

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**BETHESDA HEALTH CLINIC AND AFFILIATE  
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YEARS ENDED JUNE 30, 2023 AND 2022**

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*Independent Auditors' Report*

The Finance Committee of  
Bethesda Health Clinic and Affiliate  
Tyler, Texas

***Opinion***

We have audited the consolidated financial statements of Bethesda Health Clinic and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bethesda Health Clinic and Affiliate as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Bethesda Health Clinic and Affiliate 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethesda Health Clinic and Affiliate's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Bethesda Health Clinic and Affiliate’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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bethesda Health Clinic and Affiliate’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.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
October 16, 2023

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND JUNE 30, 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 962,171	\$ 539,879
Inventory	837,917	788,744
Prepaid expenses	52,334	37,581
Prepaid insurance	17,624	15,877
Total current assets	1,870,046	1,382,081
Property and Equipment		
Property, furniture, and equipment, net of accumulated depreciation	3,082,661	3,197,292
Other Assets		
Construction in Progress	42,994	23,970
Right of use assets	533,529	-
Property and equipment held for future use	917,000	917,000
Beneficial interest in assets held by East Texas Communities Foundation	4,034,339	3,422,038
Beneficial interest in Bethesda Foundation	1,904,577	1,766,654
Total other assets	7,432,439	6,129,662
<b>TOTAL ASSETS</b>	<b>\$ 12,385,146</b>	<b>\$ 10,709,035</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	90,152	71,371
Payroll liabilities	148,618	125,899
Deferred revenues - Dental	160,854	92,566
Short term portion of lease liabilities	167,177	-
Current portion of long-term debt	25,298	93,447
Total current liabilities	592,099	383,283
Long-term Liabilities		
Lease liabilities, net of current portion	366,591	-
Long-term debt, net of current-portion	771,311	813,123
Total long-term liabilities	1,137,902	813,123
<b>TOTAL LIABILITIES</b>	<b>1,730,001</b>	<b>1,196,406</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	6,743,199	5,607,230
Board designated	1,657,069	1,657,069
Total without donor restrictions	8,400,268	7,264,299
With donor restrictions		
	2,254,877	2,248,330
<b>TOTAL NET ASSETS</b>	<b>10,655,145</b>	<b>9,512,629</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,385,146</b>	<b>\$ 10,709,035</b>

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Contributions	\$ 1,191,809	\$ 93,028	\$ 1,284,837
Grants	58,500	192,375	250,875
Donated medical professional services	2,271,949	-	2,271,949
Donated rent	221,400	-	221,400
Donated medicines and medical supplies	1,903,228	-	1,903,228
Hangers of Hope sales	4,050,154	-	4,050,154
Other special events (fundraising), net of related expenses of \$155,013	637,217	-	637,217
Patient fees	1,156,308	-	1,156,308
Net gain on beneficial interest in ETCF	114,301	-	114,301
Other income	150,732	-	150,732
	<hr/>	<hr/>	<hr/>
Total revenue	11,755,598	285,403	12,041,001
Net assets released from restrictions:			
Satisfaction of program restrictions	278,856	(278,856)	-
	<hr/>	<hr/>	<hr/>
Total revenues and net assets released from restrictions	12,034,454	6,547	12,041,001
<b>EXPENSES</b>			
Patient care	8,265,252	-	8,265,252
General and administrative	1,034,387	-	1,034,387
Fundraising	1,734,518	-	1,734,518
	<hr/>	<hr/>	<hr/>
Total expenses	11,034,157	-	11,034,157
Net increase before change in interest in Bethesda Foundation			
	1,000,297	6,547	1,006,844
Change in interest in Bethesda Foundation	135,672	-	135,672
	<hr/>	<hr/>	<hr/>
Change in net assets	1,135,969	6,547	1,142,516
<b>NET ASSETS</b>			
Balance, beginning of year	7,264,299	2,248,330	9,512,629
	<hr/>	<hr/>	<hr/>
Balance, end of year	<u>\$ 8,400,268</u>	<u>\$ 2,254,877</u>	<u>\$ 10,655,145</u>

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Contributions	\$ 881,829	\$ 1,116,000	\$ 1,997,829
Grants	52,000	270,191	322,191
Donated medical professional services	2,099,702	-	2,099,702
Donated medical supplies	850,000	-	850,000
Donated rent	221,400	-	221,400
In-kind donations	1,683,291	-	1,683,291
Hangers of Hope sales	3,528,788	-	3,528,788
Other special events (fundraising), net of related expenses of \$63,018	604,010	-	604,010
Patient fees	1,167,019	-	1,167,019
Net gain on beneficial interest in ETCF	(407,295)	-	(407,295)
Other income	37,234	-	37,234
	<hr/>	<hr/>	<hr/>
Total revenue	10,717,978	1,386,191	12,104,169
Net assets released from restrictions:			
Satisfaction of program restrictions	268,125	(268,125)	-
	<hr/>	<hr/>	<hr/>
Total revenues and net assets released from restrictions	10,986,103	1,118,066	12,104,169
<b>EXPENSES</b>			
Patient care	7,271,335	-	7,271,335
General and administrative	875,180	-	875,180
Fundraising	1,551,638	-	1,551,638
	<hr/>	<hr/>	<hr/>
Total expenses	9,698,153	-	9,698,153
Net increase before change in interest in Bethesda Foundation			
	1,287,950	1,118,066	2,406,016
Change in interest in Bethesda Foundation	(266,939)	-	(266,939)
	<hr/>	<hr/>	<hr/>
Change in net assets	1,021,011	1,118,066	2,139,077
<b>NET ASSETS</b>			
Balance, beginning of year	6,243,288	1,130,264	7,373,552
	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 7,264,299	\$ 2,248,330	\$ 9,512,629
	<hr/>	<hr/>	<hr/>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	PROGRAM SERVICE			Total
	SUPPORT SERVICES			
	Patient Care	General and Administrative	Fund Raising	
Awards and gifts	\$ -	\$ 398	\$ 99	\$ 497
Bank charges	71,491	-	47,661	119,152
Bethesda alliance	-	-	7,313	7,313
Building maintenance and repairs	26,980	4,496	13,490	44,966
Building supplies	15,351	2,559	7,675	25,585
Charitable contributions	-	400	-	400
Community and committee lunches	1,367	1,025	1,026	3,418
Computer equipment	14,838	1,745	873	17,456
Computer repairs and maintenance	366	43	21	430
Conferences meetings travel	7,331	916	916	9,163
Consulting and labor-IT	2,623	309	154	3,086
Consulting and contract labor	112,238	16,034	32,068	160,340
Contract counseling	59,180	-	-	59,180
Dental lab fees	28,831	-	-	28,831
Dental supplies	120,994	-	-	120,994
Depreciation	167,761	16,776	1,864	186,401
Donated dental professional services	21,233	-	-	21,233
Donated medical professional services	2,040,747	-	-	2,040,747
Donated medical supplies	1,865,919	-	-	1,865,919
Donated professional services - other	209,967	-	-	209,967
Donated rent	177,120	22,140	22,140	221,400
Email and website	2,471	291	145	2,907
Employee relations	-	33,050	-	33,050
Equipment repairs and maintenance	2,299	271	135	2,705
Equipment-HOH	-	-	17,048	17,048
GYN Supplies	468	-	-	468
GYN lab fees	13,511	-	-	13,511
Health insurance	168,888	42,222	70,370	281,480
Human resource expenses	-	90,747	-	90,747
Insurance malpractice	24,916	-	-	24,916
Interest expense	-	-	33,139	33,139
IT internet security and backup	6,594	776	388	7,758
Lease and rent expense	-	-	183,427	183,427
Liability insurance	58,571	5,149	644	64,364
Licenses and permits	78	78	-	156
Marketing expense	35,106	17,553	35,105	87,764
Medical laboratory	103,152	-	-	103,152
Medical supplies	31,162	-	-	31,162
Mileage reimbursement	-	280	2,523	2,803
Miscellaneous	-	3,221	-	3,221
Non program dues and memberships and continuing ed.	-	26,923	-	26,923
Office supplies	26,281	3,092	1,546	30,919
Paid time off	45,772	11,443	19,072	76,287
Patient adoption	46,486	-	-	46,486
Payroll taxes	182,973	45,743	76,239	304,955
Postage	2,250	2,250	3,000	7,500
Printing	9,887	4,944	9,887	24,718
Professional audit and tax	-	29,936	-	29,936
Program continuing education and dues	14,919	-	-	14,919
Project Hope gift cards	-	750	-	750
Retirement plan	54,724	13,681	22,801	91,206
Salaries	2,330,037	582,509	970,849	3,883,395
Software and support - IT	60,856	7,159	3,580	71,595
Store supplies	-	-	32,373	32,373
Telephone and internet	6,190	3,095	6,190	15,475
Temporary storage rentals	1,633	-	14,700	16,333
Transportation expenses	-	-	11,290	11,290
Utilities	84,767	42,383	84,767	211,917
Volunteer expense	4,830	-	-	4,830
X-ray	2,094	-	-	2,094
<b>Total expenses</b>	<b>\$ 8,265,252</b>	<b>\$ 1,034,387</b>	<b>\$ 1,734,518</b>	<b>\$ 11,034,157</b>

See accompanying notes to financial statements.



**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	PROGRAM	SUPPORT SERVICES		Total
	SERVICE	General and	Fund	
	Patient Care	Administrative	Raising	
Awards and gifts	\$ -	\$ 126	\$ 31	\$ 157
Bank charges	62,880	-	41,920	104,800
Bethesda Alliance	-	-	3,599	3,599
Building repairs and maintenance	29,271	4,878	14,636	48,785
Building Supplies	13,988	2,331	6,994	23,313
Charitable Contributions	-	2,494	-	2,494
Community/Committee Lunches	2,878	2,159	2,159	7,195
Computer Equipment	13,021	1,532	766	15,319
Computer Repairs\Maint	130	15	8	153
Conf/Mtgs/Trav	7,885	986	986	9,856
Consulting & Labor-IT	3,011	354	177	3,542
Consulting/Contract labor	127,270	18,181	36,363	181,814
CONTRACT COUNSELING	49,520	-	-	49,520
Dental Lab Fees	49,013	-	-	49,013
Dental Supplies	105,907	-	-	105,907
Depreciation	177,849	17,785	1,976	197,610
Donated Dental Professional Services	18,027	-	-	18,027
Donated Medical Professional Services	1,904,245	-	-	1,904,245
Donated Medical Supplies	1,490,769	-	-	1,490,769
Donated Professional Services - Other	178,031	-	-	178,031
Donated Rent	177,120	22,140	22,140	221,400
Email & Website	1,556	183	92	1,830
Employee Relations	-	20,729	-	20,729
Equipment Repairs and Maint	5,018	590	295	5,903
Equipment-HOH	-	-	8,956	8,956
GYN Lab Fees	17,352	-	-	17,352
Health Insurance	153,952	38,488	64,147	256,587
HR Expenses	-	62,194	-	62,194
Insurance Malpractice	25,661	-	-	25,661
Interest Expense	-	-	40,063	40,063
IT Internet Security & Backup	3,905	459	230	4,594
Lease / Rent Expense	-	-	186,694	186,694
Liability Insurance	42,292	3,718	465	46,475
Marketing Expense	17,378	8,689	17,378	43,445
Medical Laboratory	114,780	-	-	114,780
Medical Supplies	27,319	-	-	27,319
Mileage Reimbursement	-	103	923	1,025
Misc. Donated Items	13,168	-	-	13,168
Miscellaneous	-	666	-	666
Non Program Dues/Memberships and Continuing Ed	-	17,490	-	17,490
Office Supplies	20,912	2,460	1,230	24,602
Paid Time Off	24,865	6,216	10,360	41,441
Patient Adoption	33,767	-	-	33,767
Payroll Taxes	164,276	41,069	68,448	273,793
Postage	3,363	3,363	4,484	11,209
Printing	10,251	5,126	10,251	25,628
Professional Audit and Tax	-	28,982	-	28,982
Program-Continuing Education and Dues	13,635	-	-	13,635
Project Hope Gift Cards	-	9,500	-	9,500
Retirement Plan	23,950	5,987	9,979	39,916
Salaries	2,006,900	501,725	836,209	3,344,834
Software and Support - IT	53,798	6,329	3,165	63,292
Store Supplies	-	-	41,084	41,084
Telephone & Internet	5,615	2,808	5,615	14,038
Temporary Storage Rentals	3,513	-	31,613	35,125
Transportation Expenses	-	-	7,556	7,556
Utilities	70,650	35,325	70,650	176,625
Volunteer Expense	2,646	-	-	2,646
<b>Total expenses</b>	<b>\$ 7,271,335</b>	<b>\$ 875,180</b>	<b>\$ 1,551,638</b>	<b>\$ 9,698,153</b>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,142,516	\$ 2,139,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	186,401	197,610
Non cash- donation of land	-	(850,000)
Net (gain) loss on interest in ETCF	(65,355)	444,597
Net (gain) loss on interest in Foundation	(114,014)	305,243
(Increase) decrease in assets:		
Other receivables	-	45
Prepaid expenses	(14,738)	(15,757)
Prepaid insurance	(1,702)	(4,423)
Inventory	(49,233)	(188,924)
Increase (decrease) in liabilities:		
Accounts payable	19,020	(28,933)
Payroll liabilities	22,719	(14,508)
Deferred revenues	68,288	92,566
	51,386	(62,484)
Total adjustments		
Net cash provided by operating activities	1,193,902	2,076,593
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, furniture and equipment	(90,794)	(129,897)
Transfers and reinvestments to ETCF	(546,946)	(2,875,602)
Transfers and reinvestments to Foundation	(23,909)	(126,811)
	(661,649)	(3,132,310)
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(109,961)	(178,419)
	(109,961)	(178,419)
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	422,292	(1,234,136)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	539,879	1,774,015
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 962,171	\$ 539,879
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 33,139	\$ 40,063
Donated land	\$ -	\$ 850,000

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

Bethesda Health Clinic (“the Clinic”) is a Christ-centered clinic that provides affordable health and dental care to hardworking low-income adults who are uninsured or underinsured. The Clinic receives most of its support from patient fees and contributions.

The affiliate, Bethesda Physician Associates (“BPA”), is a not-for-profit organization, whose sole member is the Clinic that employs physicians with an expertise in their respective fields.

Hangers of Hope is a pair of thrift stores organized and controlled by the Clinic exclusively to provide support for the clinic to supplement grants and donations in order to provide affordable care for its patients.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

Basis of Consolidation

The statements are presented as consolidated financial statements which include the accounts of Bethesda Health Clinic and Bethesda Physician Associates, whose sole member is the Clinic. BPA was organized in 2015 to provide delivery of physician medical services and other health care services for the benefit of Bethesda Health Clinic. Inter-organization balances and transactions have been eliminated.

Income Taxes

The Clinic and BPA are nonprofit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, contributions to the Clinic or BPA are tax deductible by the donor to the extent allowed by tax laws and regulations.

The Clinic has adopted the provisions of FASB ASC 740-10, (FASB Interpretation No 48, *Accounting for Uncertainty in Income Taxes*). The Clinic records a liability for uncertain tax position when it is probable that a loss has been incurred and the amount can be reasonably estimated. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. For the years ended June 30, 2023, and 2022, the Clinic did not accrue any amounts for uncertain tax positions. The Clinic files income tax returns in the U.S. federal jurisdiction and the returns for the current year and previous three years are open for examination.

Support and Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as net assets without donor restrictions. All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor.

Revenues

Effective July, 2020 the Clinic adopted ASC Topic 606 *Revenues from Contracts with Customers*. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. Adoption of this new standard did not have a significant effect on the recognition of revenues by the Clinic. Following is a description of the revenue streams and related recognition policies of the Clinic.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Patient Fees:** Patient fees are recognized at the time services are delivered to the patient. Payment is collected at the time of service, and accordingly, there are no receivables, contract assets or contract liabilities recognized. Transaction price is determined at the time of service based on the income level of the individual patient, with a two tiered structure, depending on the determination of whether the patient is considered low income.

**Thrift Store Sales:** Thrift store sales are recognized at the time a customer takes possession of the merchandise. Payment is collected at the point of sale. Any discounts are recognized in conjunction with the related sale. Returns are generally prohibited, and warranties are not offered, and as a result no estimate of returns or warranty liability is made.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash and cash equivalents are limited in use to payment of costs of constructing expanded facilities.

Contributions and Grants Receivable

The Clinic considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

The Clinic accepts donations of clothing and household items for resale to customers in its store, Hangers of Hope. These donated items are recorded at their net realizable value and are reflected as inventory in the Statement of Financial Position. Inventory is sold on a first-in, first-out (FIFO) basis.

Property, Furniture and Equipment

Acquisitions of property, furniture and equipment over \$1,500 are capitalized. Property, furniture and equipment are recorded at cost if purchased and gifts or contributions of property and equipment are recorded at the assets' fair market value at the date of donation. Depreciation is calculated using the straight-line method based on expected useful lives ranging from three to thirty-nine years.

Donated Materials, Services and Facilities

Professional licensed health care providers volunteer their services to the clinic and dental practice. It is the Clinic's policy to utilize these in its operations. These services are recognized as donated professional services revenue on the Statement of Activities. Donated professional service revenues are recorded at the fair market value, based on the Clinic's cost to acquire the same services, of the service provided with a corresponding expense in the same amount. The value of donated services on the financial statements and the corresponding expenses for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Donated professional services	\$ 658,304	\$ 479,658
Donated off-site medical services	<u>1,613,645</u>	<u>1,620,044</u>
Total donated medical professional services	<u>\$ 2,271,949</u>	<u>\$ 2,099,702</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Clinic with program services and fundraising activities. No amounts have been reflected in the financial statements for these donated services since the volunteer's time does not meet the criteria for recognition.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In 2023 and 2022, the Clinic received medical equipment and supplies from local hospitals, clinics and other organizations. It is the Clinic's policy to utilize these donations in its operations. Donated equipment over \$1,500, which is put into service by the Clinic, is capitalized at the fair market value, based on the Clinic's cost to acquire the same items, of the equipment on the date the gift is donated. Donated equipment under \$1,500 and supplies are recognized as in-kind revenue in the Statement of Activities with a corresponding expense in the same amount. Donated medical supplies total \$1,903,228 and 2,533,291 for the years ended June 30, 2023 and 2022, respectively. All such donations are utilized in clinic and dental practice operations.

The Clinic occupies a building owned by First Baptist Church of Tyler under a lease agreement for \$1 per year which expires December 31, 2023. The landlord has estimated the approximate fair value of the annual rental to be \$221,400 and \$221,400 for the years ended June 30, 2023 and 2022. This amount is included in the Statements of Activities and Statements of Functional Expenses as donated rent and rent expense, and is allocated between patient care, general and administrative and fundraising. The Clinic utilizes this space in its operations in its entirety.

During 2022, the Clinic received a donation of land with a fair value of \$850,000, based on a professional appraisal. The board has not determined the use or disposition of the property, and does not have a set policy for the use or disposition of donated real property.

Advertising Costs

All advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2023 and 2022, totaled \$87,764 and \$43,445, respectively.

Functional Expenses

The costs of providing the patient care program and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Beneficial Interest in Assets Held by East Texas Communities Foundation

The Clinic has established a donor advised fund at the East Texas Communities Foundation ("ETCF"). The Clinic granted variance power to ETCF, which allows ETCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of ETCF's board of directors, such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by ETCF for the benefit of the Clinic and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Beneficial Interest in Bethesda Foundation

The Bethesda Health Clinic Foundation (Foundation) was formed in March 2005 and received its Internal Revenue Service 501(c)(3) letter in August 2006. The Foundation was organized and is operated exclusively for the benefit of and to further the purposes of the Clinic. The Foundation's Board of Directors is elected to serve a three year term.

To accomplish its purpose, an endowment fund was established in the Foundation to receive contributions for the benefit of the Clinic with the understanding that the principal of the assets held and managed by the Foundation be used for the sole benefit of the Clinic. The endowment principal and income earned is available for the support of the Clinic. Investment and spending policy, approved by the Foundation's Board of Directors in December 2006, limited spending in the first three years to five percent of the portfolio value. Thereafter, spending is available to target five percent of the fund's average three year portfolio value. For the years ended June 30, 2023 and 2022, no spending has occurred. The Board of the Clinic elected to fund the endowment in August 2006 with \$630,000 of contributions received in prior years without donor restrictions.

In October 2013, the Foundation's investments were transferred to East Texas Communities Foundation (ETCF) on terms similar to that of the Clinic noted above.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The assets have been reported in the accompanying financial statements at fair value under the caption “Beneficial Interest in Bethesda Foundation”.

Fair Value of Financial Instruments

The Clinic’s financial instruments consist principally of cash and cash equivalents, beneficial interests in assets held by others, and accounts payable. Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC” 820), *Fair Value Measurement*, defines fair value of a financial instrument as the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1 Inputs: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Inputs: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 Inputs: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The fair value of the Clinic’s cash equivalents and marketable securities was determined based on “Level 1” inputs. The Clinic does not have any marketable securities in the “Level 2” or “Level 3” categories. The Clinic believes that the recorded values of all the other financial instruments approximate their current fair values because of their nature and relatively short maturity dates or durations.

Compensated Absences

Employees of the Clinic are entitled to paid vacation and sick days, depending on job classification, length of service, and other factors. At June 30, 2023 and 2022 a provision of \$15,850 and \$15,646, respectively was included in payroll liabilities on the consolidated statement of financial position.

Leases

The determination of whether an arrangement is a lease is made at the lease’s inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Operating leases, with a duration of one year or more, are included in right-of-use (“ROU”) assets, and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease expenses are recorded when incurred.

**BETHESDA HEALTH CLINIC AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

If lease agreements have lease and non-lease components, the components are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. However, if the lease and non-lease components are not easily separable, the Organization has elected the practical expedient to combine them.

**Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” which introduced a new model for recognizing credit losses on financial instruments based on an estimate of the current expected credit losses. The new current expected credit losses, or CECL, model generally calls for the immediate recognition of all expected credit losses and applies to financial instruments and other assets, including accounts receivable and other financial assets measured at amortized cost, debt securities and other financial assets. This guidance replaces the current incurred loss model for measuring expected credit losses, requires expected losses on available-for-sale debt securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities and provides for additional disclosure requirements. The ASU is effective for the Clinic for the annual reporting period beginning July 1, 2023. The Clinic is currently evaluating the effects of adoption of ASU 2016-13 will have on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, “Leases” (ASC Topic 842). This update requires lessees to record a lease liability that represents the lessee’s future lease obligation and a right-of-use asset that represents the lessee’s right to use or control of a specified asset for the lease term. The Clinic adopted the provisions of ASU 2016-02 which were effective for fiscal years beginning after December 15, 2021. There was no effect on net assets. As of July 1, 2022, the Clinic recognized a right of use asset and a lease liability of \$697,211.

**NOTE 2: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Clinic has beneficial interest in assets held by the East Texas Communities Foundation (“ETCF”), and the Bethesda Foundation (“the Foundation”), as described in Note 1. Below is a reconciliation of the beginning and ending balances of beneficial interest in assets held by ETCF and Bethesda measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022:

<b>The Foundation</b>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,766,654	\$ 1,945,086
Contributions	2,250	88,507
Realized gain (loss)	104,506	49,462
Unrealized gain (loss)	9,508	(337,222)
Interest and dividends	38,239	38,304
Fees	<u>(16,581)</u>	<u>(17,482)</u>
Ending balance	\$ <u>1,904,577</u>	\$ <u>1,766,654</u>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 2: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)**

ETCF	2023	2022
Beginning balance	\$ 3,422,038	\$ 991,033
Contributions	498,000	2,838,299
Realized gain (loss)	(123,371)	15,212
Unrealized gain (loss)	188,726	(436,992)
Interest and dividends	88,125	37,302
Fees	(39,178)	(22,817)
Ending balance	\$ 4,034,339	\$ 3,422,038

**NOTE 3: PROPERTY, FURNITURE AND EQUIPMENT**

Property, furniture and equipment consist of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Equipment	\$ 1,212,116	\$ 1,168,137
Truck	33,499	26,199
Leasehold improvements	1,393,734	1,385,511
Land	535,444	535,444
Building	1,906,696	1,894,428
Total property, furniture and equipment	5,081,489	5,009,719
Less: Accumulated depreciation	(1,998,828)	(1,812,427)
Total property, furniture and equipment, net	\$ 3,082,661	\$ 3,197,292

Depreciation expense for the years ended June 30, 2023 and 2022 was \$186,401 and \$197,610, respectively. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred. The land and building are collateral for the debt described in Note 9.

**NOTE 4: BOARD DESIGNATED NET ASSETS**

A portion of the Clinic's net assets without donor restrictions has been designated by the Clinic's board. Board-designated net assets are available for the following purposes for the years ended June 30, 2023 and 2022:

	2023	2022
Reserve	\$ 273,331	\$ 273,331
Maintenance	10,000	10,000
Foundation	1,373,738	1,373,738
Total board designated net assets	\$ 1,657,069	\$ 1,657,069



**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

The Clinic's net assets with donor restrictions are subject to the following purpose:

	<u>2023</u>	<u>2022</u>
Dental	\$ -	\$ 10,000
Direct patient care	53,600	50,247
Counselor	17,534	-
Women's care	890	-
Expansion	2,140,500	2,116,000
Prostate care	28,103	11,632
X-ray	14,250	14,250
Diabetic/Chronic disease program	-	25,000
Project Hope	-	21,201
	<u>2,254,877</u>	<u>2,248,330</u>
Total net assets with donor restrictions	\$ <u>2,254,877</u>	\$ <u>2,248,330</u>

**NOTE 6: CONCENTRATIONS**

The Clinic maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. For the years ended June 30, 2023 and 2022, the Clinic's uninsured cash balances were \$709,857 and \$389,193 respectively.

The Clinic receives a significant portion of its donated professional services revenue from Texas Spine and Joint Hospital, Ltd. For the years ended June 30, 2023 and 2022, the hospital donated services valued at \$1,232,349 and \$1,196,895, respectively.

**NOTE 7: JOINT COSTS**

The Clinic's office is often used to educate the public, request public participation in programs, and to inform donors about the Clinic's activities. The Clinic's major joint operating costs are salaries, benefits, insurance, utilities, rent, office and meeting supplies, depreciation and postage.

Joint operating costs incurred by the Clinic for the years ended June 30, 2023 and 2022, totaled \$5,023,705 and \$4,388,452 respectively. The 2023 joint costs are allocated on the statement of functional expenses as follows: \$3,046,303 (61%) to patient care, \$750,104 (15%) to general and administrative expense, and \$1,227,298 (24%) to fund-raising. The 2022 joint costs are allocated on the statement of functional expenses as follows: \$2,666,823 (61%) to patient care, \$655,010 (15%) to general and administrative expense, and \$1,066,619 (24%) to fund-raising.

**NOTE 8: LEASES**

The Clinic has entered into operating leases for both its Troup Highway Hangers of Hope location and for storage and sorting facilities that expire at various times through May 2025. The component of lease expense was as follows for the year ended June 30, 2023:

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8: LEASES (continued)**

	Year Ending 2023-06
<b>Lease expense</b>	
Operating lease expense	181,167
Short-term lease expense	2,260
<b>Total</b>	183,427
 <b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	180,927
ROU assets obtained in exchange for new operating lease liabilities	697,211
Weighted-average remaining lease term in years for operating leases	3.08
Weighted-average discount rate for operating leases	2.88%
 <b>Maturity Analysis</b>	<b>Operating</b>
2024	179,921
2025	181,199
2026	182,516
2027	12,332
2028	971
Thereafter	242
Total undiscounted cash flows	557,181
Less: present value discount	(23,413)
Total lease liabilities	533,768

**NOTE 9: LONG -TERM DEBT**

At June 30, 2023 and 2022, long-term debt was comprised of the following:

	2023	2022
Note secured by the building as well as any equipment, furniture, and fixtures within the building. Beginning May 15, 2017, the note is payable quarterly with 25 principal and interest payments of \$31,175 bearing interest at 3.77%. Beginning August 15, 2023, the note is payable with 75 quarterly principal and interest payments estimated at \$18,443 bearing interest at 4.70% plus a variable margin currently at 1.85%, or 6.55%. The note matures February 15, 2042.	\$ 796,609	\$ 906,570
	796,609	906,570
Less current portion	(25,298)	(93,447)
Long-Term Debt	\$ 771,311	\$ 813,123

**BETHESDA HEALTH CLINIC AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 9: LONG -TERM DEBT (continued)**

Future maturities of long-term debt as of June 30, 2023 are as follows:

2024	\$	25,298
2025		23,121
2026		24,695
2027		26,337
2028		28,050
Thereafter		<u>669,069</u>
Total	\$	<u>796,609</u>

**NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES**

At June 30, 2023 and June 30, 2022, the Clinic had \$4,996,510 and \$3,916,917, respectively, of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditure consisting of unrestricted cash of \$962,171 and \$539,879, beneficial interest in the assets of ETCF of \$4,034,339 and \$3,422,038. None of the financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Additionally, the Clinic may utilize board designated funds, or request withdrawals from the Foundation if necessary. The Clinic has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$765,698. The Clinic has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as a part of its liquidity management, the Clinic invests certain contributions in marketable securities maintained at the East Texas Communities Foundation.

**NOTE 11: DEFINED CONTRIBUTION PLAN**

Effective January 1, 2019, the Clinic began a 401K plan that covers substantially all full-time employees of the Clinic. During the years ended June 30, 2023 and 2022, the Clinic made contributions of \$91,206, and \$39,916, respectively to the plan.

**NOTE 12: SUBSEQUENT EVENTS**

The Clinic has evaluated subsequent events through October 16, 2023, the date which the financial statements were available to be issued.

After year end, the Clinic entered into an agreement to become the sole member of St. Paul Children’s Medical Corporation (“Medical Corporation”), in place of St. Paul Children’s Foundation (“St. Paul”), effective September 1, 2023, in order to expand its pediatric practice. The Clinic acquired substantially all of the assets of the Medical Corporation, and no liabilities for consideration of \$10. As part of the agreement, the Clinic agreed to lease from St. Paul the facilities used by the Medical Corporation. The lease term is 24 months beginning September 1, 2023 at \$2,500 per month. The fair values of the assets acquired have not yet been determined.

Effective July 10, 2023, the Clinic entered into a lease for a new Hangers of Hope location. The lease begins September 1, 2023 for 10 years and 3 months, with an initial rental of \$17,503 per month beginning December 1, 2023.