

San Jose Clinic

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

San Jose Clinic

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Independent Auditors' Report

To the Board of Directors of
San Jose Clinic:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Jose Clinic, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Jose Clinic as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of San Jose Clinic 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 San Jose Clinic'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 San Jose Clinic'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 San Jose Clinic'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

June 13, 2023

San Jose Clinic

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 72,030	\$ 342,506
Prepaid expenses and other receivables	44,195	60,188
Pharmaceutical supplies	1,281,963	2,898,802
Contributions receivable, net (<i>Note 3</i>)	4,270,288	3,777,027
Investments (<i>Note 4</i>)	1,988,779	906,693
Property and equipment, net (<i>Note 5</i>)	<u>451,876</u>	<u>483,284</u>
TOTAL ASSETS	<u>\$ 8,109,131</u>	<u>\$ 8,468,500</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 166,988	\$ 121,881
Accrued salaries and benefits	86,091	172,092
Deferred revenue	<u> </u>	<u>37,500</u>
Total liabilities	<u>253,079</u>	<u>331,473</u>
Net assets:		
Without donor restrictions	2,549,820	3,779,279
With donor restrictions (<i>Notes 8 and 9</i>)	<u>5,306,232</u>	<u>4,357,748</u>
Total net assets	<u>7,856,052</u>	<u>8,137,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,109,131</u>	<u>\$ 8,468,500</u>

See accompanying notes to financial statements.

San Jose Clinic

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government agencies <i>(Note 11)</i>		\$ 816,423	\$ 816,423
In-kind <i>(Note 7)</i>	\$ 7,676,903		7,676,903
Other	1,424,072	3,890,886	5,314,958
Program service fees	481,134		481,134
Special events	1,048,528		1,048,528
Direct donor benefits	(196,725)		(196,725)
Investment income	14,911	(19,503)	(4,592)
Other income	63,493		63,493
	<u>10,512,316</u>	<u>4,687,806</u>	<u>15,200,122</u>
Total revenue			
Net assets released from restrictions:			
Expenditures for program purposes	2,942,261	(2,942,261)	
Expiration of time restrictions	<u>797,061</u>	<u>(797,061)</u>	
Total	<u>14,251,638</u>	<u>948,484</u>	<u>15,200,122</u>
EXPENSES:			
Program services – medical services to indigent persons	14,107,783		14,107,783
Support services:			
Management and general	649,323		649,323
Fundraising	<u>723,991</u>		<u>723,991</u>
Total expenses	<u>15,481,097</u>		<u>15,481,097</u>
CHANGES IN NET ASSETS	(1,229,459)	948,484	(280,975)
Net assets, beginning of year	<u>3,779,279</u>	<u>4,357,748</u>	<u>8,137,027</u>
Net assets, end of year	<u>\$ 2,549,820</u>	<u>\$ 5,306,232</u>	<u>\$ 7,856,052</u>

See accompanying notes to financial statements.

San Jose Clinic

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government agencies <i>(Note 11)</i>		\$ 1,301,409	\$ 1,301,409
In-kind <i>(Note 7)</i>	\$ 7,094,347		7,094,347
United Way		592,061	592,061
Other	1,209,161	1,285,481	2,494,642
Program service fees	437,549		437,549
Special events	304,550		304,550
Direct donor benefits	(43,900)		(43,900)
Investment and other income	<u>50,131</u>	<u>6,972</u>	<u>57,103</u>
Total revenue	9,051,838	3,185,923	12,237,761
Net assets released from restrictions:			
Expenditures for program purposes	2,155,483	(2,155,483)	
Expiration of time restrictions	<u>1,958,312</u>	<u>(1,958,312)</u>	
Total	<u>13,165,633</u>	<u>(927,872)</u>	<u>12,237,761</u>
EXPENSES:			
Program services – medical services to indigent persons	9,337,407		9,337,407
Support services:			
Management and general	631,504		631,504
Fundraising	<u>758,346</u>		<u>758,346</u>
Total expenses	<u>10,727,257</u>		<u>10,727,257</u>
CHANGES IN NET ASSETS	2,438,376	(927,872)	1,510,504
Net assets, beginning of year	<u>1,340,903</u>	<u>5,285,620</u>	<u>6,626,523</u>
Net assets, end of year	<u>\$ 3,779,279</u>	<u>\$ 4,357,748</u>	<u>\$ 8,137,027</u>

See accompanying notes to financial statements.

San Jose Clinic

Statement of Functional Expenses for the year ended December 31, 2022

	MEDICAL SERVICES TO INDIGENT PERSONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Personnel costs:				
Salaries	\$ 2,177,061	\$ 362,841	\$ 446,183	\$ 2,986,085
Employee benefits	218,615	52,118	43,966	314,699
Payroll taxes	<u>162,147</u>	<u>28,702</u>	<u>31,260</u>	<u>222,109</u>
Total personnel costs	2,557,823	443,661	521,409	3,522,893
Supplies and equipment	7,961,412	3,980	3,855	7,969,247
Professional fees and contract services	2,390,495	42,301	17,553	2,450,349
Occupancy	829,538	44,632	43,990	918,160
Computer software and equipment	95,896	9,487	30,286	135,669
Conference and meetings	18,509	36,504	51,131	106,144
Equipment rental and maintenance	68,258			68,258
Printing and publications	14,921	3,951	40,167	59,039
Travel	40,142	11,035	2,756	53,933
Communications	24,205	1,345	1,345	26,895
Assistance to individuals	10,000			10,000
Postage and shipping	443	381	9,152	9,976
Other	<u>10,718</u>	<u>51,174</u>	<u>1,475</u>	<u>63,367</u>
Total expenses before depreciation	14,022,360	648,451	723,119	15,393,930
Depreciation	<u>85,423</u>	<u>872</u>	<u>872</u>	<u>87,167</u>
Total expenses	<u>\$14,107,783</u>	<u>\$ 649,323</u>	<u>\$ 723,991</u>	<u>\$15,481,097</u>

See accompanying notes to financial statements.

San Jose Clinic

Statement of Functional Expenses for the year ended December 31, 2021

	MEDICAL SERVICES TO INDIGENT PERSONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Personnel costs:				
Salaries	\$ 1,900,537	\$ 346,120	\$ 385,263	\$ 2,631,920
Employee benefits	266,857	56,285	54,756	377,898
Payroll taxes	<u>137,474</u>	<u>27,089</u>	<u>26,453</u>	<u>191,016</u>
Total personnel costs	2,304,868	429,494	466,472	3,200,834
Supplies and equipment	3,909,146	7,836	4,243	3,921,225
Professional fees and contract services	1,970,027	61,609	89,575	2,121,211
Occupancy	854,016	40,216	42,137	936,369
Computer software and equipment	73,077	6,595	29,484	109,156
Conference and meetings	13,911	24,623	79,350	117,884
Equipment rental and maintenance	37,711		2,000	39,711
Printing and publications	12,279	8,178	27,309	47,766
Travel	17,449	1,074	552	19,075
Communications	29,369	1,632	1,632	32,633
Assistance to individuals	10,000			10,000
Postage and shipping	1,365	566	11,880	13,811
Liability insurance	21,600			21,600
Other	<u>6,552</u>	<u>48,905</u>	<u>2,936</u>	<u>58,393</u>
Total expenses before depreciation	9,261,370	630,728	757,570	10,649,668
Depreciation	<u>76,037</u>	<u>776</u>	<u>776</u>	<u>77,589</u>
Total expenses	<u>\$ 9,337,407</u>	<u>\$ 631,504</u>	<u>\$ 758,346</u>	<u>\$10,727,257</u>

See accompanying notes to financial statements.

San Jose Clinic

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (280,975)	\$ 1,510,504
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	87,167	77,589
Amortization of donated facility	878,904	878,900
Unrealized (gain) loss on investments	19,483	(6,724)
Change in pharmaceutical supplies	1,616,839	(2,003,614)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	15,993	(6,743)
Contributions receivable	(1,372,165)	94,355
Accounts payable and accrued expenses	(40,894)	41,048
Deferred revenue	(37,500)	37,500
Paycheck Protection Program refundable advance	<u> </u>	<u>(560,300)</u>
Net cash provided by operating activities	<u>886,852</u>	<u>62,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(76,000)	(80,638)
Net change in certificates of deposit, money market mutual funds and cash held as investments	(1,025,569)	(41,701)
Purchases of property and equipment	<u>(55,759)</u>	<u>(76,600)</u>
Net cash used by investing activities	<u>(1,157,328)</u>	<u>(198,939)</u>
NET CHANGE IN CASH	(270,476)	(136,424)
Cash, beginning of year	<u>342,506</u>	<u>478,930</u>
Cash, end of year	<u>\$ 72,030</u>	<u>\$ 342,506</u>

See accompanying notes to financial statements.

San Jose Clinic

Notes to Financial Statements for the years ended December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – San Jose Clinic (the Clinic) is a nonprofit organization rendering medical aid and services to indigent persons, regardless of their ability to pay. The Archbishop of the Archdiocese of Galveston-Houston (the Archdiocese) is the sole member of the Clinic. The mission of the Clinic is to provide healing through quality healthcare and education with respect and compassion for those with limited access to care.

Federal income tax status – The Clinic 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)(vi).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution. Cash held for long-term purposes is grouped with investments and is excluded from cash for purposes of cash flows.

Pharmaceutical supplies consist primarily of donated medicines and medical supplies. Donated goods are recorded at fair value at the time of donation. Inventory is reported at cost or donated value.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and a donor-by-donor analysis of balances.

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.

Property and equipment valued at \$5,000 or greater is capitalized and reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 20 years.

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 Board 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 grants and contributions are subject to one or more barriers that must be overcome before the Clinic is entitled to receive or retain funding. Conditional grants and contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances. Contributions provided by the patient when they receive services are unconditional.

In-kind contributions – Donated nonfinancial assets are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is 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.

Program service fees include dental services provided to patients. Revenue is recognized when the services are provided in an amount that reflects the consideration the Clinic expects to be entitled to receive in exchange for those services. There are no receivables related to program service fees.

Special events revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefits 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 costs are allocated on the basis of estimated time and effort expended. Occupancy related 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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 72,030	\$ 342,506
Receivables	23,567	44,146
Contributions receivable, net (excluding donated facility)	2,458,146	1,094,425
Investments	<u>1,988,779</u>	<u>906,693</u>
Total financial assets	4,542,522	2,387,770
Less financial assets not available for general expenditure:		
Donor-restricted assets for use beyond one year	<u>(394,879)</u>	<u>(274,841)</u>
Total financial assets available for general expenditure	<u>\$ 4,147,643</u>	<u>\$ 2,112,929</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Clinic considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Clinic is substantially supported by annual contributions and regularly monitors liquidity required to meet its operating needs and contractual obligations while maximizing investment of available funds. The Clinic also maintains a \$250,000 line of credit that may be drawn upon in the event of unanticipated financial circumstances or an immediate liquidity need.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 2,482,661	\$ 1,098,765
Contributions receivable from CHRISTUS Health for donated facility	1,831,038	2,709,942
Discount to net present value	<u>(43,411)</u>	<u>(31,680)</u>
Contributions receivable, net	<u>\$ 4,270,288</u>	<u>\$ 3,777,027</u>

Contributions receivable at December 31, 2022 are expected to be collected as follows:

Less than one year	\$ 2,522,562
One to five years	<u>1,791,137</u>
Total contributions receivable	<u>\$ 4,313,699</u>

Concentration – At December 31, 2022, approximately 59% of contributions receivable (excluding donated facility) were from two donors. At December 31 2021, approximately 83% of contributions receivable (excluding donated facility) were from three donors.

Conditional contributions – The Clinic receives federal grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Clinic has incurred expenditures in compliance with specific contract or grant provisions. At December 31, 2022, the Clinic has approximately \$27,000 of conditional contributions from government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met.

NOTE 4 – INVESTMENTS AND 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 December 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 1,103,864			\$ 1,103,864
Invested with Catholic Endowment Foundation (a)	_____	\$ 143,879	_____	143,879
Total assets measured at fair value	<u>\$ 1,103,864</u>	<u>\$ 143,879</u>	<u>\$ 0</u>	1,247,743
Cash held as investments				<u>741,036</u>
Total investments				<u>\$ 1,988,779</u>

Assets measured at fair value at December 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 519,266			\$ 519,266
Invested with Catholic Endowment Foundation (a)	_____	\$ 87,362	_____	87,362
Total assets measured at fair value	<u>\$ 519,266</u>	<u>\$ 87,362</u>	<u>\$ 0</u>	606,628
Cash held as investments				<u>300,065</u>
Total investments				<u>\$ 906,693</u>

(a) The Clinic invests with the Catholic Endowment Foundation (the Foundation) in an investment pool that uses the market value unit method of accounting for investment transactions. The fair value of the Clinic's investment in the Foundation reflects the Clinic's share of the fair value of the total underlying investment portfolio managed by the Foundation. The Clinic's share of changes in the value of the pooled portfolio is included in net realized and unrealized gain (loss). Redemptions may be made with a redemption notice of five business days.

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

- *Mutual funds* are valued at the reported net asset value.
- *Invested with Catholic Endowment Foundation* is valued at the reported net asset value as determined by the Foundation's management based on the fair value of the underlying investment pools.

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 Clinic 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.

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.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures and equipment	\$ 569,588	\$ 618,076
Building	335,080	335,080
Leasehold improvements	<u>67,500</u>	<u>67,500</u>
Total property and equipment, at cost	972,168	1,020,656
Accumulated depreciation	<u>(520,292)</u>	<u>(537,372)</u>
Property and equipment, net	<u>\$ 451,876</u>	<u>\$ 483,284</u>

NOTE 6 – LINE OF CREDIT

The Clinic maintains a \$250,000 revolving line of credit with a bank. The note bears interest at 3.56% annually. This line of credit expires on December 10, 2023. At December 31, 2022, there were no amounts outstanding under the line of credit.

NOTE 7 – NONFINANCIAL CONTRIBUTIONS AND EXPENSES

The Clinic recognized contributions and expenses in 2022 in the following categories:

	MEDICAL SERVICES TO INDIGENT PERSONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Pharmaceuticals, supplies and equipment	\$ 6,070,685			\$ 6,070,685
Contributed services	1,092,121			1,092,121
Contributed lab services	<u>514,097</u>			<u>514,097</u>
Total in-kind contributions	<u>\$ 7,676,903</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,676,903</u>
Amortization of rent from donated facility	\$791,014	\$43,945	\$43,945	\$878,904

The Clinic recognized contributions and expenses in 2021 in the following categories:

	MEDICAL SERVICES TO INDIGENT PERSONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Pharmaceuticals, supplies and equipment	\$ 5,652,893			\$ 5,652,893
Contributed services	913,166		\$ 2,186	915,352
Contributed lab services	494,502			494,502
Liability insurance	21,600			21,600
Other	<u>10,000</u>			<u>10,000</u>
Total in-kind contributions	<u>\$ 7,092,161</u>	<u>\$ 0</u>	<u>\$ 2,186</u>	<u>\$ 7,094,347</u>
Amortization of rent from donated facility	\$797,162	\$42,187	\$39,551	\$878,900

Pharmaceuticals, supplies and equipment – The Clinic receives donations of vaccines, medication and other clinical supplies. These items are recorded as contributions on the date received at the national average drug acquisition cost obtained from data.medicaid.gov. The estimated fair value of these contributions is recognized in the financial statements as pharmaceutical supplies and contribution revenue. As the pharmaceuticals, supplies and equipment are distributed, program expenses are recognized.

Contributed services – The Clinic receives contributed services from physicians and other volunteer services requiring specialized skills. These services are reported using current rates for similar services.

Contributed lab services – The Clinic receives contributed lab services from a large hospital system in the medical center. These services are reported using current rates for similar lab services.

Rent – The Clinic receives in-kind rent for clinic and administrative space in a building owned and managed by CHRISTUS Health Group. Donated space is valued at the average price per square foot of similar properties.

Liability insurance – The Clinic is a participant of the CHRISTUS Health Group Property and Liability Insurance Trust (the Trust) for professional and comprehensive general liability insurance for any employee or volunteer of the Clinic. The Trust waived the fee for the year ended December 31, 2021.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Pharmacy expansion	\$ 1,548,000	\$ 25,777
Fort Bend location services	973,602	304,535
Primary care physician/nurse	265,713	158,000
Professional development and community healthcare worker	180,000	
Dental program	60,000	125,592
Other	13,000	15,959
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	290,000	909,561
Clinic donated use facility from CHRISTUS Health	1,831,038	2,709,942
General endowment subject to spending policy and appropriation	<u>144,879</u>	<u>108,382</u>
Total net assets with donor restrictions	<u>\$ 5,306,232</u>	<u>\$ 4,357,748</u>

NOTE 9 – ENDOWMENT FUNDS

The Clinic’s endowment funds were established for the purpose of supporting operating needs and program services that are consistent with the Clinic’s mission.

Changes in net assets of the endowment funds are as follows:

	WITH DONOR RESTRICTIONS		TOTAL
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, December 31, 2020	\$ 7,523	\$ 72,867	\$ 80,390
Contributions		21,020	21,020
Net investment return	<u>6,972</u>	<u> </u>	<u>6,972</u>
Endowment net assets, December 31, 2021	<u>14,495</u>	<u>93,887</u>	<u>108,382</u>
Contributions		56,000	56,000
Net investment return	<u>(19,503)</u>	<u> </u>	<u>(19,503)</u>
Endowment net assets, December 31, 2022	<u><u>\$ (5,008)</u></u>	<u><u>\$ 149,887</u></u>	<u><u>\$ 144,879</u></u>

The Board of Directors of the Clinic has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Clinic classifies the original value of gifts and the unappropriated investment earnings on donor-restricted endowments as *net assets with donor restrictions*. In accordance with TUPMIFA, the Board of Directors considers the duration and preservation of the funds and other resources of the Clinic in making a determination to appropriate or accumulate donor-restricted endowment funds. An endowment fund is *underwater* if the fair value of the fund’s investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments. At December 31, 2022, a deficiency of \$5,008 was reported in *net assets with donor restrictions*. There were no underwater funds at December 31, 2021.

Endowment funds are maintained in an investment account, which is managed by an independent financial firm that follows guidance provided in an investment policy approved by the Board of Directors. The Clinic has adopted investment 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. There have been no appropriations of endowment fund accumulated earnings since inception.

NOTE 10 – RETIREMENT PLAN

The Clinic established a defined-contribution benefit plan in July 2011 that provides benefits for all eligible employees. The Clinic provides a 100% match on the first 3% employee contribution and a 50% match on the next 2% employee contribution. The Clinic contributes up to 4% on employee contributions. The Clinic contributed approximately \$54,000 and \$60,000 to this plan during the years ended December 31, 2022 and 2021, respectively.

NOTE 11 – CONTRIBUTIONS FROM GOVERNMENT AGENCIES AND CONTINGENCIES

The Clinic is the recipient of contributions from various government agencies. Should these awards not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Contributions from government agencies include the following:

	<u>2022</u>	<u>2021</u>
U. S. Department of Treasury – American Rescue Plan	\$ 450,000	
U. S. Department of Justice	203,005	\$ 66,412
U. S. Department of Health and Human Services	163,418	70,701
U. S. Department of Treasury – Paycheck Protection Program	<u> </u>	<u>1,164,296</u>
Total contributions from government agencies	<u>\$ 816,423</u>	<u>\$ 1,301,409</u>

The Clinic receives government grants that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by the Clinic with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Clinic’s financial position or changes in net assets.

NOTE 12 – ARCHDIOCESE SUPPORT

The Archdiocese makes unconditional contributions to the Clinic. The Clinic recognized contributions of \$485,274 and \$348,105 in 2022 and 2021, respectively, from the Archdiocese. At December 31, 2022 and 2021, respectively, \$93,750 and \$112,500 were due from the Archdiocese related to the contributions. The Archdiocese also owns the land on which the Clinic’s Fort Bend clinic is located.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 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.