

Bergen Volunteer Medical Initiative, Inc.

Financial Statements

December 31, 2018 and 2017



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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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 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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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, 2018, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Bergen Volunteer Medical Initiative, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

April 2, 2019

Bergen Volunteer Medical Initiative, Inc.

Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 417,414	\$ 467,187
Accounts and grants receivable	481,166	170,000
Contributions receivable, net	416,680	327,495
Prepaid expenses	20,106	17,411
Inventory - supplies	2,454	1,909
Property and equipment, net	347,743	373,910
Security deposit	<u>13,678</u>	<u>13,678</u>
	<u>\$ 1,699,241</u>	<u>\$ 1,371,590</u>
LIABILITIES		
Accounts payable	\$ 2,229	\$ 4,458
Accrued expenses	65,452	44,296
Deferred revenue	15,000	-
Deferred rent liability	<u>57,162</u>	<u>52,518</u>
	<u>139,843</u>	<u>101,272</u>
Net Assets		
Without donor restrictions	747,709	940,635
With donor restrictions	<u>811,689</u>	<u>329,683</u>
Total Net Assets	<u>1,559,398</u>	<u>1,270,318</u>
	<u>\$ 1,699,241</u>	<u>\$ 1,371,590</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statements of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ 1,312,160	\$ 896,000	\$ 2,208,160	\$ 1,335,068	\$ 312,493	\$ 1,647,561
Special events (net of expenses of \$62,293 and \$57,162)	245,375	-	245,375	242,773	-	242,773
Miscellaneous income	4,704	-	4,704	2,221	-	2,221
Net assets released from restriction	413,994	(413,994)	-	219,855	(219,855)	-
Total Revenue	<u>1,976,233</u>	<u>482,006</u>	<u>2,458,239</u>	<u>1,799,917</u>	<u>92,638</u>	<u>1,892,555</u>
EXPENSES						
Program services	1,828,096	-	1,828,096	1,652,506	-	1,652,506
Supporting Services						
Management and general	104,029	-	104,029	89,146	-	89,146
Fundraising	237,034	-	237,034	199,816	-	199,816
Total Expenses	<u>2,169,159</u>	<u>-</u>	<u>2,169,159</u>	<u>1,941,468</u>	<u>-</u>	<u>1,941,468</u>
Excess (Deficiency) of Revenues and Other Support Over Expenses	(192,926)	482,006	289,080	(141,551)	92,638	(48,913)
Loss on disposal of property and equipment (Note 5)	-	-	-	(246,418)	-	(246,418)
Change in Net Assets	(192,926)	482,006	289,080	(387,969)	92,638	(295,331)
NET ASSETS						
Beginning of Year	940,635	329,683	1,270,318	1,328,604	237,045	1,565,649
End of Year	<u>\$ 747,709</u>	<u>\$ 811,689</u>	<u>\$ 1,559,398</u>	<u>\$ 940,635</u>	<u>\$ 329,683</u>	<u>\$ 1,270,318</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Payroll	\$ 727,473	\$ 12,505	\$ 79,089	\$ 91,594	\$ 819,067
Payroll taxes	38,354	3,373	33,831	37,204	75,558
Employee benefits	17,604	-	-	-	17,604
Total Salaries and Related Expenses	783,431	15,878	112,920	128,798	912,229
Medical supplies	276,549	955	2,293	3,248	279,797
Professional services	585,880	29,815	29,815	59,630	645,510
Accounting	-	8,500	-	8,500	8,500
Insurance	5,343	7,029	-	7,029	12,372
Office expense/supplies	7,149	696	2,065	2,761	9,910
Postage and delivery	2,726	282	2,526	2,808	5,534
Registration, fees and taxes	7,565	297	-	297	7,862
Printing and reproduction	8,854	772	11,538	12,310	21,164
Rent	76,924	7,332	8,412	15,744	92,668
Repairs and maintenance	12,177	979	4,358	5,337	17,514
Utilities	7,283	3,462	370	3,832	11,115
Computer and technology	12,562	1,088	9,097	10,185	22,747
Telephone	4,264	426	3,837	4,263	8,527
Bank charges	-	4,372	-	4,372	4,372
Consulting fees	7,856	19,743	42,567	62,310	70,166
Advertising	1,713	-	58	58	1,771
Meetings and conferences	2,349	17	314	331	2,680
Total Expenses Before Depreciation and Amortization	1,802,625	101,643	230,170	331,813	2,134,438
Depreciation and amortization	25,471	2,386	6,864	9,250	34,721
Total Expenses	<u>\$ 1,828,096</u>	<u>\$ 104,029</u>	<u>\$ 237,034</u>	<u>\$ 341,063</u>	<u>\$ 2,169,159</u>

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	Supporting Services				Total Expenses
	Program Services	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	18,594	86	148	234	18,828
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	1,924	262	550	812	2,736
Total Expenses Before Depreciation and Amortization	1,624,365	87,999	195,091	283,090	1,907,455
Depreciation and amortization	28,141	1,147	4,725	5,872	34,013
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.

Statements of Cash Flows

	Year Ended December 31	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 289,080	\$ (295,331)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	34,721	34,013
Loss on disposal of property and equipment	-	246,418
Changes in operating assets and liabilities		
Receivables	(400,351)	67,308
Prepaid expenses	(2,695)	47
Inventory - supplies	(545)	(629)
Accounts payable and accrued expenses	18,927	(167,034)
Deferred revenue	15,000	-
Deferred rent liability	<u>4,644</u>	<u>30,972</u>
Net Cash from Operating Activities	(41,219)	(84,236)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(8,554)</u>	<u>(39,777)</u>
Net Change in Cash	(49,773)	(124,013)
CASH		
Beginning of year	<u>467,187</u>	<u>591,200</u>
End of year	<u>\$ 417,414</u>	<u>\$ 467,187</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Organization

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

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of BVMI and changes therein are classified and reported as follows:

- *Without donor restrictions* – net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes.
- *With donor restrictions* – net assets subject to donor-imposed stipulations that would be met by actions of BVMI and/or the passage of time.

Change in Accounting Principle

On January 1, 2018, BVMI adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires BVMI, to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires BVMI to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location on the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets are classified as net assets with donor restrictions.

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 ("US GAAP"), which requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and revenue and expenses during the reporting period. Actual results may differ significantly from those estimates.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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

Recently Adopted Accounting Pronouncements

On August 18, 2016, Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in information provided about expenses and investment return. BVMI has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Fair Value Measurements

BVMI follows US 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.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

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 net assets with donor restrictions for the years ended December 31, 2018 and 2017 were \$24,115 and \$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, 2018 and 2017 was 2.25%. Amortization of the discount is reported in the Statement of Activities as interest income.

Allowance for Uncollectible Grants, Accounts and Contributions Receivable

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, 2018 and 2017.

Inventory

Inventories consist of medical supplies used in the operations of BVMI. They are stated at the lower of cost (first-in, first-out basis) or net realizable. 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. BVMI 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

BVMI 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, 2018 and 2017

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 \$659,362 and \$598,664 for the years ended December 31, 2018 and 2017. The value of donated non-cash assets was \$280,919 and \$230,337 for the years ended December 31, 2018 and 2017. Other donated services for the years ended December 31, 2018 and 2017 were \$0 and \$4,115.

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

BVMI recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that BVMI had no uncertain tax positions that require financial statement recognition or disclosure. BVMI is no longer subject to examination by the applicable taxing jurisdictions for periods prior to 2015.

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 2, 2019.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability

BVMI monitors the availability of resources to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures related to its ongoing mission related activities, as well as services undertaken to support these activities, to be general expenditures.

Cash	\$ 417,414
Accounts and grants receivable (without donor restrictions) due in one year or less	416,166
Contributions receivable	<u>110,626</u>
	<u>\$ 944,206</u>

BVMI manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due.

4. Contributions Receivable

Contributions receivable as of December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Contributions	\$ 433,933	\$ 346,802
Less present value discount	<u>(17,253)</u>	<u>(19,307)</u>
	<u>\$ 416,680</u>	<u>\$ 327,495</u>

Contributions receivable in excess of one year have been discounted at a rate of 2.25% for 2018 and 2017.

Contributions receivables are due as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 110,626	\$ 70,559
Due in one to five years	305,000	250,000
More than five years	<u>18,307</u>	<u>26,243</u>
	<u>\$ 433,933</u>	<u>\$ 346,802</u>

Conditional promises to give for 2018 which are not reflected in the accompanying statements of financial position are \$77,784.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

5. Fair Value Measurements

Fair value of assets includes a pledge receivable that is valued on an annual basis. The fair value of this pledge at December 31, 2018 and 2017 is \$283,078 and \$307,193 and is considered a Level 3 input. Revenue recognized for the year ended December 31, 2018 and 2017 as a result of re-measurement is \$24,115 and \$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.

BVMI 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.

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

Balance - January 1, 2017	\$ 324,224
Change in value of pledge receivable	32,712
Transfer out of Level 3	<u>(49,743)</u>
Balance - December 31, 2017	307,193
Change in value of pledge receivable	26,021
Transfer out of Level 3	<u>(50,136)</u>
Balance - December 31, 2018	<u>\$ 283,078</u>

6. Property and Equipment

At December 31, property and equipment consisted of:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 87,354	\$ 78,800
Leasehold improvements	<u>342,474</u>	<u>342,474</u>
	429,828	421,274
Accumulated depreciation and amortization	<u>(82,085)</u>	<u>(47,364)</u>
	<u>\$ 347,743</u>	<u>\$ 373,910</u>

BVMI 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.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

7. Line of Credit

BVMI had an unsecured \$50,000 line of credit with TD Bank, N.A. which was unused at December 31, 2018 and 2017. The credit line renews on September 24, 2019.

8. Leased Facilities

On January 29, 2016 BVMI signed a lease with 75 Essex Street Associates, LLC, which commenced on May 1, 2016. BVMI will pay rent plus utilities monthly with rent escalations each year. BVMI has a fifteen-year term with two five-year renewal options incorporated into the lease. Rent expense for the years ended December 31, 2018 and 2017 were \$92,668 and \$93,322.

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>
2019	\$ 87,127
2020	87,127
2021	87,127
2022	87,127
Thereafter	<u>290,423</u>
	<u>\$ 638,931</u>

9. Net Assets

Net assets at December 31 include:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions		
Undesignated	<u>\$747,709</u>	<u>\$940,635</u>
With Donor Restrictions		
Time or purpose	<u>\$811,689</u>	<u>\$329,683</u>

Net assets were released from donor restrictions for the years ended December 31 as follows:

	<u>2018</u>	<u>2017</u>
Program services	<u>\$413,994</u>	<u>\$219,855</u>

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

10. Risk Concentrations

Financial instruments that potentially subject BVMI 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 limit. BVMI 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 2018 and one donor aggregated to 10% during 2017. In addition, pledge and grants receivable from three donors in 2018 and 2017 aggregated to 78% and 86% of total contribution and grants receivable.

11. Pension Plan

BVMI 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 ended December 31, 2018 and 2017.

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