The Institute for Spirituality and Health

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2022 and 2021

The Institute for Spirituality and Health

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Independent Auditors' Report

To the Board of Trustees of
The Institute for Spirituality and Health:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Institute for Spirituality and Health, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Institute for Spirituality and Health as of June 30, 2022 and 2021, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Institute for Spirituality and Health 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Institute for Spirituality and Health's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 The Institute for Spirituality and Health's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Institute for Spirituality and Health's 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.

Blazek & Vetterling

November 7, 2022

The Institute for Spirituality and Health

Statements of Financial Position as of June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents *(Notes 3 and 5)*	$ 1,950,235	$ 963,142
Accounts receivable and other assets	32,447	31,176
Contributions receivable *(Note 4)*	2,009,706	87,500
Investments *(Note 5)*	187,828	237,284
Beneficial interest in Endowment Trust *(Note 5)*	1,705,688	2,076,345
TOTAL ASSETS	$ 5,885,904	$ 3,395,447
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 61,308	$ 19,454
Refundable advances		102,347
Total liabilities	61,308	121,801
Net assets:		
Without donor restrictions	534,215	810,942
With donor restrictions *(Notes 6 and 7)*	5,290,381	2,462,704
Total net assets	5,824,596	3,273,646
TOTAL LIABILITIES AND NET ASSETS	$ 5,885,904	$ 3,395,447

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 266,504	$ 3,661,136	$ 3,927,640
Rental income	218,524		218,524
Registration and contract fees	71,926		71,926
Investment return	764	(39,702)	(38,938)
Distributions from Endowment Trust	101,924		101,924
Total revenue	659,642	3,621,434	4,281,076
Net assets released from restrictions:			
Expenditures for program purposes	413,346	(413,346)	
Endowment distributions	9,754	(9,754)	
Total	1,082,742	3,198,334	4,281,076
EXPENSES:			
Program services:			
Educational workshops and panels	509,960		509,960
Outreach, research and collaboration	329,466		329,466
Support groups and services	195,906		195,906
Total program services	1,035,332		1,035,332
Management and general	232,073		232,073
Fundraising	92,064		92,064
Total expenses	1,359,469		1,359,469
OTHER CHANGES:			
Net change in beneficial interest in Endowment Trust		(370,657)	(370,657)
CHANGES IN NET ASSETS	(276,727)	2,827,677	2,550,950
Net assets, beginning of year	810,942	2,462,704	3,273,646
Net assets, end of year	$ 534,215	$ 5,290,381	$ 5,824,596

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 622,291	$ 172,600	$ 794,891
Rental income	211,723		211,723
Registration and contract fees	148,240		148,240
Special events	159,733		159,733
Cost of direct donor benefits	(2,811)		(2,811)
Investment return	46	55,346	55,392
Distribution from Endowment Trust	93,640		93,640
Total revenue	1,232,862	227,946	1,460,808
Net assets released from restrictions:			
Expenditures for program purposes	125,473	(125,473)	
Endowment distributions	8,922	(8,922)	
Total	1,367,257	93,551	1,460,808
EXPENSES:			
Program services:			
Educational workshops and panels	304,368		304,368
Outreach, research and collaboration	106,808		106,808
Support groups and services	134,538		134,538
Total program services	545,714		545,714
Management and general	156,517		156,517
Fundraising	165,899		165,899
Total expenses	868,130		868,130
OTHER CHANGES:			
Net change in beneficial interest in Endowment Trust		388,294	388,294
CHANGES IN NET ASSETS	499,127	481,845	980,972
Net assets, beginning of year	311,815	1,980,859	2,292,674
Net assets, end of year	$ 810,942	$ 2,462,704	$ 3,273,646

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statements of Functional Expenses for the years ended June 30, 2022 and 2021

EXPENSES	EDUCATIONAL WORKSHOPS AND PANELS	OUTREACH, RESEARCH AND COLLABORATION	SUPPORT GROUPS AND SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Salaries and related benefits	$ 236,676	$ 150,083	$ 171,214	$ 557,973	$ 145,380	$ 43,793	$ 747,146
Professional and contract services	139,638	74,399		214,037	52,385	30,040	296,462
Venue rental and food and beverage	67,471	42,128	1,278	110,877			110,877
Occupancy	23,617	14,991	17,101	55,709	14,522	4,372	74,603
Printing, postage, and supplies	15,358	30,466		45,824	2,437		48,261
Telephone and equipment	11,967	6,887	5,440	24,294	5,649	11,964	41,907
Conferences and training	13,554	6,265		19,819			19,819
Other	1,679	4,247	873	6,799	11,700	1,895	20,394
Total expenses	$ 509,960	$ 329,466	$ 195,906	$ 1,035,332	$ 232,073	$ 92,064	$ 1,359,469

EXPENSES	EDUCATIONAL WORKSHOPS AND PANELS	OUTREACH, RESEARCH AND COLLABORATION	SUPPORT GROUPS AND SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL
Salaries and related benefits	$ 197,253	$ 85,541	$ 104,667	$ 387,461	$ 76,276	$ 98,980	$ 562,717
Professional and contract services	54,569	7,018	13,929	75,516	47,999	39,878	163,393
Occupancy	20,808	9,024	11,041	40,873	8,046	10,441	59,360
Printing, postage, and supplies	1,177	761	1,225	3,163	2,121	5,414	10,698
Telephone and equipment	13,331	3,905	3,383	20,619	3,773	8,637	33,029
Conferences and training	16,390	155		16,545	8,430		24,975
Other	840	404	293	1,537	9,872	2,549	13,958
Total expenses	$ 304,368	$ 106,808	$ 134,538	$ 545,714	$ 156,517	$ 165,899	868,130
Cost of direct donor benefits							2,811
Total							$ 870,941

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statements of Cash Flows for the years ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 2,550,950	$ 980,972
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	42,908	(52,520)
Change in beneficial interest in Endowment Trust	370,657	(388,294)
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(1,271)	16,548
Contributions receivable	(1,922,206)	(87,500)
Accounts payable and accrued expenses	41,854	8,166
Refundable advances	(102,347)	71,513
Deferred revenue		(38,974)
Net cash provided by operating activities	980,545	509,911
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	9,754	8,921
Purchase of investments	(3,206)	(2,825)
Net cash provided by investing activities	6,548	6,096
NET CHANGE IN CASH AND CASH EQUIVALENTS	987,093	516,007
Cash and cash equivalents, beginning of year	963,142	447,135
Cash and cash equivalents, end of year	$ 1,950,235	$ 963,142

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Institute for Spirituality and Health (the Institute) is a Texas nonprofit corporation established in 1955. The Institute's mission is to enhance well-being by exploring the relationship between spirituality and health. The Institute believes that humans are spiritual beings and that healthcare should reflect this reality. The Institute provides educational workshops and panels, outreach, research and collaboration and support groups and services to scholars, healthcare professionals, religious leaders, and the public.

The Endowment Fund of The Institute for Religion and Human Development (the Endowment Trust) is a perpetual trust formed in 1974 as a supporting organization of the Institute for the purpose of providing funds for the Institute. The Endowment Trust is administered and the assets are held by an independent corporate trustee. The Institute's beneficial interest in the Endowment Trust is reported at fair value. The change in value of the Endowment Trust is recognized as an increase or decrease in net assets in the statement of activities. Distributions received from the Endowment Trust are recognized as revenue when received.

Federal income tax status – The Institute is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii).

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Institute is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Conditional contributions received prior to meeting one or more barriers are reported as refundable advances in the statement of financial position.

Special events revenue represents amounts paid by donors, sponsors, and attendees of a fundraising event and is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. The cost of direct donor benefits represent the cost of goods and services provided to attendees of special events.

Rental income is recognized over time in accordance with the terms of the lease agreement.

Tuition and fees are derived primarily from annual conferences and workshops provided throughout the year and consulting contracts. Revenue from conferences and workshops is recognized at a point in time as they occur, and consulting contract revenue is recognized over time as the performance obligations are met. Amounts collected in advance are deferred until performance obligations are met. During 2020, the annual Conference on Medicine and Religion was cancelled as a result of the COVID-19 pandemic. Individuals registered for the 2020 conference were given the option to receive a refund, make a contribution, or apply the fee to the 2021 conference, which was held virtually. Deferred registration fees at June 30, 2022, 2021 and 2020 were $0, $0 and $38,974, respectively. Accounts receivable related to tuition and fees revenue were approximately $7,000, $21,000, and $37,000 at June 30, 2022, 2021, and 2020, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated based on estimated time and effort expended. Other allocated costs are allocated proportionately with salaries and related costs.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2021.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 1,950,235	$ 963,142
Accounts receivable	18,053	21,520
Contributions receivable	2,009,706	87,500
Investments	187,828	237,284
Beneficial interest in Endowment Trust	1,705,688	2,076,345
Total financial assets	5,871,510	3,385,791
Less financial assets not available for general expenditure:		
Beneficial interest in Endowment Trust, less distributions in coming year	(1,601,078)	(1,974,421)
Donor-restricted endowment, less appropriations in coming year	(676,878)	(227,530)
Other donor-restricted assets not expected to be satisfied in coming year	(1,754,205)	
Total financial assets available for general expenditure	$ 1,839,349	$ 1,183,840

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing programming activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

During February 2021, the Institute received a Second Draw loan of $102,347 under the U. S. Small Business Administration's Paycheck Protection Program. This loan was forgiven in January 2022 and has been recognized as government grant revenue.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2022	2021
Demand deposits	$ 1,849,350	$ 862,430
Money market mutual fund	100,885	100,712
Total cash and cash equivalents	$ 1,950,235	$ 963,142

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2022	2021
Contributions receivable	$ 2,034,300	$ 87,500
Discount to net present value at 2.92%	(24,594)	
Total	$ 2,009,706	$ 87,500

Contributions receivable at June 30, 2022 are expected to be collected as follows:

Receivable in one year	$ 1,167,432
Receivable in one to five years	866,868
Total contributions receivable	$ 2,034,300

At June 30, 2022, 81% of contributions receivable are due from one donor.

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Beneficial interest in Endowment Trust			$ 1,705,688	$ 1,705,688
Investments – large blend mutual fund	$ 187,828			187,828
Total assets measured at fair value	$ 187,828	$ 0	$ 1,705,688	$ 1,893,516

Assets measured at fair value at June 30, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Beneficial interest in Endowment Trust			$ 2,076,345	$ 2,076,345
Investments – large blend mutual fund	$ 237,284			237,284
Cash equivalent – money market mutual fund	100,712			100,712
Total assets measured at fair value	$ 337,996	$ 0	$ 2,076,345	$ 2,414,341

Valuation methods used for assets measured at fair value are as follows:

- *Beneficial interest in Endowment Trust* is valued based on the underlying value of the Endowment Trust's investments, as provided by the trustee, which approximates the present value of future cash flows from the Endowment Trust. There is no observable market and the Institute does not have the ability to redeem its interest.
- *Mutual funds* are valued at the published net asset value of shares held at year end.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Cities Changing Diabetes	$ 2,480,603	
COVID vaccine disparities	238,620	
Spiritual Care Coalition	137,182	$ 103,123
Education	35,971	30,971
Other	4,489	14,981
Total subject to expenditure for specified purpose	2,896,865	149,075
Subject to passage of time:		
Beneficial interest in Endowment Trust for operations	1,705,688	2,076,345
Endowment subject to spending policy and appropriation:		
Karff Center for Education	500,000	
Fondren endowment to support operations	187,828	237,284
Total net assets with donor restrictions	$ 5,290,381	$ 2,462,704

NOTE 7 – ENDOWMENT FUND

The Board of Trustees of the Institute has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Institute considers the duration and preservation of the funds and other resources of the Institute in deciding to appropriate or accumulate donor-restricted endowment funds.

Changes in the donor-restricted endowment fund are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, June 30, 2020	$ 40,860	$ 150,000	$ 190,860
Net investment return	55,346		55,346
Distributions	(8,922)		(8,922)
Endowment net assets, June 30, 2021	87,284	150,000	237,284
Contributions		500,000	500,000
Net investment return	(39,702)		(39,702)
Distributions	(9,754)		(9,754)
Endowment net assets, June 30, 2022	$ 37,828	$ 650,000	$ 687,828

Annual endowment distributions support the mission driven needs of the Institute. The distribution is calculated using 5% for the average market value of the preceding 3 calendar years.

NOTE 8 – LEASE COMMITMENTS

Texas Medical Center property:

The Texas Medical Center (TMC), a Texas nonprofit organization, granted use of land in the medical center to the Institute in 1960. The land is subject to permanent restrictions generally requiring the land to be used in compliance with various deed restrictions administered by the TMC for promoting health, education and research and for hospital, medial, and educational purposes. In 2004, with the approval of TMC, the Institute leased this land to The Methodist Hospital (TMH) in exchange for a lease from TMH for office space to be used by the Institute. These two leases are summarized as follows:

As lessor – The Institute leases its interest in land in TMC to TMH for 99 years, with a renewal option for an additional 99 years. The lease calls for payments to the Institute totaling approximately $172,000 per year, subject to an annual Consumer Price Index adjustment each year. The lease is a net lease, with TMH paying any taxes, insurance, construction, and maintenance. Rental income recognized under the terms of this lease was $218,524 in 2022 and $211,723 in 2021.

As lessee – TMH provides office space to the Institute in a TMH building in proximity to the medical center for a term of 99 years, with a renewal option for an additional 99 years. The lease is a net lease, with the Institute paying a pro rata share of the building operating costs. The specific office space and the building operating expenses to be paid by the Institute are determined periodically. Lease expense under this agreement was approximately $71,000 in 2022 and $56,000 in 2021.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Institute has a retirement savings plan for the benefit of all employees through a voluntary salary contribution. The Institute matches employee contributions up to 3% of annual compensation. Employer contributions for fiscal years ended June 30, 2022 and 2021 totaled $14,813 and $13,167, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.