

THE VOLUNTEERS IN MEDICINE CLINIC
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

THE VOLUNTEERS IN MEDICINE CLINIC
Hilton Head Island, South Carolina

June 30, 2019 and 2018

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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, 2019 and 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe 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, 2019 and 2018, 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.

WebsterRogers LLP

Bluffton, South Carolina
November 14, 2019

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THE VOLUNTEERS IN MEDICINE CLINIC

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents		
Cash in deposit accounts	\$ 913,620	\$ 906,746
Cash in brokerage accounts	188,496	108,066
Total cash and cash equivalents	1,102,116	1,014,812
Investments	7,416,158	7,105,501
Receivables-other	15,250	20,440
Inventory	-	2,870
Prepaid expenses	72,922	58,578
Total current assets	8,606,446	8,202,201
Property and Equipment, net	1,648,576	1,634,348
TOTAL ASSETS	\$ 10,255,022	\$ 9,836,549
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 50,840	\$ 48,837
Deposits held for others	14,773	19,637
Accrued salaries	23,800	23,260
Deferred revenue	89,500	108,750
Other accrued liabilities	-	6,500
Total current liabilities	178,913	206,984
TOTAL LIABILITIES	178,913	206,984
Net Assets		
Without donor restrictions		
Undesignated	2,706,912	2,542,692
Board restrictions	4,193,165	4,170,111
Net assets without donor restrictions	6,900,077	6,712,803
With donor restrictions		
Use restrictions	1,363,070	1,122,872
Perpetual in nature	1,812,962	1,793,890
Net assets with donor restrictions	3,176,032	2,916,762
Total net assets	10,076,109	9,629,565
TOTAL LIABILITIES AND NET ASSETS	\$ 10,255,022	\$ 9,836,549

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, 2019 AND 2018

	2019				2018			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
		Time Use	Perpetual			Time Use	Perpetual	
Support and Revenues								
Contributed support								
Contributions and grants	\$ 825,510	\$ 1,029,585	\$ 19,072	\$ 1,874,167	\$ 1,129,288	\$ 587,180	\$ -	\$ 1,716,468
Services and materials donated	4,795,643	-	-	4,795,643	2,862,409	-	-	2,862,409
Benefit events, net	464,067	-	-	464,067	300,737	-	-	300,737
Total contributed support	6,085,220	1,029,585	19,072	7,133,877	4,292,434	587,180	-	4,879,614
Investment return, net of expenses	297,732	131,218	-	428,950	323,106	148,492	-	471,598
Rental income	6,989	-	-	6,989	10,800	-	-	10,800
Administrative fees	176,498	-	-	176,498	261,324	-	-	261,324
Miscellaneous income	9,104	-	-	9,104	6,073	-	-	6,073
Net assets released from restrictions	920,605	(920,605)	-	-	609,754	(609,754)	-	-
Total support and revenues	7,496,148	240,198	19,072	7,755,418	5,503,491	125,918	-	5,629,409
Expenses								
Program services	6,640,851	-	-	6,640,851	4,747,971	-	-	4,747,971
Support services								
Administrative and general	210,269	-	-	210,269	95,624	-	-	95,624
Fundraising	457,754	-	-	457,754	253,227	-	-	253,227
Occupancy costs	-	-	-	-	67,832	-	-	67,832
Total expenses	7,308,874	-	-	7,308,874	5,164,654	-	-	5,164,654
Change in net assets	187,274	240,198	19,072	446,544	338,837	125,918	-	464,755
Net Assets at Beginning of Year	6,712,803	1,122,872	1,793,890	9,629,565	6,373,966	996,954	1,793,890	9,164,810
Net Assets at End of Year	\$ 6,900,077	\$ 1,363,070	\$ 1,812,962	\$ 10,076,109	\$ 6,712,803	\$ 1,122,872	\$ 1,793,890	\$ 9,629,565

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, 2019 AND 2018**

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 446,544	\$ 464,755
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	175,212	168,934
Unrealized gains on investments	(132,951)	(71,190)
Realized gains on sale of investments	(111,244)	(250,678)
In-kind donations of investments	(29,331)	(36,459)
(Increase) decrease in:		
Receivables	5,190	(1,132)
Inventory	2,870	2,870
Prepaid expenses	(14,344)	(2,560)
Increase (decrease) in:		
Accounts payable	2,002	24,499
Deposits held for others	(4,864)	3,023
Accrued expenses	(5,960)	(9,412)
Deferred revenue	(19,250)	83,800
Net cash flows provided by operating activities	313,874	376,450
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,268,834	1,966,806
Purchase of investments	(1,305,964)	(2,267,619)
Purchase of property and equipment	(189,440)	(92,986)
Net cash flows used in investing activities	(226,570)	(393,799)
Net increase (decrease) in cash	87,304	(17,349)
Cash and Cash Equivalents at Beginning of Year	1,014,812	1,032,161
Cash and Cash Equivalents at End of Year	\$ 1,102,116	\$ 1,014,812

Schedule of Non-Cash Investing Activities

In-kind donations of investments	\$ 29,331	\$ 36,459
In-kind donations of property and equipment	\$ 17,750	\$ -
Grants awarded directly from investment funds	\$ 34,312	\$ 34,312

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, 2019

	2019				Total
	Program Services	Administrative and General	Fundraising	Building Rental	
Compensation and related costs					
Contributed professional services	\$ 2,026,209	\$ -	\$ -		\$ 2,026,209
Salaries and wages	868,675	121,478	220,064	-	1,210,217
Payroll taxes	67,006	7,692	15,014	-	89,712
Contract labor	23,973	-	3,000	-	26,973
Employee benefits	6,778	2,626	1,992	-	11,396
Insurance	44,242	7,369	7,919	-	59,530
Education, training, and travel	1,801	2,614	4,018	-	8,433
Recruiting and recognition	3,971	1,386	247	-	5,604
Total compensation and related costs	3,042,655	143,165	252,254	-	3,438,074
Administrative and development costs					
Benefit expenses	-	-	122,648		122,648
Development expenses	-	-	2,536	-	2,536
Advertising, printing, and promotional	339	-	13,190	-	13,529
Board expenses	-	-	700	-	700
Computer network costs	51,606	2,882	20,921	-	75,409
Credit card processing fees	-	-	10,152	-	10,152
Copier lease and usage	7,699	1,232	1,334	-	10,265
General office expenses	23,809	3,250	5,967	-	33,026
Internet & web cost	-	-	750	-	750
Postage and delivery	3,231	620	4,068	-	7,919
Dues and memberships	7,938	140	-	-	8,078
Professional fees	94	23,500	-	-	23,594
Total administrative and development costs	94,716	31,624	182,266	-	308,606
Program costs					
Laboratory costs	80,896	-	-	-	80,896
Pathology services	54,786	-	-	-	54,786
Screenings	292,307	-	-	-	292,307
Medicine and drug costs	1,966,390	-	-	-	1,966,390
Medical supplies	105,190	-	-	-	105,190
Dental supplies	41,827	-	-	-	41,827
Patient education materials	30	-	-	-	30
Patient support	21,697	-	-	-	21,697
Classroom instruction	3,735	-	-	-	3,735
Classroom supplies	953	-	-	-	953
Hospital/surgery center costs	436,056	-	-	-	436,056
Physician costs	204,761	-	-	-	204,761
Software and equipment maintenance	44,581	-	-	-	44,581
Medical equipment and services	17,146	-	-	-	17,146
Total program costs	3,270,355	-	-	-	3,270,355

(Continued)

THE VOLUNTEERS IN MEDICINE CLINIC
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2019

	2019				Total
	Program Services	Administrative and General	Fundraising	Building Rental	
Occupancy costs					
Rent/storage	\$ -	\$ 1,086	\$ -	\$ -	\$ 1,086
Utilities	27,456	6,842	3,692	-	37,990
Telephone and communications	7,127	1,099	1,183	-	9,409
Janitorial	14,678	1,514	876	-	17,068
Landscaping	-	405	-	-	405
Building repairs and maintenance	11,429	4,847	2,213	-	18,489
Insurance	22,643	4,979	3,181	-	30,803
Property taxes	1,019	220	138	-	1,377
Total occupancy costs	84,352	20,992	11,283	-	116,627
Depreciation	148,773	14,488	11,951	-	175,212
Total expenses	\$ 6,640,851	\$ 210,269	\$ 457,754	\$ -	\$ 7,308,874

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				Total
	Program Services	Administrative and General	Fundraising	Building Rental	
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
Total compensation and related costs	2,899,360	66,021	79,226	-	3,044,607
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
Total administrative and development costs	122,482	18,038	159,566	-	300,086
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
Total program costs	1,517,982	-	-	-	1,517,982

(Continued)

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

	2018				Total
	Program Services	Administrative and General	Fundraising	Building Rental	
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
Total occupancy costs	<u>93,272</u>	<u>4,808</u>	<u>5,988</u>	<u>28,977</u>	<u>133,045</u>
Depreciation	<u>114,875</u>	<u>6,757</u>	<u>8,447</u>	<u>38,855</u>	<u>168,934</u>
Total expenses	<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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1. Nature of Organization

The Volunteers in Medicine Clinic (the "Clinic") was incorporated as a nonprofit organization 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated for specific purposes by actions of the Board of Directors.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Cash and cash equivalents

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

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position based on quoted market prices. Investments consist of equity securities, mutual funds, and debt securities. 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. Investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables-other

Receivables-other represent accrued earnings on investments and overpaid unemployment taxes to be refunded.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. 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.

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. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as "services and materials donated" and as "contributed professional services" and in the applicable expense category on the accompanying statement of activities and statements of functional expenses, respectively. 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.

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.

Compensated absences

Compensated absences are expensed as incurred.

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. Actual results could differ from those estimates, and those differences could be material.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts in the June 30, 2018, financial statements were reclassified to maintain comparability with the June 30, 2019, financial statements. The reclassification has no impact on net assets for the year ended June 30, 2018.

Revenue recognition

Contributions received are recorded as restricted or unrestricted by donor, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets unrestricted by donor 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Recent accounting guidance

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make certain improvements that address many, but not all, of the identified issues about the current financial reporting for Not-for-Profits. The amendments in this update were effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization implemented the standard for the year ended June 30, 2019, and has adjusted the presentation of these statements accordingly. The pronouncement has been applied retrospectively to all periods presented. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3). There was no effect on previously stated total net assets and cash and cash equivalents.

Recently issued pronouncements

In February 2016, the FASB issued new guidance (*FASB ASU 2016-02-Leases*) to change accounting for leases that will generally require most leases to be recognized on the statements of financial position. The new lease standard only contains targeted changes to accounting by lessors; however, lessees will be required to recognize most leases in their statements of financial position as lease liabilities for lease payments and right-of-use assets representing the lessee's rights to use the underlying assets for the lease terms for lease arrangements longer than 12 months. Under this approach, a lessee will account for most existing capital/finance leases as Type A leases and most existing operating leases as Type B leases. Type A and Type B leases have unique accounting and disclosure requirements. Existing sale-leaseback guidance, including guidance for real estate, will be replaced with a new model applicable to both lessees and lessors. The new guidance will be effective for annual periods beginning after December 15, 2020. Early adoption is permitted. The Clinic is currently evaluating the impact of this new guidance on its financial statement presentation.

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 originally was effective for the Organization for reporting periods beginning after December 15, 2019; however, FASB elected to defer the effective date to reporting periods beginning after December 15, 2020. The Clinic is currently evaluating the impact of this new guidance on its financial statement presentation.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization for reporting periods beginning after December 15, 2018. The Clinic is currently evaluating the impact of the new guidance on its financial statement presentation.

In June 2018, the FASB issued ASU-2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. As a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. The Clinic is currently evaluating the impact of the new guidance on its financial statement presentation.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not expected to have a material impact on the Clinic's net assets or changes in net assets.

Note 3. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Current assets, at June 30, 2019	\$ 8,606,446
Less prepaid expenses	72,922
Less those unavailable for general expenditures within one year, due to donor or board restrictions:	
Restrictions by donor with time or purpose restrictions	1,363,070
Restrictions by donor in perpetuity	1,812,962
Board restricted	<u>4,193,165</u>
Financial assets available to meet the cash requirement for operational expenditures within one year	<u>\$ 1,164,327</u>

During 1998, management conducted a fund raising campaign which resulted in significant current and future contributions. The contributions received and invested represent the amount initially received in cash and invested. These funds were raised to provide a financial base to help provide the needed funds to sustain the Clinic, especially in the face of an economic downturn, disaster relief, or other financial challenges. Some of these donations were for perpetuity (current balance approximately \$1.8 million), others were board designated (current balance approximately \$4.1 million) to fund operations or in the case of a catastrophic event.

By policy established by the Board of Directors, the amount of funds that may be distributed in any year from the investments to the operating funds shall be no more than four and one-half (4.5) per cent of the trailing twelve (12) quarter average of the endowment.

Donors may impose restrictions on the use of the contributed funds. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specified purpose.

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 4. 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 \$650,493 and \$648,179 as of June 30, 2019 and 2018, respectively.

Note 5. Investments

Summary of investments at June 30, 2019 and 2018, were:

	2019	2018
Held at brokerage firm	<u>\$ 7,026,046</u>	<u>\$ 6,696,700</u>
Endowment fund held by other entity, the Community Foundation of the Lowcountry, Inc. (CFL)		
Board designated, invested by CFL	381,662	403,264
Donor restricted, spendable portion	<u>8,450</u>	<u>5,537</u>
Total held by CFL	<u>390,112</u>	<u>408,801</u>
Total reported on Statements of Financial Position	<u><u>\$ 7,416,158</u></u>	<u><u>\$ 7,105,501</u></u>

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
<u>June 30, 2019</u>				
Corporate debt	\$ 804,411	\$ 28,759	\$ (392)	\$ 832,778
Municipal debt	84,314	-	(8,142)	76,172
Equity securities	2,459,956	890,950	(43,707)	3,307,199
Mutual funds	795,444	-	(57,940)	737,504
Exchange traded funds	<u>1,927,599</u>	<u>149,065</u>	<u>(4,271)</u>	<u>2,072,393</u>
Total	<u><u>\$ 6,071,724</u></u>	<u><u>\$ 1,068,774</u></u>	<u><u>\$ (114,452)</u></u>	<u><u>\$ 7,026,046</u></u>

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 5. Investments (Continued)

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
<u>June 30, 2018</u>				
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	<u>1,847,797</u>	<u>180,408</u>	<u>(6,482)</u>	<u>2,021,723</u>
Total	<u>\$ 5,859,706</u>	<u>\$ 888,897</u>	<u>\$ (51,903)</u>	<u>\$ 6,696,700</u>

The following schedule details the investment return, net of expenses, as reflected in the statements of activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividends & capital gains	\$ 124,384	\$ 110,672
Interest	54,063	63,181
Investment fees	(34,285)	(34,669)
Realized/unrealized gain on investments	<u>284,788</u>	<u>332,414</u>
	<u>\$ 428,950</u>	<u>\$ 471,598</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 4.5% 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, 2019 and 2018, were \$381,662 and \$403,264, 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 net assets donor restricted-perpetual in nature.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5. Investments (Continued)

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 \$128,547 and \$126,561 as of June 30, 2019 and 2018, respectively.

Funds available for distribution from this fund on an annual basis (the spendable portion) are determined by calculating 4.5% 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 2019 or 2018. The spendable portion of this fund reported in the statements of financial position as investment funds as of June 30, 2019 and 2018, was \$8,450 and \$5,537, respectively.

Note 6. 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.

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 6. Fair Value Measurements (Continued)

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, 2019 and 2018.

- *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 following tables set forth by level, within the fair value hierarchy, the Clinic's assets at fair value as of June 30, 2019 and 2018:

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total Fair Value
Corporate debt	\$ 832,778	\$ -	\$ -	\$ 832,778
Municipal debt	76,172	-	-	76,172
Equity securities	3,307,199	-	-	3,307,199
Mutual funds	737,504	-	-	737,504
Exchange traded funds	2,072,393	-	-	2,072,393
Investments held by CFL	-	-	390,112	390,112
Total assets	\$ 7,026,046	\$ -	\$ 390,112	\$ 7,416,158

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total Fair Value
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
Total assets	\$ 6,696,700	\$ -	\$ 408,801	\$ 7,105,501

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 6. Fair Value Measurements (Continued)

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, 2019 and 2018:

	Investments Held by CFL
Balance, June 30, 2017	\$ 414,619
Grants given	(34,312)
Unrealized gains	33,209
Management fees	(4,715)
	408,801
Balance, June 30, 2018	408,801
Grants given	(34,312)
Unrealized gains	19,344
Management fees	(3,721)
	408,112
Balance, June 30, 2019	<u><u>\$ 390,112</u></u>

Total net gains and losses for Level 3 assets for the periods ended June 30, 2019 and 2018, 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, 2019 and 2018, were \$34,312 and \$34,312, respectively.

Note 7. Property and Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Land	\$ 781,240	\$ 781,240
Buildings	1,722,429	1,683,055
Computers and software	610,851	513,439
Medical furniture, fixtures, and equipment	580,143	562,155
Office furniture, fixtures, and equipment	533,354	498,688
	4,228,017	4,038,577
Subtotal	4,228,017	4,038,577
Less accumulated depreciation	2,579,441	2,404,229
	1,648,576	1,634,348
Net property and equipment	<u><u>\$ 1,648,576</u></u>	<u><u>\$ 1,634,348</u></u>

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8. Net Assets – Without Donor Restrictions

Net assets without donor restrictions consist of the following as of June 30:

	2019	2018
Board designated endowed funds	\$ 4,105,169	\$ 4,070,313
Imlay/McConnell fund	87,996	99,798
Total board designated funds	4,193,165	4,170,111
Undesignated	2,706,912	2,542,692
Total net assets without donor restrictions	<u>\$ 6,900,077</u>	<u>\$ 6,712,803</u>

The Clinic has received various contributions which are restricted in their use. Net assets restricted by donor-use restrictions are available for the following purposes at June 30:

	2019	2018
Dental clinic	\$ 51,060	\$ 21,535
Healing services	320	320
Mammography	55,083	34,005
Patient surgical navigation	116,411	47,148
Wellness program	50,409	86,104
Other restricted programs	251,971	155,406
Endowment available for appropriations	837,816	778,354
Total net assets restricted by donor	<u>\$ 1,363,070</u>	<u>\$ 1,122,872</u>

Note 9. Net Assets – Endowment

The Clinic's endowment consists of net assets restricted by donor. 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 Directors of the Clinic 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 Clinic classifies as net assets restricted by donor-perpetual in nature: (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 net assets restricted by donor-perpetual in nature is classified as net assets with donor restrictions-use restrictions and net assets without donor restrictions-board designated funds until these amounts are appropriated for expenditure by the Clinic in a manner consistent with the standard of prudence described in the UPMIFA. In accordance with the UPMIFA, the Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 9. Net Assets – Endowment (Continued)

- The duration and preservation of the fund
- The purposes of the Clinic and the restricted by donor 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 Clinic
- The investment policy of the Clinic

At June 30, 2019, the Foundation had the following endowment net assets composition by type of fund:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		
	<u>Board Designated</u>	<u>Time Use</u>	<u>Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 837,816	\$ 1,812,962	\$ 2,650,778
Board-designated endowment funds	<u>4,205,266</u>	<u>-</u>	<u>-</u>	<u>4,205,266</u>
Total funds	<u>\$ 4,205,266</u>	<u>\$ 837,816</u>	<u>\$ 1,812,962</u>	<u>\$ 6,856,044</u>

The following are the changes in endowment net assets for the year ended June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		
	<u>Board Designated</u>	<u>Time Use</u>	<u>Perpetual</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ 4,070,348	\$ 778,354	\$ 1,793,890	\$ 6,642,592
Investment return:				
Investment income	297,732	131,218	-	428,950
Contribution	-	-	19,072	19,072
Appropriation of endowment assets for expenditure	<u>(162,814)</u>	<u>(71,756)</u>	<u>-</u>	<u>(234,570)</u>
Endowment net assets, June 30, 2019	<u>\$ 4,205,266</u>	<u>\$ 837,816</u>	<u>\$ 1,812,962</u>	<u>\$ 6,856,044</u>

THE VOLUNTEERS IN MEDICINE CLINIC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 9. Net Assets – Endowment (Continued)

At June 30, 2018, the Foundation had the following endowment net assets composition by type of fund:

	Without donor restrictions	With donor restrictions		Total
	Board Designated	Time Use	Perpetual	
Donor-restricted endowment funds	\$ -	\$ 778,354	\$ 1,793,890	\$ 2,572,244
Board-designated endowment funds	4,070,348	-	-	4,070,348
Total funds	<u>\$ 4,070,348</u>	<u>\$ 778,354</u>	<u>\$ 1,793,890</u>	<u>\$ 6,642,592</u>

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

	Without donor restrictions	With donor restrictions		Total
	Board Designated	Time Use	Perpetual	
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>

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, 2019 and 2018.

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.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 9. Net Assets – Endowment (Continued)

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, 2019 and 2018, the Clinic's net assets restricted by donor-perpetual in nature consist of investments providing a permanent source of income for operations and for the use of furthering the mission of the Clinic.

Note 10. Operating Leases

Clinic as lessor

The Clinic has a non-cancelable lease agreement for the rental of a portion of the Clinic's facilities. The lease income is approximately \$200 per month as of June 30, 2019, and the lease expires June 30, 2020. As of June 30, 2019 and 2018, the total cost and accumulated depreciation of the facility and improvements of which a portion is leased, was as follows:

	<u>2019</u>	<u>2018</u>
Cost of facility and improvements	\$ 1,265,607	\$ 1,249,723
Accumulated depreciation	<u>(466,459)</u>	<u>(466,456)</u>
	<u>\$ 799,148</u>	<u>\$ 783,267</u>

The lease income under this lease was approximately \$7,000 and \$10,000 for the years ended June 30, 2019 and 2018, respectively.

Clinic as lessee

During February of 2014, the Clinic entered into a five year operating lease for a copier. Per the lease agreement, the lease will automatically renew on a month-to month basis after the ending of the lease term. Lease payments are \$245.79 per month.

THE VOLUNTEERS IN MEDICINE CLINIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10. Operating Leases (Continued)

The future annual lease payments per the anticipated renewal with current terms are summarized below:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 2,949
2021	2,949
2022	2,949
2023	2,949
2024	2,949
	<hr/>
	\$ 14,745
	<hr/> <hr/>

Note 11. 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, 2019 and 2018.

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

Note 12. 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 13. 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 Clinic. 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.

Note 14. Subsequent Events

Subsequent to year end management is performing an historical evaluation of net assets to ensure that donor restrictions are properly reflected in the financial statements. The Clinic has evaluated subsequent events through November 14, 2019, in connection with the preparation of these financial statements, which is the date that the financial statements were available to be issued.