

**BETHESDA HEALTH CLINIC AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**Gollob Morgan Peddy PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**BETHESDA HEALTH CLINIC AND AFFILIATE**  
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**YEARS ENDED JUNE 30, 2021 AND 2020**

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*Independent Auditors' Report*

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

We have audited the accompanying consolidated financial statements of Bethesda Health Clinic and affiliate, which comprise the consolidated statements of financial position as of June 30, 2021 and June 30, 2020, 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.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethesda Health Clinic and affiliate as of June 30, 2021 and June 30, 2020 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gollob Morgan Peddy PC*

Certified Public Accountants

Tyler, Texas  
November 11, 2021

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND JUNE 30, 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 774,015	\$ 789,033
Other receivables	-	8,358
Inventory	599,820	370,732
Prepaid expenses	21,824	-
Prepaid insurance	11,499	10,825
Total current assets	1,407,158	1,178,948
Property and Equipment		
Property, furniture, and equipment, net of accumulated depreciation	3,288,975	3,358,599
Other Assets		
Cash restricted for building expansion	1,000,000	1,000,000
Property and equipment held for future use	67,000	118,000
Beneficial interest in assets held by East Texas Communities Foundation	991,033	431,171
Beneficial interest in Bethesda Foundation	1,945,086	1,441,534
Total other assets	4,003,119	2,990,705
<b>TOTAL ASSETS</b>	<b>\$ 8,699,252</b>	<b>\$ 7,528,252</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 99,774	\$ 61,065
Payroll liabilities	140,937	156,404
Current portion of long-term debt	91,920	308,174
Total current liabilities	332,631	525,643
Long-term Liabilities		
Long-term debt, net of current-portion	993,069	2,102,443
Total long-term liabilities	993,069	2,102,443
<b>TOTAL LIABILITIES</b>	<b>1,325,700</b>	<b>2,628,086</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	4,586,219	1,957,400
Board designated	1,657,069	1,882,705
Total without donor restrictions	6,243,288	3,840,105
With donor restrictions		
	1,130,264	1,060,061
<b>TOTAL NET ASSETS</b>	<b>7,373,552</b>	<b>4,900,166</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,699,252</b>	<b>\$ 7,528,252</b>

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions	\$ 1,685,555	\$ 20,125	\$ 1,705,680
Grants	60,873	171,686	232,559
Donated medical professional services	1,979,470	-	1,979,470
Donated medical supplies	138,439	-	138,439
Donated rent	221,400	-	221,400
In-kind donations	1,609,807	-	1,609,807
Hangers of Hope sales	2,884,706	-	2,884,706
Other special events (fundraising), net of related expenses of \$30,954	493,386	-	493,386
Patient fees	967,603	-	967,603
Net gain on beneficial interest in ETCF	109,863	-	109,863
Loss on disposal of equipment	(44,500)	-	(44,500)
Other income	600,205	-	600,205
	<u>10,706,807</u>	<u>191,811</u>	<u>10,898,618</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>121,608</u>	<u>(121,608)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>10,828,415</u>	<u>70,203</u>	<u>10,898,618</u>
<b>EXPENSES</b>			
Patient care	6,652,209	-	6,652,209
General and administrative	706,710	-	706,710
Fundraising	<u>1,375,066</u>	<u>-</u>	<u>1,375,066</u>
Total expenses	<u>8,733,985</u>	<u>-</u>	<u>8,733,985</u>
Net increase before change in interest in Bethesda Foundation	2,094,430	70,203	2,164,633
Change in interest in Bethesda Foundation	<u>308,753</u>	<u>-</u>	<u>308,753</u>
Change in net assets	2,403,183	70,203	2,473,386
<b>NET ASSETS</b>			
Balance, beginning of year	<u>3,840,105</u>	<u>1,060,061</u>	<u>4,900,166</u>
Balance, end of year	<u>\$ 6,243,288</u>	<u>\$ 1,130,264</u>	<u>\$ 7,373,552</u>

**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions	\$ 741,798	\$ 1,021,775	\$ 1,763,573
Grants	162,104	230,250	392,354
Donated medical professional services	1,261,808	-	1,261,808
Donated medical supplies	606,769	-	606,769
Donated rent	221,400	-	221,400
In-kind donations	247,585	-	247,585
Hangers of Hope sales	2,091,495	-	2,091,495
Other special events (fundraising), net of related expenses of \$63,018	225,592	-	225,592
Patient fees	784,318	-	784,318
Net gain on beneficial interest in ETCF	12,839	-	12,839
Other income	20,664	-	20,664
	<u>6,376,372</u>	<u>1,252,025</u>	<u>7,628,397</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>283,728</u>	<u>(283,728)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>6,660,100</u>	<u>968,297</u>	<u>7,628,397</u>
<b>EXPENSES</b>			
Patient care	4,667,932	-	4,667,932
General and administrative	511,669	-	511,669
Fundraising	<u>1,430,356</u>	<u>-</u>	<u>1,430,356</u>
Total expenses	<u>6,609,957</u>	<u>-</u>	<u>6,609,957</u>
Net increase before change in interest in Bethesda Foundation	50,143	968,297	1,018,440
Change in interest in Bethesda Foundation	<u>67,796</u>	<u>-</u>	<u>67,796</u>
Change in net assets	117,939	968,297	1,086,236
<b>NET ASSETS</b>			
Balance, beginning of year	<u>3,722,166</u>	<u>91,764</u>	<u>3,813,930</u>
Balance, end of year	<u>\$ 3,840,105</u>	<u>\$ 1,060,061</u>	<u>\$ 4,900,166</u>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	PROGRAM SERVICE		SUPPORT SERVICES		Total
	Patient Care	General and Administrative	Fund		
			Raising		
Advertising	\$ 10,880	\$ 5,440	\$ 10,879	\$	\$ 27,199
Awards and gifts	-	1,986	496		2,482
Bank charges	47,260	-	31,506		78,766
Bethesda Alliance	-	-	8,873		8,873
Consulting and contract labor	39,699	5,671	11,343		56,713
Consulting and contract labor - IT	7,521	885	442		8,848
Community/committee lunches	1,719	1,289	1,290		4,298
Computer equipment	15,883	1,869	934		18,686
Computer repairs and maintenance	1,871	220	110		2,201
Conferences, meetings and travel	3,727	466	466		4,659
Continuing education and dues	12,229	-	-		12,229
Contract counseling	32,760	-	-		32,760
Dental lab fees	32,895	-	-		32,895
Dental supplies	69,139	-	-		69,139
Depreciation	165,473	16,547	1,839		183,859
Donated dental professional services	33,673	-	-		33,673
Donated medical professional services	1,673,811	-	-		1,673,811
Donated medical supplies	1,517,813	-	-		1,517,813
Donated off site medical services	131,250	-	-		131,250
Donated professional services - other	142,645	-	-		142,645
Donated rent	177,120	22,140	22,140		221,400
Dues, memberships and continuing education	-	16,051	-		16,051
Employee relations	-	5,195	-		5,195
Equipment - HOH	-	-	8,682		8,682
Facility supplies	4,957	826	2,478		8,261
GYN lab fees	13,780	-	-		13,780
GYN supplies	445	-	-		445
Health insurance	122,936	29,519	49,199		201,654
Human resources	-	42,212	-		42,212
Interest expense	-	-	61,100		61,100
Internet security and backup	5,015	590	295		5,900
Laboratory	72,877	-	-		72,877
Liability insurance	35,229	3,097	387		38,713
Licenses and permits	757	756	-		1,513
Malpractice insurance	28,497	-	-		28,497
Medical supplies	32,736	-	-		32,736
Mileage Reimbursement	-	229	2,061		2,290
Miscellaneous	-	1,508	-		1,508
Office supplies	16,771	1,973	986		19,730
Paid time off	55,751	13,938	23,230		92,919
Patient payment relief/adoption	38,385	-	-		38,385
Payroll taxes	137,000	30,573	50,955		218,528
Postage	4,342	4,342	5,789		14,473
Printing	6,413	3,206	6,413		16,032
Professional audit and tax	-	42,502	-		42,502
Professional fees medical/physician	5,760	-	-		5,760
Rent expense	-	-	218,000		218,000
Repairs and maintenance building	17,971	2,995	8,985		29,951
Repairs and maintenance equipment	3,476	409	204		4,089
Retirement plan	33,069	6,932	11,554		51,555
Salaries	1,772,773	393,665	656,108		2,822,546
Software and support	24,372	2,867	1,434		28,673
Store supplies	-	-	44,188		44,188
Telephone and internet	6,074	3,037	6,073		15,184
Temporary storage rentals	3,424	-	30,817		34,241
Transportation	-	-	8,390		8,390
Utilities	87,378	43,689	87,377		218,444
Volunteer expense	2,879	-	-		2,879
Website and email	728	86	43		857
X-ray	1,046	-	-		1,046
<b>Total expenses</b>	<b>\$ 6,652,209</b>	<b>\$ 706,710</b>	<b>\$ 1,375,066</b>	<b>\$</b>	<b>\$ 8,733,985</b>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	PROGRAM		SUPPORT SERVICES		Total
	SERVICE				
	Patient Care	General and Administrative	Fund Raising		
Advertising	\$ 9,014	\$ 6,009	\$ 15,023	\$ 30,046	
Awards and gifts	-	-	1,149	1,149	
Bank charges	41,099	27,399	-	68,498	
Bethesda Alliance	9,380	-	1,655	11,035	
Community/committee lunches	1,874	1,874	937	4,684	
Computer hardware	3,481	410	205	4,095	
Computer repairs and maintenance	15,332	1,804	902	18,038	
Conferences, meetings and travel	13,272	1,659	1,659	16,590	
Continuing education and dues	6,558	-	-	6,558	
Dental lab fees	20,009	-	-	20,009	
Dental professional services	65,315	-	-	65,315	
Dental supplies	61,830	-	-	61,830	
Depreciation	158,971	15,897	1,766	176,634	
Donated medical supplies	598,008	-	-	598,008	
Donated professional services - other	71,579	-	-	71,579	
Donated rent	201,474	17,712	2,214	221,400	
Dues and subscriptions	-	1,510	-	1,510	
Facility supplies	374	33	4	411	
Flu shot program	110	-	-	110	
GYN lab fees	900	-	-	900	
GYN supplies	41	-	-	41	
Hangers of Hope - contract labor	-	-	8,334	8,334	
Hangers of Hope - interest expense	-	-	71,760	71,760	
Hangers of Hope - payroll taxes	-	-	50,233	50,233	
Hangers of Hope - rent	-	-	162,802	162,802	
Hangers of Hope - sales tax	-	-	2,764	2,764	
Hangers of Hope - supplies	-	-	69,083	69,083	
Hangers of Hope - utilities	-	-	115,079	115,079	
Hangers of Hope - wages and benefits	-	-	623,418	623,418	
Hangers of Hope - building maintenance	-	-	7,402	7,402	
Health insurance	147,182	27,474	21,587	196,243	
Human resources	-	25,871	-	25,871	
Internet security and backup	254	30	15	299	
Laboratory	105,365	-	-	105,365	
Liability insurance	23,757	2,089	261	26,107	
Licenses and permits	1,281	1,281	-	2,561	
Madres program	286	-	-	286	
Maintenance and repairs equipment	6,501	765	382	7,648	
Malpractice insurance	36,253	-	-	36,253	
Medical professional services	1,124,974	-	-	1,124,974	
Medical supplies	29,051	-	-	29,051	
Miscellaneous	-	12,850	-	12,850	
Office	32,514	3,825	1,913	38,252	
Paid time off	47,060	8,784	6,902	62,746	
Patient payment relief/adoption	650	-	-	650	
Payroll taxes	107,660	20,097	15,790	143,547	
Postage	2,525	2,525	3,367	8,418	
Printing	16,430	8,215	16,430	41,074	
Professional audit and tax	-	24,881	-	24,881	
Professional consulting	18,023	2,003	-	20,026	
Professional fees dental	4,574	-	-	4,574	
Professional fees medical/physician	15,935	-	-	15,935	
Repairs and maintenance building	29,616	2,604	325	32,545	
Retirement plan	55,057	10,277	8,075	73,409	
Salaries	1,482,611	276,754	217,450	1,976,814	
Software and support	16,053	1,889	944	18,886	
Telephone	1,389	122	15	1,526	
Transportation	1,041	1,041	-	2,082	
Utilities	44,987	3,955	494	49,436	
Volunteer program	5,288	-	-	5,288	
Website	276	33	16	325	
X-ray	998	-	-	998	
Zero Prostate	31,722	-	-	31,722	
<b>Total expenses</b>	<b>\$ 4,667,932</b>	<b>\$ 511,669</b>	<b>\$ 1,430,356</b>	<b>\$ 6,609,957</b>	



**BETHESDA HEALTH CLINIC AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,473,386	\$ 1,086,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	183,859	176,634
(Gain)loss on disposal of equipment	44,500	-
Gain on PPP loan extinguishment	(574,942)	-
Net (gain) loss on interest in ETCF	(97,777)	(9,939)
Net (gain) loss on interest in Foundation	(279,961)	(49,997)
(Increase) decrease in assets:		
Other receivables	8,358	(8,358)
Prepaid expenses	(21,824)	14,815
Prepaid insurance	(674)	16,694
Inventory	(229,088)	(147,584)
Increase (decrease) in liabilities:		
Accounts payable	38,709	(17,904)
Payroll liabilities	(15,467)	154,488
	<u>(944,307)</u>	<u>128,849</u>
Total adjustments		
Net cash provided by operating activities	<u>1,529,079</u>	<u>1,215,085</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, furniture and equipment	(114,235)	(233,347)
Proceeds from sale of equipment	6,500	-
Transfers and reinvestments to ETCF	(462,085)	(147,901)
Transfers and reinvestments to Foundation	(223,591)	(17,800)
	<u>(793,411)</u>	<u>(399,048)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from PPP loan	-	574,942
Principal payments on long-term debt	(750,686)	(52,940)
	<u>(750,686)</u>	<u>522,002</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	(15,018)	1,338,039
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,789,033</u>	<u>450,994</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,774,015</u>	<u>\$ 1,789,033</u>
<b>Reconciliation of Cash to Consolidated Statements of Financial Position:</b>		
Cash and cash equivalents - current asset	\$ 774,015	\$ 789,033
Cash and cash equivalents - restricted for building expansion	1,000,000	1,000,000
	<u>\$ 1,774,015</u>	<u>\$ 1,789,033</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 61,100</u>	<u>\$ 71,760</u>

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**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.

Hangars 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, 2021, and 2020, 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, 2021 AND 2020**

**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. 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 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, 2021 and 2020 are as follows:

	2021	2020
Donated professional services	\$ 386,551	\$ 454,205
Donated off-site medical services	<u>1,592,919</u>	<u>807,603</u>
Total donated medical professional services	<u>\$ 1,979,470</u>	<u>\$ 1,261,808</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, 2021 AND 2020**

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

In 2021 and 2020, the Clinic received medical equipment and supplies from local hospitals, clinics and other organizations. Donated equipment over \$1,500, which is put into service by the Clinic, is capitalized at the fair market value of the equipment on the date the gift is donated. Donated equipment and supplies under \$1,500 are recognized as in-kind revenue in the Statement of Activities with a corresponding expense in the same amount. Donated medical supplies total \$1,748,246 and \$606,769 for the years ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020. This amount is included in the Statements of Activities and Statements of Functional Expenses as donated rent and rent expense.

Advertising Costs

All advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2021 and 2020, totaled \$27,199 and \$30,046, 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, 2021 and 2020, 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”.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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

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, 2021 and 2020 a provision of \$61,399 and \$62,746, respectively was included in payroll liabilities on the consolidated statement of financial position.

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 is currently evaluating the provisions of ASU 2016-02, which are effective for fiscal years beginning after December 15, 2021.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**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, 2021 and 2020:

<b>The Foundation</b>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 1,441,534	\$ 1,373,738
Contributions	194,800	-
Realized gain (loss)	68,431	48,718
Unrealized gain (loss)	226,527	1,279
Interest and dividends	28,791	31,309
Fees	<u>(14,997)</u>	<u>(13,510)</u>
Ending balance	\$ <u>1,945,086</u>	\$ <u>1,441,534</u>
<b>ETCF</b>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 431,171	\$ 273,331
Contributions	450,000	145,000
Realized gain (loss)	25,194	9,681
Unrealized gain (loss)	80,621	258
Interest and dividends	12,085	6,223
Fees	<u>(8,038)</u>	<u>(3,322)</u>
Ending balance	\$ <u>991,033</u>	\$ <u>431,171</u>

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

Property, furniture and equipment consist of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 1,120,393	\$ 1,060,753
Leasehold improvements	1,379,249	1,363,056
Land	535,444	535,444
Building	<u>1,868,706</u>	<u>1,830,305</u>
Total property, furniture and equipment	4,903,792	4,789,558
Less: Accumulated depreciation	<u>(1,614,817)</u>	<u>(1,430,959)</u>
Total property, furniture and equipment, net	\$ <u>3,288,975</u>	\$ <u>3,358,599</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$183,859 and \$176,634, 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.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**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, 2021 and 2020:

	2021	2020
Reserve	\$ 273,331	\$ 431,171
Maintenance	10,000	10,000
Foundation	1,373,738	1,441,534
Total board designated net assets	<u>\$ 1,657,069</u>	<u>\$ 1,882,705</u>

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

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

	2021	2020
Clinic operations	\$ -	\$ 2,000
Direct patient care	5,092	2,076
Gynecological equipment	16,774	-
IT training	32,600	-
Nurse practitioner	49,916	-
Expansion	1,000,000	1,000,000
Prostate care	11,632	41,735
X-ray	14,250	14,250
Total net assets with donor restrictions	<u>\$ 1,130,264</u>	<u>\$ 1,060,061</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, 2021 and 2020, the Clinic's uninsured cash balances were \$318,293 and \$528,783 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, 2021 and 2020, the hospital donated services valued at \$979,959 and \$275,287, 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, 2021 and 2020, totaled \$3,758,120 and \$2,679,325 respectively. The 2021 joint costs are allocated on the statement of functional expenses as follows: \$2,359,835 (63%) to patient care, \$531,403 (14%) to general and administrative expense, and \$866,882 (23%) to fund-raising. The 2020 joint costs are allocated on the statement of functional expenses as follows: \$2,033,171 (76%) to patient care, \$364,485 (14%) to general and administrative expense, and \$281,669 (11%) to fund-raising.

**BETHESDA HEALTH CLINIC AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

**NOTE 8: OPERATING LEASES**

The Clinic has entered into operating leases for both its Troup Highway Hangars of Hope location and for storage and sorting facilities that expire at various times through May 2025. Future minimum rental payments under the leases are as follows:

Year Ending June 30,	Amount
2022	\$ 189,442
2023	188,160
2024	146,784
2025	12,232
	\$ 536,618

Rent expense for the years ended June 30, 2021 and 2020 was \$218,000 and \$162,802, respectively.

**NOTE 9: LONG -TERM DEBT**

At June 30, 2021 and 2020, long-term debt was comprised of the following:

	2021	2020
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 \$30,446 bearing interest at 1.641% plus a variable margin currently at 1.85%, or 3.491%. The note matures February 15, 2042.	\$ 1,084,989	\$ 1,835,675
CARES Act Loan in the amount of \$574,942, dated April 13, 2020 matures April 13, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 13, 2020. The note may be prepaid by the Clinic at any time prior to maturity with no prepayment penalties. The Clinic may applied for forgiveness of the amount due on loan in an amount equal to the sum of the cost for payroll costs, any payment of interest on a covered mortgage obligation, payments on a covered rent obligation, or any covered utility payment incurred during the 8-week period beginning April 13, 2020. The Clinic was forgiven the balance of the loan December 18, 2020 and that amount is included in other income	-	574,942
	1,084,989	2,410,617
Less current portion	(91,920)	(308,174)
Long-Term Debt	\$ 993,069	\$ 2,102,443

Future maturities of long-term debt as of June 30, 2021 are as follows:

2022	\$ 91,920
2023	90,108
2024	90,942
2025	94,285
2026	97,666
Thereafter	620,068



**BETHESDA HEALTH CLINIC AND AFFILIATE**  
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Total \$ 1,084,989

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

At June 30, 2021 and June 30, 2020, the Clinic had \$1,765,048 and \$1,220,204, 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 \$774,015 and \$789,033, beneficial interest in the assets of ETCF of \$991,033 and \$431,171. 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 \$766,835. 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, 2021 and 2019, the Clinic made contributions of \$51,555, and \$85,098, respectively to the plan.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

During 2021 and 2020 two employees provided consulting services related to the Clinic's point of sale system at its thrift stores through a company they owned. Both employees left employment of the Clinic during 2021. No direct payments were made to the employees or their company related to these services during 2021. In 2020, \$468 was paid to their company to reimburse certain expenses related to the point of sale system.

**NOTE 13: SUBSEQUENT EVENTS**

The Clinic has evaluated subsequent events through November 11, 2021, the date which the financial statements were available to be issued.