The Institute for Spirituality and Health

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2023 and 2022

The Institute for Spirituality and Health

Table of Contents

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023 and 2022, 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, 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 *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

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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

December 13, 2023

The Institute for Spirituality and Health

Statements of Financial Position as of June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents *(Notes 3 and 4)*	$ 585,092	$ 1,950,235
Accounts receivable and other assets	8,475	32,447
Contributions receivable	1,888,168	2,009,706
Endowment investments *(Note 4)*	728,006	187,828
Beneficial interest in Endowment Trust *(Note 4)*	1,825,680	1,705,688
TOTAL ASSETS	$ 5,035,421	$ 5,885,904
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 47,962	$ 61,308
Commitments *(Note 7)*		
Net assets:		
Without donor restrictions	474,182	534,215
With donor restrictions *(Notes 5 and 6)*	4,513,277	5,290,381
Total net assets	4,987,459	5,824,596
TOTAL LIABILITIES AND NET ASSETS	$ 5,035,421	$ 5,885,904

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statement of Activities for the year ended June 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 167,195	$ 160,366	$ 327,561
Rental income	229,450		229,450
Registration and contract fees	71,152		71,152
Investment return	8,636	40,177	48,813
Distributions from Endowment Trust	96,568		96,568
Total revenue	573,001	200,543	773,544
Net assets released from restrictions:			
Expenditures for program purposes	1,097,639	(1,097,639)	
Total	1,670,640	(897,096)	773,544
EXPENSES:			
Program services:			
Body Mind and Spirit	154,515		154,515
End of Life Aging	131,225		131,225
Faith & Public Health	867,163		867,163
Karff Center	156,896		156,896
Communications & Other Programs	112,546		112,546
Total program services	1,422,345		1,422,345
Management and general	236,307		236,307
Fundraising	72,021		72,021
Total expenses	1,730,673		1,730,673
OTHER CHANGES:			
Net change in beneficial interest in Endowment Trust		119,992	119,992
CHANGES IN NET ASSETS	(60,033)	(777,104)	(837,137)
Net assets, beginning of year	534,215	5,290,381	5,824,596
Net assets, end of year	$ 474,182	$ 4,513,277	$ 4,987,459

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:			
Body Mind and Spirit	57,104		57,104
End of Life Aging	138,672		138,672
Faith & Public Health	183,172		183,172
Karff Center	329,868		329,868
Communications & Other Programs	326,516		326,516
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

Statements of Functional Expenses for the years ended June 30, 2023 and 2022

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Salaries and related benefits	$ 602,866	$ 118,548	$ 35,731	$ 757,145
Professional and contract services	622,255	83,295	30,037	735,587
Occupancy	64,612	12,457	3,741	80,810
Venue rental and food and beverage	56,529	5,118	209	61,856
Printing, postage, and supplies	27,488	1,722	239	29,449
Telephone and equipment	22,355	3,884	1,938	28,177
Conferences and training	11,865			11,865
Other	14,375	11,283	126	25,784
Total expenses	$ 1,422,345	$ 236,307	$ 72,021	$ 1,730,673

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Salaries and related benefits	$ 557,973	$ 145,380	$ 43,793	$ 747,146
Professional and contract services	214,037	52,385	30,040	296,462
Occupancy	55,709	14,522	4,372	74,603
Venue rental and food and beverage	110,877			110,877
Printing, postage, and supplies	45,824	2,437		48,261
Telephone and equipment	24,294	5,649	11,964	41,907
Conferences and training	19,819			19,819
Other	6,799	11,700	1,895	20,394
Total expenses	$ 1,035,332	$ 232,073	$ 92,064	$ 1,359,469

See accompanying notes to financial statements.

The Institute for Spirituality and Health

Statements of Cash Flows for the years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (837,137)	$ 2,550,950
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss on investments	(23,670)	42,908
Change in beneficial interest in Endowment Trust	(119,992)	370,657
Changes in operating assets and liabilities:		
Accounts receivable and other assets	23,972	(1,271)
Contributions receivable	121,538	(1,922,206)
Accounts payable and accrued expenses	(13,346)	41,854
Refundable advances		(102,347)
Net cash provided (used) by operating activities	(848,635)	980,545
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,009,998	9,754
Purchase of investments	(1,511,288)	(3,206)
Net change in money market funds held as investments	(15,218)	
Net cash provided (used) by investing activities	(516,508)	6,548
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,365,143)	987,093
Cash and cash equivalents, beginning of year	1,950,235	963,142
Cash and cash equivalents, end of year	$ 585,092	$ 1,950,235

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. At June 30, 2023 all contributions receivable are due within one year. At June 30, 2023, 81% of contributions receivable are due from one donor.

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. Investment return is reported in the statement of activities as an increase in *net assets without donor restrictions* unless the use of the income is limited by donor-imposed restrictions. Net investment return whose use is restricted by the donor is reported as a change in *net assets with donor restrictions* until expended in accordance with donor-imposed restrictions.

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.

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

Registration and contract 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. There were no deferred registration fees at June 30, 2023, 2022 and 2021. Accounts receivable related to tuition and fees revenue were approximately $1,750, $7,000, and $21,000 at June 30, 2023, 2022, and 2021, 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.

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:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 585,092	$ 1,950,235
Accounts receivable	1,750	18,053
Contributions receivable	1,888,168	2,009,706
Investments	728,006	187,828
Beneficial interest in Endowment Trust	1,825,680	1,705,688
Total financial assets	5,028,696	5,871,510
Less financial assets not available for general expenditure:		
Beneficial interest in Endowment Trust, less distributions in coming year	(1,744,124)	(1,601,078)
Donor-restricted endowment, less appropriations in coming year	(728,006)	(676,878)
Other donor-restricted assets not expected to be satisfied in coming year	(929,833)	(1,754,205)
Total financial assets available for general expenditure	$ 1,626,733	$ 1,839,349

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 (PPP). This loan was forgiven in January 2022 and was recognized as government grant revenue in 2022.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2023	2022
Demand deposits	$ 56,326	$ 1,849,350
Money market mutual fund	528,766	100,885
Total cash and cash equivalents	$ 585,092	$ 1,950,235

NOTE 4 – 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, 2023 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Beneficial interest in Endowment Trust			$ 1,825,680	$ 1,825,680
Endowment investments:				
U. S. Treasury securities	$ 503,501			503,501
Large blend mutual fund	209,287			209,287
Money market mutual fund	15,218			15,218
Total investments	728,006			728,006
Cash and cash equivalents – money market mutual fund	528,766			528,766
Total assets measured at fair value	$ 1,256,772	$ 0	$ 1,825,680	$ 3,082,452

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
Endowment investments – large blend mutual fund	$ 187,828			187,828
Cash and cash equivalents – money market mutual fund	100,885			100,885
Total assets measured at fair value	$ 288,713	$ 0	$ 1,705,688	$ 1,994,401

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.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *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 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2023	2022
Subject to expenditure for specified purpose:		
Cities Changing Diabetes	$ 1,762,321	$ 2,480,603
Spiritual Care Coalition	107,923	137,182
Education	69,001	35,971
COVID vaccine disparities	15,858	238,620
Other	4,488	4,489
Subject to passage of time:		
Beneficial interest in Endowment Trust for operations	1,825,680	1,705,688
Endowment funds subject to spending policy and appropriation:		
Karff Center for Education	518,719	500,000
Fondren endowment to support operations	209,287	187,828
Total net assets with donor restrictions	$ 4,513,277	$ 5,290,381

NOTE 6 – 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, 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
Net investment return	40,178		40,178
Endowment net assets, June 30, 2023	$ 78,006	$ 650,000	$ 728,006

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

NOTE 7 – 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 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 $229,450 in 2023 and $218,524 in 2022.

As lessee – TMH is committee to provide up to 8,000 square feet of 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 $76,000 in 2023 and $71,000 in 2022.

NOTE 8 – 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, 2023 and 2022 totaled approximately $14,800 for each year.

NOTE 9 – CONDITIONAL CONTRIBUTIONS

During 2023, the Institute received a conditional 2-year matching gift of $75,000 per year to support operations. As of June 30, 2023, $75,000 of this matching gift has been recognized. The Institute will recognize the remaining $75,000 contribution in 2024 when the matching conditions are met.

Additionally, during 2023, the Institute received a cost reimbursement grant of up to $119,808 to increase vaccine coverage across different racial and ethnic adult populations currently experiencing disparities. The grant period is from April 30, 2023 through April 30, 2024. The Institute has recognized contribution revenue of approximately $17,500 during 2023.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2023, 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.
