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HEALTHCARE CHAPLAINCY INC. & AFFILIATES

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

HealthCare Chaplaincy Inc. & Affiliates
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June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 combined 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 audits.

Lear & Pannepacker, LLP

Princeton, New Jersey
February 13, 2025

HealthCare Chaplaincy Inc. & Affiliates
Combined Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash	$ 81,323	$ 184,783
Investments	4,078,499	3,869,469
Accounts receivable, net	190,206	180,244
Payroll tax assistance receivable - CARES Act	--	403,223
Pledges receivable	75,000	--
Prepaid expenses and other assets	169,331	176,716
Beneficial interest in charitable remainder trusts	205,174	176,682
Property and equipment, net	389,048	404,440
Operating lease right-of-use asset	490,342	611,547
Total assets	$ 5,678,923	$ 6,007,104
Liabilities and net assets		
Liabilities		
Accounts payable	$ 59,236	$ 38,998
Accrued expenses and other liabilities	108,203	112,975
Deferred revenue	113,352	73,752
Lease liability	795,182	960,485
EIDL note payable	203,918	208,408
Total liabilities	1,279,891	1,394,618
Net assets		
Without donor restrictions	1,594,868	1,872,814
With donor restrictions	2,804,164	2,739,672
Total net assets	4,399,032	4,612,486
Total liabilities and net assets	$ 5,678,923	$ 6,007,104

See notes to combined financial statements

HealthCare Chaplaincy Inc. & Affiliates
Combined Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Contributions of financial assets			
Foundations and trusts	$ 326,008	$ 103,492	$ 429,500
Religious organizations	750	--	750
Individuals/estates	49,080	--	49,080
Service revenue	600,069	--	600,069
Membership fees	129,253	--	129,253
Educational fees	452,283	--	452,283
Certification and credentialing	157,092	--	157,092
Annual conference income	62,453	--	62,453
Other income	99,765	--	99,765
	1,876,753	103,492	1,980,245
Net assets released from restrictions	39,000	(39,000)	--
Total revenue, gains and other support	1,915,753	64,492	1,980,245
Expenses			
Program services			
Clinical services	591,270	--	591,270
Education	168,738	--	168,738
Research	112,494	--	112,494
UTS	819,510	--	819,510
Spiritual Care Association	795,638	--	795,638
Total program services	2,487,650	--	2,487,650
Supporting services			
General and administrative	98,433	--	98,433
Advancement	161,629	--	161,629
Total supporting services	260,062	--	260,062
Total expenses	2,747,712	--	2,747,712
Change in net assets from operating activities	(831,959)	64,492	(767,467)
Non-operating income (expense)			
Investment income	559,030	--	559,030
Rental income	110,184	--	110,184
Change in value of charitable remainder trusts	28,492	--	28,492
Non-operating rent expense	(127,918)	--	(127,918)
Other non-operating expenses	(15,775)	--	(15,775)
Change in net assets	(277,946)	64,492	(213,454)
Net assets – beginning of year	1,872,814	2,739,672	4,612,486
Net assets – end of year	$ 1,594,868	$ 2,804,164	$ 4,399,032

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 Functional Expenses
Year Ended June 30, 2024

	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	$ 473,528	$ 103,554	$ 69,036	$ 317,617	$ 288,978	$ 1,252,713	$ 60,404	$ 130,658	$ 191,062	$ 1,443,775
Professional fees	45,358	8,496	5,664	190,027	264,551	514,096	4,955	3,540	8,495	522,591
Employee benefits	24,130	20,683	13,789	59,299	46,537	164,438	12,065	8,618	20,683	185,121
Information systems	3,289	2,819	1,879	29,321	45,771	83,079	1,645	1,175	2,820	85,899
Insurance	11,521	9,875	6,583	25,166	22,219	75,364	5,759	4,115	9,874	85,238
Payroll taxes	10,375	8,893	5,929	26,483	20,009	71,689	5,188	3,705	8,893	80,582
Advertising	--	--	--	48,566	--	48,566	--	--	--	48,566
Pension expense	6,026	5,165	3,444	11,622	11,622	37,879	3,014	2,152	5,166	43,045
Conferences and other events	--	--	--	--	34,249	34,249	--	--	--	34,249
Rent	--	--	--	33,218	--	33,218	--	--	--	33,218
Other office expenses	1,523	1,305	870	19,552	7,318	30,568	761	544	1,305	31,873
Recruiting and moving expenses	2,636	2,259	1,506	5,084	9,113	20,598	1,319	941	2,260	22,858
Travel	2,806	1,983	1,322	4,647	8,700	19,458	1,158	826	1,984	21,442
Bad debt expense	--	--	--	20,280	--	20,280	--	--	--	20,280
Depreciation and amortization	427	366	244	824	15,790	17,651	214	153	367	18,018
Dues	5,269	268	179	3,621	3,578	12,915	157	3,471	3,628	16,543
Other printed materials	834	715	477	4,674	4,760	11,460	418	298	716	12,176
Mailing costs	1,070	918	612	2,088	5,523	10,211	536	693	1,229	11,440
Office supplies	365	313	209	7,573	736	9,196	184	270	454	9,650
Telephone	195	167	111	7,690	376	8,539	97	70	167	8,706
Interest	878	753	502	1,694	1,694	5,521	439	314	753	6,274
Other staff support and development	1,040	206	138	464	1,114	2,962	120	86	206	3,168
Library and subscriptions	--	--	--	--	3,000	3,000	--	--	--	3,000
Total expenses	$ 591,270	$ 168,738	$ 112,494	$ 819,510	$ 795,638	$ 2,487,650	$ 98,433	$ 161,629	$ 260,062	$ 2,747,712

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
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
Advertising	--	--	--	21,006	--	21,006	--	--	--	21,006
Pension expense	5,985	5,130	3,420	11,543	11,543	37,621	2,992	2,139	5,131	42,752
Conferences and other events	--	--	--	--	184,844	184,844	--	--	--	184,844
Rent	--	--	--	47,530	--	47,530	--	--	--	47,530
Other office expenses	1,746	1,293	862	16,899	2,915	23,715	754	576	1,330	25,045
Recruiting and moving expenses	3,296	2,825	1,883	6,357	10,230	24,591	1,646	1,178	2,824	27,415
Travel	3,184	2,729	1,819	7,655	9,811	25,198	1,592	1,137	2,729	27,927
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
Mailing costs	275	235	157	583	1,038	2,288	137	98	235	2,523
Office supplies	657	563	375	2,266	2,750	6,611	327	311	638	7,249
Telephone	193	166	110	10,130	373	10,972	96	69	165	11,137
Interest	192	142	95	1,862	321	2,612	83	64	147	2,759
Other staff support and development	1,539	35	23	78	78	1,753	21	14	35	1,788
Library and subscriptions	--	--	--	--	10,424	10,424	--	--	--	10,424
Utilities	631	541	361	2,136	1,217	4,886	317	225	542	5,428
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 Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	$(213,454)	$(364,664)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,018	18,410
Change in value of charitable remainder trusts	(28,492)	(16,789)
Realized and unrealized gains on investments	(501,857)	(484,543)
Non-cash operating lease expense	(44,098)	348,938
(Increase) decrease in operating assets:		
Accounts receivable, net	(9,962)	10,963
Payroll tax assistance receivable - CARES Act	403,223	(403,223)
Pledges receivable	(75,000)	10,000
Prepaid expenses and other assets	7,385	(50,544)
Increase (decrease) in operating liabilities:		
Accounts payable	20,238	(46,093)
Accrued expenses and other liabilities	(4,772)	(48,042)
Deferred revenue	39,600	(19,865)
Accrued interest on EIDL note payable	844	5,472
Net cash used in operating activities	(388,327)	(1,039,980)
Cash flows from investing activities		
Purchase of investments	(1,500,066)	(2,224,091)
Acquisition of property and equipment	(2,626)	--
Proceeds from sale of investments	1,792,893	3,340,441
Net cash provided by investing activities	290,201	1,116,350
Cash flows from financing activities		
Payments on EIDL note payable	(5,334)	(5,334)
Net cash used in financing activities	(5,334)	(5,334)
Change in cash	(103,460)	71,036
Cash at beginning of year	184,783	113,747
Cash at end of year	$ 81,323	$ 184,783
Supplemental disclosure of cash flow information		
Cash paid for the years for interest	$ 10,668	$ 4,445

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, Inc. (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 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	
	2024	2023	2024	2023
Beginning of year	$ 180,244	$ 191,207	$ 73,752	$ 93,617
End of year	$ 190,206	$ 180,244	$ 113,352	$ 73,752

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, 2024 and 2023, 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, 2024 and 2023, the Organization had an allowance for doubtful accounts of $89,158 and $68,878, 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 $48,566 and $21,006 for the years ended June 30, 2024 and 2023, respectively.

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, Inc. 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 2023 amounts were reclassified to conform to the 2024 presentation.

Note 2 – Adoption of new accounting pronouncement

In June 2016, the FASB Issued ASU No. 2016-13, Financial Instruments (Topic 326), Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326), which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. Topic 326 was effective for the year ended June 30, 2024. The Organization determined that the adoption of this standard did not have a significant impact on its financial statements.

Note 3 – 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.

Note 4 – Investments and fair value measurements
Investment composition and classification of investments within the fair value hierarchy was as follows:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Equities	$ 2,974,534	$ --	$ --	$ 2,974,534
Fixed income	962,025	--	--	962,025
Subtotal	$ 3,936,559	$ --	$ --	3,936,559
Cash and cash equivalents				141,940
Total investments				$ 4,078,499

	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

Investment income (loss) consists of the following for the years ended June 30:

	2024	2023
Interest and dividend income	$ 93,714	$ 94,662
Net realized and unrealized gain	501,857	484,543
Investment fees	(36,541)	(36,012)
	$ 559,030	$ 543,193

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in market conditions in the near term would materially affect the amounts reported in the accompanying combined financial statements.

Note 5 – Property and equipment
Property and equipment, net consists of the following at June 30:

	2024	2023
Works of art and antique furniture	$ 384,675	$ 384,675
Furniture, fixtures and equipment	15,673	13,046
Software development costs	44,870	44,870
Website	43,000	43,000
Library supplies	12,070	12,070
Leasehold improvements	4,200	4,200
	504,488	501,861
Less: accumulated depreciation and amortization	(115,440)	(97,421)
	$ 389,048	$ 404,440

Depreciation and amortization expenses were $18,018 and $18,410 for the years ended June 30, 2024 and 2023, respectively.

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

	2024	2023
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	205,174	176,682
Restricted for course development	6,000	45,000
Multi-year grant receivable	75,000	--
	$ 2,804,164	$ 2,739,672

Net assets of $39,000 were released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors during the year ended June 30, 2024.

Note 8 – Donor-restricted endowments
The Organization has donor-restricted endowment funds, the corpus of which is permanently restricted. The following applies to the donor-restricted endowments:

Interpretation of relevant law
The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are classified as donor restricted and are recorded at historical value.

Investment and spending policies
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are donor restricted funds that the Organization must hold in perpetuity.

Note 8 – Donor-restricted endowments (continued)

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment funds.
- The purposes of the Organization and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation/depreciation of investments.
- Other resources of the Organization.
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Organization.
- The investment policy of the Organization.

Endowment net assets are all permanently restricted, with income expended annually for the intended purposes. There were no changes in the composition of endowments for the years ended June 30, 2024 and 2023.

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

Note 9 – 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 2.9%. The remaining weighted average lease term was 54.7 months at June 30, 2024. 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, 2024 and 2023, was $161,136 and $462,762, respectively. The Organization recorded an impairment loss on the right-of-use asset of $249,589 in the year ended June 30, 2023 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.

Note 9 – Leasing arrangements (continued)
The maturities of lease liabilities as of June 30, 2024 were as follows:

Year ending June 30,	
2025	$ 200,454
2026	163,963
2027	168,062
2028	172,264
2029	146,779
Total lease payments	851,522
Less amount representing interest	(56,340)
Present value of lease liabilities	$ 795,182

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 for the years ended June 30, 2024 and 2023 totaled $110,184 and $96,411, respectively.

Future minimum lease rentals to be received under this non-cancelable operating sublease as of June 30, 2024 are as follows:

Year ending June 30:	
2025	$ 107,289
2026	113,891
2027	117,791
2028	121,325
2029	93,609
	$ 553,905

Note 10 – Retirement plan
The Organization has adopted a contributory, defined contribution retirement plan. The Organization has the discretion to contribute 4% of eligible employee compensation, and match employee contributions up to an additional 2% of eligible employee compensation.

The Organization made discretionary contributions of 4% of eligible employee compensation during each of the years ended June 30, 2024 and 2023, resulting in total employer contributions of $43,045 and $42,752, respectively. There was no match of employee contributions during the years ended June 30, 2024 and 2023.

Note 11 – EIDL note payable
In August 2020, the Organization received a $150,000 Economic Injury Disaster Loan (the "EIDL Loan") from the Small Business Administration ("SBA"). 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.

Note 11 – EIDL note payable (continued)
The balance of this loan, with accrued interest was $203,918 at June 30, 2024. Future maturities of this loan at June 30, 2024 are as follows.

Year ending June 30:	
2024	$ 10,668
2025	10,668
2026	10,668
2027	10,668
2028	10,668
Thereafter	150,578
	$ 203,918

Service revenue is concentrated to a limited number of participating facilities. The Organization had contracts with two facilities in the years ended June 30, 2024 and 2023 that represented approximately 89% and 94% of service revenues, respectively.

Note 12 – 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:

	2024	2023
Cash	$ 81,323	$ 184,783
Investments	4,078,499	3,869,469
Accounts receivable, net	190,206	180,244
Payroll tax assistance receivable - CARES Act	--	403,223
Pledges receivable	75,000	--
Total financial assets	4,425,028	4,637,719
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	(82,300)	(83,474)
	$ 1,824,738	$ 2,036,255

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 $104,500 and $105,674 at June 30, 2024 and 2023, respectively, less an allowance for doubtful accounts of $22,200 at both June 30, 2024 and 2023.

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 14 – 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 15 – Subsequent events

Subsequent events were evaluated through February 13, 2025, which is the date the combined financial statements were available to be issued.