

HEALTHCARE CHAPLAINCY INC. & AFFILIATE
(a not-for-profit organization)

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

HealthCare Chaplaincy Inc. & Affiliate
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June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HealthCare Chaplaincy Inc. & Affiliate

We have audited the accompanying combined financial statements of HealthCare Chaplaincy Inc. & Affiliate (a not-for-profit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020 and the related combined statements of activities, functional expenses and cash flows for the years 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 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 audits 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.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of HealthCare Chaplaincy Inc. & Affiliate as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lear & Pannepacker, LLP

Princeton, New Jersey
January 27, 2022



HealthCare Chaplaincy Inc. & Affiliate
Combined Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 72,711	\$ 65,264
Investments	6,632,748	6,077,486
Accounts receivable, net	194,001	325,519
Prepaid expenses and other assets	180,482	134,693
Beneficial interest in charitable remainder trusts	216,514	139,780
Property and equipment, net	<u>444,564</u>	<u>404,094</u>
Total assets	<u>\$ 7,741,020</u>	<u>\$ 7,146,836</u>
 Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 174,343	\$ 249,011
Deferred revenue	56,860	--
EIDL note payable	<u>153,719</u>	<u>--</u>
Total liabilities	<u>384,922</u>	<u>249,011</u>
 Net assets		
Without donor restrictions	3,832,832	2,436,410
With donor restrictions	<u>3,523,266</u>	<u>4,461,415</u>
Total net assets	<u>7,356,098</u>	<u>6,897,825</u>
 Total liabilities and net assets	<u>\$ 7,741,020</u>	<u>\$ 7,146,836</u>

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Combined Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains, and other support			
Contributions			
Foundations and trusts	\$ 208,086	\$ 132,784	\$ 340,870
Religious organizations	1,000	--	1,000
Individuals/estates	229,109	--	229,109
Service revenue	2,064,868	--	2,064,868
Educational fees	290,635	--	290,635
Annual conference income	78,167	--	78,167
Change in value of charitable remainder trusts	76,734	--	76,734
Investment income	1,505,262	--	1,505,262
Other income	<u>214,724</u>	<u>--</u>	<u>214,724</u>
	4,668,585	132,784	4,801,369
Net assets released from restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>--</u>
Total revenue, gains and other support	4,703,585	97,784	4,801,369
Expenses			
Program services			
Clinical services	2,487,788	--	2,487,788
Education	393,455	--	393,455
Research	93,571	--	93,571
Spiritual Care Association	<u>829,125</u>	<u>--</u>	<u>829,125</u>
Total program services	<u>3,803,939</u>	<u>--</u>	<u>3,803,939</u>
Supporting services			
General and administrative	175,998	--	175,998
Advancement	<u>311,787</u>	<u>--</u>	<u>311,787</u>
Total supporting services	<u>487,785</u>	<u>--</u>	<u>487,785</u>
Total expenses	<u>4,291,724</u>	<u>--</u>	<u>4,291,724</u>
Change in net assets	411,861	97,784	509,645
Transfers of net assets (Note 7)	1,035,933	(1,035,933)	--
Cumulative effect of adoption of ASC 606 (Note 2)	(51,372)	--	(51,372)
Net assets – beginning of year	<u>2,436,410</u>	<u>4,461,415</u>	<u>6,897,825</u>
Net assets – end of year	<u>\$ 3,832,832</u>	<u>\$ 3,523,266</u>	<u>\$ 7,356,098</u>

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Combined Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains, and other support			
Contributions			
Foundations and trusts	\$ 177,106	\$ --	\$ 177,106
Religious organizations	2,612	--	2,612
Individuals/estates	95,961	--	95,961
Special event revenue, net of expenses of \$88,120	124,773	--	124,773
Service revenue	2,356,839	--	2,356,839
Educational fees	227,780	--	227,780
Annual conference income	174,293	--	174,293
Change in value of charitable remainder trusts	--	5,459	5,459
Investment income	284,431	--	284,431
Other income	210,921	--	210,921
Paycheck Protection Program assistance	<u>417,653</u>	<u>--</u>	<u>417,653</u>
	4,072,369	5,459	4,077,828
Net assets released from restrictions	<u>--</u>	<u>--</u>	<u>--</u>
Total revenue, gains and other support	4,072,369	5,459	4,077,828
Expenses			
Program services			
Clinical services	2,943,239	--	2,943,239
Education	459,078	--	459,078
Research	132,099	--	132,099
Community education	162,292	--	162,292
Spiritual Care Association	<u>487,984</u>	<u>--</u>	<u>487,984</u>
Total program services	<u>4,184,692</u>	<u>--</u>	<u>4,184,692</u>
Supporting services			
General and administrative	161,081	--	161,081
Advancement	<u>316,598</u>	<u>--</u>	<u>316,598</u>
Total supporting services	<u>477,679</u>	<u>--</u>	<u>477,679</u>
Total expenses	<u>4,662,371</u>	<u>--</u>	<u>4,662,371</u>
Change in net assets	(590,002)	5,459	(584,543)
Net assets – beginning of year	<u>3,026,412</u>	<u>4,455,956</u>	<u>7,482,368</u>
Net assets – end of year	<u>\$ 2,436,410</u>	<u>\$ 4,461,415</u>	<u>\$ 6,897,825</u>

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Combined Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Clinical Services	Education	Research	Spiritual Care Association		General and Administrative	Advancement		
Salary	\$ 1,759,665	\$ 223,202	\$ 44,640	\$ 145,148	\$ 2,172,655	\$ 89,281	\$ 175,472	\$ 264,753	\$ 2,437,408
Professional fees	84,875	31,017	21,083	469,559	606,534	571	12,966	13,537	620,071
Medical insurance	308,691	39,155	7,831	15,662	371,339	15,662	30,782	46,444	417,783
Rent	60,168	37,605	7,521	15,042	120,336	15,042	15,042	30,084	150,420
Payroll taxes	107,358	13,618	2,724	5,447	129,147	5,447	10,706	16,153	145,300
Conferences and other events	--	--	--	74,716	74,716	--	36,458	36,458	111,174
Pension expense	52,590	6,671	1,334	2,668	63,263	2,668	5,244	7,912	71,175
Insurance	27,356	17,097	3,419	6,839	54,711	6,839	6,839	13,678	68,389
Information systems	20,146	6,707	1,341	28,975	57,169	--	4,047	4,047	61,216
Other office expenses	5,686	--	--	2,161	7,847	29,491	--	29,491	37,338
Bad debt expense	--	--	--	27,505	27,505	--	--	--	27,505
Other printed materials	1,819	--	--	16,757	18,576	944	4,195	5,139	23,715
Travel	15,347	2,875	575	1,150	19,947	1,150	1,150	2,300	22,247
Recruiting and moving expenses	6,572	4,108	822	2,093	13,595	1,643	1,643	3,286	16,881
Dues	14,088	--	--	1,428	15,516	--	1,164	1,164	16,680
Telephone	6,098	3,811	762	1,524	12,195	1,524	1,524	3,048	15,243
Mailing costs	4,395	2,747	549	2,654	10,345	1,099	1,099	2,198	12,543
Library and subscriptions	--	--	--	6,910	6,910	2,700	1,469	4,169	11,079
Utilities	3,898	2,436	487	974	7,795	974	974	1,948	9,743
Other staff support and development	5,570	240	48	96	5,954	96	96	192	6,146
Depreciation and amortization	1,760	1,100	220	440	3,520	440	440	880	4,400
Office supplies	1,104	689	140	1,226	3,159	276	327	603	3,762
Building maintenance and repairs	602	377	75	151	1,205	151	150	301	1,506
Total expenses	\$ 2,487,788	\$ 393,455	\$ 93,571	\$ 829,125	\$ 3,803,939	\$ 175,998	\$ 311,787	\$ 487,785	\$ 4,291,724

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Combined Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Supporting Services				Total Expenses
	Clinical Services	Education	Research	Community Education	Spiritual Care Association	Total Program Services	General and Administrative	Advancement	Total Supporting Services	
Salary	\$ 2,184,753	\$ 136,795	\$ 54,718	\$ 27,359	\$ --	\$ 2,403,625	\$ 82,077	\$ 155,069	\$ 237,146	\$ 2,640,771
Professional fees	84,016	85,756	27,427	80,480	396,959	674,638	6,820	35,035	41,855	716,493
Medical insurance	349,136	21,861	8,744	4,372	--	384,113	13,116	24,781	37,897	422,010
Rent	52,677	37,627	15,051	7,525	--	112,880	22,576	15,051	37,627	150,507
Payroll taxes	118,005	7,389	2,955	1,478	--	129,827	4,433	8,376	12,809	142,636
Conferences and other events	--	99,573	--	--	1,500	101,073	--	50,306	50,306	151,379
Pension expense	39,417	2,468	987	494	--	43,366	1,481	2,798	4,279	47,645
Insurance	24,503	17,502	7,001	3,500	--	52,506	10,501	7,001	17,502	70,008
Information systems	25,527	18,234	7,293	31,811	24,635	107,500	3,497	7,293	10,790	118,290
Other office expenses	5,596	409	--	--	20,663	26,668	--	1,258	1,258	29,926
Other printed materials	--	10,495	--	--	28,996	39,491	225	--	225	39,716
Travel	17,014	5,638	1,915	957	8,383	33,907	2,872	3,383	6,255	40,162
Recruiting and moving expenses	4,677	3,340	1,336	668	--	10,021	2,004	1,336	3,340	13,361
Dues	15,260	--	--	--	--	15,260	400	129	529	15,789
Telephone	5,304	3,779	1,512	756	--	11,351	2,268	1,512	3,780	15,131
Mailing costs	2,830	2,335	809	1,002	432	7,408	1,213	921	2,134	9,542
Library and subscriptions	--	--	--	--	6,000	6,000	2,713	--	2,713	8,713
Utilities	2,609	1,864	746	373	--	5,592	1,118	746	1,864	7,456
Other staff support and development	6,716	300	120	774	--	7,910	180	120	300	8,210
Depreciation and amortization	1,182	844	338	169	--	2,533	507	337	844	3,377
Office supplies	1,796	1,283	513	257	416	4,265	771	512	1,283	5,548
Building maintenance and repairs	2,221	1,586	634	317	--	4,758	951	634	1,585	6,343
Public/board meetings patient family	--	--	--	--	--	--	1,358	--	1,358	1,358
Total expenses	\$ 2,943,239	\$ 459,078	\$ 132,099	\$ 162,292	\$ 487,984	\$ 4,184,692	\$ 161,081	\$ 316,598	\$ 477,679	\$ 4,662,371

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 509,645	\$(584,543)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,400	3,377
Change in value of charitable remainder trusts	(76,734)	(5,459)
Realized and unrealized gains on investments	(1,432,502)	(190,570)
Changes in operating assets and liabilities:		
Accounts receivable	131,518	50,827
Prepaid expenses and other assets	(45,789)	(93,831)
Accounts payable and accrued expenses	(74,668)	68,588
Deferred revenue	5,488	--
Accrued interest on EIDL note payable	<u>3,719</u>	<u>--</u>
Net cash used in operating activities	(974,923)	(751,611)
Cash flows from investing activities		
Purchase of investments	(3,483,895)	(2,993,225)
Acquisition of property and equipment	(44,870)	(10,229)
Proceeds from sale of investments	<u>4,361,135</u>	<u>3,804,364</u>
Net cash provided by investing activities	<u>832,370</u>	<u>800,910</u>
Cash flows from financing activities		
Proceeds from EIDL note payable	<u>150,000</u>	<u>--</u>
Net cash provided by financing activities	<u>150,000</u>	<u>--</u>
Change in cash	7,447	49,299
Cash at beginning of year	<u>65,264</u>	<u>15,965</u>
Cash at end of year	<u>\$ 72,711</u>	<u>\$ 65,264</u>

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliate
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 1 – Nature of operations and summary of significant accounting policies

Significant accounting policies followed by HealthCare Chaplaincy Inc. & Affiliate ("the Organization") in the preparation of the accompanying combined financial statements are summarized below:

Nature of operations

HealthCare Chaplaincy, Inc., (the "Chaplaincy") is 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 accompanying combined financial statements include the accounts of 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:

Net assets without donor restrictions

Net assets without donor restrictions include all net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Contributions with donor-imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted contributions which are required to be held in perpetuity, with all or part of the income earned to be used for general or specific purposes. Other contributions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

HealthCare Chaplaincy Inc. & Affiliate
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 1 – Nature of operations 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 net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 were recognized at the inception of the membership period in the year ended June 30, 2020. The provisions of ASU 606 were adopted in the year ended June 30, 2021 (Note 2), which resulted in a change in accounting for membership dues. Memberships are non-refundable and are recognized ratably over the membership period because the benefits to SCA's members are consistent throughout the year. Payments are required at the time of CPE registration or start of the membership period; amounts received in advance are deferred to the applicable period. The Organization records annual fundraising dinner revenue when the event occurs. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

Membership dues paid to SCA cover a one-year period from the date dues are received. The table below shows activity in deferred membership dues for the year ended June 30, 2021:

Deferred membership dues, July 1, 2020	\$ 51,372
Dues deferred at July 1, 2020, recognized	(51,372)
Cash received for membership dues	119,497
Current revenue recognized	(62,637)
Deferred membership dues, June 30, 2021	<u>\$ 56,860</u>

Contributed services

Not-for-profit entities are required to record contributed services revenue if those services create or enhance non-financial assets or are provided by individuals who possess specialized skills that would typically need to be purchased, if not provided by donation. For the years ended June 30, 2021 and 2020, the Organization received no contributed services.

HealthCare Chaplaincy Inc. & Affiliate
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 1 – Nature of operations and summary of significant accounting policies (continued)

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 includes cash equivalents related to its permanent endowment in investments in the accompanying combined financial statements.

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.

Gains and losses on investments and related investment income have been reflected in the combined statements of activities within investment income as increases or decreases in net assets without donor restrictions, unless their use is 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 with donor restrictions or without donor restrictions, 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 each of the years ended June 30, 2021 and 2020, the Organization had an allowance for doubtful accounts of \$54,425 and \$52,200.

HealthCare Chaplaincy Inc. & Affiliate
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 1 – Nature of operations and summary of significant accounting policies (continued)

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 not being depreciated as they have cultural and aesthetic value that is worth preserving perpetually.

Income taxes

The Chaplaincy has been classified by the Internal Revenue Service as an organization 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 combined 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 programs and other activities are summarized in the combined statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management. Accordingly, certain costs have been allocated among the programs, fundraising, and general areas. Costs are allocated as follows:

- Personnel costs are allocated based on estimated time and effort between program services, management and general and fundraising.
- Rent and occupancy costs are allocated based on the percentage of space used for program services, management and general and fundraising.
- Other expenses, including programming and development are based on identification of specific costs, as well as a percentage of occupancy costs.

HealthCare Chaplaincy Inc. & Affiliate
Notes to Combined Financial Statements
June 30, 2021 and 2020

Note 2 – Adoption of new accounting pronouncement

During the year ended June 30, 2021, the Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). Management has analyzed the provisions of Topic 606 and has concluded that changes to recognition of membership income was necessary to conform with the new standard. For our annual memberships, we now recognize revenue ratably throughout the membership period. Prior to the adoption of ASC Topic 606, we recognized revenue for memberships at the inception of the membership period. The Organization has chosen to adopt this standard using the modified retrospective method as of July 1, 2020. Accordingly, net assets at July 1, 2020 have been reduced by \$51,372.

Note 3 - University of Theology and Spirituality

SCA entered into an agreement with the University of Theology & Spirituality (UTS) in April 2019 to provide curriculum for its courses. Under the agreement, SCA received 15% of the first \$250,000 and 25% of the remaining gross revenues attributable to UTS's operations for the first 3 years of operations and 25% of all revenues thereafter. In March 2020, UTS amended its by-laws to grant SCA the ability to appoint half the voting members of UTS' board.

Accounts receivable, net included \$27,505 and \$40,750 due from UTS at June 30, 2021 and 2020, respectively. Balances at June 30, 2021 are net of an allowance for doubtful accounts of \$27,505. Education fees revenue includes \$31,210 and \$15,000 earned under this agreement in the years ended June 30, 2021 and 2020, respectively.

Note 4 – Investments and fair value measurements

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

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equities	\$ 4,319,406	\$ --	\$ --	\$ 4,319,406
Fixed income	<u>1,628,272</u>	<u>--</u>	<u>--</u>	<u>1,628,272</u>
Subtotal	<u>\$ 5,947,678</u>	<u>\$ --</u>	<u>\$ --</u>	<u>5,947,678</u>
Cash and cash equivalents				<u>685,070</u>
Total investments				<u>\$ 6,632,748</u>
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equities	\$ 3,627,565	\$ --	\$ --	\$ 3,627,565
Fixed income	<u>1,477,282</u>	<u>--</u>	<u>--</u>	<u>1,477,282</u>
Subtotal	<u>\$ 5,104,847</u>	<u>\$ --</u>	<u>\$ --</u>	<u>5,104,847</u>
Cash and cash equivalents				<u>972,639</u>
Total investments				<u>\$ 6,077,486</u>

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Note 4 – Investments and fair value measurements (continued)

Investment income consists of the following:

	June 30, 2021		
	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 128,017	\$ --	\$ 128,017
Realized and unrealized gains	1,432,502	--	1,432,502
Investment fees	(55,257)	--	(55,257)
Net return on investments	\$ 1,505,262	\$ --	\$ 1,505,262
	June 30, 2020		
	Without donor restrictions	With donor restrictions	Total
Interest and dividend income	\$ 143,985	\$ --	\$ 143,985
Realized and unrealized gains	190,570	--	190,570
Investment fees	(50,124)	--	(50,124)
Net return on investments	\$ 284,431	\$ --	\$ 284,431

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 5 – 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 6 – Property and equipment, net

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

	2021	2020
Works of art and antique furniture	\$ 384,675	\$ 384,675
Furniture, fixtures and equipment	19,970	19,970
Software development costs	44,870	--
Leasehold improvements	4,200	4,200
	453,715	408,845
Less accumulated depreciation and amortization	9,151	4,751
Total	\$ 444,564	\$ 404,094

Depreciation and amortization expenses were \$4,400 and \$3,377 for the years ended June 30, 2021 and 2020, respectively.

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Note 7 – Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	<u>2021</u>	<u>2020</u>
Permanent endowments with income to be used for the following purposes:		
Education	\$ 1,618,291	\$ 2,131,593
Research	21,900	289,400
Pastoral care	369,662	369,662
General support	1,240,849	1,495,980
Restricted for future periods:		
Development of training materials	56,050	35,000
Beneficiary value of charitable remainder trusts	<u>216,514</u>	<u>139,780</u>
	<u>\$ 3,523,266</u>	<u>\$ 4,461,415</u>

In accordance with New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization requested that certain donors who had made contributions with permanent restrictions agree to allow these funds to be used for unrestricted purposes. Contributions received from those who agreed to the transfer of such assets, as well as those who did not respond to the Organization's request totaled \$1,035,933. In June 2021, the Organization's board of directors decided to transfer these funds from net assets with donor restrictions to net assets without donor restrictions.

Note 8 – Donor-restricted endowments

The Organization has donor-restricted endowment funds, the corpus of which is permanently restricted. The following applies to the donor-restricted endowments:

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 are classified as donor restricted and are recorded 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 are donor restricted funds that the Organization must hold in perpetuity.

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Note 8 – Donor-restricted endowments (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.

Endowment net assets are all permanently restricted, with income expended annually for the intended purposes. There were no changes in the composition of endowments for the years ended June 30, 2021 and 2020.

To the extent that the fair value of donor-restricted endowment assets decrease below the value of the corpus, the Organization makes a transfer to restore the donor endowment asset value to the corpus.

Note 9 – Lease commitments

The Organization has a non-cancelable operating lease for office space in New York, NY which expires in April 2029. Rental expense under this lease was \$149,184 and \$119,296 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under this lease are as follows:

<u>Year ending June 30:</u>	
2022	\$ 140,363
2023	143,872
2024	151,819
2025	159,964
2026	163,963
Thereafter	<u>487,105</u>
Total	<u>\$ 1,247,086</u>

Note 10 – Retirement plan

The Organization has adopted a contributory, defined contribution retirement plan. The Organization has the discretion to contribute 4% of eligible employee compensation, and match employee contributions up to an additional 2% of eligible employee compensation.

The Organization made discretionary contributions of 4% of eligible employee compensation during each of the years ended June 30, 2021 and 2020, resulting in total employer contributions of \$71,175 and \$47,645, respectively. There was no match of employee contributions during the years ended June 30, 2021 and 2020.

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Note 11 – EIDL Note payable

In August 2020, the Organization received a \$150,000 Economic Injury Disaster Loan (the "EIDL Loan") from the Small Business Administration ("SBA"). The EIDL Loan has a term of 30 years, interest of 2.75% per annum and monthly payments of principal and interest beginning two years from the date of the EIDL Loan at \$674 per month. The balance of this loan, with accrued interest was \$153,719 at June 30, 2021. Future maturities of this loan at June 30, 2021 are as follows.

<u>Year ending June 30:</u>		
2022	\$	--
2023		--
2024		2,961
2025		3,991
2026		4,103
Thereafter		<u>142,664</u>
	\$	<u><u>153,719</u></u>

Note 12 – 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. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on such funds.

Service revenue is concentrated to a limited number of participating facilities. The Organization had contracts with three facilities in the year ended June 30, 2021 and four facilities in the year ended June 30, 2020 that represented approximately 88% of service revenues for each of the years ended June 30, 2021 and 2020. Accounts receivable from these facilities represented approximately 63% of accounts receivable for services at June 30, 2021 and 2020.

Note 13 – Westberg Institute acquisition

Effective October 30, 2020, SCA acquired the operations and certain assets of the Westberg Institute for Faith Community Nursing, The Westberg Symposium and related programs from Church Health Center of Memphis, Inc. Assets acquired relate primarily to intangible assets, including trademarks, logos, customer lists and items available for sale. These assets were not recorded in the accompanying combined financial statements as there was a nominal purchase price which management determined to be the value of the acquired assets at the date of the acquisition.

Note 14 – Liquidity and availability of financial assets

The Organization manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Organization's Investment Committee has decided can be tolerated. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

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Note 14 – Liquidity and availability of financial assets (continued)

The Organization prepares a detailed budget to ensure adequate resources to cover programs. The Organization focuses on monitoring collections of receivables and timing vendor payments to maximize the time they have access to the cash. The following reflects the Organization's financial assets available to be used for the fulfillment of payments within one year of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash, unrestricted	\$ 72,711	\$ 65,264
Investments	6,632,748	6,077,486
Accounts receivable, net	<u>194,001</u>	<u>325,519</u>
Total financial assets	6,899,460	6,468,269
Less those unavailable for general expenditures within one year, due to:		
Restricted endowment	(3,250,702)	(4,286,635)
Accounts receivable, net not due within one year	<u>(121,382)</u>	<u>(80,300)</u>
Total financial assets	<u>\$ 3,527,376</u>	<u>\$ 2,101,334</u>

SCA entered into an agreement with its continuing education provider for repayment of their share of initial set-up costs. Initial payments under this arrangement are \$500 a month. Accordingly, the Organization has recorded the balance owed at its net present value of approximately \$116,077 and \$108,500 less an allowance for doubtful accounts of \$22,200 at June 30, 2021 and 2020. Other receivables not due within one year are owed by UTS (Note 3).

Note 15 – COVID 19

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While management believes the Organization is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Organization and its financial statements is undetermined at this time.

In April 2020, the Organization received a loan of \$417,653, which is guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan was forgivable if the Organization expends the funds for allowable expenses as defined by the PPP. This loan was forgiven in January 2021. Management believes that the Organization expended all of these funds for qualifying expenses as of June 30, 2020. Accordingly, in accordance with ASU 2018-08, the Organization recorded this as grant income in the year ended June 30, 2020.

Note 16 – Subsequent events

Subsequent events were evaluated through January 27, 2022, which is the date the financial statements were available to be issued.