MEDICINE CLINIC

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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#### Note 5. Fair Value Measurements (Continued)

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, 2018 and 2017.

- *U.S. Treasuries, 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 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 VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**Note 5. Fair Value Measurements (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Clinic's assets at fair value as of June 30, 2018 and 2017:

<b>Assets at Fair Value as of June 30, 2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
Corporate debt	\$ 1,007,953	\$ -	\$ -	\$ 1,007,953
Municipal debt	78,637	-	-	78,637
Equity securities	2,911,251	-	-	2,911,251
Mutual funds	677,136	-	-	677,136
Exchange traded funds	2,021,723	-	-	2,021,723
Investments held by CFL	-	-	408,801	408,801
<b>Total assets</b>	<b>\$ 6,696,700</b>	<b>\$ -</b>	<b>\$ 408,801</b>	<b>\$ 7,105,501</b>

<b>Assets at Fair Value as of June 30, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
Corporate debt	\$ 1,247,716	\$ -	\$ -	\$ 1,247,716
Municipal debt	82,713	-	-	82,713
Equity securities	2,792,397	-	-	2,792,397
Mutual funds	720,612	-	-	720,612
Exchange traded funds	1,188,304	-	-	1,188,304
Investments held by CFL	-	-	414,619	414,619
<b>Total assets</b>	<b>\$ 6,031,742</b>	<b>\$ -</b>	<b>\$ 414,619</b>	<b>\$ 6,446,361</b>

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, 2018 and 2017:

	<b>Investments Held by CFL</b>
Balance, June 30, 2016	\$ 374,295
Unrealized gains	44,736
Management fees	(4,412)
Balance, June 30, 2017	414,619
Grants given	(34,312)
Unrealized gains	33,209
Management fees	(4,715)
<b>Balance, June 30, 2018</b>	<b>\$ 408,801</b>

Total net gains and losses for Level 3 assets for the periods ended June 30, 2018 and 2017, are included in net realized and unrealized gains (losses) on investments in the Statements of Activities. The transfers out of Level 3 assets for the years ended June 30, 2018 and 2017, were \$34,312 and \$0, respectively.



**THE VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Note 6. Property and Equipment**

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 781,240	\$ 781,240
Buildings	1,683,055	1,667,255
Computers and software	513,439	501,835
Medical furniture, fixtures, and equipment	562,155	505,332
Office furniture, fixtures, and equipment	<u>498,688</u>	<u>489,930</u>
Subtotal	4,038,577	3,945,592
Less accumulated depreciation	<u>2,404,229</u>	<u>2,235,296</u>
Net property and equipment	<u>\$ 1,634,348</u>	<u>\$ 1,710,296</u>

**Note 7. Net Assets – Unrestricted and Temporarily Restricted**

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

	<u>2018</u>	<u>2017</u>
Board designated endowed funds	\$ 4,070,313	\$ 3,903,341
Imlay/McConnell fund	<u>99,798</u>	<u>94,874</u>
Total board designated funds	4,170,111	3,998,215
Undesignated	<u>2,542,692</u>	<u>2,375,751</u>
Total unrestricted net assets	<u>\$ 6,712,803</u>	<u>\$ 6,373,966</u>

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:

	<u>2018</u>	<u>2017</u>
Dental clinic	\$ 21,535	\$ 14,420
Healing services	320	320
Mammography clinic	34,005	27,579
Other restricted programs	155,406	56,388
Surgical program	47,148	71,614
Wellness center	86,104	125,015
Endowment available for appropriations	<u>778,354</u>	<u>701,618</u>
Total temporarily restricted net assets	<u>\$ 1,122,872</u>	<u>\$ 996,954</u>

**THE VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**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, 2018, 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	\$ -	\$ 778,354	\$ 1,793,890	\$ 2,572,244
Board-designated endowment funds	<u>4,070,348</u>	<u>-</u>	<u>-</u>	<u>4,070,348</u>
Total funds	<u>\$ 4,070,348</u>	<u>\$ 778,354</u>	<u>\$ 1,793,890</u>	<u>\$ 6,642,592</u>

**THE VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**Note 8. Net Assets – Endowment** (Continued)

The following are the changes in endowment net assets for the year ended June 30 2018:

	<u>Unrestricted- Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 3,903,377	\$ 701,618	\$ 1,793,890	\$ 6,398,885
Investment return:				
Investment income	95,359	43,825	-	139,184
Net realized and unrealized investment losses	227,747	104,667	-	332,414
Appropriation of endowment assets for expenditure	<u>(156,135)</u>	<u>(71,756)</u>	<u>-</u>	<u>(227,891)</u>
Endowment net assets, June 30, 2018	<u>\$ 4,070,348</u>	<u>\$ 778,354</u>	<u>\$ 1,793,890</u>	<u>\$ 6,642,592</u>

At June 30, 2017, 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	\$ -	\$ 701,618	\$ 1,793,890	\$ 2,495,508
Board-designated endowment funds	<u>3,903,377</u>	<u>-</u>	<u>-</u>	<u>3,903,377</u>
Total funds	<u>\$ 3,903,377</u>	<u>\$ 701,618</u>	<u>\$ 1,793,890</u>	<u>\$ 6,398,885</u>

**THE VOLUNTEERS IN MEDICINE CLINIC**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**Note 8. Net Assets – Endowment (Continued)**

The following are the changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 3,603,534	\$ 552,370	\$ 1,793,890	\$ 5,949,794
Investment return:				
Investment income	82,064	40,835	-	122,899
Net realized and unrealized investment losses	361,920	180,169	-	542,089
Appropriation of endowment assets for expenditure	<u>(144,141)</u>	<u>(71,756)</u>	<u>-</u>	<u>(215,897)</u>
Endowment net assets, June 30, 2017	<u>\$ 3,903,377</u>	<u>\$ 701,618</u>	<u>\$ 1,793,890</u>	<u>\$ 6,398,885</u>

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, 2018 and 2017.

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, 2018 and 2017, 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.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

**Note 9. Operating Leases**

Clinic as lessor

The Clinic has non-cancelable lease agreements for the rental of a portion of the Clinic's facilities. The lease income is approximately \$475 per month as of June 30, 2018, and the lease expired August 2018. As of June 30, 2018 and 2017, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased, was as follows:

	<u>2018</u>	<u>2017</u>
Cost of facility and improvements	\$ 1,249,723	\$ 1,239,723
Accumulated depreciation	<u>(466,459)</u>	<u>(429,268)</u>
	<u>\$ 783,264</u>	<u>\$ 810,455</u>

The lease income under this lease was approximately \$10,000 and \$47,000 for the years ended June 30, 2018 and 2017, respectively.

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 was renewed in May 2017 for twelve months, expired in May 2018, and payments are \$1,237 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, 2018 and 2017.

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. Commitments and Contingent Liabilities**

Grants

Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Clinic expects such amounts, if any, to be immaterial.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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**Note 13. Subsequent Events**

The Clinic has evaluated subsequent events through January 3, 2019, in connection with the preparation of these financial statements, which is the date that the financial statements were available to be issued.

**Note 14. Restatement**

During the year, the Clinic changed its method of allocating program expenses. The June 30, 2017, program expenses were restated to maintain comparability with the June 30, 2018, financial statements. The restatement had no impact on net income for the year ended June 30, 2017.

**Note 15. New Accounting Pronouncements**

Update 2016-14 – *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities* is designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The update is effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Clinic will implement the standard in 2019.