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April 13, 2018

Board of Directors
Volunteers in Medicine Clinic of Monroe County, Inc.
811 W. 2nd St.
Bloomington, IN 47402

We have reviewed the report prepared by Volunteers in Medicine Clinic of Monroe County, Inc. and opined upon by Crowe Horwath LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Volunteers in Medicine Clinic of Monroe County, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe Horwath LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.**

FINANCIAL STATEMENTS
December 31, 2016 and 2015

VOLUNTEERS IN MEDICINE CLINIC OF MONROE COUNTY, INC.
Bloomington, Indiana

FINANCIAL STATEMENTS
December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Volunteers in Medicine Clinic of Monroe County, Inc.
Bloomington, Indiana

Report on Financial Statements

We have audited the accompanying financial statements of the Volunteers in Medicine Clinic of Monroe County, Inc. ("VIM"), which comprise the statements of assets, liabilities and net assets-modified cash basis as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net assets-modified cash basis, and the statements of functional expenses-modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Volunteers in Medicine Clinic of Monroe County, Inc. as of December 31, 2016 and 2015, and the changes in its net assets for the years then ended, on the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
May 31, 2017

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS-MODIFIED CASH BASIS
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 158,052	\$ 176,396
Funds held by others (Notes 2 and 3)	1,392,308	1,334,682
Property and equipment, net (Note 4)	<u>52,190</u>	<u>70,763</u>
	<u>\$ 1,602,550</u>	<u>\$ 1,581,841</u>
LIABILITIES AND NET ASSETS		
Liabilities – payroll tax withholdings	<u>\$ 4,926</u>	<u>\$ 5,852</u>
Net assets		
Unrestricted	1,512,785	1,485,256
Temporarily restricted (Note 5)	2,034	7,928
Permanently restricted	<u>82,805</u>	<u>82,805</u>
Total net assets	<u>1,597,624</u>	<u>1,575,989</u>
	<u>\$ 1,602,550</u>	<u>\$ 1,581,841</u>

See accompanying notes to financial statements.

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS-MODIFIED CASH BASIS
Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions and grants	\$ 618,356	\$ 29,177	\$ -	\$ 647,533
In-kind services	335,162	-	-	335,162
Pharmacy fees	2,149	-	-	2,149
Investment returns (Note 3)	89,547	-	-	89,547
Miscellaneous	2,290	-	-	2,290
Net assets released from restrictions	<u>35,071</u>	<u>(35,071)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,082,575</u>	<u>(5,894)</u>	<u>-</u>	<u>1,076,681</u>
Expenses				
Program services	878,977	-	-	878,977
Management and general	142,379	-	-	142,379
Fundraising expenses	<u>33,690</u>	<u>-</u>	<u>-</u>	<u>33,690</u>
Total expenses	<u>1,055,046</u>	<u>-</u>	<u>-</u>	<u>1,055,046</u>
Change in net assets	27,529	(5,894)	-	21,635
Net assets, beginning of year	<u>1,485,256</u>	<u>7,928</u>	<u>82,805</u>	<u>1,575,989</u>
Net assets, end of year	<u>\$ 1,512,785</u>	<u>\$ 2,034</u>	<u>\$ 82,805</u>	<u>\$ 1,597,624</u>

See accompanying notes to financial statements.

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS-MODIFIED CASH BASIS
Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions and grants	\$ 582,801	\$ 21,239	\$ -	\$ 604,040
In-kind services	440,941	-	-	440,941
Pharmacy fees	3,264	-	-	3,264
Investment returns (Note 3)	4,279	-	-	4,279
Miscellaneous	3,629	-	-	3,629
Net assets released from restrictions	<u>33,864</u>	<u>(33,864)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,068,778</u>	<u>(12,625)</u>	<u>-</u>	<u>1,056,153</u>
Expenses				
Program services	914,474	-	-	914,474
Management and general	158,402	-	-	158,402
Fundraising expenses	<u>33,438</u>	<u>-</u>	<u>-</u>	<u>33,438</u>
Total expenses	<u>1,106,314</u>	<u>-</u>	<u>-</u>	<u>1,106,314</u>
Change in net assets	(37,536)	(12,625)	-	(50,161)
Net assets, beginning of year	<u>1,522,792</u>	<u>20,553</u>	<u>82,805</u>	<u>1,626,150</u>
Net assets, end of year	<u>\$ 1,485,256</u>	<u>\$ 7,928</u>	<u>\$ 82,805</u>	<u>\$ 1,575,989</u>

See accompanying notes to financial statements.

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSE-MODIFIED CASH BASIS
Year ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2016 Totals</u>
Personnel				
Salaries and wages	\$ 333,151	\$ 78,889	\$ 12,918	\$ 424,958
Payroll taxes	24,219	5,735	939	30,893
Benefits	<u>50,224</u>	<u>11,893</u>	<u>1,948</u>	<u>64,065</u>
Total personnel	407,594	96,517	15,805	519,916
Other				
In-kind medical diagnostics	206,906	-	-	206,906
In-kind medical professional services	56,905	-	-	56,905
Medical supplies	77,219	-	-	77,219
Pharmaceuticals	13,643	-	-	13,643
Outsourced fundraising expenses	-	-	15,298	15,298
Office supplies and expenses	6,466	451	193	7,110
In-kind rent	57,240	4,452	1,908	63,600
Insurance	3,253	1,281	36	4,570
Professional fees	16,980	36,770	-	53,750
Printing and promotion	1,334	-	-	1,334
Postage	752	59	25	836
Telephone	5,514	429	184	6,127
Conferences and training	1,264	4	1	1,269
Depreciation	16,715	1,857	-	18,572
Other	<u>7,192</u>	<u>559</u>	<u>240</u>	<u>7,991</u>
Total other	<u>471,383</u>	<u>45,862</u>	<u>17,885</u>	<u>535,129</u>
Total expenses	<u>\$ 878,977</u>	<u>\$ 142,379</u>	<u>\$ 33,690</u>	<u>\$ 1,055,046</u>

See accompanying notes to financial statements.

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSE-MODIFIED CASH BASIS
Year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2015 Totals</u>
Personnel				
Salaries and wages	\$ 283,229	\$ 87,481	\$ 13,002	\$ 383,712
Payroll taxes	20,102	6,209	923	27,234
Benefits	<u>54,678</u>	<u>16,887</u>	<u>2,510</u>	<u>74,075</u>
Total personnel	358,009	110,577	16,435	485,021
Other				
In-kind medical diagnostics	243,456	-	-	243,456
In-kind medical professional services	120,965	-	-	120,965
Medical supplies	40,146	-	-	40,146
Pharmaceuticals	18,607	-	-	18,607
Outsourced fundraising expenses	-	-	14,063	14,063
Office supplies and expenses	9,942	734	315	10,991
In-kind rent	57,240	4,452	1,908	63,600
Insurance	3,242	1,282	36	4,560
Professional fees	16,609	37,335	-	53,944
Printing and promotion	12,828	777	333	13,938
Postage	896	70	30	996
Telephone	5,996	466	200	6,662
Conferences and training	2,879	158	39	3,076
Depreciation	21,325	2,369	-	23,694
Other	<u>2,334</u>	<u>182</u>	<u>79</u>	<u>2,595</u>
Total other	<u>556,465</u>	<u>47,825</u>	<u>17,003</u>	<u>621,293</u>
Total expenses	<u>\$ 914,474</u>	<u>\$ 158,402</u>	<u>\$ 33,438</u>	<u>\$ 1,106,314</u>

See accompanying notes to financial statements.

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Volunteers in Medicine Clinic of Monroe County, Inc. (VIM) is a not-for-profit organization, formed in 2006, whose mission is to provide the following services without cost to the medically underserved in Monroe and Owen Counties.

- Easily accessible, quality primary and preventative healthcare
- Treatment for both acute and chronic conditions
- Health education that empowers individuals to take responsibility for their own well-being.

VIM seeks to partner with others in closing the gap by providing a meeting place to bring them together with compassion observed and dignity preserved, for healing, health and hope. VIM's revenues and support are derived principally from contributions, grants, and in-kind support provided by the IU Health Bloomington Hospital (Hospital). Program expenses on the statement of functional expenses represent the expenses associated with providing services to the medically underserved.

Basis of Accounting: The financial statements are prepared on a modified cash basis, which differs from accounting principles generally accepted in the United States of America (GAAP) because revenues are recognized when collected rather than when earned or pledged, and expenditures generally are recognized when paid rather than when incurred. In addition, VIM also capitalizes property and equipment, recognizes donated services, records a liability for payroll liabilities withheld from employee paychecks but not yet transmitted for benefits, and recognizes unrealized gains and losses on funds held by others. The financial statements are not intended to comply with GAAP.

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting 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 amount of support and revenues, expenses, and changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes: VIM is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, VIM is subject to federal tax on any unrelated business taxable income.

Cash Equivalents: VIM considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of bank deposits in an account that is federally insured up to \$250,000. At December 31, 2016 and 2015, VIM's bank deposits were not above the insured limit.

Property and Equipment: Property and equipment with a cost basis of \$1,000 or greater are recorded at cost. Depreciation is computed using the straight-line method over the asset's estimated useful lives, which range from three to five years. Leasehold improvements are depreciated over the shorter of the asset's useful life or the lease term.

Funds Held by Others: Funds held by others consist of investments held in the pooled funds of the Bloomington Hospital Foundation (Foundation), as described in Note 2. Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value.

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net Assets: Net assets are reported separately by three classifications, as follows:

Unrestricted net assets: The unrestricted net asset class represents the portion of VIM's net assets that have not been designated for a specific purpose, nor permanently or temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets: The temporarily restricted net asset class represents the portion of VIM's net assets related to contributions with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Temporarily restricted net assets totaling \$35,071 and \$33,864 have been released from restriction due to the purpose or time restriction being met during 2016 and 2015.

Permanently restricted net assets: The permanently restricted net asset class represents the portion of VIM's net assets related to contributions with explicit donor-imposed restrictions that the funds be held in perpetuity as an endowment. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Contributions: Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue. When a donor 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 revenues, expenses and change in net assets as released from restrictions.

Donated Services: Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Included in these in-kind services are medical diagnostic services, professional services, rent, supplies, and equipment, which are primarily provided by the Hospital. For the years ended December 31, 2016 and 2015, the total amount of in-kind services received was \$335,162 and \$440,941.

In addition, a substantial number of volunteers have donated significant amounts of their time and effort assisting with operations and administrative involvement; however, no amounts have been reflected in the accompanying financial statements for the value of these donated services because they do not meet the recognition criteria.

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general, and fund raising categories based on the actual direct expenditures and cost allocations based upon estimates by VIM personnel.

Charity Care: VIM's operations support the needs of medically underserved individuals in Monroe and Owen counties. All of VIM's expenditures for 2016 and 2015 relate to charity care services.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2016, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2016. Management has performed their analysis through May 31, 2017, the date the financial statements were available to be issued.

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - RELATED PARTY TRANSACTIONS AND FUNDS HELD BY OTHERS

VIM is affiliated with the Hospital and the Foundation. The bylaws of VIM state that the Hospital's Board of Directors will appoint three of the members of VIM's Board of Directors, which does not constitute a majority. The Hospital provides VIM with medical diagnostics and the services of medical professionals at no cost. These amounts are recorded as in-kind contributions and expenses, as noted in Notes 1 and 7.

VIM and the Foundation have an agreement for certain services performed by the Foundation on behalf of VIM. Per the agreement, the Foundation acts as a fundraising agent of VIM and holds contributed amounts until requested by VIM.

Funds held and invested by the Foundation on VIM's behalf totaled \$1,392,308 and \$1,334,682, respectively, at December 31, 2016 and 2015. These funds are part of the Foundation's investment pool, and investment earnings are allocated to these funds by the Foundation. The Foundation does not have variance power over these funds. VIM reimburses the Foundation for certain fees and costs associated with the fundraising process, including an administrative fee of 0.5% of contributions received. In addition, VIM is annually charged a 1.25% fee of total funds held in the Foundation's pooled fund up to a \$1,000,000 balance, and a 1% fee of funds over \$1,000,000 held in the Foundation's pooled fund. These fees and costs totaled \$16,998 and \$15,626 during 2016 and 2015.

VIM also receives in-kind rent from an organization which is a subsidiary of a company that employs a Board member in the amount of \$63,600 for the years ending December 31, 2016 and 2015. The lease agreement is renewed annually.

NOTE 3 - INVESTMENTS AND INVESTMENT INCOME

VIM's investments as of December 31, 2016 and 2015 are invested in the pooled funds of the Foundation. Total investment return at December 31, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 29,188	\$ 30,526
Net realized gains on investments	82,834	44,883
Net unrealized losses on investments reported at fair value	<u>(22,475)</u>	<u>(71,130)</u>
	<u>\$ 89,547</u>	<u>\$ 4,279</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Furnishings and equipment	\$ 170,874	\$ 170,874
Leasehold improvements	68,455	68,455
Software	<u>32,820</u>	<u>32,820</u>
	272,149	272,149
Less accumulated depreciation	<u>(219,959)</u>	<u>(201,386)</u>
	<u>\$ 52,190</u>	<u>\$ 70,763</u>

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 - NET ASSETS

Temporarily restricted net assets at December 31 are as follows:

Purpose restrictions:	<u>2016</u>	<u>2015</u>
Mammography support	\$ 2,034	\$ 6,261
Prenatal care	<u>-</u>	<u>1,667</u>
	<u>\$ 2,034</u>	<u>\$ 7,928</u>

NOTE 6 - PENSION PLAN

VIM participates in a 401(k) plan. Employees are eligible to participate in the plan after three months of employment and contributions become fully vested after 12 months of employment. Employer contributions to the plan were \$16,913 and \$10,050 for the years ended December 31, 2016 and 2015.

NOTE 7 - CONCENTRATION OF IN-KIND SERVICES

Substantially all medical diagnostic and medical professional services are donated to VIM by the Hospital, or through services provided by Hospital employees or other medical professionals.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in VIM's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of investments held by the Foundation is based upon VIM's proportionate share (net asset value) of the fair value of the Foundation's pooled investment portfolio. Investments held by the Foundation are reported by the Foundation as level 1 or level 2. VIM has classified its interest in the pool as a level 3 input because VIM is unable to observe the underlying inputs by which the Foundation has made these determinations. Either party may agree to dissolve this agreement by giving written notification to the other party in writing 180 days before the effective date of dissolution. In addition, VIM management receives an audited financial statement from the Foundation, and reviews the valuations and returns in comparison to industry benchmarks and other information provided by the Foundation.

The tables below present reconciliations and the statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Funds Held by Others	
	<u>2016</u>	<u>2015</u>
Beginning balance, January 1	\$ 1,334,682	\$ 1,420,595
Total gains/losses included in earnings:		
Interest and dividend income	29,188	30,526
Net realized gains on investments	82,834	44,883
Net unrealized losses on investments	(22,475)	(71,130)
Transfer into funds held by others	387,322	365,434
Transfers out of funds held by others	<u>(419,243)</u>	<u>(455,626)</u>
	<u>\$ 1,392,308</u>	<u>\$ 1,334,682</u>

The amount of current year net unrealized losses on Level 3 items still held at year-end totals \$(22,475) and \$(71,130) for 2016 and 2015.

NOTE 9 - ENDOWMENT COMPOSITION DISCLOSURE

VIM's endowment consists of a single fund held at the Foundation to provide a distribution of endowment assets to assist in its operation. As required by accounting standards, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,805</u>	<u>\$ 82,805</u>

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Endowment net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 82,805 </u>	\$ <u> 82,805 </u>

There were no changes in endowment net assets for years ended December 31, 2016 and 2015, respectively.

Interpretation of Relevant Law: The Board of Volunteers in Medicine, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Volunteers in Medicine, Inc. 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Volunteers in Medicine, Inc. and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Investment Objectives: VIM's Board has adopted Foundation's investment and spending policies for endowment assets that attempt to preserve the real (i.e., after-inflation) purchasing power of the endowment and to provide a relatively predictable, stable and, in real terms, constant stream of current income for annual operating needs. The concept of maintenance of purchasing power presumes that today's Foundation Board has an obligation to the future as well as the present.

The investment objective for the endowment is to earn long-term growth and produce a stable stream of income.

The financial and the investment objectives for the endowment should be achieved within acceptable risk levels, while striving to avoid large short-term declines in market value.

(Continued)

VOLUNTEERS IN MEDICINE CLINIC OF
MONROE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - ENDOWMENT COMPOSITION DISCLOSURE (Continued)

Spending Policy: Annually spending may be up to 4.5% of permanent endowments based on the endowed funds' average value for the previous 16 trailing quarters, however, no recommendation for a payout shall be made until the annual payout reaches a level of at least 2.5% of the non-in-kind annual operating expense.

NOTE 10 - STATE AND LOCAL ASSISTANCE

VIM received grants from the following state and local governmental sources for the years ending December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Indiana State Department of Health	\$ 232,750	\$ 239,105
Monroe County Treasurer	200,000	200,000
Monroe County Department of Health	10,000	10,000
Owen County Treasurer	10,000	10,000
City of Bloomington – Jack Hopkins Social Services Program	<u>21,500</u>	<u>4,913</u>
	<u>\$ 474,500</u>	<u>\$ 464,018</u>