THE INSTITUTE FOR SPIRITUALITY AND HEALTH

FINANCIAL STATEMENTS

Year Ended June 30, 2016 and 2015

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JONATHAN B TUCKER CPA

INDEPENDENT AUDITOR'S REPORT

To the BOARD of TRUSTEES of THE INSTITUTE FOR SPIRITUALITY AND HEALTH

I have audited the accompanying financial statements of THE INSTITUTE FOR SPIRITUALITY AND HEALTH (a nonprofit organization), which comprise the statement of financial position as of JUNE 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE INSTITUTE FOR SPIRITUALITY AND HEALTH as of JUNE 30, 2016 and 2015, 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.

Jonathan B Tucker CPA

FEBRUARY 15, 2017

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	JUNE 30, 2016	JUNE 30, 2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 378,815	$ 326,693
PLEDGES AND OTHER RECEIVABLE	3,591	348
PREPAID EXPENSES	10,873	8,062
ENDOWMENT FUND	159,007	166,674
BENEFICIAL INTEREST IN ENDOWMENT TRUST	1,553,672	1,731,211
PROPERTY AND EQUIPMENT, NET	2,191	510
TOTAL ASSETS	$ 2,108,149	$ 2,233,498
LIABILITIES		
ACCOUNTS PAYABLE	$ 11,282	$ 6,432
ACCRUED EXPENSES	347	389
TOTAL LIABILITIES	11,629	6,821
NET ASSETS		
UNRESTRICTED	314,933	308,341
TEMPORARILY RESTRICTED	68,908	20,451
PERMANENTLY RESTRICTED	1,712,679	1,897,885
TOTAL NET ASSETS	2,096,520	2,226,677
TOTAL LIABILITIES AND NET ASSETS	$ 2,108,149	$ 2,233,498

YEAR ENDED JUNE 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE				
CONTRIBUTIONS AND GRANTS	$ 164,622	$ 55,118	$	$ 219,740
RENTAL INCOME	197,966			197,966
INCOME FROM ENDOWMENT TRUST	84,270			84,270
INCOME FROM ENDOWMENT FUND	199			199
PROGRAM INCOME	110,173			110,173
SPEECIAL EVENT INCOME	239,200			239,200
DIRECT DONOR BENEFITS	(20,205)			(20,205)
OTHER INCOME	160			160
CONTRIBUTED SERVICES	42,000			42,000
NET ASSETS RELEASED FROM RESTRICTION				
PROGRAM EXPENDITURES	14,328	(6,661)	(7,667)	-
TOTAL REVENUE	832,713	48,457	(7,667)	873,503
EXPENSES				
PROGRAM EXPENSES				
EDUCATIONAL WORKSHOPS AND PANELS	218,358			218,358
OUTREACH	98,567			98,567
RESEARCH AND COLLABORATION	193,700			193,700
SUPPORT GROUPS AND SERVICES	101,190			101,190
TOTAL PROGRAM EXPENSES	611,815			611,815
MANAGEMENT AND GENERAL	91,456			91,456
FUNDRAISING	122,850			122,850
TOTAL EXPENSES	826,121			826,121
EXCESS OF REVENUES OVER EXPENSES	6,592	48,457	(7,667)	47,382
CHANGE IN ENDOWMENT TRUST	-	-	(177,539)	(177,539)
CHANGES IN NET ASSETS	6,592	48,457	(185,206)	(130,157)
BEGINNING NET ASSETS	308,341	20,451	1,897,885	2,226,677
ENDING NET ASSETS	$ 314,933	$ 68,908	$ 1,712,679	$ 2,096,520

YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE				
CONTRIBUTIONS AND GRANTS	$ 170,027	$ 15,350	$	$ 185,377
RENTAL INCOME	191,709			191,709
INCOME FROM ENDOWMENT TRUST	82,392			82,392
INCOME FROM ENDOWMENT FUND	5,733			5,733
PROGRAM INCOME	35,342			35,342
SPEECIAL EVENT INCOME	324,450			324,450
DIRECT DONOR BENEFITS	(124,947)			(124,947)
OTHER INCOME	54			54
CONTRIBUTED SERVICES	43,610			43,610
NET ASSETS RELEASED FROM RESTRICTION				
PROGRAM EXPENDITURES	111,247	(111,247)	-	-
TOTAL REVENUE	839,617	(95,897)	-	743,720
EXPENSES				
PROGRAM EXPENSES				
EDUCATIONAL WORKSHOPS AND PANELS	176,757			176,757
OUTREACH	63,105			63,105
RESEARCH AND COLLABORATION	118,946			118,946
SUPPORT GROUPS AND SERVICES	99,513			99,513
TOTAL PROGRAM EXPENSES	458,321			458,321
MANAGEMENT AND GENERAL	148,768			148,768
FUNDRAISING	145,500			145,500
TOTAL EXPENSES	752,589			752,589
EXCESS OF REVENUES OVER EXPENSES	87,028	(95,897)	-	(8,869)
CHANGE IN ENDOWMENT TRUST	-	-	(77,136)	(77,136)
RECLASSIFICATION OF CHANGE IN ENDOWMENT FUND	1,999	-	(1,999)	-
CHANGES IN NET ASSETS	89,027	(95,897)	(79,135)	(86,005)
BEGINNING NET ASSETS	219,314	116,348	1,977,020	2,312,682
ENDING NET ASSETS	$ 308,341	$ 20,451	$ 1,897,885	$ 2,226,677

YEAR ENDED JUNE 30, 2016

		EDUCATIONAL WORKSHOPS AND PANELS	OUTREACH	RESEARCH AND COLLABORATION	SUPPORT GROUPS AND SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING		TOTAL
PROGRAMS AND OPERATIONS	$	42,109	16,154	53,655	500	2,441	12,232	$	127,091
PROFESSIONAL SERVICES		15,055	2,938	12,286	-	28,244	30,000		88,523
PAYROLL AND RELATED BENEFITS		134,975	54,096	107,007	84,506	45,623	49,934		476,141
OCCUPANCY		20,970	8,421	16,591	12,898	7,074	7,742		73,696
OTHER		5,249	2,258	4,161	3,286	1,774	1,942		18,670
CONTRIBUTED SERVICES		-	14,700	-	-	6,300	21,000		42,000
TOTAL	$	218,358	98,567	193,700	101,190	91,456	122,850	$	826,121

YEAR ENDED JUNE 30, 2015

		EDUCATIONAL WORKSHOPS AND PANELS	OUTREACH	RESEARCH AND COLLABORATION	SUPPORT GROUPS AND SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING		TOTAL
PROGRAMS AND OPERATIONS	$	62,539	12,558	22,226	2,433	6,009	13,536	$	119,301
PROFESSIONAL SERVICES		10,024	-	13,000	-	25,649	12,650		61,323
PAYROLL AND RELATED BENEFITS		85,796	29,981	70,019	81,193	92,676	82,225		441,890
OCCUPANCY		13,044	4,558	10,646	12,345	14,090	12,501		67,184
OTHER		3,744	1,308	3,055	3,542	4,044	3,588		19,281
CONTRIBUTED SERVICES		1,610	14,700	-	-	6,300	21,000		43,610
TOTAL	$	176,757	63,105	118,946	99,513	148,768	145,500	$	752,589

See accompanying notes to financial statements

	YEAR ENDED JUNE 30, 2016	YEAR ENDED JUNE 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGES IN NET ASSETS	$ (130,157)	$ (86,005)
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
CHANGE IN ENDOWMENT TRUST	177,539	77,136
DEPRECIATION	469	1,228
PLEDGES AND OTHER RECEIVABLE	(3,243)	86,764
PREPAID EXPENSES	(2,810)	42,664
ACCOUNTS PAYABLE	5,123	4,092
ACCRUED EXPENSES	(316)	168
DEFERRED REVENUE	-	(92,500)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	46,605	33,547
CASH FLOWS FROM INVESTING ACTIVITIES		
PURCHASE OF EQUIPMENT	(2,150)	
ENDOWMENT FUND	7,667	1,999
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,517	1,999
NET INCREASE (DECREASE) IN CASH	52,122	35,546
CASH, BEGINNING OF YEAR	326,693	291,147
CASH, END OF YEAR	$ 378,815	$ 326,693
SUPPLEMENTAL DISCLOSURES		
INCOME TAXES PAID	$ -	$ -
INTEREST PAID	$ -	$ -

 See accompanying notes to financial statements

NOTE 1: NATURE OF ORGANIZATION

The Institute for Spirituality and Health (the Institute) is a Texas nonprofit corporation established in 1955. The Institute is dedicated to the concepts that humans are spiritual beings and that our understanding of healthcare should reflect this reality. Our mission is to increase awareness of the role that spirituality plays in health and healing, in coping with chronic illness and in maintaining optimal health.

The Institute seeks to contribute to the conversation around spirituality and health by bringing together scholars, healthcare professionals, religious leaders, and the public.

Programs include:

Educational workshops and panels
Outreach
Research and collaboration
Support groups and services

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Institute is presented to assist in understanding the Institute's financial statements. The financial statements and notes are the representation of the Institute's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Basis of accounting

The financial statements have been prepared using the accrual basis of accounting. Consequently, support and revenues and the related assets are recognized when earned and expenses are recognized when a liability is incurred. Accordingly, the financial statements are intended to present assets, liabilities, revenues, expenses and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Presentation of financial statements

The classification of the Institute’s net assets and its support, revenue and expenses is based on the existence or absence of donor imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Cash and cash equivalents

For purposes of the statement of financial position, the Institute considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At year end, cash and cash equivalents included only demand deposits at commercial banks.

Pledges and other receivable

Pledges and other receivables that are expected to be collected within one year are reported at net realizable value. If material, amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using assumed risk-free interest rates applicable to the years in which the pledges are received. Amortization of discounts are included in contribution revenue. An allowance for pledges is made when it is believed that pledges receivable may not be collected in full.

Property and equipment

Property and equipment are recorded at cost, or, if donated, at fair market value on the date of donation. The Institute capitalizes individual property items with a cost in excess of $1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful life for existing assets vary from 3 to 10 years. Depreciation expense is allocated among programs and supporting services benefited.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of year-end. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

Contributed services

The Institute receives donated services from certain professionals for program, or management activities and fundraising consulting. The donated services require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. The fair value of these services have been recognized in the statement of activities as in-kind support because the criteria for recognition under FAS ASC 958 have been satisfied.

The Institute also receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under FAS ASC 958 have not been satisfied.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Institute is exempt from federal income taxes 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).

The Institute's IRS Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after filing.

NOTE 3: PREPAID EXPENSES

At June 30, 2016, prepaid expenses consist of the following:

Prepaid expense – office rent	$	6,126
Prepaid expense - other		4,747
Total prepaid expenses	$	10,873

At June 30, 2015, prepaid expenses consist of the following:

Prepaid expense – office rent	$	5,824
Prepaid expense - other		2,238
Total prepaid expenses	$	8,062

NOTE 4: ENDOWMENT FUND

In fiscal year 2012, the Institute received an endowment grant from a foundation in the amount of $150,000 restricted for the purpose of funding important strategic goals. The Board approved a resolution to create a permanent endowment fund from the grant and established a distribution policy whereby 5% of the average fund balance will be distributed annually towards funding Institute programs. The endowment fund is invested in a balanced fund of several underlying actively managed funds of a large mutual fund company.

At June 30, 2016, the endowment fund consists of the following:

Balance at June 30, 2015	$	166,674
Change in value and/or reinvestment of earnings		(7,468)
Distribution from endowment fund		(199)
Change in endowment fund		(7,667)
Balance at June 30, 2016	$	159,007

At June 30, 2015, the endowment fund consists of the following:

Balance at June 30, 2014	$	168,673
Change in value and/or reinvestment of earnings		5,733
Distribution from endowment fund		(7,732)
Change in endowment fund		(1,999)
Balance at June 30, 2015	$	166,674

NOTE 5: BENEFICIAL INTEREST IN ENDOWMENT TRUST

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 the fair value of the trust assets. The change in the value of the Endowment Trust from year to year 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.

The assets of the Endowment Trust in which the Institute has a beneficial interest consists of the following:

Equity securities:		June 30, 2016		June 30, 2015
US Large Cap Equity	$	573,539	$	607,429
US Mid Cap Equity		68,271		143,406
EAFE Equity		334,939		348,474
European Large Cap Equity		14,651		-
Japanese Large Cap Equity		26,844		22,860
Asia ex-Japan Equity		-		101,997
Emerging Market Equity		-		17,479
Global Equity		161,077		159,489
Alternative Assets:				
Hedge Funds		131,340		166,060
Hard Assets		-		15,932
Cash & Fixed Income:				
Cash		60,274		39,033
US Fixed Income		179,077		104,392
Cash Position:		3,660		4,660
Total assets of endowment trust	$	1,553,672	$	1,731,211

Certain investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

At June 30, 2016, the endowment trust consists of the following:

Balance at June 30, 2015	$	1,731,211
Change in value and/or reinvestment of earnings		(93,269)
Distribution from endowment trust		(84,270)
Change in endowment trust		(177,539)
Balance at June 30, 2016	$	1,553,672

At June 30, 2015, the endowment trust consists of the following:

Balance at June 30, 2014	$	1,808,347
Change in value and/or reinvestment of earnings		5,256
Distribution from endowment trust		(82,392)
Change in endowment trust		(77,136)
Balance at June 30, 2015	$	1,731,211

NOTE 6: 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, 2016 are as follows:

	Level 1	Level 2	Level 3
Endowment fund	$ 159,007	$ -	$ -
Endowment trust	-	1,553,672	-
Total	$ 159,007	$ 1,553,672	$ -

Assets measured at fair value at June 30, 2015 are as follows:

	Level 1	Level 2	Level 3
Endowment fund	$ 166,674	$ -	$ -
Endowment trust	-	1,731,211	-
Total	$ 166,674	$ 1,731,211	$ -

NOTE 7: PROPERTY AND EQUIPMENT

At June 30, 2016 property and equipment consists of the following:

Furniture	$	10,969
Equipment		30,993
Accumulated depreciation		(39,871)
		2,091
Land		100
Total property and equipment, net	$	2,191
Total depreciation expense at June 30, 2016	$	469

At June 30, 2015 property and equipment consists of the following:

Furniture	$	10,969
Equipment		28,843
Accumulated depreciation		(39,402)
		410
Land		100
Total property and equipment, net	$	510
Total depreciation expense at June 30, 2015	$	1,228

The Texas Medical Center (TMC), a Texas nonprofit organization, granted land in the medical center area 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 the purpose of promoting health, education, and research and for hospital, medical, and educational purposes. Until 2004, the Institute conducted its operations from a building located on that site. In 2004, the Institute leased its land to The Methodist Hospital (TMH), leased office space from TMH, and relocated its operations to the leased office space. See Note 9 related to lease commitments in connection with the land.

NOTE 8: NET ASSETS - RESTRICTED

At June 30, 2016, restricted net assets consist of the following:

Temporarily restricted, purpose (various programs)	$	68,908
Permanently restricted, endowments		1,712,679
Total restricted net assets	$	1,781,587

At June 30, 2015, restricted net assets consist of the following:

Temporarily restricted, purpose (various programs)	$	20,451
Permanently restricted, endowments		1,897,885
Total restricted net assets	$	1,918,336

NOTE 9: LEASE COMMITMENTS

As lessor – In fiscal year 2004, the Institute entered into an agreement with the Texas Medical Center (TMC) to lease the Institute's land to The Methodist Hospital (TMH) for 99 years, with a renewal option for an additional 99 years. The lease calls for payments of a fixed amount, subject to an annual consumer price index adjustment. The lease is a net lease, with TMH paying any taxes, insurance, construction, and maintenance. For the year ending June 30, 2016, total lease revenue was approximately $192,666.

As lessee – In a related lease agreement, TMH agreed to provide 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 (utilities, cleaning, janitorial, repairs, restoration, insurance premiums, taxes, security, maintenance, and service contracts). The specific office space and the building operating expenses to be paid by the Institute are determined periodically. The initial lease term for the Institute's office space was 10 years, with fixed monthly payments established in the lease agreement. The lease was amended to reduce the leased space, to extend the lease period and to adjust the fixed monthly payments. Lessor periodically provides a letter with amended budgeted operating costs, which are usually adjusted annually at the beginning of each calendar year.

In addition to office space, the Institute leases certain office equipment under noncancellable operating leases. For the year ending June 30, 2016, total lease expense for office rental and equipment was approximately $78,486.

At June 30, 2016, future minimum operating lease payments are:

Year ending June 30,		
2017	$	76,338
2018		2,831
2019		1,887
2020		-
Thereafter		-
Total future minimum operating lease payments	$	81,056

NOTE 10: CONCENTRATIONS OF CREDIT RISK

The financial instruments that potentially subject the Institute to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions, which from time to time could exceed the Federal Depository Insurance Coverage (“FDIC”) limit.

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor’s Report, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that need to be disclosed or would have an impact on reported net assets or change in net assets.