

Hope and Healing Center & Institute

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

Hope and Healing Center & Institute

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Independent Auditors' Report

To the Board of Directors of
Hope and Healing Center & Institute:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hope and Healing Center & Institute, which comprise the statements of financial position as of December 31, 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 Hope and Healing Center & Institute as of December 31, 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 Hope and Healing Center & Institute 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 Hope and Healing Center & Institute'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 Hope and Healing Center & Institute'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 Hope and Healing Center & Institute'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

July 16, 2024

Hope and Healing Center & Institute

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 1,594,515	\$ 1,358,312
Prepaid expenses and other assets	41,949	34,293
Contributions receivable	284,993	25,000
Right-of-use assets – operating leases <i>(Note 6)</i>	69,925	132,747
Property, net <i>(Note 7)</i>	102,613	107,790
Investment in pool held by Saint Martin’s Endowment restricted for endowment <i>(Note 5)</i>	<u>1,071,474</u>	<u>905,466</u>
TOTAL ASSETS	<u>\$ 3,165,469</u>	<u>\$ 2,563,608</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and other liabilities	\$ 110,722	\$ 97,709
Refundable advance – special events	7,500	10,000
Operating lease liabilities <i>(Note 6)</i>	<u>72,543</u>	<u>136,963</u>
Total liabilities	<u>190,765</u>	<u>244,672</u>
Net assets:		
Without donor restrictions	1,496,530	1,347,377
With donor restrictions <i>(Notes 8 and 9)</i>	<u>1,478,174</u>	<u>971,559</u>
Total net assets	<u>2,974,704</u>	<u>2,318,936</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,165,469</u>	<u>\$ 2,563,608</u>

See accompanying notes to financial statements.

Hope and Healing Center & Institute

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 1,544,205	\$ 829,836	\$ 2,374,041
Nonfinancial assets (<i>Note 10</i>)	132,813		132,813
Special events	936,954		936,954
Direct donor benefit costs	(66,667)		(66,667)
Net change in fair value of investment pool		176,008	176,008
Other income	<u>58,248</u>	<u></u>	<u>58,248</u>
Total revenue	2,605,553	1,005,844	3,611,397
Net assets released from restrictions:			
Expenditures for program services	<u>499,229</u>	<u>(499,229)</u>	<u></u>
Total	<u>3,104,782</u>	<u>506,615</u>	<u>3,611,397</u>
EXPENSES:			
Program services	1,957,807		1,957,807
Management and general	611,707		611,707
Fundraising	<u>386,115</u>	<u></u>	<u>386,115</u>
Total expenses	<u>2,955,629</u>	<u></u>	<u>2,955,629</u>
CHANGES IN NET ASSETS	149,153	506,615	655,768
Net assets, beginning of year	<u>1,347,377</u>	<u>971,559</u>	<u>2,318,936</u>
Net assets, end of year	<u>\$ 1,496,530</u>	<u>\$ 1,478,174</u>	<u>\$ 2,974,704</u>

See accompanying notes to financial statements.

Hope and Healing Center & Institute

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 1,846,017	\$ 357,548	\$ 2,203,565
Nonfinancial assets (<i>Note 10</i>)	105,150		105,150
Special events	710,655		710,655
Direct donor benefit costs	(83,220)		(83,220)
Net change in fair value of investment pool		(199,912)	(199,912)
Other income	<u>2,095</u>	<u></u>	<u>2,095</u>
Total revenue	2,580,697	157,636	2,738,333
Net assets released from restrictions:			
Expenditures for program services	<u>714,782</u>	<u>(714,782)</u>	<u></u>
Total	<u>3,295,479</u>	<u>(557,146)</u>	<u>2,738,333</u>
EXPENSES:			
Program services	2,091,927		2,091,927
Management and general	573,776		573,776
Fundraising	<u>453,177</u>	<u></u>	<u>453,177</u>
Total expenses	<u>3,118,880</u>	<u></u>	<u>3,118,880</u>
CHANGES IN NET ASSETS	176,599	(557,146)	(380,547)
Net assets, beginning of year	<u>1,170,778</u>	<u>1,528,705</u>	<u>2,699,483</u>
Net assets, end of year	<u>\$ 1,347,377</u>	<u>\$ 971,559</u>	<u>\$ 2,318,936</u>

See accompanying notes to financial statements.

Hope and Healing Center & Institute

Statements of Functional Expenses for the years ended December 31, 2023 and 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Salaries and related benefits	\$ 1,607,930	\$ 228,803	\$ 316,917	\$ 2,153,650
Occupancy	216,997	58,027	29,917	304,941
Professional fees	37,982	220,721	5,400	264,103
Supplies	18,516	35,039	8,454	62,009
Information technology and website maintenance	29,292	19,872	340	49,504
Marketing and video production	33,678		5,519	39,197
Insurance		20,230		20,230
Printing and postage	2,331	9,974	4,827	17,132
Special event supplies, printing, and materials			11,701	11,701
Other	<u>11,081</u>	<u>19,041</u>	<u>3,040</u>	<u>33,162</u>
Total expenses	<u>\$ 1,957,807</u>	<u>\$ 611,707</u>	<u>\$ 386,115</u>	2,955,629
Direct donor benefit costs				<u>66,667</u>
Total				<u>\$ 3,022,296</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Salaries and related benefits	\$ 1,701,142	\$ 227,138	\$ 359,768	\$ 2,288,048
Occupancy	188,658	51,766	30,949	271,373
Professional fees	33,974	185,019	21,522	240,515
Supplies	20,975	41,740	5,347	68,062
Information technology and website maintenance	10,201	6,910	1,342	18,453
Marketing and video production	126,834	4,266	12,686	143,786
Insurance		16,715		16,715
Printing and postage	1,220	18,491	7,917	27,628
Special event supplies, printing, and materials			11,825	11,825
Other	<u>8,923</u>	<u>21,731</u>	<u>1,821</u>	<u>32,475</u>
Total expenses	<u>\$ 2,091,927</u>	<u>\$ 573,776</u>	<u>\$ 453,177</u>	3,118,880
Direct donor benefit costs				<u>83,220</u>
Total				<u>\$ 3,202,100</u>

See accompanying notes to financial statements.

Hope and Healing Center & Institute

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 655,768	\$ (380,547)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net change in fair value of investment pool held by Saint Martin's Endowment	(176,008)	199,912
Contributions restricted for endowment		
Depreciation	26,735	33,556
Amortization of lease right-of-use asset	62,822	62,183
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(7,656)	23,436
Contributions receivable	(259,993)	(25,000)
Accrued payroll and other liabilities	13,013	(35,415)
Refundable advance – special events	(2,500)	(20,000)
Operating lease liabilities	<u>(64,420)</u>	<u>(62,547)</u>
Net cash provided (used) by operating activities	<u>247,761</u>	<u>(204,422)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(21,558)	(23,875)
Distribution from pool held by Saint Martin's Endowment	<u>10,000</u>	<u>35,000</u>
Net cash provided (used) by investing activities	<u>(11,558)</u>	<u>11,125</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	236,203	(193,297)
Cash and cash equivalents, beginning of year	<u>1,358,312</u>	<u>1,551,609</u>
Cash and cash equivalents, end of year	<u>\$ 1,594,515</u>	<u>\$ 1,358,312</u>

See accompanying notes to financial statements.

Hope and Healing Center & Institute

Notes to Financial Statements for the years ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Hope and Healing Center & Institute (Hope and Healing), a Texas non-profit corporation, was founded in 2011 by St. Martin’s Episcopal Church (the Church). Hope and Healing’s mission is to build and restore lives to health and wholeness through education, training, research, and supportive services that strengthen the physical, mental, spiritual, and relational health of families and individuals across the full cycle of life throughout Greater Houston. The Board of Directors (the Board) annually nominates board members who have been approved by the Vestry. The Rector of the Church is a voting member of the Board.

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

Cash equivalents include highly liquid investments with maturities of three months or less.

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 the present value of their estimated future cash flows. At December 31, 2023, all contributions receivable are expected to be collected within one year.

Contributions receivable from one donor comprises 82% of contributions receivable at December 31, 2023. Contributions receivable from one donor comprises 100% of contributions receivable at December 31, 2022.

Lease elections – Hope and Healing made the following accounting policy elections for reporting leases:

- *Lease and non-lease components* – Hope and Healing elected a practical expedient by class of underlying assets and choose whether to separate non-lease components from the lease components or account for it as a single lease component. Hope and Healing elected not to separate the lease components and the non-lease components for real estate leases.
- *Discount rates* – Hope and Healing elected to use a risk-free rate for its discount rate for all asset classes when the implicit rate is not known.
- *Portfolio approach* – Hope and Healing elected to use the portfolio approach for leases with similar characteristics with the exception that the application of the portfolio model will not differ materially from the application to the individual leases in that portfolio.

Right-of-use assets – operating leases are recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Hope and Healing capitalizes additions and improvements with a cost of more than \$20,000 and a useful life of more than one year. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 10 years.

Investment in pool held by Saint Martin's Endowment is reported at the fair value of the underlying investments.

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 Hope and Healing is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

In-kind contributions are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as services, materials and facilities are used. Contributions of services are recognized when services received a) create or enhance nonfinancial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Proceeds for future special events are recorded as conditional and are included in refundable advances. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

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 benefits are allocated on the basis of estimated time and effort expended. Occupancy costs are allocated based on square footage.

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 December 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 1,594,515	\$ 1,358,312
Contributions receivable	284,993	25,000
Investment in pool held by Saint Martin’s Endowment	<u>1,071,474</u>	<u>905,466</u>
Total financial assets	2,950,982	2,288,778
Less financial assets not available for general expenditure:		
Donor-restricted endowment investments, less 4% appropriation for the following year	(1,033,085)	(868,975)
Donor-restricted assets not available for expenditure in the coming year	<u>(58,700)</u>	<u> </u>
Total financial assets available for general expenditure	<u>\$ 1,859,197</u>	<u>\$ 1,419,803</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Hope and Healing considers all expenditures related to its ongoing activities of building and restoring lives to health and wholeness through education, training, research, and supportive services that strengthen the physical, mental, spiritual, and relational health of families and individuals, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Hope and Healing is substantially supported by contributions and the revenue from its annual luncheon. Hope and Healing regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. To manage unanticipated liquidity needs, Hope and Healing maintains a \$500,000 operating line of credit with a bank. The note bears interest at 8.5% at December 31, 2023. This line of credit expires on October 5, 2024. At December 31, 2023, there were no amounts outstanding under the line of credit.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 737,190	\$ 1,358,312
Certificates of deposit (short-term)	500,000	
Money market mutual funds	<u>357,325</u>	<u> </u>
Total cash and cash equivalents	<u>\$ 1,594,515</u>	<u>\$ 1,358,312</u>

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

NOTE 4 – SUPPORT FROM ST. MARTIN’S EPISCOPAL CHURCH

Hope and Healing routinely engages in transactions with the Church. Many of Hope and Healing’s operating expenses are paid by the Church and are subsequently reimbursed by Hope and Healing. Hope and Healing leases office space in a building owned by the Church and paid the Church approximately \$56,900 in 2023 and \$55,600 in 2022 under the terms of this agreement. Additionally, the Church provides accounting and other administrative services to Hope and Healing under an agreement that expires in December 2024. Hope and Healing reimbursed the Church approximately \$255,000 in 2023 and \$200,000 in 2022 for a portion of facility operating costs, accounting and other administrative services paid by the Church. Hope and Healing recognized in-kind revenue and expenses related to such costs of approximately \$120,000 during 2023 and \$86,000 during 2022. Amounts due from the Church of approximately, \$13,000 in 2023 are included in prepaid expenses and other assets. Amounts due to the Church of approximately \$4,500 in 2022 are included in accrued payroll and other liabilities.

Additionally, Hope and Healing personnel are employees of the Church. Hope and Healing reimbursed the Church approximately \$2,154,000 in 2023 and \$2,288,000 in 2022 for salaries and benefits related to these employees.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments

Hope and Healing’s investments are held by Saint Martin’s Endowment (the Endowment), a nonprofit corporation established by the Church that provides investment management for various investment accounts affiliated with the Church. Hope and Healing owns an undivided, proportionate share of the total pooled investments in the Endowment. Hope and Healing’s share of the pool is available at its request. Investment returns are allocated based upon their relative share of the underlying assets. The investments are managed by an investment management firm and are held by a registered broker/dealer.

Hope and Healing’s share of the investment pool held by the Endowment was invested as follows:

	<u>2023</u>	<u>2022</u>
Equity securities	87%	86%
Corporate bonds	10%	11%
U. S. Government securities and cash	<u>3%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least 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.

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 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 December 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investment in pool held by Saint Martin’s Endowment		\$ 1,071,474		\$ 1,071,474
Money market mutual funds reported as cash equivalents	\$ 357,325			357,325
Total assets measured at fair value	<u>\$ 357,325</u>	<u>\$ 1,071,474</u>	<u>\$ 0</u>	<u>\$ 1,428,799</u>

Assets measured at fair value at December 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investment in pool held by Saint Martin’s Endowment	\$ 905,466			\$ 905,466
Total assets measured at fair value	<u>\$ 905,466</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 905,466</u>

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

- *Investment in pool held by the Endowment* is valued at Hope and Healing’s share of the net value of the pool. All securities included in this pool are publicly traded and valued by the Endowment’s investment custodian at the quoted market prices of the underlying securities at the reporting date.
- *Mutual funds* are valued at the reported net asset value of the 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 Hope and Healing 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 – OPERATING LEASES

Hope and Healing leases certain office space and equipment used in its operations under noncancellable operating leases. Payments due under these lease contracts are fixed. The components of lease cost for the year ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost – rent expense	\$ 63,922	\$ 63,922
Short term lease costs	<u>3,287</u>	<u> </u>
Total lease costs	<u>\$ 67,209</u>	<u>\$ 63,922</u>

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$65,520	\$6,428
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Reconciliation of the undiscounted cash flows related to the operating leases to the discounted amount reported on the statement of financial position as of December 31, 2023 were as follows:

2024	\$ 66,540
2025	<u>6,480</u>
Total minimum lease payments	73,020
Less effects of discounting	<u>(477)</u>
Total lease liabilities recognized	<u>\$ 72,543</u>

As of December 31, 2023 and 2022, the weighted-average remaining lease term for the operating leases is 1.13 and 2.5 years, respectively. The weighted-average discount rate associated with the operating lease as of December 31, 2023 is 1.03% and 1.10%, respectively.

NOTE 7 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 153,310	\$ 153,310
Furniture and equipment	<u>122,608</u>	<u>101,049</u>
Property, at cost	275,918	254,359
Accumulated depreciation	<u>(173,305)</u>	<u>(146,569)</u>
Property, net	<u>\$ 102,613</u>	<u>\$ 107,790</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Hope and Healing general endowment	\$ 1,071,474	\$ 905,466
Faith community engagement programs	356,700	40,604
Educational programs	25,000	25,000
Clinical services	25,000	
Bioethics and aging	<u> </u>	<u>489</u>
Total net assets with donor restrictions	<u>\$ 1,478,174</u>	<u>\$ 971,559</u>

NOTE 9 – ENDOWMENT

Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board has interpreted TUPMIFA as allowing Hope and Healing to appropriate for expenditure or accumulate as much of a fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations. Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any. In the absence of explicit donor stipulations otherwise, Hope and Healing classifies contributions to an endowment as *net assets with donor restrictions* required to be maintained in perpetuity. Contributions that donors have specified do not have to be maintained in perpetuity and unappropriated investment earnings on donor-restricted endowments are classified as *net assets with donor restrictions* not required to be maintained in perpetuity.

In accordance with TUPMIFA, Hope and Healing considers the duration and preservation of the funds and other resources available in making a determination to appropriate accumulated donor-restricted endowment funds.

Investment policy and objectives

The Endowment and Hope and Healing have adopted investment policies that have the primary objective of achieving a long-term rate-of-return that will permit the Endowment to provide for future needs of Hope and Healing without subjecting the Endowment to imprudent risks. The Endowment’s assets are invested in a manner that is intended to produce a total portfolio, long-term real return of at least 5% (annualized, net of fees, over a full market cycle).

To satisfy its long-term rate-of-return objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. As different asset classes produce different returns during the course of the year, the portfolio’s asset allocation changes accordingly. Therefore, asset allocations are periodically rebalanced to policy targets to maintain the risk and return profile that has been adopted. The Endowment reviews the portfolio’s actual asset allocation, relative to established policy target and ranges. If deemed necessary, the Board of Trustees of the Endowment will rebalance the portfolio between the various asset classes based on market values.

Spending policy

The annual endowment distribution is calculated using up to 4% of the market value of the preceding 12 quarters, through September 30th of the current fiscal year.

Endowment net asset composition is as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>NOT REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	<u>TOTAL</u>
Donor-restricted endowment funds, as of December 31, 2023	<u>\$ 612,474</u>	<u>\$ 459,000</u>	<u>\$ 1,071,474</u>
Donor-restricted endowment funds, as of December 31, 2022	<u>\$ 446,466</u>	<u>\$ 459,000</u>	<u>\$ 905,466</u>

Changes in endowment funds are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2021	\$ 681,378	\$ 459,000	\$ 1,140,378
Net change in fair value of investment pool	(199,912)		(199,912)
Distributions	<u>(35,000)</u>		<u>(35,000)</u>
Endowment net assets, December 31, 2022	446,466	459,000	905,466
Net change in fair value of investment pool	176,008		176,008
Distributions	<u>(10,000)</u>		<u>(10,000)</u>
Endowment net assets, December 31, 2023	<u>\$ 612,474</u>	<u>\$ 459,000</u>	<u>\$ 1,071,474</u>

NOTE 10 – NONFINANCIAL CONTRIBUTIONS

Hope and Healing recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2023	2022
Facility operating costs	Utilized for program services, management and general and fundraising activities	None	Fair value estimated based on current rates for similar services.	\$69,344	\$40,808
Accounting and other administrative services	Utilized for program services, management and general and fundraising activities	None	Fair value estimated based on current rates for similar services.	\$50,409	\$45,657
Speaker fees	Utilized for program services	None	Fair value estimated based on current rates for similar services.	\$7,000	\$9,500
Special event supplies	Utilized for fundraising activities	None	Fair value estimated based on current rates for similar goods.	\$6,060	\$7,385
Computer equipment	Utilized for management and general activities	None	Fair value estimated based on current rates for similar goods.		\$1,800
Total contributed nonfinancial assets				<u>\$132,813</u>	<u>\$105,150</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2024, 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.