

Bergen Volunteer Medical Initiative, Inc.

Financial Statements

December 31, 2017 and 2016



Independent Auditors' Report

**To the Board of Trustees
Bergen Volunteer Medical Initiative, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Bergen Volunteer Medical Initiative, Inc. ("BVMI") (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Trustees
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bergen Volunteer Medical Initiative, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

April 18, 2018

Bergen Volunteer Medical Initiative, Inc.

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 467,187	\$ 591,200
Accounts and grants receivable	170,000	201,433
Contributions receivable, net	327,495	363,370
Prepaid expenses	17,411	17,458
Inventory - supplies	1,909	1,280
Property and equipment, net	373,910	614,564
Security deposit	13,678	13,678
	<u>\$ 1,371,590</u>	<u>\$ 1,802,983</u>
LIABILITIES		
Accounts payable	\$ 4,458	\$ 9,667
Accrued expenses	44,296	206,121
Deferred rent liability	52,518	21,546
	<u>101,272</u>	<u>237,334</u>
Net Assets		
Unrestricted	940,635	1,328,604
Temporarily restricted	329,683	237,045
Total Net Assets	<u>1,270,318</u>	<u>1,565,649</u>
	<u>\$ 1,371,590</u>	<u>\$ 1,802,983</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statements of Activities

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Contributions	\$ 1,335,068	\$ 312,493	\$ 1,647,561	\$ 1,459,018	\$ 766,842	\$ 2,225,860
Special events (net of expenses of \$57,162 and \$48,558)	242,773	-	242,773	210,623	-	210,623
Forgiveness of debt	-	-	-	12,570	-	12,570
Miscellaneous income	2,221	-	2,221	5,929	-	5,929
Net assets released from restriction	<u>219,855</u>	<u>(219,855)</u>	<u>-</u>	<u>647,822</u>	<u>(647,822)</u>	<u>-</u>
Total Revenue	<u>1,799,917</u>	<u>92,638</u>	<u>1,892,555</u>	<u>2,335,962</u>	<u>119,020</u>	<u>2,454,982</u>
EXPENSES						
Program services	1,652,506	-	1,652,506	1,418,764	-	1,418,764
Supporting Services						
Management and general	89,146	-	89,146	64,682	-	64,682
Fundraising	<u>199,816</u>	<u>-</u>	<u>199,816</u>	<u>155,724</u>	<u>-</u>	<u>155,724</u>
Total Expenses	<u>1,941,468</u>	<u>-</u>	<u>1,941,468</u>	<u>1,639,170</u>	<u>-</u>	<u>1,639,170</u>
Excess (Deficiency) of Revenues and Other Support Over Expenses	(141,551)	92,638	(48,913)	696,792	119,020	815,812
Loss on disposal of property and equipment (Note 5)	<u>(246,418)</u>	<u>-</u>	<u>(246,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(387,969)</u>	<u>92,638</u>	<u>(295,331)</u>	<u>696,792</u>	<u>119,020</u>	<u>815,812</u>
NET ASSETS						
Beginning of Year	<u>1,328,604</u>	<u>237,045</u>	<u>1,565,649</u>	<u>631,812</u>	<u>118,025</u>	<u>749,837</u>
End of Year	<u>\$ 940,635</u>	<u>\$ 329,683</u>	<u>\$ 1,270,318</u>	<u>\$ 1,328,604</u>	<u>\$ 237,045</u>	<u>\$ 1,565,649</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Supporting Services	
Payroll	\$ 629,753	\$ 12,110	\$ 53,344	\$ 65,454	\$ 695,207
Payroll taxes	32,970	3,412	28,626	32,038	65,008
Employee benefits	<u>18,594</u>	<u>86</u>	<u>148</u>	<u>234</u>	<u>18,828</u>
Total Salaries and Related Expenses	681,317	15,608	82,118	97,726	779,043
Medical supplies	235,305	78	2,045	2,123	237,428
Professional services	539,543	27,503	27,503	55,006	594,549
Accounting	-	8,000	-	8,000	8,000
Insurance	4,742	6,286	-	6,286	11,028
Office expense/supplies	5,675	368	3,462	3,830	9,505
Postage and delivery	1,482	174	5,711	5,885	7,367
Registration, fees and taxes	8,085	303	100	403	8,488
Printing and reproduction	12,225	808	13,907	14,715	26,940
Rent	77,746	7,383	8,193	15,576	93,322
Repairs and maintenance	9,053	664	2,679	3,343	12,396
Utilities	5,046	2,353	223	2,576	7,622
Computer and technology	16,753	1,163	8,950	10,113	26,866
Telephone	4,492	465	4,075	4,540	9,032
Bank charges	-	3,676	86	3,762	3,762
Consulting fees	9,861	12,765	35,324	48,089	57,950
Advertising	11,116	140	165	305	11,421
Meetings and conferences	<u>1,924</u>	<u>262</u>	<u>550</u>	<u>812</u>	<u>2,736</u>
Total Expenses Before Depreciation and Amortization	1,624,365	87,999	195,091	283,090	1,907,455
Depreciation and amortization	<u>28,141</u>	<u>1,147</u>	<u>4,725</u>	<u>5,872</u>	<u>34,013</u>
Total Expenses	<u>\$ 1,652,506</u>	<u>\$ 89,146</u>	<u>\$ 199,816</u>	<u>\$ 288,962</u>	<u>\$ 1,941,468</u>

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total Supporting Services	
Payroll	\$ 602,306	\$ 12,053	\$ 58,348	\$ 70,401	\$ 672,707
Payroll taxes	31,035	3,033	28,049	31,082	62,117
Employee benefits	17,797	87	149	236	18,033
Total Salaries and Related Expenses	651,138	15,173	86,546	101,719	752,857
Medical supplies	127,527	476	2,206	2,682	130,209
Professional services	511,538	-	692	692	512,230
Accounting	-	8,833	-	8,833	8,833
Insurance	5,034	6,672	-	6,672	11,706
Office expense/supplies	4,899	118	1,469	1,587	6,486
Postage and delivery	3,194	177	1,779	1,956	5,150
Registration, fees and taxes	7,537	225	100	325	7,862
Printing and reproduction	12,225	902	11,335	12,237	24,462
Rent	45,407	3,712	4,790	8,502	53,909
Repairs and maintenance	4,509	441	590	1,031	5,540
Utilities	3,296	186	224	410	3,706
Computer and technology	17,074	8	1,521	1,529	18,603
Telephone	4,045	403	3,627	4,030	8,075
Bank charges	-	2,498	-	2,498	2,498
Consulting fees	5,041	24,114	37,515	61,629	66,670
Advertising	3,604	-	43	43	3,647
Meetings and conferences	3,015	16	1,528	1,544	4,559
Total Expenses Before Depreciation and Amortization	1,409,083	63,954	153,965	217,919	1,627,002
Depreciation and amortization	9,681	728	1,759	2,487	12,168
Total Expenses	<u>\$ 1,418,764</u>	<u>\$ 64,682</u>	<u>\$ 155,724</u>	<u>\$ 220,406</u>	<u>\$ 1,639,170</u>

Bergen Volunteer Medical Initiative, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (295,331)	\$ 815,812
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	34,013	12,168
Loss on disposal of property and equipment	246,418	-
Changes in operating assets and liabilities		
Receivables	67,308	(449,114)
Prepaid expenses	47	(6,167)
Inventory - supplies	(629)	228
Accounts payable and accrued expenses	(167,034)	175,303
Security deposit	-	(13,678)
Deferred rent liability	30,972	21,546
Net Cash from Operating Activities	(84,236)	556,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(39,777)	(343,603)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	-	(12,778)
Net Change in Cash and Cash Equivalents	(124,013)	199,717
CASH AND CASH EQUIVALENTS		
Beginning of year	591,200	391,483
End of year	\$ 467,187	\$ 591,200

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Organizational Status

The mission of Bergen Volunteer Medical Initiative, Inc. ("BVMI") is to provide free primary medical care and, where possible, referrals to specialty care for working, low-income Bergen County residents who have no health insurance. BVMI was established in March 2005, and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and New Jersey income tax under state regulations.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the presence or absence of donor restrictions, as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets during 2017 or 2016.

Cash and Cash Equivalents

All highly liquid debt instruments with a maturity of three months or less at the time of purchase are considered to be cash equivalents for the purpose of the statement of cash flows.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Contributions Receivable

Unconditional contributions receivable that are expected to be collected in future periods are recorded at fair value. Changes in fair value included in changes in Temporarily Restricted net assets were \$17,031. Contributions receivable are reflected net of an allowance for uncollectible amounts based on management's judgment and analysis of the creditworthiness of the donors, past payment experience, and other relevant factors and have been discounted, when contributions are due in more than one year. The applicable rate at December 31, 2017 was 2.25%. Amortization of the discount is reported in the Statement of Activities as interest income.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specifically known troubled accounts. Management believes all receivables are fully collectible, therefore, no allowance for doubtful accounts is recognized as of December 31, 2017 and 2016.

Inventory

Inventories consist of medical supplies used in the operations of the Organization. They are stated at the lower of cost (first-in, first-out basis) or market. Medical supplies received in-kind are recorded at their fair value in the period received.

Property and Equipment

Property and equipment are stated at cost or, if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the useful lives of the respective assets which range from 3 to 15 years. Leasehold improvements will be amortized using the straight-line method over the life of the lease, or fifteen years.

Revenue and Support Recognition

The Organization receives contributions as revenue when they are received or unconditionally pledged and reports this support as unrestricted or restricted support according to donor stipulations that may limit the use of these assets due to time or purpose restrictions. When a donor restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of costs of direct benefits to others.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The value of contributed time for medical care was \$594,549 and \$512,230 for the years ended December 31, 2017 and 2016. The value of donated non-cash assets was \$192,129 and \$124,315 for the years ended December 31, 2017 and 2016. Other donated services for the years ended December 31, 2017 and 2016 were \$4,115 and \$34,235.

Functional Allocation of Expenses

The cost of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that require financial statement recognition or disclosure. The Organization is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 18, 2018.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements December 31, 2017 and 2016

3. Contributions Receivable

Contributions receivable as of December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Contributions	\$ 346,802	\$ 385,146
Less present value discount	<u>(19,307)</u>	<u>(21,776)</u>
	<u>\$ 327,495</u>	<u>\$ 363,370</u>

These receivables are due as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 70,559	\$ 76,646
Due in one to five years	250,000	308,500
More than five years	<u>26,243</u>	<u>-</u>
	<u>\$ 346,802</u>	<u>\$ 385,146</u>

Conditional promises to give for 2017 which are not reflected in the accompanying statements of financial position are \$100,420.

4. Fair Value Measurements

Fair value of assets include a pledge receivable that is valued on an annual basis. The fair value of this pledge at December 31, 2017 and 2016 is \$307,193 and \$324,224 and is considered a Level 3 input. Revenue recognized for the year ended December 31, 2017 as a result of re-measurement is \$17,031. Fair value is determined using the expected pledge payment schedule and actuarial life expectancy as published by the U.S. Social Security Administration.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. A transfer out of Level 3 is deemed to have taken place upon receipt of a pledge payment.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements December 31, 2017 and 2016

4. Fair Value Measurements *(continued)*

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

Balance - January 1, 2016	\$ -
Transfer into Level 3	<u>324,224</u>
Balance - December 31, 2016	324,224
Change in value of pledge receivable	32,712
Transfer out of Level 3	<u>(49,743)</u>
Balance - December 31, 2017	<u>\$ 307,193</u>

5. Property and Equipment

At December 31, property and equipment consisted of:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 78,800	\$ 145,067
Leasehold improvements	342,474	518,951
Construction in progress	<u>-</u>	<u>160,044</u>
	421,274	824,062
Accumulated depreciation and amortization	<u>(47,364)</u>	<u>(209,498)</u>
	<u>\$ 373,910</u>	<u>\$ 614,564</u>

The Organization recognized a loss of \$246,418 in the year ended December 31, 2017 on the disposal of leasehold improvements for the lease space no longer occupied.

6. Loan Payable

On September 11, 2009 the Organization entered into an agreement with the Bergen County Community Action Partnership, Inc. The agreement was for a \$25,000 loan to finance a portion of the construction of the medical offices at the Organization's location at 241 Moore Street, Hackensack, NJ. The ten-year, non-interest bearing loan became effective February 11, 2011.

The loan was forgiven upon the Organization signing its new lease on January 29, 2016 and memorandum of understanding on February 2, 2016. The balance forgiven in 2016 was \$12,778.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements December 31, 2017 and 2016

7. Line of Credit

The Organization had an unsecured \$50,000 line of credit with TD Bank, N.A. which was unused at December 31, 2017 and 2016. The credit line expires on September 25, 2018.

8. Leased Facilities

The Organization had a lease with Greater Bergen Community Action, Inc. ("GBCA"). During 2015, GBCA agreed to buy out the remainder of the lease upon the Organization signing a new lease at a new location.

On January 29, 2016 the Organization signed a new lease with GBCA. According to a memorandum of understanding with GBCA, signed on February 2, 2016, upon the signing of a new lease, no additional rent payments would be due. GBCA also agreed to assist in the renovation of the new premises by underwriting the cost of construction up to \$300,000 and in securing additional loans for the Organization. GBCA then forgave the loan due by the Organization, as discussed in Note 6.

As discussed above the Organization entered into a new lease which commenced on May 1, 2016. The Organization will pay rent plus utilities monthly with rent escalations each year. The Organization has a fifteen-year term with two five-year renewal options incorporated into the lease. Rent expense for the years ended December 31, 2017 and 2016 were \$93,322 and \$53,909.

The minimum future lease payments which are shown net of a \$60,000 rental abatement over 21 months are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 87,127
2019	87,127
2020	87,127
2021	87,127
Thereafter	<u>377,550</u>
	<u>\$726,058</u>

The Organization also maintained a month to month lease with the Bergen County Medical Society for \$200 per month which ended in June 2017.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements December 31, 2017 and 2016

9. Temporarily Restricted Net Assets and Net Assets Released from Restriction

Temporarily restricted net assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Program services	\$329,683	\$237,045

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Program services	\$219,855	\$647,822

9. Risk Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions and contribution receivables. From time to time, deposits may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists.

Total contributions and private grants revenue received from one donor aggregated to 10% during 2017 and two donors aggregated to 32% during 2016. In addition, pledge and grants receivable from three donors in 2017 aggregated to 86% and two donors in 2016 aggregated to 76% of total contribution and grants receivable.

10. Pension Plan

The Organization provides a 403(b) Thrift Plan to its employees. The plan provides the employees the opportunity to make salary reduction contributions (including Roth contributions) to the plan. The plan administrator shall determine the employees eligible to become participants. There were no employer contributions made to the plan for the years ending December 31, 2017 and 2016.

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