HEALTHCARE CHAPLAINCY INC. & AFFILIATES

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

HealthCare Chaplaincy Inc. & Affiliates
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June 30, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HealthCare Chaplaincy Inc. & Affiliates

Opinion

We have audited the accompanying combined financial statements of HealthCare Chaplaincy Inc. & Affiliates (a not-for-profit organization), which comprise the combined statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of HealthCare Chaplaincy Inc. & Affiliates as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HealthCare Chaplaincy Inc. & Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HealthCare Chaplaincy Inc. & Affiliates' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HealthCare Chaplaincy Inc. & Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HealthCare Chaplaincy Inc. & Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lear & Pannepacker, LLP

Princeton, New Jersey
February 8, 2024

HealthCare Chaplaincy Inc. & Affiliates
Combined Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash	$ 184,783	$ 113,747
Investments	3,869,469	4,501,276
Accounts receivable, net	180,244	191,207
Payroll tax assistance receivable - CARES Act	403,223	--
Pledges receivable	--	10,000
Prepaid expenses and other assets	176,716	126,172
Beneficial interest in charitable remainder trusts	176,682	159,893
Property and equipment, net	404,440	422,850
Operating lease right-of-use asset	611,547	--
Total assets	$ 6,007,104	$ 5,525,145
Liabilities and net assets		
Liabilities		
Accounts payable	$ 38,998	$ 85,091
Accrued expenses and other liabilities	112,975	161,017
Deferred revenue	73,752	93,617
Lease liability	960,485	--
EIDL note payable	208,408	208,270
Total liabilities	1,394,618	547,995
Net assets		
Without donor restrictions	1,872,814	2,299,267
With donor restrictions	2,739,672	2,677,883
Total net assets	4,612,486	4,977,150
Total liabilities and net assets	$ 6,007,104	$ 5,525,145

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Contributions of financial assets			
Foundations and trusts	$ 139,711	$ 61,789	$ 201,500
Individuals/estates	173,793	--	173,793
Service revenue	554,841	--	554,841
Membership fees	125,991	--	125,991
Educational fees	476,526	--	476,526
Certification and credentialing	114,202	--	114,202
Annual conference income	95,521	--	95,521
Payroll tax assistance – CARES Act	403,223	--	403,223
Other income	52,621	--	52,621
Total revenue, gains and other support	2,136,429	61,789	2,198,218
Expenses			
Program services			
Clinical services	554,010	--	554,010
Education	160,749	--	160,749
Research	107,163	--	107,163
UTS	762,621	--	762,621
Spiritual Care Association	898,321	--	898,321
Total program services	2,482,864	--	2,482,864
Supporting services			
General and administrative	93,768	--	93,768
Advancement	198,672	--	198,672
Total supporting services	292,440	--	292,440
Total expenses	2,775,304	--	2,775,304
Change in net assets from operating activities	(638,875)	61,789	(577,086)
Non-operating income (expense)			
Investment income	543,193	--	543,193
Rental income	96,411	--	96,411
Change in value of charitable remainder trusts	16,789	--	16,789
Non-operating rent expense	(410,724)	--	(410,724)
Other non-operating expenses	(33,247)	--	(33,247)
Change in net assets	(426,453)	61,789	(364,664)
Net assets – beginning of year	2,299,267	2,677,883	4,977,150
Net assets – end of year	$ 1,872,814	$ 2,739,672	$ 4,612,486

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Contributions of financial assets			
Foundations and trusts	$ 186,700	$ --	$ 186,700
Individuals/estates	60,717	--	60,717
Religious organizations	500	--	500
Special event loss, net of expenses of $132,974	(73,817)	--	(73,817)
Service revenue	971,266	--	971,266
Membership fees	122,180	--	122,180
Educational fees	317,966	--	317,966
Certification and credentialing	96,226	--	96,226
Annual conference income	66,605	--	66,605
Other income	26,083	--	26,083
	1,774,426	--	1,774,426
Net assets released from restrictions	112,671	(112,671)	--
Total revenue, gains and other support	1,887,097	(112,671)	1,774,426
Expenses			
Program services			
Clinical services	1,293,929	--	1,293,929
Education	276,774	--	276,774
Research	207,583	--	207,583
Spiritual Care Association	896,580	--	896,580
Total program services	2,674,866	--	2,674,866
Supporting services			
General and administrative	136,070	--	136,070
Advancement	261,634	--	261,634
Total supporting services	397,704	--	397,704
Total expenses	3,072,570	--	3,072,570
Change in net assets from operating activities	(1,185,473)	(112,671)	(1,298,144)
Non-operating expense			
Investment loss	(781,472)	--	(781,472)
Change in value of charitable remainder trusts	(56,621)	--	(56,621)
Rent expense	(156,744)	--	(156,744)
Change in net assets before change in reporting entry	(2,180,310)	(112,671)	(2,292,981)
Change in reporting entity (Note 3)	(85,967)	--	(85,967)
Change in net assets	(2,266,277)	(112,671)	(2,378,948)
Transfers of net assets (Note 8)	732,712	(732,712)	--
Net assets – beginning of year	3,832,832	3,523,266	7,356,098
Net assets – end of year	$ 2,299,267	$ 2,677,883	$ 4,977,150

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services						Supporting Services			
	Clinical Services	Education	Research	UTS	Spiritual Care Association	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salary	$ 440,796	$ 91,509	$ 61,006	$ 290,151	$ 273,149	$ 1,156,611	$ 53,379	$ 138,745	$ 192,124	$ 1,348,735
Professional fees	38,568	8,806	5,871	187,576	220,313	461,134	5,138	31,799	36,937	498,071
Employee benefits	25,274	21,664	14,442	59,935	48,743	170,058	12,637	11,599	24,236	194,294
Conferences and other events	--	--	--	--	184,844	184,844	--	--	--	184,844
Information systems	6,987	5,989	3,992	39,161	50,876	107,005	3,494	2,495	5,989	112,994
Insurance	11,298	9,684	6,456	25,365	21,789	74,592	5,649	1,462	7,111	81,703
Payroll taxes	9,909	8,494	5,662	26,368	19,111	69,544	4,954	3,539	8,493	78,037
Rent	--	--	--	47,530	--	47,530	--	--	--	47,530
Pension expense	5,985	5,130	3,420	11,543	11,543	37,621	2,992	2,139	5,131	42,752
Travel	3,184	2,729	1,819	7,655	9,811	25,198	1,592	1,137	2,729	27,927
Other office expenses	1,938	1,435	957	18,761	3,236	26,327	837	640	1,477	27,804
Recruiting and moving expenses	3,296	2,825	1,883	6,357	10,230	24,591	1,646	1,178	2,824	27,415
Advertising	--	--	--	21,006	--	21,006	--	--	--	21,006
Depreciation and amortization	484	415	277	934	15,886	17,996	242	172	414	18,410
Dues	2,530	130	86	3,627	4,834	11,207	76	2,382	2,458	13,665
Other printed materials	466	399	266	1,459	8,076	10,666	234	668	902	11,568
Telephone	193	166	110	10,130	373	10,972	96	69	165	11,137
Library and subscriptions	--	--	--	--	10,424	10,424	--	--	--	10,424
Office supplies	657	563	375	2,266	2,750	6,611	327	311	638	7,249
Utilities	631	541	361	2,136	1,217	4,886	317	225	542	5,428
Mailing costs	275	235	157	583	1,038	2,288	137	98	235	2,523
Other staff support and development	1,539	35	23	78	78	1,753	21	14	35	1,788
Total expenses	$ 554,010	$ 160,749	$ 107,163	$ 762,621	$ 898,321	$ 2,482,864	$ 93,768	$ 198,672	$ 292,440	$ 2,775,304

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services					Supporting Services			
	Clinical Services	Education	Research	Spiritual Care Association	Total Program Services	General and Administrative	Advancement	Total Supporting Services	Total Expenses
Salary	$ 905,693	$ 169,584	$ 127,188	$ 252,617	$ 1,455,082	$ 94,214	$ 169,927	$ 264,141	$ 1,719,223
Professional fees	76,162	25,282	18,962	341,606	462,012	4,887	21,362	26,249	488,261
Employee benefits	137,929	25,826	19,370	38,471	221,596	14,347	25,878	40,225	261,821
Conferences and other events	--	--	--	113,908	113,908	--	--	--	113,908
Information systems	16,144	9,225	6,919	42,228	74,516	--	4,613	4,613	79,129
Insurance	29,505	16,860	12,645	12,645	71,655	4,215	8,430	12,645	84,300
Payroll taxes	47,475	8,889	6,667	13,241	76,272	4,939	8,908	13,847	90,119
Pension expense	23,126	4,330	3,248	6,450	37,154	2,405	4,339	6,744	43,898
Travel	9,193	3,961	2,971	2,811	18,936	1,150	1,982	3,132	22,068
Other office expenses	4,997	--	--	2,668	7,665	3,866	969	4,835	12,500
Recruiting and moving expenses	9,646	5,512	4,134	6,809	26,101	823	2,756	3,579	29,680
Depreciation and amortization	1,623	928	696	15,880	19,127	--	463	463	19,590
Dues	14,031	163	122	3,763	18,079	--	2,409	2,409	20,488
Other printed materials	1,300	228	171	25,183	26,882	2,501	3,444	5,945	32,827
Telephone	1,906	1,089	817	1,089	4,901	--	545	545	5,446
Library and subscriptions	387	221	166	9,378	10,152	544	111	655	10,807
Office supplies	1,248	713	535	820	3,316	--	455	455	3,771
Utilities	2,347	--	--	483	2,830	1,934	483	2,417	5,247
Mailing costs	3,036	1,735	1,301	3,977	10,049	245	3,445	3,690	13,739
Other staff support and development	5,074	738	554	1,063	7,429	--	370	370	7,799
Loss on disposal of fixed assets	1,900	1,086	814	1,086	4,886	--	543	543	5,429
Public/board meetings patient family	707	404	303	404	1,818	--	202	202	2,020
Grant awards	500	--	--	--	500	--	--	--	500
Total expenses	$ 1,293,929	$ 276,774	$ 207,583	$ 896,580	$ 2,674,866	$ 136,070	$ 261,634	$ 397,704	$ 3,072,570

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$(364,664)	$(2,378,948)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,410	19,590
Change in value of charitable remainder trusts	(16,789)	56,621
Realized and unrealized losses (gains) on investments	(484,543)	840,003
Loss on disposal of fixed assets	--	5,429
Net assets acquired from UTS (Note 3)	--	85,967
Non-cash operating lease expense	348,938	--
(Increase) decrease in operating assets:		
Accounts receivable, net	10,963	(33,716)
Payroll tax assistance receivable - CARES Act	(403,223)	--
Pledges receivable	10,000	(10,000)
Prepaid expenses and other assets	(50,544)	57,366
Increase (decrease) in operating liabilities:		
Accounts payable	(46,093)	15,048
Accrued expenses and other liabilities	(48,042)	27,082
Deferred revenue	(19,865)	(2,238)
Accrued interest on EIDL note payable	5,472	4,551
Net cash used in operating activities	(1,039,980)	(1,313,245)
Cash flows from investing activities		
Purchase of investments	(2,224,091)	(671,384)
Acquisition of property and equipment	--	(3,305)
Proceeds from sale of investments	3,340,441	1,962,853
Cash received from change in reporting entity	--	16,117
Net cash provided by investing activities	1,116,350	1,304,281
Cash flows from financing activities		
Payments on EIDL note payable	(5,334)	--
Proceeds from EIDL note payable	--	50,000
Net cash provided by (used in) financing activities	(5,334)	50,000
Change in cash	71,036	41,036
Cash at beginning of year	113,747	72,711
Cash at end of year	$ 184,783	$ 113,747
Non-cash investing activities		
Non-cash net assets (deficit) acquired in merger with UTS	$ --	$(85,967)

See notes to combined financial statements

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

Significant accounting policies followed by HealthCare Chaplaincy Inc. & Affiliates ("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 (SCA) is a multidisciplinary international professional membership association for spiritual care providers. SCA University of Theology and Spirituality (UTS) is a center for higher learning now operating as Capstone University that educates and assists in the development of forward-thinking leaders and practitioners of spiritual care. 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, SCA and UTS.

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.

Rental income

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. The amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements is included in prepaid expenses and other assets in the accompanying combined financial statements.

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

Revenue recognition

Income from fees and services are recognized when services are performed. 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.

Beginning and ending contract balances for the years ended June 30, were as follows:

	Accounts receivable, net		Deferred revenue	
	2023	2022	2023	2022
Beginning of year	$ 191,207	$ 194,001	$ 93,617	$ 56,860
End of year	$ 180,244	$ 191,207	$ 73,752	$ 93,617

Contributions, which include unconditional promises to give, are recognized in the period in which they are received or promised. Contributions are considered to be unrestricted unless specifically restricted by the donor. The Organization recognizes grant revenues when awarded, and to the extent that expenses have been incurred for the purposes specified by the grantor for reimbursable grants.

Nonfinancial contributions

The Organization recognizes contributions of nonfinancial assets at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided through donation, are recorded at fair value in the period received. For the years ended June 30, 2023 and 2022, the Organization received no nonfinancial contributions.

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 and fees 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.

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

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 the years ended June 30, 2023 and 2022, the Organization had an allowance for doubtful accounts of $68,878 and $71,320, 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 not being depreciated as they have cultural and aesthetic value that is worth preserving perpetually.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense amounted to $21,006 for the year ended June 30, 2023. There was no advertising expense in the year ended June 30, 2022.

Income taxes

The Chaplaincy and UTS 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.

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

Income taxes (continued)

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 program and supporting services. Costs are allocated as follows:

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

Reclassifications

Certain 2022 amounts were reclassified to conform to the 2023 presentation.

Note 2 – Adoption of new accounting pronouncements

During the year ended June 30, 2023, the Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), ASU 2016-02 *Leases* using the modified retrospective approach with July 1, 2022 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification and to exclude leases with an initial term of one year or less from its right-of-use asset and lease liability. This standard increases transparency and comparability in financial reporting by requiring financial position recognition of leases and note disclosure of certain information about lease arrangements.

During the year ended June 30, 2023, the Organization also adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. These standards amend certain aspects of financial reporting and disclosure requirements for contributed nonfinancial assets, including disclosure as to the nature of donated items and services received and the method of valuing these items.

Note 3 – Change in reporting entity

The Organization determined that due to changes in the bylaws of SCA University of Theology & Spirituality (UTS) regarding how board members are selected, SCA obtained control of UTS effective June 24, 2022 (Note 4). Accordingly, the combined statements of financial position as of June 30, 2023 and 2022 and the combined statement of activity for the year ended June 30, 2023 includes the accounts of this entity. The changes in net assets for the period June 24, 2022 through June 30, 2022 were not significant and have not been included in the accompanying combined financial statements.

Net assets (deficit) acquired from UTS were recorded at their fair value as of June 24, 2022, as follows:

Cash	$ 16,117
Accounts receivable, net	(36,510)
Prepaid expenses	3,056
Accounts payable and accrued expenses	(29,635)
Deferred revenue	(38,995)
Net assets (deficit) acquired	$ (85,967)

Note 4 – SCA University of Theology and Spirituality

SCA entered into an agreement with the SCA 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 to the UTS board. On June 24, 2022, UTS amended its by-laws again to grant SCA the ability to appoint a majority of voting members to the UTS board, at which time the accounts of UTS became consolidated into SCA and are included in the combined financial statements of Organization.

Education fees revenue includes $48,902 earned under this agreement in the year ended June 30, 2022.

Note 5 – Investments and fair value measurements

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

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Equities	$ 2,778,946	$ --	$ --	$ 2,778,946
Fixed income	895,438	--	--	895,438
Subtotal	$ 3,674,384	$ --	$ --	3,674,384
Cash and cash equivalents				195,085
Total investments				$ 3,869,469

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Equities	$ 3,110,968	$ --	$ --	$ 3,110,968
Fixed income	1,192,944	--	--	1,192,944
Subtotal	$ 4,303,912	$ --	$ --	4,303,912
Cash and cash equivalents				197,364
Total investments				$ 4,501,276

Note 5 – Investments and fair value measurements (continued)
Investment income (loss) consists of the following for the years ended June 30:

	2023	2022
Interest and dividend income	$ 94,662	$ 111,676
Realized and unrealized gain (loss)	484,543	(840,003)
Investment fees	(36,012)	(53,145)
	$ 543,193	$(781,472)

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 6 – 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 7 – Property and equipment
Property and equipment, net consists of the following at June 30:

	2023	2022
Works of art and antique furniture	$ 384,675	$ 384,675
Furniture, fixtures and equipment	13,046	13,046
Software development costs	44,870	44,870
Leasehold improvements	4,200	4,200
	446,791	446,791
Less: accumulated depreciation and amortization	(42,351)	(23,941)
	$ 404,440	$ 422,850

Depreciation and amortization expenses were $18,410 and $19,590 for the years ended June 30, 2023 and 2022, respectively.

Note 8 – Net assets with donor restrictions
Net assets with donor restrictions are available for the following purposes or periods at June 30:

	2023	2022
Permanent endowments with income to be used for the following purposes:		
Education	$ 1,255,241	$ 1,255,241
Research	21,900	21,900
General support	1,240,849	1,240,849
Restricted for future periods:		
Beneficiary value of charitable remainder trusts	176,682	159,893
Restricted for course development	45,000	--
	$ 2,739,672	$ 2,677,883

Note 8 – Net assets with donor restrictions (continued)

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:

	2023	2022
Development of training materials	$ --	$ 56,050
Time restrictions	--	56,621
Total	$ --	$ 112,671

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 $1,768,645. The Organization's board of trustees decided to transfer $732,712 from net assets with donor restrictions to net assets without donor restrictions in the year ended June 30, 2022.

Note 9 – 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.

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.

Note 9 – Donor-restricted endowments (continued)
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, 2023 and 2022.

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 10 – Leasing arrangements
Operating lease obligations
The Organization has noncancellable operating leases for its facilities expiring at various dates through April 1, 2029. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

The Organization elected to use the risk-free rate of return as the discount rate for its leases, unless an interest rate is implicit in the lease agreement. The Organization also elected to exclude leases with an initial term of one year or less from its right-of-use asset and lease liability. The weighted average discount rate used was 2.8%. The remaining weighted average lease term was 64.3 months at June 30, 2023. The related assets and liabilities are identified as operating lease right-of-use asset and operating lease liability in the accompanying combined financial statements. Lease expense is recognized for these leases on a straight-line basis over the lease term. Operating lease costs included in rent expense in the accompanying statements of functional expenses for the years ended June 30, 2023 and 2022, was $458,254 and $156,744, respectively. The Organization recorded an impairment loss on the right-of-use asset of $249,589 based on the difference between the remaining lease payments and the amounts to be received under the sublease of the related facilities. The impairment expense is included in rent expense at June 30, 2023.

The maturities of lease liabilities as of June 30, 2023 were as follows:

Year ending June 30,	
2024	$ 190,328
2025	200,398
2026	163,963
2027	168,062
2028	172,264
Thereafter	146,779
Total lease payments	1,041,794
Less amount representing interest	(81,309)
Present value of lease liabilities	$ 960,485

Sublease
In July 2022, the Organization entered into a sublease for its former administrative offices, which the Organization is no longer using. The sublease requires monthly rental payments of $8,458 with 3% annual increases. Rental income under this sublease totaled $96,411 for the year ended June 30, 2023.

Note 10 – Leasing arrangements (continued)

Future minimum lease rentals to be received under this non-cancelable operating sublease as of June 30, 2023 are as follows:

Year ending June 30:		
2024	$	104,164
2025		107,289
2026		113,891
2027		117,791
2028		121,325
Thereafter		93,609
	$	658,069

Note 11 – 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, 2023 and 2022, resulting in total employer contributions of $42,752 and $43,898, respectively. There was no match of employee contributions during the years ended June 30, 2023 and 2022.

Note 12 – 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"). In March 2022, the Organization received an increase in the EIDL loan of $50,000. The EIDL loan has a term of 30 years, interest of 2.75% per annum and monthly payments of principal and interest beginning 30 months from the original date of the EIDL loan at $889 per month.

The balance of this loan, with accrued interest was $208,408 at June 30, 2023. Future maturities of this loan at June 30, 2023 are as follows.

Year ending June 30:		
2024	$	10,668
2025		10,668
2026		10,668
2027		10,668
2028		10,668
Thereafter		155,068
	$	208,408

Note 13 – 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.

Note 13 – Concentrations (continued)

Service revenue is concentrated to a limited number of participating facilities. The Organization had contracts with two facilities in the year ended June 30, 2023 that represented approximately 94% of service revenues. The Organization had contracts with three facilities in the year ended June 30, 2022 that represented approximately 88% of service revenues. One of these contracts was terminated in the year ended June 30, 2022.

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.

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:

	2023	2022
Cash	$ 184,783	$ 113,747
Investments	3,869,469	4,501,276
Accounts receivable, net	180,244	191,207
Payroll tax assistance receivable - CARES Act	403,223	--
Pledges receivable	--	10,000
Total financial assets	4,637,719	4,816,230
Less those unavailable for general expenditures within one year, due to:		
Restricted endowment	(2,517,990)	(2,517,990)
Accounts receivable, net not due within one year	(83,474)	(74,300)
	$ 2,036,255	$ 2,223,940

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 $105,674 and $96,500 at June 30, 2023 and 2022, respectively, less an allowance for doubtful accounts of $22,200 at both June 30, 2023 and 2022.

Note 15 – Payroll tax assistance - CARES Act

The CARES Act established the Employee Retention Tax Credit (ERTC) which provides a refundable payroll tax credit to organizations that were subject to full or partial COVID-19 shutdowns or whose gross receipts declined by a specified percentage when compared to the same quarter in the prior year. The Employee Retention Tax Credit covers a capped amount of wages and health care benefit expenses per employee. Total ERTC refunds for 2020 and 2021 payroll periods recognized as revenue in the year ended June 30, 2023 in the accompanying combined financial statements amount to $403,223.

Note 16 – Subsequent events

Subsequent events were evaluated through February 8, 2024, which is the date the combined financial statements were available to be issued.