HEALTHCARE CHAPLAINCY INC. AND AFFILIATES
(a not-for-profit organization)

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

HealthCare Chaplaincy Inc. and Affiliates
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June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HealthCare Chaplaincy Inc. and Affiliates

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of HealthCare Chaplaincy Inc. and Affiliates (a not-for-profit organization), which comprise the combined statements of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of HealthCare Chaplaincy Inc. and Affiliates as of June 30, 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.

June 30, 2017 Financial Statements

The Financial Statements of HealthCare Chaplaincy Inc. and Affiliates as of and for the year ended June 30, 2017, were audited by other auditors whose report thereon, dated October 9, 2017, expressed an unqualified opinion.

Lear + Pannepacker, LLP

Princeton, New Jersey
September 5, 2019

Accounting, Tax and Management Advisory Services

HealthCare Chaplaincy Inc. and Affiliates
Combined Statements of Financial Position
June 30, 2018 and 2017

		2018		2017
Assets				
Cash	$	200,647	$	343,129
Investments		8,018,652		9,185,346
Accounts receivable, net		532,879		342,857
Prepaid expenses and other current assets		123,856		221,662
Beneficial interest in charitable remainder trusts		141,083		151,903
Property and equipment, net		406,500		455,059
Total assets	$	9,423,617	$	10,699,956
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	$	296,309	$	446,724
Total liabilities		296,309		446,724
Net assets				
Unrestricted net assets				
Undesignated		3,127,231		4,403,953
Board designated		336,284		322,802
Temporarily restricted net assets		1,377,157		1,239,841
Permanently restricted net assets		4,286,636		4,286,636
Total net assets		9,127,308		10,253,232
Total liabilities and net assets	$	9,423,617	$	10,699,956

See notes to combined financial statements

HealthCare Chaplaincy Inc. and Affiliates
Combined Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Contributions				
Foundations and trusts	$ 297,625	$ --	$ --	$ 297,625
Corporations	10,800	--	--	10,800
Religious organizations	1,500	--	--	1,500
Individuals/estates	78,363	--	--	78,363
Special event revenue net of expenses of $95,722	54,355	--	--	54,355
Service revenue	2,621,533	--	--	2,621,533
Educational fees	406,949	--	--	406,949
Annual conference income	90,144	--	--	90,144
Change in value of charitable remainder trusts	--	(10,820)	--	(10,820)
Rental income	209,816	--	--	209,816
Investment income	270,866	512,440	--	783,306
Other income	168,086	--	--	168,086
	4,210,037	501,620	--	4,711,657
Net assets released from restrictions	364,304	(364,304)	--	--
Total revenue, gains and other support	4,574,341	137,316	--	4,711,657
Expenses				
Program services				
Clinical services	3,412,128	--	--	3,412,128
Education	901,272	--	--	901,272
Research	288,651	--	--	288,651
Community education	201,814	--	--	201,814
Spiritual Care Association	351,878	--	--	351,878
Total program services	5,155,743	--	--	5,155,743
Supporting services				
General and administrative	312,373	--	--	312,373
Advancement	369,465	--	--	369,465
Total supporting services	681,838	--	--	681,838
Total expenses	5,837,581	--	--	5,837,581
Change in net assets	(1,263,240)	137,316	--	(1,125,924)
Net assets – beginning of year	4,726,755	1,239,841	4,286,636	10,253,232
Net assets – *end of year*	$ 3,463,515	$ 1,377,157	$ 4,286,636	$ 9,127,308

See notes to combined financial statements

HealthCare Chaplaincy Inc. and Affiliates
Combined Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Contributions				
Foundations and trusts	$ 182,550	$ --	$ --	$ 182,550
Corporations	28,151	--	--	28,151
Religious organizations	6,160	--	--	6,160
Individuals/estates	121,019	--	--	121,019
Special event revenue, net of expenses of $151,913	214,472	--	--	214,472
Service revenue	1,727,848	--	--	1,727,848
Educational fees	438,697	--	--	438,697
Annual conference income	107,156	--	--	107,156
Change in value of charitable remainder trusts	--	10,820	--	10,820
Contributed goods and services	54,919	--	--	54,919
Rental income	222,450	--	--	222,450
Investment income	514,732	624,583	--	1,139,315
Other income	103,849	--	--	103,849
	3,722,003	635,403	--	4,357,406
Net assets released from restrictions	383,435	(383,435)	--	--
Total revenue, gains and other support	4,105,438	251,968	--	4,357,406
Expenses				
Program services				
Clinical services	2,873,756	--	--	2,873,756
Education	1,154,226	--	--	1,154,226
Research	388,611	--	--	388,611
Community education	508,441	--	--	508,441
Spiritual Care Association	293,624	--	--	293,624
Total program services	5,218,658	--	--	5,218,658
Supporting services				
General and administrative	488,085	--	--	488,085
Advancement	467,494	--	--	467,494
Total supporting services	955,579	--	--	955,579
Total expenses	6,174,237	--	--	6,174,237
Change in net assets	(2,068,799)	251,968	--	(1,816,831)
Net assets – beginning of year	6,795,554	987,873	4,286,636	12,070,063
Net assets – end of year	$ 4,726,755	$ 1,239,841	$ 4,286,636	$ 10,253,232

See notes to combined financial statements

HealthCare Chaplaincy Inc. and Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Supporting Services			
	Clinical Services	Education	Research	Community Education	Spiritual Care Association	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salary	$ 1,977,062	$ 261,042	$ 164,341	$ 35,453	$ --	$ 2,437,898	$ 123,256	$ 202,109	$ 325,365	$ 2,763,263
Professional fees	348,079	193,090	76,594	114,583	309,256	1,041,602	32,981	33,929	66,910	1,108,512
Rent	413,090	18,868	--	12,090	--	444,048	50,388	48,900	99,288	543,336
Medical insurance	272,633	35,997	22,662	4,889	--	336,181	16,998	27,870	44,868	381,049
Other communication expenses	1,350	283,053	--	2,144	--	286,547	2,705	2,616	5,321	291,868
Payroll taxes	114,211	15,080	9,494	2,048	--	140,833	7,121	11,675	18,796	159,629
Other printed materials	--	40,256	--	19,981	28,359	88,596	261	5,696	5,957	94,553
Information systems	63,655	2,908	--	4,982	6,174	77,719	7,765	7,535	15,300	93,019
Insurance	60,355	2,392	(351)	1,814	--	64,210	7,614	7,213	14,827	79,037
Depreciation	36,920	1,686	--	1,081	--	39,687	4,503	4,370	8,873	48,560
Travel	9,796	18,477	7,574	6	1,872	37,725	4,543	5,033	9,576	47,301
Pension expense	29,280	3,866	2,434	525	--	36,105	1,825	2,993	4,818	40,923
Mailing costs	5,784	19,402	4,627	--	3,004	32,817	3,470	3,928	7,398	40,215
Bad debt expense	--	--	--	--	--	--	34,203	--	34,203	34,203
Telephone	19,204	877	--	562	--	20,643	2,343	2,273	4,616	25,259
Dues	17,450	--	--	--	150	17,600	1,138	--	1,138	18,738
Recruiting and moving expenses	12,799	371	--	237	--	13,407	990	960	1,950	15,357
Other staff support and development	9,674	1,897	1,276	325	--	13,172	957	957	1,914	15,086
Other office expenses	1,744	1,475	--	750	3,063	7,032	4,281	20	4,301	11,333
Utilities	7,617	348	--	223	--	8,188	929	902	1,831	10,019
Professional education	7,163	--	--	--	--	7,163	--	--	--	7,163
Office supplies	3,117	135	--	87	--	3,339	361	350	711	4,050
Public/board meetings patient family	--	--	--	--	--	--	3,601	--	3,601	3,601
Building maintenance and repairs	1,145	52	--	34	--	1,231	140	136	276	1,507
Total expenses	$ 3,412,128	$ 901,272	$ 288,651	$ 201,814	$ 351,878	$ 5,155,743	$ 312,373	$ 369,465	$ 681,838	$ 5,837,581

See notes to combined financial statements

HealthCare Chaplaincy Inc. and Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services						Supporting Services			
	Clinical Services	Education	Research	Community Education	Spiritual Care Association	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salary	$ 1,758,198	$ 370,186	$ 214,695	$ 120,481	$ --	$ 2,463,560	$ 161,021	$ 239,170	$ 400,191	$ 2,863,751
Professional fees	187,969	117,363	113,726	183,167	276,790	879,015	31,102	78,919	110,021	989,036
Rent	317,236	29,819	--	33,132	--	380,187	86,383	46,144	132,527	512,714
Medical insurance	196,519	41,377	23,997	13,466	--	275,359	17,998	26,733	44,731	320,090
Travel	13,161	281,307	8,048	16	2,088	304,620	6,036	6,087	12,123	316,743
Other communication expenses	852	172,151	--	25,686	--	198,689	--	4,435	4,435	203,124
Payroll taxes	100,352	21,129	12,254	6,877	--	140,612	9,191	13,651	22,842	163,454
Other printed materials	--	47,276	--	73,832	13,654	134,762	5,426	--	5,426	140,188
Information systems	72,440	6,809	--	8,419	--	87,668	19,725	10,537	30,262	117,930
Insurance	63,600	6,298	334	6,544	--	76,776	16,823	9,226	26,049	102,825
Mailing costs	9,314	32,086	7,446	25,272	--	74,118	5,585	7,903	13,488	87,606
Pension expense	46,578	9,807	5,688	3,192	--	65,265	4,266	6,336	10,602	75,867
Contributed services	--	--	--	--	--	--	54,919	--	54,919	54,919
Depreciation	28,046	2,636	--	2,929	--	33,611	7,637	4,080	11,717	45,328
Telephone	18,979	1,784	--	1,982	--	22,745	5,168	2,761	7,929	30,674
Recruiting and moving expenses	18,204	948	--	1,054	--	20,206	2,747	1,468	4,215	24,421
Public/board meetings patient family	--	--	--	--	--	--	18,364	6,056	24,420	24,420
Other office expenses	378	6,919	--	149	1,092	8,538	14,319	--	14,319	22,857
Other staff support and development	9,833	4,885	2,423	786	--	17,927	1,817	1,817	3,634	21,561
Dues	3,400	--	--	--	--	3,400	15,760	142	15,902	19,302
Professional education	14,638	--	--	--	--	14,638	--	--	--	14,638
Utilities	6,821	641	--	712	--	8,174	1,857	992	2,849	11,023
Office supplies	5,071	477	--	530	--	6,078	1,381	738	2,119	8,197
Building maintenance and repairs	2,057	193	--	215	--	2,465	560	299	859	3,324
Grant awards	110	135	--	--	--	245	--	--	--	245
Total expenses	$ 2,873,756	$ 1,154,226	$ 388,611	$ 508,441	$ 293,624	$ 5,218,658	$ 488,085	$ 467,494	$ 955,579	$ 6,174,237

See notes to combined financial statements

HealthCare Chaplaincy Inc. and Affiliates
Combined Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$(1,125,924)	$(1,816,831)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	48,560	45,328
Change in value of charitable remainder trusts	10,820	(10,820)
Realized and unrealized gain on investments	(646,449)	(985,319)
Changes in operating assets and liabilities:		
Accounts receivable	(190,022)	(47,654)
Prepaid expenses and other current assets	97,806	(30,845)
Accounts payable and accrued expenses	(150,415)	(4,556)
Deferred revenue	--	(100,100)
Net cash used in operating activities	(1,955,624)	(2,950,797)
Cash flows from investing activities		
Purchase of investments	(4,415,297)	(2,891,036)
Acquisition of property and equipment	--	(3,998)
Proceeds from sale of investments	6,228,439	5,587,039
Net cash provided by investing activities	1,813,142	2,692,005
Change in cash	(142,482)	(258,792)
Cash at beginning of year	343,129	601,921
Cash at end of year	$ 200,647	$ 343,129

See notes to combined financial statements

Note 1 – *Description of Chaplaincy and summary of significant accounting policies*
Significant accounting policies followed by HealthCare Chaplaincy Inc. and Affiliates ("the Organization") in the preparation of the accompanying combined financial statements are summarized below:

Nature of operations
HealthCare Chaplaincy Network, Inc. (the "Network"), is the sole member of HealthCare Chaplaincy, Inc., (the "Chaplaincy"), a center for health-related spiritual care, education and research in the field of professional chaplaincy care. Spiritual Care Association (the "SCA") is a multidisciplinary international professional membership association for spiritual care providers. These entities have common management and common board members and are referred to collectively as the "Organization."

The Chaplaincy's certified chaplains and student chaplains collaborate on a multi-faith and multi-cultural basis as integral members of healthcare teams in a variety of clinical and community settings. In active partnership with health-promoting institutions, it provides leadership in making spiritual support a quality component of care in a changing healthcare milieu.

The Chaplaincy has assumed the operating activities of the Network and the entities were merged subsequent to June 30, 2018 (Note 11).

The accompanying combined financial statements include the accounts of the Network, the Chaplaincy and the SCA.

Basis of presentation
The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany accounts have been eliminated.

Net assets
The net assets of the Organization are classified and reported as follows:

Unrestricted
Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Organization.

Temporarily restricted
Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying combined statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted
Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Organization. Generally, the donors of these funds permit the Organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes. Permanently restricted net assets represent endowment funds.

Note 1 – Description of Chaplaincy and summary of significant accounting policies (continued)

Donor-imposed restrictions
The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions which are donor restricted for the purpose of establishing endowment funds are recorded as additions to permanently restricted net 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 combined statements of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings and equipment at their fair values at the date of the gift and as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue recognition
Income from fees and services are recognized when services are performed. Income from membership dues are recognized at the inception of the membership period.

Contributed services
Not-for-profit entities are required to record contributed services revenue if those services create or enhance nonfinancial assets or are provided by individuals who possess specialized skills that would typically need to be purchased, if not provided by donation. For the year ended June 30, 2018 the Organization received no contributed services. For the year ended June 30, 2017, the Organization received contributed services of $54,919 which are included in both program and supporting services in the combined statements of activities.

Cash and cash equivalents
The Organization considers all highly liquid investments with an original maturity of 90 days or less on the date of purchase to be cash equivalents, except amounts held by investment managers which are classified as investments. The Organization had no cash equivalents at June 30, 2018 and 2017.

Investments
Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair values. Investments subject to the provisions of Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share*, with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value.

Note 1 – Description of Chaplaincy and summary of significant accounting policies (continued)

Investments (continued)
Gains and losses on investments and related investment income have been reflected in the combined statements of activities and changes in net assets within investment income as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Fair value
Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Organization must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs), or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Pledges and grants receivable
Unconditional promises to give are recorded at net realizable value. All unconditional promises, whether unrestricted or restricted (either permanently or temporarily restricted), are recognized and accrued as contribution revenue in the period the unconditional promise was received.

Pledges and grants to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Accounts receivable
Accounts receivable is stated at the amount management expects to collect from outstanding balances. The Organization generally requires no collateral from its clients. Balances are reviewed and evaluated as to their collectability which is based upon management's judgment, including factors such as prior collection history and type of receivable. An allowance is then established based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date. For the years ended June 30, 2018 and 2017, the Organization had an allowance for doubtful accounts of $30,000 and $15,000, respectively.

Property and equipment
Equipment is stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Organization's capitalization policy is to capitalize all fixed asset purchases in excess of $2,500. Depreciation is provided using the straight-line method calculated over the estimated useful lives of the related assets and is calculated commencing with the month the asset is placed in service. The useful lives of the Organization's equipment range from 5 to 10 years. Leasehold improvements are amortized over the life of the lease.

Works of art and antique furniture is stated at cost and is being held as a collection; therefore, it is not being depreciated.

Note 1 – *Description of Chaplaincy and summary of significant accounting policies (continued)*

Income taxes
The Network and the Chaplaincy have been classified by the Internal Revenue Service as organizations described under Section 501(c)(3) and Spiritual Care Association has been classified by the Internal Revenue Service as an organization described under Section 501(c)(6) of the Internal Revenue Code ("the Code"). As such, the Organization is exempt from federal and state income taxes under section 501(a) of the Code.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Organization's policy is to account for interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Use of estimates
Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional allocation of expenses
The costs of providing the program and other activities has been summarized on a functional basis in the combined statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications
Certain 2017 amounts were reclassified to conform to the 2018 presentation.

Recent accounting standards
In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for non-public entities for fiscal years beginning after December 15, 2018. The Organization is assessing the impact this standard will have on its combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. The Organization is assessing the impact this standard will have on its combined financial statements.

Note 1 – Description of Chaplaincy and summary of significant accounting policies (continued)

Recent accounting standards (continued)
In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its combined financial statements.

Note 2 – Investments and fair value measurements

Investment composition and classification of investments within the fair value hierarchy was as follows:

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Equities	$ 5,293,745	$ --	$ --	$ 5,293,745
Fixed income	1,959,565	--	--	1,959,565
Subtotal	$ 7,253,310	$ --	$ --	7,253,310
Cash and cash equivalents				765,342
Total investments				$ 8,018,652

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Equities	$ 6,084,349	$ --	$ --	$ 6,084,349
Fixed income	2,179,911	--	--	2,179,911
Subtotal	$ 8,264,260	$ --	$ --	8,264,260
Cash and cash equivalents				921,086
Total investments				$ 9,185,346

Note 2 – Investments and fair value measurements (continued)

Investment income consists of the following:

	June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 73,669	$ 139,371	$ 213,040
Investment gain	223,541	422,908	646,449
Investment fees	(26,344)	(49,839)	(76,183)
Net return on investments	$ 270,866	$ 512,440	$ 783,306

	June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 117,940	$ 143,110	$ 261,050
Investment gain	445,158	540,161	985,319
Investment fees	(48,366)	(58,688)	(107,054)
Net return on investments	$ 514,732	$ 624,583	$ 1,139,315

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in market conditions in the near term would materially affect the amounts reported in the accompanying combined financial statements.

Note 3 – Beneficial interest in charitable remainder trusts

The Organization has been named as the beneficiary in several irrevocable charitable remainder trusts which have been recorded at estimated net present value in the accompany combined statements of financial position.

Note 4 – Property and equipment, net

Property and equipment, net consists of the following at June 30:

	2018	2017
Collection items	$ 384,675	$ 384,675
Furniture, fixtures and equipment	230,487	230,487
Leasehold improvements	49,161	49,161
	664,323	664,323
Less accumulated depreciation and amortization	257,823	209,264
Total	$ 406,500	$ 455,059

Depreciation expenses were $48,560 and $45,328 for the years ended June 30, 2018 and 2017, respectively.

Note 5 – *Temporarily restricted net assets*

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2018	2017
Purpose restrictions		
Education	$ 448,908	$ 411,371
Research	33,338	27,637
Pastoral care	367,907	338,337
	850,153	777,345
Time restrictions		
General support	385,920	310,593
Other	141,083	151,903
	$ 1,377,156	$ 1,239,841

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors or release of time restrictions, as follows:

	2018	2017
Purpose restrictions	$ 194,818	$ 187,007
Time restrictions	169,486	196,428
Total	$ 364,304	$ 383,435

Note 6 – Donor restricted endowment and permanently restricted net assets

The Organization has donor restricted endowment funds, the corpus of which is permanently restricted. The following applies to the donor restricted endowment and permanently restricted net assets:

Interpretation of relevant law

The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Organization. Net assets associated with permanent endowments are classified as permanently restricted at historical value.

Investment and spending policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity.

Note 6 – Donor restricted endowment and permanently restricted net assets (continued)
In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment funds.
- The purposes of the Organization and the donor restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation/depreciation of investments.
- Other resources of the Organization.
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Organization.
- The investment policy of the Organization.

The composition of endowment net assets and change in composition of endowments for the years ended June 30 are as follows:

	June 30, 2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted endowment net assets, beginning of year	$(638,217)	$ 1,087,938	$ 4,286,636
Investment return:			
Investment income	--	139,371	--
Net appreciation	--	422,908	--
Investment fees	--	(49,839)	--
Transfers	679,053	(679,053)	--
Appropriated	--	314,749	--
Donor restricted endowment net assets, end of year	$ 40,836	$ 1,236,074	$ 4,286,636

	June 30, 2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted endowment net assets, beginning of year	$(719,522)	$ 846,790	$ 4,286,636
Investment return:			
Investment income	--	143,109	--
Net appreciation	--	540,162	--
Investment fees	--	(58,688)	--
Transfers	81,305	(81,305)	--
Appropriated	--	(302,130)	--
Donor restricted endowment net assets, end of year	$(638,217)	$ 1,087,938	$ 4,286,636

Note 6 – Donor restricted endowment and permanently restricted net assets (continued)
To the extent that the fair value of donor restricted endowment assets have decreased below the value of the corpus, the Organization has made a temporary transfer to restore the donor endowment asset value to the corpus.

Note 7 – Board designated endowment
During the year ended June 30, 2012, the Network's board designated the bequest of the estate of a donor and the associated income to be used to support the broad educational mission of the Organization.

The change in board designated net assets for the years ended June 30 was as follows:

	2018	2017
Board designated net assets, beginning of year	$ 322,802	$ 298,574
Investment return:		
Investment income	9,505	11,997
Net appreciation	28,841	36,837
Investment fees	(3,399)	(4,002)
Appropriated	(21,465)	(20,604)
Board designated net assets, end of year	$ 336,284	$ 322,802

Note 8 – Lease commitments
The Organization entered into a 62 month lease for office space at 65 Broadway, New York, NY which expired in November 2018. Rental expense under this lease was $543,336 and $512,714 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under this lease are $251,000 for the year ended June 30, 2019.

The Organization entered into lease agreements with two sublessors for space at 65 Broadway. Rental income from both subleases approximated $209,816 and $222,450 for the years ended June 30, 2018 and 2017, respectively.

Future sublease income under the leases is $109,000 for the year ended June 30, 2019.

Note 9 – Retirement plan
The Organization has adopted a contributory, defined contribution retirement plan. The Organization has the discretion to contribute 4% of salary for eligible employees, and match employee contributions up to an additional 2% of salary.

The Organization made discretionary contributions of 4% of salary for eligible employees during each of the years ended June 30, 2018 and 2017, resulting in total employer contributions of $40,923 and $75,867, respectively. There was no match of employee contributions during the years ended June 30, 2018 and 2017.

Note 10 – Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. From time to time, the cash balances exceed the Federal Depository Insurance Coverage limit. The Organization places its temporary cash investments with various financial institutions.

Service revenue is concentrated to a limited number of participating facilities. The Organization had contracts with four facilities that represented approximately 80% of service revenues for the year ended June 30, 2018. Accounts receivable from three of these facilities represented approximately 83% of accounts receivable for services at June 30, 2018. In the year ended June 30, 2017, revenues from two facilities represented greater than 10% of total revenues.

Note 11 – Subsequent events

Subsequent to June 30, 2018, the Organization entered into a 124 month lease for office space at 505 Eighth Avenue in New York, NY requiring initial monthly lease payments of $10,995.83.

In the year ended June 30, 2019, all assets of HealthCare Chaplaincy Network, Inc. were transferred to HealthCare Chaplaincy, Inc. and related dissolution of Healthcare Chaplaincy Network, Inc. with an effective date as of June 6, 2019 was approved by the State of Delaware in July 2019.

Subsequent events were evaluated through September 5, 2019, which is the date the financial statements were available to be issued.