

**COMMUNITY VOLUNTEERS  
IN MEDICINE**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**FRIEDMAN LLP<sup>®</sup>**

ACCOUNTANTS AND ADVISORS

# COMMUNITY VOLUNTEERS IN MEDICINE

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-19

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Community Volunteers in Medicine  
West Chester, Pennsylvania

We have audited the accompanying financial statements of Community Volunteers in Medicine (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Volunteers in Medicine as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of Community Volunteers in Medicine as of June 30, 2015, were audited by Shechtman Marks Devor whose report dated October 7, 2015, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, appearing to read "Friedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, PA  
September 27, 2016

**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,200,003	\$ 2,355,179
Unconditional promises to give, current	277,928	315,653
Other current assets	85,261	66,305
Total current assets	2,563,192	2,737,137
Investments	9,161,745	9,158,971
Property and equipment, net	3,311,008	3,323,390
<b>Other assets</b>		
Unconditional promises to give, net	149,231	348,389
Total assets	\$ 15,185,176	\$ 15,567,887
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 44,673	\$ 3,004
Accrued expenses	93,437	104,519
Total current liabilities	138,110	107,523
<b>Long-term liabilities</b>		
Tenant security deposits	14,102	10,417
Total liabilities	152,212	117,940
<b>Net assets</b>		
Unrestricted	14,048,823	14,195,296
Temporarily restricted	468,173	738,683
Permanently restricted	515,968	515,968
Total net assets	15,032,964	15,449,947
Total liabilities and net assets	\$ 15,185,176	\$ 15,567,887

See notes to financial statements.

**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30,				2015
	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenue</b>					
Contributions and grants	\$ 2,036,644	\$ 80,528	\$ -	\$ 2,117,172	\$ 2,165,913
Donated services	3,174,332	-	-	3,174,332	2,616,843
Donated materials	4,114,447	-	-	4,114,447	2,092,682
Patient contributions	65,628	-	-	65,628	67,748
Fundraising events	299,268	-	-	299,268	339,410
Miscellaneous income	10,187	-	-	10,187	14,328
Net assets released from restrictions	351,038	(351,038)	-	-	-
<b>Total support and revenue</b>	<b>10,051,544</b>	<b>(270,510)</b>	<b>-</b>	<b>9,781,034</b>	<b>7,296,924</b>
<b>Expenses</b>					
Program services	9,552,639	-	-	9,552,639	6,852,656
Supporting services					
Management and general	261,290	-	-	261,290	285,386
Fundraising					
Direct donor benefit	42,900	-	-	42,900	41,600
Fundraising, other	411,458	-	-	411,458	300,653
<b>Total Supporting services</b>	<b>715,648</b>	<b>-</b>	<b>-</b>	<b>715,648</b>	<b>627,639</b>
<b>Total expenses</b>	<b>10,268,287</b>	<b>-</b>	<b>-</b>	<b>10,268,287</b>	<b>7,480,295</b>
Change in net assets from operations	(216,743)	(270,510)	-	(487,253)	(183,371)
<b>Nonoperating</b>					
Investment income, net	7,975	-	-	7,975	115,291
Building rental income	227,847	-	-	227,847	107,186
Building expenses	(165,552)	-	-	(165,552)	(194,399)
	70,270	-	-	70,270	28,078
Changes in net assets	(146,473)	(270,510)	-	(416,983)	(155,293)
Net assets, beginning of year	14,195,296	738,683	515,968	15,449,947	15,605,240
<b>Net assets, end of year</b>	<b>\$ 14,048,823</b>	<b>\$ 468,173</b>	<b>\$ 515,968</b>	<b>\$ 15,032,964</b>	<b>\$ 15,449,947</b>

See notes to financial statements.

**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Contributions and grants	\$ 1,864,053	\$ 301,860	\$ -	\$ 2,165,913
Donated services	2,616,843	-	-	2,616,843
Donated materials	2,092,682	-	-	2,092,682
Patient contributions	67,748	-	-	67,748
Fundraising events	339,410	-	-	339,410
Miscellaneous income	14,328	-	-	14,328
Net assets released from restrictions	351,512	(351,512)	-	-
<b>Total support and revenue</b>	<b>7,346,576</b>	<b>(49,652)</b>	<b>-</b>	<b>7,296,924</b>
<b>Expenses</b>				
Program services	6,852,656	-	-	6,852,656
Supporting services				
Management and general	285,386	-	-	285,386
Fundraising				
Direct donor benefit	41,600	-	-	41,600
Fundraising, other	300,653	-	-	300,653
<b>Total Supporting services</b>	<b>627,639</b>	<b>-</b>	<b>-</b>	<b>627,639</b>
<b>Total expenses</b>	<b>7,480,295</b>	<b>-</b>	<b>-</b>	<b>7,480,295</b>
<b>Change in net assets from operations</b>	<b>(133,719)</b>	<b>(49,652)</b>	<b>-</b>	<b>(183,371)</b>
<b>Nonoperating</b>				
Investment income, net	115,291	-	-	115,291
Building rental income	107,186	-	-	107,186
Building expenses	(194,399)	-	-	(194,399)
	28,078	-	-	28,078
Changes in net assets	(105,641)	(49,652)	-	(155,293)
Net assets, beginning of year	14,300,937	788,335	515,968	15,605,240
<b>Net assets, end of year</b>	<b>\$ 14,195,296</b>	<b>\$ 738,683</b>	<b>\$ 515,968</b>	<b>\$ 15,449,947</b>

See notes to financial statements.

**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended June 30,						2015
	2016						
	Supporting Services					Total	
Program Services	Management and General	Direct Donor Benefit	Fundraising, Other	Total Supporting Services	Total		
Salaries, payroll taxes and benefits	\$ 1,929,261	\$ 128,777	\$ -	\$ 308,192		\$ 436,969	\$ 2,366,230
Depreciation	52,973	-	-	-	-	52,973	56,762
Fundraising event expense	-	-	42,900	24,711	67,611	67,611	62,308
Insurance	12,577	30,288	-	300	30,588	43,165	34,638
Medical drugs, materials and supplies	108,549	-	-	-	-	108,549	120,471
Operating expenses	59,486	35,748	-	37,542	73,290	132,776	126,522
Professional services	97,225	35,280	-	17,213	52,493	149,718	146,190
Rent and occupancy	47,862	10,624	-	-	10,624	58,486	64,655
Strategic development	-	-	-	-	-	-	28,000
Donated services							
Computer services	-	20,573	-	-	20,573	20,573	-
Medical and dental services	109,200	-	-	-	-	109,200	76,297
Medical consults	37,491	-	-	-	-	37,491	17,132
Professional volunteer hours	1,372,407	-	-	-	-	1,372,407	1,348,245
Labs and radiology	1,611,161	-	-	-	-	1,611,161	1,152,746
Professional services	-	-	-	23,500	23,500	23,500	22,423
Donated materials							
Prescription drugs	4,090,506	-	-	-	-	4,090,506	2,004,611
Medical and dental supplies	23,941	-	-	-	-	23,941	88,071
<b>Total expenses</b>	<b>\$ 9,552,639</b>	<b>\$ 261,290</b>	<b>\$ 42,900</b>	<b>\$ 411,458</b>	<b>\$ 715,648</b>	<b>\$ 10,268,287</b>	<b>\$ 7,480,295</b>

See notes to financial statements.



**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2015**

	<b>Supporting Services</b>					<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>		<b>Total</b>	
			<b>Direct Donor Benefit</b>	<b>Fundraising, Other</b>	<b>Supporting Services</b>	
Salaries, payroll taxes and benefits	\$ 1,742,637	\$ 172,193	\$ -	\$ 216,394	\$ 388,587	\$ 2,131,224
Depreciation	56,762	-	-	-	-	56,762
Fundraising event expense	-	-	41,600	20,708	62,308	62,308
Insurance	23,323	11,315	-	-	11,315	34,638
Medical drugs, materials and supplies	120,471	-	-	-	-	120,471
Operating expenses	64,733	17,764	-	44,025	61,789	126,522
Professional services	105,869	20,795	-	19,526	40,321	146,190
Rent and occupancy	49,799	14,856	-	-	14,856	64,655
Strategic development	-	28,000	-	-	28,000	28,000
Donated services						
Medical and dental services	76,297	-	-	-	-	76,297
Medical consults	17,132	-	-	-	-	17,132
Professional volunteer hours	1,348,245	-	-	-	-	1,348,245
Labs and radiology	1,152,746	-	-	-	-	1,152,746
Professional services	1,960	20,463	-	-	20,463	22,423
Donated materials						
Prescription drugs	2,004,611	-	-	-	-	2,004,611
Medical and dental supplies	88,071	-	-	-	-	88,071
<b>Total expenses</b>	<b>\$ 6,852,656</b>	<b>\$ 285,386</b>	<b>\$ 41,600</b>	<b>\$ 300,653</b>	<b>\$ 627,639</b>	<b>\$ 7,480,295</b>

See notes to financial statements.

**COMMUNITY VOLUNTEERS IN MEDICINE**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (416,983)	\$ (155,293)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	114,731	100,917
Net unrealized loss on investments	146,707	423,941
Realized loss (gain) on investments	44,841	(352,414)
Donated stock	(146,811)	(351,704)
Change in allowance for doubtful accounts	(5,142)	545
Changes in operating assets and liabilities		
Unconditional promises to give	242,025	20,141
Other current assets	(18,956)	(21,099)
Accounts payable	41,669	(111,019)
Accrued expenses	(11,082)	25,570
Tenant security deposits	3,685	5,637
Net cash used in operating activities	(5,316)	(414,778)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(102,349)	(443,758)
Purchase of investments	(2,426,320)	(421,453)
Proceeds from the sale of investments	2,378,809	1,149,512
Net cash (used in) provided by investing activities	(149,860)	284,301
Net decrease in cash and cash equivalents	(155,176)	(130,477)
Cash and cash equivalents, beginning of year	2,355,179	2,485,656
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,200,003</b>	<b>\$ 2,355,179</b>

See notes to financial statements.

# COMMUNITY VOLUNTEERS IN MEDICINE

## NOTES TO FINANCIAL STATEMENTS

### 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

Community Volunteers in Medicine (“CVIM”) is a non-profit community based organization which provides compassionate primary medical and dental care and health education to people who live or work in Chester County who lack access to insurance in order to support their goals to lead productive, healthy and hopeful lives.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, other support, and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

CVIM considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Unconditional Promises to Give**

Unconditional promises to give are recorded as received at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount these amounts. Amortization of discounts is included in contribution revenue. CVIM uses an allowance method to determine uncollectible promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

#### **Investments**

Investments in marketable securities, debt securities and pooled investments held by outside Foundations are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### **Property and Equipment and Depreciation**

Property and equipment are recorded at cost or, if donated, at the fair market value on the date of donation. Property and equipment are depreciated using a straight-line method over the estimated useful lives of the related assets, as follows:

Building and building improvements	30 years
Furniture and fixtures	5 years
Medical and dental equipment	5 years

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Property and Equipment and Depreciation** (continued)

Expenditures for major renewals and betterments that extend the useful life of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred.

##### **Net Asset Classification**

CVIM reports information regarding its financial position and activities according to the following classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets* – are those assets that are available for the support of operations and whose use is not externally restricted.

*Temporarily restricted net assets* – are those assets whose use by CVIM has been limited by donors to a specific time period or purpose.

*Permanently restricted net assets* – are those assets whose use by CVIM has been limited by donors in perpetuity.

##### **Public Support and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are generally available for unrestricted use unless specifically restricted by the donor.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and changes in net assets as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded as unrestricted net assets. Investment earnings with donor restrictions are recorded as temporarily or permanently restricted net assets based on the nature of the restrictions.

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Public Support and Revenue** (continued)

Contributions of donated noncash assets are recorded at their fair values in the period received. Donated drugs, laboratory testing, and supplies are recorded at their fair values in the period received as contributions with offsetting expenses. CVIM's policy is to record drugs donated for use of the patients through patient assistance programs as contributions with offsetting expenses. 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 values in the period received as contributions with offsetting expenses. In addition, CVIM receives services of unpaid officers, board members, and volunteers. The value of these services is not reflected in the accompanying financial statements as these services do not meet the criteria for recognition as contributed services. Non-cash contributions reflected in the accompanying statement of activities and changes in net assets exclude contributions of donated publicly traded stock. These contributions are recorded in the same manner as cash contributions, as typically CVIM sells all donated publicly traded stock upon receipt.

##### **Functional Allocation of Expenses**

The costs of providing CVIM's program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated between the program and supporting services benefited.

##### **Building Expenses**

CVIM leases a portion of its building to unrelated tenants. Building expenses related to CVIM's operations are classified in program services and supporting services. Building expenses related to rental income are classified as non-operating activities.

##### **Income Taxes**

CVIM is exempt from federal income and excise taxes under the provisions of Internal Revenue Code Section 501(c)(3), as well as exempt from state income taxes. CVIM is not a private foundation.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements.

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	June 30,	
	2016	2015
Gross unrestricted promises to give	\$ 442,070	\$ 715,039
Less unamortized discount	(7,065)	(38,009)
Less allowances for uncollectible promises	(7,846)	(12,988)
<b>Net unconditional promises to give</b>	<b>\$ 427,159</b>	<b>\$ 664,042</b>

	June 30,	
	2016	2015
Amounts due in		
Less than one year	\$ 277,928	\$ 315,653
One to five years	164,142	395,000
Five to ten years	-	4,386
<b>Gross unconditional promises to give</b>	<b>\$ 442,070</b>	<b>\$ 715,039</b>

Pledges to be received in future years are recorded at present value using a discount rate at the time of the pledge of 2% for the years ending June 30, 2016 and 2015, respectively.

#### 3 - INVESTMENTS

Investments consist of the following:

	Year Ended June 30,	
	2016	2015
Common stocks	\$ 3,607,213	\$ 3,401,559
Community Foundation – pooled investments	165,281	195,431
Mutual funds	1,840,427	1,979,237
Bonds	3,548,824	3,582,744
<b>Total investments</b>	<b>\$ 9,161,745</b>	<b>\$ 9,158,971</b>

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 3 - INVESTMENTS (Continued)

The following schedule summarizes the investment return in the statements of activities and changes in net assets:

	Year Ended June 30,	
	2016	2015
Interest and dividends	\$ 263,784	\$ 253,650
Net realized and unrealized losses	(191,548)	(71,527)
Investment fees	(64,261)	(66,832)
Total investment income	\$ 7,975	\$ 115,291

#### 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	June 30,	
	2016	2015
Land, building & building improvements	\$ 3,344,606	\$ 3,340,251
Furniture and fixtures	230,645	214,628
Medical and dental equipment	369,118	287,141
	3,944,369	3,842,020
Less accumulated depreciation	633,361	518,630
	\$ 3,311,008	\$ 3,323,390

#### 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	June 30,	
	2016	2015
Restricted as to period		
Periods after June 30, 2016 and 2015, respectively	\$ 400,255	\$ 636,782
Restricted as to purpose		
Purchase of medical, dental, and vision supplies, reimbursement of laboratory fees and tests	67,918	101,901
Total temporarily restricted net assets	\$ 468,173	\$ 738,683

For the years ended June 30, 2016 and 2015, temporarily restricted net assets were increased by gross promises to give in the amount of \$0 and \$300,000, respectively.

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 6 - PERMANENTLY RESTRICTED NET ASSETS

CVIM's Lawrence dental endowment consists of funds established to support the operating, program and capital needs of their dental program. Contributions to the endowment are subject to donor restrictions that stipulate the original principal to be held and invested indefinitely. CVIM's Hattersley endowment consists of funds established to support the general operating, program and capital needs of CVIM. Contributions to the endowment are subject to donor restrictions that stipulate the original principal to be held and invested indefinitely.

CVIM requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result, CVIM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. CVIM considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

CVIM has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide current income. CVIM's objective is to provide capital for their medical programs, preserve endowment assets without subjecting them to substantial risk, and provide additional growth through new gifts.

Permanently restricted net assets consisted of the following:

	June 30,	
	2016	2015
Lawrence dental endowment	\$ 139,177	\$ 139,177
Hattersley endowment	376,791	376,791
<u>Total permanently restricted net assets</u>	<u>\$ 515,968</u>	<u>\$ 515,968</u>

Investment earnings on these endowment funds are considered unrestricted and are utilized during the fiscal year.



## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 7 - FAIR VALUE MEASUREMENTS

CVIM's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CVIM believes its valuation methods are 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 fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs are unobservable and have the lowest priority. CVIM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, CVIM measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were utilized by CVIM for the years ended June 30, 2016 and 2015.

##### **Level 1 – Fair Value Measurements**

The fair value of equities and mutual funds is based on quoted net asset values ("NAV") of the shares held by CVIM at year-end. The fair value of corporate and government bonds ("bonds") is valued based on the NAV of units held by CVIM at year-end. Although the bonds are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

##### **Level 2 – Fair Value Measurements**

The fair values of the pooled investments held in Community Foundation are valued based on the net asset values ("NAV") of the underlying investments held within the Foundation. CVIM considers the measurement of its pooled investments to be Level 2, because it has limited ability to redeem its investments.

**COMMUNITY VOLUNTEERS IN MEDICINE**

**NOTES TO FINANCIAL STATEMENTS**

**7 - FAIR VALUE MEASUREMENTS (Continued)**

The following tables summarize the CVIM's fair value measurements on a recurring or nonrecurring basis:

	June 30, 2016		
	Total	Level 1	Level 2
<b>Common stocks</b>			
Basic materials sector	\$ 435,594	\$ 435,594	\$ -
Consumer goods sector	610,078	610,078	-
Financial sector	507,533	507,533	-
Healthcare sector	955,014	955,014	-
Industrial goods sector	133,623	133,623	-
Services sector	661,987	661,987	-
Technology sector	303,384	303,384	-
<b>Mutual funds</b>			
Diversified emerging markets	572,604	572,604	-
Diversified Pacific and Asia	66,876	66,876	-
Energy limited partnership	184,530	184,530	-
Foreign large blend	474,161	474,161	-
Foreign small/mid blend	104,726	104,726	-
Mid-cap blend	218,707	218,707	-
Small blend	218,823	218,823	-
<b>Bonds</b>			
Corporate bonds	2,557,880	2,557,880	-
US government agency bonds	990,944	990,944	-
<b>Community Foundation</b>			
Pooled investments	165,281	-	165,281
	<b>\$ 9,161,745</b>	<b>\$ 8,996,464</b>	<b>\$ 165,281</b>

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 7 - FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2015		
	Total	Level 1	Level 2
<b>Common stocks</b>			
Basic materials sector	\$ 375,090	\$ 375,090	\$ -
Consumer goods sector	484,491	484,491	-
Financial sector	644,295	644,295	-
Healthcare sector	479,300	479,300	-
Industrial goods sector	236,666	236,666	-
Services sector	864,146	864,146	-
Technology sector	317,571	317,571	-
<b>Mutual funds</b>			
Diversified emerging markets	646,931	646,931	-
Energy limited partnership	94,050	94,050	-
Foreign large blend	427,343	427,343	-
Foreign large value	200,187	200,187	-
Foreign small/mid blend	169,187	169,187	-
Mid-cap blend	219,571	219,571	-
Small blend	221,968	221,968	-
<b>Bonds</b>			
Corporate bonds	2,404,217	2,404,217	-
US government agency bonds	1,178,527	1,178,527	-
<b>Community Foundation</b>			
Pooled investments	195,431	-	195,431
	<b>\$ 9,158,971</b>	<b>\$ 8,963,540</b>	<b>\$ 195,431</b>

#### 8 - FINANCIAL RISK AND CONCENTRATION OF CREDIT RISK

CVIM's investments are exposed to various risks such as interest rate, market and credit. Due to the level of these risks, it is possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

CVIM maintains cash at various financial institutions. At times, cash in these accounts may exceed the Federal Deposit Insurance Corporation limit and the National Credit Union Administration limit of \$250,000. Uninsured cash at June 30, 2016 was approximately \$760,000. Per CVIM's investment policy, a cash reserve of approximately six months' operating expenses is required to be maintained.

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 9 - LEASING ARRANGEMENTS

CVIM leases space to unrelated tenants under noncancelable operating leases. These leases will expire at various times through March 2020. These leases have escalation clauses which are recognized ratably over the lease term, with the deferred rental income recorded as an other current asset within the statement of financial position. As part of the lease, the tenants remitted security deposits which are to be returned at the conclusion of the lease if all lease obligations are met.

The following is a schedule by years of future minimum rentals expected to be received under the leases:

Year Ending June 30,	
2017	\$ 155,885
2018	137,307
2019	133,675
2020	86,405
	<u>\$ 513,272</u>

Building expenses consist of the following:

	Year Ended June 30,	
	2016	2015
Common area maintenance	\$ 43,221	\$ 48,924
Depreciation	61,760	44,153
Insurance	18,964	11,436
Real estate taxes	37,936	40,561
Realtor commissions	3,259	38,372
Other	412	10,953
	<u>\$ 165,552</u>	<u>\$ 194,399</u>

#### 10 - RETIREMENT PLAN

CVIM has a 401(k) discretionary profit sharing plan covering eligible employees, as defined in the plan document. CVIM's plan contributions were \$76,895 and \$71,532 for the years ended June 30, 2016 and 2015, respectively.

## COMMUNITY VOLUNTEERS IN MEDICINE

### NOTES TO FINANCIAL STATEMENTS

#### 11 - DONATED SERVICES AND MATERIALS

CVIM receives significant contributions of medical and professional services, prescription drugs, laboratory testing and supplies. Due to various factors, the amount of donated services and materials may vary from year to year. Non-cash contributions and offsetting expenses have been recognized in the accompanying financial statements:

	Year Ended June 30,	
	2016	2015
Donated services		
Medical and dental professional services	\$ 1,481,607	\$ 1,424,542
Medical consultant fees and tests	1,648,652	1,169,878
Professional services	44,073	22,423
Donated materials		
Prescription drugs and medical and dental supplies	4,114,447	2,092,682
Total donated services and materials	\$ 7,288,779	\$ 4,709,525

During the years ended June 30, 2016 and 2015, CVIM received and subsequently sold donated securities in the amount of \$146,811 and \$351,704, respectively.

#### 12 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2016 and 2015, Main Line Health System donated services of \$1,114,600 and \$806,100, respectively. During the years ended June 30, 2016 and 2015, Penn Medicine Chester County Hospital donated services of \$515,956 and \$339,642, respectively. These amounts are included in the donated services and materials amounts disclosed in footnote 11. Officers of both Main Line Health System and Penn Medicine Chester County Hospital are on the board of directors of CVIM.

#### 13 - SUBSEQUENT EVENTS

CVIM has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 27, 2016, the date on which the financial statements were available to be issued.