

**BETHESDA HEALTH CLINIC AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2025 AND 2024**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**TABLE OF CONTENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b><u>PAGE</u></b>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
<b>Notes to Consolidated Financial Statements</b>	9-18

*Independent Auditors' Report*

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

***Opinion***

We have audited the consolidated financial statements of Bethesda Health Clinic and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 Affiliates as of June 30, 2025 and 2024, 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 Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Affiliates' 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 Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
September 30, 2025

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2025 AND JUNE 30, 2024**

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,001,238	\$ 1,740,533
Receivables, net of allowance for credit losses of \$8,635 and \$3,000 for 2025 and 2024, respectively	44,847	83,771
Pledges and grants receivable	263,849	-
Inventory	855,787	839,187
Prepaid expenses	192,514	154,825
Total current assets	3,358,235	2,818,316
Property and Equipment		
Property, furniture, and equipment, net of accumulated depreciation	8,408,472	3,476,879
Other Assets		
Construction in progress	198,260	52,309
Right of use assets	2,429,098	2,880,907
Property and equipment held for future use	67,000	67,000
Pledges and grants receivable - long term	457,336	-
Beneficial interest in assets held by East Texas Communities Foundation	438,987	4,280,556
Beneficial interest in Bethesda Foundation	2,457,656	2,210,874
Total other assets	6,048,337	9,491,646
 <b>TOTAL ASSETS</b>	 <b>\$ 17,815,044</b>	 <b>\$ 15,786,841</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	56,602	140,147
Payroll liabilities	150,425	71,349
Deferred revenues - dental	113,952	125,857
Short term portion of lease liabilities	451,845	459,215
Current portion of long-term debt	81,080	51,353
Total current liabilities	853,904	847,921
Long-term Liabilities		
Lease liabilities, net of current portion	2,037,516	2,489,361
Long-term debt, net of current-portion	364,940	358,175
Total long-term liabilities	2,402,456	2,847,536
 <b>TOTAL LIABILITIES</b>	 <b>3,256,360</b>	 <b>3,695,457</b>
 <b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	10,778,941	7,985,310
Board designated	1,657,069	1,657,069
Total without donor restrictions	12,436,010	9,642,379
With donor restrictions	2,122,674	2,449,005
 <b>TOTAL NET ASSETS</b>	 <b>14,558,684</b>	 <b>12,091,384</b>
  <b>TOTAL LIABILITIES AND NET ASSETS</b>	  <b>\$ 17,815,044</b>	  <b>\$ 15,786,841</b>

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions	\$ 1,454,811	\$ 2,254,021	\$ 3,708,832
Grants	95,000	62,524	157,524
Donated medical professional services	2,284,453	-	2,284,453
Donated rent	221,400	-	221,400
Donated medicines and medical supplies	2,162,356	-	2,162,356
Hangers of Hope sales	5,686,668	-	5,686,668
Other special events (fundraising), net of related expenses of \$160,407	1,050,523	-	1,050,523
Patient fees	2,246,238	-	2,246,238
Net gain on beneficial interest in ETCF	29,798	-	29,798
Other income	100,289	-	100,289
	<hr/>	<hr/>	<hr/>
Total revenue	15,331,536	2,316,545	17,648,081
Net assets released from restrictions:			
Satisfaction of program restrictions	2,642,876	(2,642,876)	-
	<hr/>	<hr/>	<hr/>
Total revenues and net assets released from restrictions	17,974,412	(326,331)	17,648,081
	<hr/>	<hr/>	<hr/>
<b>EXPENSES</b>			
Patient care	10,660,416	-	10,660,416
General and administrative	1,609,481	-	1,609,481
Fundraising	3,157,667	-	3,157,667
	<hr/>	<hr/>	<hr/>
Total expenses	15,427,564	-	15,427,564
	<hr/>	<hr/>	<hr/>
Net increase before change in interest in Bethesda Foundation	2,546,848	(326,331)	2,220,517
Change in interest in Bethesda Foundation	246,783	-	246,783
	<hr/>	<hr/>	<hr/>
Change in net assets	2,793,631	(326,331)	2,467,300
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>			
Balance, beginning of year	9,642,379	2,449,005	12,091,384
	<hr/>	<hr/>	<hr/>
Balance, end of year	<u>\$ 12,436,010</u>	<u>\$ 2,122,674</u>	<u>\$ 14,558,684</u>

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE</b>			
Contributions	1,007,990	\$ 389,329	\$ 1,397,319
Inherent contribution	598,558	-	598,558
Grants	141,573	364,800	506,373
Donated medical professional services	1,803,594	-	1,803,594
Donated medical supplies	855,782	-	855,782
Donated rent	221,400	-	221,400
Hangers of Hope sales	4,561,164	-	4,561,164
Other special events (fundraising), net of related expenses of \$155,013	847,804	-	847,804
Patient fees	2,066,931	-	2,066,931
Net gain on beneficial interest in ETCF	246,218	-	246,218
Gain on disposal of land	50,000	-	50,000
Other income	69,758	-	69,758
	12,470,772	754,129	13,224,901
Net assets released from restrictions:			
Satisfaction of program restrictions	560,001	(560,001)	-
	13,030,773	194,128	13,224,901
<b>EXPENSES</b>			
Patient care	8,014,370	-	8,014,370
General and administrative	1,380,437	-	1,380,437
Fundraising	2,600,152	-	2,600,152
	11,994,959	-	11,994,959
Net increase before change in interest in Bethesda Foundation	1,035,814	194,128	1,229,942
Change in interest in Bethesda Foundation	206,297	-	206,297
Change in net assets	1,242,111	194,128	1,436,239
<b>NET ASSETS</b>			
Balance, beginning of year	8,400,268	2,254,877	10,655,145
Balance, end of year	\$ 9,642,379	\$ 2,449,005	\$ 12,091,384

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2025**

	PROGRAM SERVICE	SUPPORT SERVICES		Total
	Patient Care	General and Administrative	Fund Raising	
		\$	\$	
Awards and gifts	-	788	197	985
Bank charges	93,878	-	62,586	156,464
Building repairs and maintenance	63,758	10,626	31,879	106,263
Building supplies	19,913	3,319	9,957	33,189
Charitable contributions	-	500	-	500
Community and committee lunches	1,436	1,077	1,077	3,590
Computer equipment	23,261	2,737	1,368	27,366
Conferences meetings travel	8,049	1,006	1,006	10,061
Consulting and labor-IT	4,541	534	267	5,342
Consulting and contract labor	82,310	11,759	23,517	117,586
Dental lab fees	34,800	-	-	34,800
Dental supplies	149,465	-	-	149,465
Depreciation	286,207	28,621	3,180	318,008
Donated dental professional services	13,433	-	-	13,433
Donated medical professional services	2,062,163	-	-	2,062,163
Donated medical supplies	2,146,985	-	-	2,146,985
Donated professional services - other	210,457	-	-	210,457
Donated rent	177,120	22,140	22,140	221,400
Email and website	13,922	1,638	819	16,379
Employee relations	-	51,562	-	51,562
Equipment lease	-	-	18,347	18,347
Equipment repairs and maintenance	3,660	431	215	4,306
Equipment-HOH	-	-	51,809	51,809
GYN Lab Fees	14,508	-	-	14,508
Health insurance	254,895	63,724	106,206	424,825
Human resource expense	-	113,540	-	113,540
Insurance malpractice	26,751	-	-	26,751
Interest expense	-	-	29,113	29,113
IT internet security and backup	16,120	1,897	948	18,965
Lease and rent expense	-	-	537,673	537,673
Liability insurance	99,855	8,778	1,097	109,730
Licenses and permits	25	25	-	50
Marketing expense	49,001	24,500	49,001	122,502
Medical laboratory	115,972	-	-	115,972
Medical supplies	121,321	-	-	121,321
Mileage reimbursement	-	664	5,976	6,640
Miscellaneous donated items	815	-	-	815
Miscellaneous	-	5,931	-	5,931
Non program dues and memberships and continuing ed.	-	47,752	-	47,752
Office supplies	17,202	2,024	1,012	20,238
Paid time off	96,371	24,093	40,155	160,619
Patient adoption	63,664	-	-	63,664
Payroll taxes	286,849	71,712	119,521	478,082
Pediatric bad debt expense	-	6,000	-	6,000
Postage	1,990	1,990	2,653	6,633
Printing	15,044	7,522	15,044	37,610
Professional audit and tax	-	49,596	-	49,596
Program continuing education and dues	23,768	-	-	23,768
Retirement plan	103,251	25,813	43,021	172,085
Salaries	3,668,060	917,015	1,528,359	6,113,434
SMCO	-	-	157,082	157,082
Software and support - IT	95,894	11,282	5,641	112,817
Store supplies	-	-	59,669	59,669
Telephone and internet	14,376	7,188	14,376	35,940
Transportation expenses	-	-	49,362	49,362
Utilities	163,394	81,697	163,394	408,485
Volunteer expense	14,188	-	-	14,188
X-ray	1,744	-	-	1,744
Total expenses	<u>\$ 10,660,416</u>	<u>\$ 1,609,481</u>	<u>\$ 3,157,667</u>	<u>\$ 15,427,564</u>

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	PROGRAM SERVICE		SUPPORT SERVICES		Total
	Patient Care	General and Administrative	Fund Raising		
	\$	\$	\$	\$	
Awards and gifts	-	872	218	1,090	
Bank charges	117,971	-	78,647	196,618	
Building maintenance and repairs	45,020	7,503	22,510	75,033	
Building supplies	29,863	4,977	14,931	49,771	
Charitable contributions	-	1,237	-	1,237	
Community and committee lunches	1,121	841	840	2,802	
Computer equipment	25,983	3,057	1,528	33,625	
Computer repairs and maintenance	121	14	7	142	
Conferences meetings travel	11,591	1,449	1,449	14,489	
Consulting and contract labor	29,085	4,155	8,310	41,550	
Consulting and labor-IT	13,609	1,601	801	16,011	
Contract counseling	28,560	-	-	28,560	
Dental lab fees	32,255	-	-	32,255	
Dental supplies	130,952	-	-	130,952	
Depreciation	215,458	21,546	2,394	239,398	
Donated dental professional services	12,481	-	-	12,481	
Donated medical professional services	1,573,419	-	-	1,573,419	
Donated medical supplies	850,671	-	-	850,671	
Donated professional services - other	217,694	-	-	217,694	
Donated rent	177,120	22,140	22,140	221,400	
Email and website	16,752	1,971	985	19,708	
Employee relations	-	34,830	-	34,830	
Equipment lease	-	-	2,520	2,520	
Equipment repairs and maintenance	3,463	407	204	4,074	
Equipment-HOH	-	-	49,743	49,743	
GYN lab fees	20,595	-	-	20,595	
Health insurance	233,556	58,389	97,315	389,260	
Human resource expenses	-	100,271	-	100,271	
Insurance malpractice	27,457	-	-	27,457	
Interest expense	-	-	41,544	41,544	
IT internet security and backup	19,112	2,249	1,124	22,485	
Lease and rent expense	-	-	382,572	382,572	
Liability insurance	80,273	7,057	882	88,212	
Licenses and permits	193	192	-	385	
Marketing expense	47,508	23,754	47,508	118,770	
Medical laboratory	100,196	-	-	100,196	
Medical supplies	66,777	-	-	66,777	
Mileage reimbursement	-	537	4,828	5,365	
Miscellaneous donated items	1,004	-	-	1,004	
Miscellaneous	-	5,726	-	5,726	
Non program dues and memberships and continuing ed.	-	38,168	-	38,168	
Office supplies	21,314	2,507	1,254	25,075	
Paid time off	63,350	15,838	26,396	105,584	
Patient adoption	38,556	-	-	38,556	
Payroll taxes	245,966	61,492	102,486	409,944	
Pediatrics management expense	-	1,022	-	1,022	
Pediatrics bad debt expense	-	12,373	-	12,373	
Postage	2,023	2,023	2,698	6,744	
Printing	13,782	6,891	13,781	34,454	
Professional audit and tax	-	48,000	-	48,000	
Program continuing education and dues	32,236	-	-	32,236	
Retirement plan	72,421	18,105	30,176	120,702	
Salaries	3,171,162	792,791	1,321,318	5,285,271	
SMCO	-	-	98,197	98,197	
Software and support - IT	73,918	8,696	4,348	86,962	
Store supplies	-	-	49,791	49,791	
Telephone and internet	11,365	5,682	11,364	28,411	
Temporary storage rentals	745	-	6,703	7,448	
Transportation expenses	-	-	24,493	24,493	
Utilities	124,148	62,074	124,147	310,369	
Volunteer expense	12,828	-	-	12,828	
X-ray	696	-	-	696	
<b>Total Expenses</b>	<b>8,014,370</b>	<b>1,380,437</b>	<b>2,600,152</b>	<b>11,994,959</b>	

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,467,300	\$ 1,436,239
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	318,008	239,398
Bad debts	5,635	-
St. Paul donated assets	-	(241,232)
(Gain)loss on disposal of assets	52,309	(50,000)
Net (gain) loss on interest in ETCF	(29,798)	(246,218)
Net (gain) loss on interest in Foundation	(246,782)	(206,298)
(Increase) decrease in assets:		
Accounts receivable	33,289	(83,756)
Grants and pledges receivable	(721,185)	-
Prepaid expenses	(37,689)	(84,882)
Inventory	(16,600)	(1,270)
Increase (decrease) in liabilities:		
Accounts payable	(83,545)	49,995
Payroll liabilities	63,988	(77,269)
Deferred revenues	(11,905)	(34,997)
	(674,275)	(736,529)
Total adjustments		
Net cash provided by operating activities	1,793,025	699,710
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, furniture and equipment	(5,353,401)	(334,267)
Proceeds from sale of land	-	900,000
Transfers and reinvestments to ETCF	(1,008,188)	-
Transfers from Foundation	4,879,555	(100,000)
	(1,482,034)	465,733
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(50,286)	(387,081)
	(50,286)	(387,081)
Net cash used in financing activities		
Net increase in cash and cash equivalents	260,705	778,362
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,740,533	962,171
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,001,238	\$ 1,740,533
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 29,113	\$ 41,544
<b>SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Fixed assets acquired by financing agreements	\$ 94,460	\$ -

See accompanying notes to financial statements.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**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 affiliates, 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. St. Paul Medical Corporation d/b/a Bethesda Pediatrics (“BPC”) provides health and dental care to children who are uninsured.

Hangers of Hope is a group of three 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.

Rose City House of Mercy (“RCHM) is an LLC set up during the year ended June 30, 2025 to acquire real estate for a new clinic site.

On August 26, 2025, subsequent to the balance sheet date, the board of directors voted to change the name of the Clinic from Bethesda Health Clinic to Bethesda Family Clinic. This change is intended to reflect the operations of Bethesda Health Clinic and Bethesda Pediatrics under one roof at the conclusion of the Greater Works Capital Campaign.

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, Bethesda Physician Associates, Bethesda Pediatrics, and Rose City House of Mercy, all of 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. BPC was acquired in 2024 to expand the clinics pediatric care. Inter-organization balances and transactions have been eliminated.

Income Taxes

The Clinic, BPA and BPC are nonprofit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and RCHM is wholly owned by the Clinic; 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, 2025, and 2024, the Clinic did not accrue any amounts for uncertain tax positions. The Clinic files income tax returns in the U.S. federal jurisdiction.

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.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

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. The following is a description of the revenue streams and related recognition policies of the Clinic.

**Patient Fees - BHC:** 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 as it does not accept insurance. 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.

**Patient Fees – BPC:** Patient fees are recognized at the time services are delivered to the patient. BPC receives payments for medical and dental services from patients, insurance companies and Medicare. Accounts receivable consist of charges to patients for services provided to them. Settled charges have been adjusted based on each patient’s ability to pay. Contractual adjustments and uncollectible balances due from third-party payors and uncollectible balances associated with patient responsibility as a reduction of the transaction price and therefore, as a reduction in net service revenue. In order to estimate uncollectible balances, Management assesses the patient’s current creditworthiness as well as the length of time since services were provided to the patient.

**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.

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 stores, 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 \$2,500 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 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.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

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, 2025 and 2024 are as follows:

	2025	2024
Donated professional services	\$ 1,037,727	\$ 1,104,973
Donated off-site medical services	1,246,726	698,621
Total donated medical professional services	\$ 2,284,453	\$ 1,803,594

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.

In 2025 and 2024, 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 \$2,500, which is put into service by the Clinic, is capitalized at fair 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 \$2,500 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 \$2,162,356 and 855,782 for the years ended June 30, 2025 and 2024, 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 expired December 31, 2023, and renewed on a year-to-year basis. 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, 2025 and 2024. 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 land was sold in 2024 for \$900,000.

Advertising Costs

All advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2025 and 2024, totaled \$122,502 and \$118,770, 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.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

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, 2025 and 2024, 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.

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, patient receivables, 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, 2025 and 2024 a provision of \$32,049 and \$28,825, respectively was included in payroll liabilities on the consolidated statement of financial position.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

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.

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.

**NOTE 2: PROPERTY, FURNITURE AND EQUIPMENT**

Property, furniture and equipment consist of the following for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 1,826,154	\$ 1,667,696
Truck	38,855	38,855
Leasehold improvements	1,576,017	1,562,566
Land	1,237,713	535,444
Building	<u>6,285,568</u>	<u>1,910,145</u>
Total property, furniture and equipment	10,964,307	5,714,706
Less: Accumulated depreciation	<u>(2,555,835)</u>	<u>(2,237,827)</u>
Total property, furniture and equipment, net	<u>\$ 8,408,472</u>	<u>\$ 3,476,879</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$318,008 and \$239,398, 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 10.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**NOTE 3: 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, 2025 and 2024:

<b>The Foundation</b>	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 2,210,874	\$ 1,904,577
Contributions	-	100,000
Realized gain (loss)	16,914	67,826
Unrealized gain (loss)	188,794	103,755
Interest and dividends	61,033	52,837
Fees	<u>(19,959)</u>	<u>(18,121)</u>
Ending balance	\$ <u>2,457,656</u>	\$ <u>2,210,874</u>
<b>ETCF</b>	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 4,280,556	\$ 4,034,339
Contributions	1,008,188	-
Realized gain (loss)	8,070	60,288
Unrealized gain (loss)	33,070	108,330
Interest and dividends	8,805	120,803
Fees	(20,147)	(43,204)
Distributions	<u>(4,879,555)</u>	<u>-</u>
Ending balance	\$ <u>438,987</u>	\$ <u>4,280,556</u>

**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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Reserve	\$ 273,331	\$ 273,331
Maintenance	10,000	10,000
Foundation	<u>1,373,738</u>	<u>1,373,738</u>
Total board designated net assets	\$ <u>1,657,069</u>	\$ <u>1,657,069</u>

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

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

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

	<u>2025</u>	<u>2024</u>
Pediatrics	\$ -	\$ 199,750
Pediatrics equipment	2,000	-
Expansion	2,085,742	2,215,500
Prostate care	27,267	29,035
EGD	3,500	-
Other	4,165	-
Pediatric counselor	<u>-</u>	<u>4,720</u>
Total net assets with donor restrictions	<u>\$ 2,122,674</u>	<u>\$ 2,449,005</u>

**NOTE 6: UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are recorded as receivables and revenue when the written pledge is received. All promises to give were received in relation to the Clinic's Greater Works Capital Campaign. The Clinic records pledges after being discounted to the anticipated net present value of the future cash flows. Discount rates ranged from 3.68 to 3.97 percent. Unconditional promises to give are comprised of the following for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Unconditional promises to give	\$ 755,627	\$ -
Less: Unamortized discount	<u>(34,442)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 721,185</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 263,849	\$ -
Between one and two years	210,799	-
Between two and three years	180,979	-
Between three to four years	<u>100,000</u>	<u>-</u>
Total	<u>\$ 755,627</u>	<u>\$ -</u>

**NOTE 7: 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, 2025 and 2024, the Clinic's uninsured cash balances were \$2,004,154 and \$1,663,640 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, 2025 and 2024, the hospital donated services valued at \$1,229,134 and \$560,223, respectively.

**NOTE 8: 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.

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**NOTE 8:        JOINT COSTS (continued)**

Joint operating costs incurred by the Clinic for the years ended June 30, 2025 and 2024, totaled \$7,996,636 and \$6,834,429 respectively. The 2025 joint costs are allocated on the statement of functional expenses as follows: \$4,817,357 (60%) to patient care, \$1,192,354 (15%) to general and administrative expense, and \$1,956,925 (25%) to fund-raising. The 2024 joint costs are allocated on the statement of functional expenses as follows: \$4,131,759 (60%) to patient care, \$1,022,742 (15%) to general and administrative expense, and \$1,679,928 (25%) to fund-raising.

**NOTE 9:        LEASES**

The Clinic has entered into operating leases for facilities and equipment that expire at various times through October 2033. The component of lease expense was as follows for the year ended June 30, 2025:

	Year Ending 2025-06
<b>Lease expense</b>	
Operating lease expense	\$ 554,442
<b>Total</b>	\$ 554,442
 <b>Other Information</b>	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	561,849
Weighted-average remaining lease term in years for operating leases	7.42
Weighted-average discount rate for operating leases	3.83%
 <b>Maturity Analysis</b>	
2026	\$ 538,166
2027	355,749
2028	333,060
2029	314,073
2030	305,571
Thereafter	1,018,570
Total undiscounted cash flows	2,865,188
Less: present value discount	(375,827)
Total lease liabilities	\$ 2,489,361

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**NOTE 10: LONG - TERM DEBT**

At June 30, 2025 and 2024, long-term debt was comprised of the following:

	2025	2024
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.	\$ 361,394	\$ 409,528
 Note secured by point of sale equipment and software. Note is payable monthly in payments of \$3,048, and bears interest at 10% per annum. Note matures January 2028	 84,626	 -
	446,020	409,528
Less current portion	(81,080)	(51,353)
Long-Term Debt	\$ 364,940	\$ 358,175

Future maturities of long-term debt as of June 30, 2025 are as follows:

2026	\$	81,080
2027		87,419
2028		79,727
2029		62,135
2030		66,366
Thereafter		69,293
Total	\$	446,020

**NOTE 11: LIQUIDITY AND AVAILABILITY OF RESOURCES**

At June 30, 2025 and June 30, 2024, the Clinic had \$3,206,257 and \$6,104,860, 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 \$2,001,238 and \$1,740,533, receivables of \$308,696 and \$83,771, and beneficial interest in the assets of ETCF of \$438,987 and \$4,280,556. 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 \$1,744,575. 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 12: 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, 2025 and 2024, the Clinic made contributions of \$172,085, and \$120,702, respectively to the plan. The increase is due primarily to the addition of BPC employees to the plan (See Note 13).

**BETHESDA HEALTH CLINIC AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2025 AND 2024**

**NOTE 13: BUSINESS COMBINATION**

Effective September 1, 2023, Bethesda became the sole member of St. Paul Medical Corporation, which provides medical care to children whose families are low income, through a member substitution agreement to expand the activities of Bethesda to children. St. Paul Medical Corporation now does business as Bethesda Pediatrics Corporation (“BPC”). The substitution was achieved without consideration, and no liabilities were acquired. Bethesda recognized an inherent contribution of \$598,558, as there was no consideration given for BPC. Recognized amounts were cash of \$293,681, equipment of \$244,421 and receivables of \$60,456.

**NOTE 14: SUBSEQUENT EVENTS**

The Clinic has evaluated subsequent events through September 30, 2025, the date which the financial statements were available to be issued.