

Bergen Volunteer Medical Initiative, Inc.

Financial Statements

December 31, 2019 and 2018



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, 2019 and 2018, 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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Board of Trustees
Bergen Volunteer Medical Initiative, Inc.
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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, 2019, 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 15, 2020

Bergen Volunteer Medical Initiative, Inc.

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash	\$ 553,307	\$ 417,414
Contributions receivable, net	743,877	897,846
Prepaid expenses	20,700	20,106
Inventory - supplies	3,195	2,454
Property and equipment, net	311,743	347,743
Security deposit	13,678	13,678
	<u>\$1,646,500</u>	<u>\$1,699,241</u>
LIABILITIES		
Accounts payable	\$ 5,219	\$ 2,229
Accrued expenses	79,093	65,452
Deferred revenue	10,000	15,000
Deferred rent liability	57,403	57,162
	<u>151,715</u>	<u>139,843</u>
Net Assets		
Without donor restrictions	748,056	747,709
With donor restrictions	746,729	811,689
Total Net Assets	<u>1,494,785</u>	<u>1,559,398</u>
	<u>\$1,646,500</u>	<u>\$1,699,241</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statements of Activities

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
SUPPORT AND REVENUES				
Contributions	\$ 629,532	\$ 1,142,332	\$ 371,879	\$ 1,267,879
In-kind contributions	889,630	889,630	940,281	940,281
Special events (net of expenses of \$110,166 and \$62,293)	327,809	327,809	245,375	245,375
Miscellaneous income	6,708	6,708	4,704	4,704
Net assets released from restriction	577,760	(577,760)	413,994	(413,994)
Total Revenue	<u>2,431,439</u>	<u>2,366,479</u>	<u>1,976,233</u>	<u>2,458,239</u>
EXPENSES				
Program services	1,983,420	1,983,420	1,828,096	1,828,096
Supporting Services	136,302	136,302	104,029	104,029
Management and general	311,370	311,370	237,034	237,034
Fundraising	2,431,092	2,431,092	2,169,159	2,169,159
Total Expenses	<u>347</u>	<u>(64,613)</u>	<u>(192,926)</u>	<u>289,080</u>
Change in Net Assets				
NET ASSETS				
Beginning of Year	747,709	1,559,398	940,635	1,270,318
End of Year	<u>\$ 748,056</u>	<u>\$ 1,494,785</u>	<u>\$ 747,709</u>	<u>\$ 1,559,398</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Payroll	\$ 871,472	\$ 48,222	\$ 104,175	\$ 152,397	\$ 1,023,869
Payroll taxes	45,757	4,929	44,356	49,285	95,042
Employee benefits	23,635	64	3,754	3,818	27,453
Total Salaries and Related Expenses	940,864	53,215	152,285	205,500	1,146,364
Medical supplies	187,393	955	2,293	3,248	190,641
Professional services	646,567	30,282	30,282	60,564	707,131
Accounting	-	8,500	-	8,500	8,500
Insurance	4,785	6,344	-	6,344	11,129
Office expense/supplies	18,640	696	2,065	2,761	21,401
Postage and delivery	3,578	363	3,229	3,592	7,170
Registration, fees and taxes	8,787	435	170	605	9,392
Printing and reproduction	16,733	1,521	17,710	19,231	35,964
Rent	78,361	7,583	9,283	16,866	95,227
Repairs and maintenance	13,853	554	3,898	4,452	18,305
Utilities	7,295	3,717	430	4,147	11,442
Computer and technology	17,077	7,052	9,845	16,897	33,974
Telephone	4,970	497	4,472	4,969	9,939
Bank charges	-	2,061	33	2,094	2,094
Consulting fees	6,000	9,991	66,000	75,991	81,991
Advertising	1,503	67	1,621	1,688	3,191
Meetings and conferences	906	17	314	331	1,237
Total Expenses Before Depreciation and Amortization	1,957,312	133,850	303,930	437,780	2,395,092
Depreciation and amortization	26,108	2,452	7,440	9,892	36,000
Total Expenses Before Special Events	1,983,420	136,302	311,370	447,672	2,431,092
Special Events	-	-	110,166	110,166	110,166
Total Expenses	<u>\$ 1,983,420</u>	<u>\$ 136,302</u>	<u>\$ 421,536</u>	<u>\$ 557,838</u>	<u>\$ 2,541,258</u>

Bergen Volunteer Medical Initiative, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
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 Before Special Events	1,828,096	104,029	237,034	341,063	2,169,159
Special events	-	-	62,293	62,293	62,293
Total Expenses	\$ 1,828,096	\$ 104,029	\$ 299,327	\$ 403,356	\$ 2,231,452

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Statements of Cash Flows

	Year Ended December 31	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (64,613)	\$ 289,080
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	36,000	34,721
Bad debt expense	5,000	-
Changes in operating assets and liabilities		
Receivables	148,969	(400,351)
Prepaid expenses	(594)	(2,695)
Inventory - supplies	(741)	(545)
Accounts payable and accrued expenses	16,631	18,927
Deferred revenue	(5,000)	15,000
Deferred rent liability	241	4,644
Net Cash from Operating Activities	<u>135,893</u>	<u>(41,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>-</u>	<u>(8,554)</u>
 Net Change in Cash	 135,893	 (49,773)
CASH		
Beginning of year	<u>417,414</u>	<u>467,187</u>
End of year	<u>\$ 553,307</u>	<u>\$ 417,414</u>

See notes to financial statements

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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.

Adoption of Contribution Pronouncement

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, Not-for-Profit Entities (topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including government grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets). The change in accounting principle was adopted retrospectively in 2018. For the years ended December 31, 2019 and 2018, the effect of adopting the new accounting principle was an increase in contributions receivables of \$365,715 and \$481,166 and a corresponding decrease in accounts and grants receivable of \$365,715 and \$481,166. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions as of January 1, 2018.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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

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.

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, 2019 and 2018

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. 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 for contributions due in more than one year at December 31, 2019 and 2018 was 2.25%. Amortization of the discount is reported in the Statement of Activities as a contribution.

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, 2019 and 2018.

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 value. 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.

Contributions and Promises to Give

BVMI recognizes contributions when they are received or unconditionally contributed and reports this support as with or without donor restrictions 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, 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 restriction.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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 which is when BVMI has completed its performance obligation. Revenues are shown net of costs of direct benefits to donors.

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 \$711,883 and \$659,362 for the years ended December 31, 2019 and 2018. The value of donated non-cash assets was \$177,747 and \$280,919 for the years ended December 31, 2019 and 2018.

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 2016.

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 15, 2020.

The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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 over a 12-month period, BVMI considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Cash	\$ 553,307
Contributions receivable, net	<u>743,877</u>
	1,297,184
Less: contributions receivable due in one year or more	<u>(363,037)</u>
	<u>\$ 934,147</u>

BVMI manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. As an additional part of its liquidity plan, BVMI has an available line of credit in the amount of \$50,000 of which the full amount remains available at December 31, 2019 to meet cash flow needs.

4. Contributions Receivable

Contributions receivable as of December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 759,340	\$ 915,099
Less present value discount	<u>(15,463)</u>	<u>(17,253)</u>
	<u>\$ 743,877</u>	<u>\$ 897,846</u>

Contributions receivables are due as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 380,840	\$ 476,792
Due in one to five years	378,500	420,000
More than five years	<u>-</u>	<u>18,307</u>
	<u>\$ 759,340</u>	<u>\$ 915,099</u>

Conditional promises to give for 2019 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, 2019 and 2018

5. Fair Value Measurements

Fair value of assets includes a contribution receivable that is valued on an annual basis due to the payment schedule as defined in the donor's agreement relates to the span of the donor's life. Fair value is determined using the expected contribution payment per year per the donor's agreement and actuarial life expectancy as published by the U.S. Social Security Administration. The fair value of this contributions receivable at December 31, 2019 and 2018 is \$317,868 and \$283,078 and is considered a Level 3 input. Revenue recognized for the year ended December 31, 2019 and 2018 as a result of re-measurement is \$34,790 and \$26,021.

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 contribution receivable payment.

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

Balance - January 1, 2018	\$ 307,193
Change in value of pledge receivable	26,021
Transfer out of Level 3	<u>(50,136)</u>
Balance - December 31, 2018	283,078
Change in value of pledge receivable	34,790
Transfer out of Level 3	<u>-</u>
Balance - December 31, 2019	<u>\$ 317,868</u>

6. Property and Equipment

At December 31, property and equipment consisted of:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 87,354	\$ 87,354
Leasehold improvements	<u>342,474</u>	<u>342,474</u>
	429,828	429,828
Accumulated depreciation and amortization	<u>(118,085)</u>	<u>(82,085)</u>
	<u>\$ 311,743</u>	<u>\$ 347,743</u>

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

7. Line of Credit

BVMI had an \$50,000 line of credit with TD Bank, N.A. which was unused at December 31, 2019 and 2018. The credit line will automatically renew on September 24, 2020 and is secured by all of BVMI's assets.

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, 2019 and 2018 were \$95,227 and \$92,668.

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>
2020	\$ 87,127
2021	87,127
2022	87,127
2023	87,127
2024	87,127
Thereafter	<u>116,170</u>
	<u>\$ 551,805</u>

9. Net Assets

Net assets at December 31 include:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions		
Undesignated	<u>\$ 748,056</u>	<u>\$747,709</u>
With Donor Restrictions		
Time or purpose	<u>\$ 746,729</u>	<u>\$811,689</u>

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

	<u>2019</u>	<u>2018</u>
Net assets released from restrictions		
Due to Program Expenses	\$ 549,986	\$413,994
Due to Time Restrictions	<u>27,774</u>	<u>-</u>
	<u>\$ 577,760</u>	<u>\$413,994</u>

Bergen Volunteer Medical Initiative, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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 2019 and 10% during 2018. In addition, contributions and grants receivable from three donors in 2019 and 2018 aggregated to 20% and 78% 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, 2019 and 2018.

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