



Interfaith CarePartners, Inc. and Affiliate

COMBINED FINANCIAL STATEMENTS

December 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Interfaith CarePartners, Inc.
Houston, Texas

Opinion

We have audited the accompanying combined financial statements of Interfaith CarePartners, Inc. (a Texas non-profit corporation) and affiliate (collectively, the Organization), which comprise the combined statements of financial position as of December 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
May 18, 2023

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Financial Position**

<i>December 31, 2022</i>	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
Assets							
Cash and cash equivalents	\$ 98,989	\$ 30,000	\$ 128,989	\$ -	\$ -	\$ -	\$ 128,989
Restricted cash	-	411,546	411,546	-	-	-	411,546
Investments	-	-	-	-	1,579,064	1,579,064	1,579,064
Promises to give, net	-	180,000	180,000	-	-	-	180,000
Accounts receivable	74,930	-	74,930	-	-	-	74,930
Prepaid expenses	6,571	-	6,571	-	-	-	6,571
Operating lease right-of-use assets, net	497,939	-	497,939	-	-	-	497,939
Total assets	\$ 678,429	\$ 621,546	\$ 1,299,975	\$ -	\$ 1,579,064	\$ 1,579,064	\$ 2,879,039
Liabilities and net assets							
Accounts payable	\$ 13,169	\$ -	\$ 13,169	\$ -	\$ -	\$ -	\$ 13,169
Accrued expenses	14,835	-	14,835	-	-	-	14,835
Payroll liabilities	65,451	-	65,451	-	-	-	65,451
Refundable advances	-	60,000	60,000	-	-	-	60,000
Operating lease liability	505,057	-	505,057	-	-	-	505,057
Total liabilities	598,512	60,000	658,512	-	-	-	658,512
Net assets	79,917	561,546	641,463	-	1,579,064	1,579,064	2,220,527
Total liabilities and net assets	\$ 678,429	\$ 621,546	\$ 1,299,975	\$ -	\$ 1,579,064	\$ 1,579,064	\$ 2,879,039

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Financial Position**

<i>December 31, 2021</i>	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
Assets							
Cash and cash equivalents	\$ 166,616	\$ -	\$ 166,616	\$ -	\$ -	\$ -	\$ 166,616
Restricted cash	-	462,758	462,758	-	-	-	462,758
Investments	-	-	-	-	2,182,802	2,182,802	2,182,802
Promises to give	15,000	393,515	408,515	-	-	-	408,515
Accounts receivable	24,052	-	24,052	-	-	-	24,052
Prepaid expenses	13,287	-	13,287	-	-	-	13,287
Total assets	\$ 218,955	\$ 856,273	\$ 1,075,228	\$ -	\$ 2,182,802	\$ 2,182,802	\$ 3,258,030
Liabilities and net assets							
Accounts payable	\$ 14,758	\$ -	\$ 14,758	\$ -	\$ -	\$ -	\$ 14,758
Payroll liabilities	37,259	-	37,259	-	-	-	37,259
Total liabilities	52,017	-	52,017	-	-	-	52,017
Net assets	166,938	856,273	1,023,211	-	2,182,802	2,182,802	3,206,013
Total liabilities and net assets	\$ 218,955	\$ 856,273	\$ 1,075,228	\$ -	\$ 2,182,802	\$ 2,182,802	\$ 3,258,030

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Activities**

	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<i>For the year ended December 31, 2022</i>							
Support and income							
Congregation grants	\$ 28,660	\$ 3,564	\$ 32,224	\$ -	\$ -	\$ -	\$ 32,224
Foundation grants	45,500	148,485	193,985	-	-	-	193,985
Corporate grants	62,881	75	62,956	-	-	-	62,956
Individual grants and contributions	155,905	214,781	370,686	-	-	-	370,686
Nonprofit organizations grants and contributions	9,981	19,350	29,331	-	-	-	29,331
Government grants and contributions	24,052	-	24,052	-	-	-	24,052
Special events	37,213	-	37,213	-	-	-	37,213
Program fee services	273,767	-	273,767	-	-	-	273,767
In-kind goods and services	35,675	-	35,675	-	-	-	35,675
Other Income	6,211	-	6,211	-	-	-	6,211
Investment return	-	-	-	-	(328,738)	(328,738)	(328,738)
Net assets released from donor restrictions	680,982	(680,982)	-	275,000	(275,000)	-	-
Total support and income	1,360,827	(294,727)	1,066,100	275,000	(603,738)	(328,738)	737,362
Expenses							
Program service	1,369,269	-	1,369,269	-	-	-	1,369,269
Supporting services							
Management and general	243,676	-	243,676	-	-	-	243,676
Fundraising	109,903	-	109,903	-	-	-	109,903
Total expenses	1,722,848	-	1,722,848	-	-	-	1,722,848
Change in net assets before affiliate transactions	(362,021)	(294,727)	(656,748)	275,000	(603,738)	(328,738)	(985,486)
Transfer from Acorn	275,000	-	275,000	(275,000)	-	(275,000)	-
Changes in net assets	(87,021)	(294,727)	(381,748)	-	(603,738)	(603,738)	(985,486)
Net assets, at beginning of year	166,938	856,273	1,023,211	-	2,182,802	2,182,802	3,206,013
Net assets at end of year	\$ 79,917	\$ 561,546	\$ 641,463	\$ -	\$ 1,579,064	\$ 1,579,064	\$ 2,220,527

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Activities**

	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<i>For the year ended December 31, 2021</i>							
Support and income							
Congregation grants	\$ 53,575	\$ -	\$ 53,575	\$ -	\$ -	\$ -	\$ 53,575
Foundation grants	113,000	972,015	1,085,015	-	-	-	1,085,015
Corporate grants	13,826	500	14,326	-	-	-	14,326
Individual grants and contributions	103,752	18,385	122,137	-	-	-	122,137
Nonprofit organizations grants and contributions	12,000	30,000	42,000	-	-	-	42,000
Government grants and contributions	81,808	-	81,808	-	-	-	81,808
Special events	139,649	50,000	189,649	-	-	-	189,649
In-kind goods and services	2,400	-	2,400	-	-	-	2,400
Other Income	10,383	-	10,383	-	-	-	10,383
Investment return	-	-	-	-	163,724	163,724	163,724
Net assets released from donor restrictions	219,897	(219,897)	-	-	-	-	-
Total support and income	750,290	851,003	1,601,293	-	163,724	163,724	1,765,017
Expenses							
Program service	585,074	-	585,074	-	-	-	585,074
Supporting services							
Management and general	29,854	-	29,854	-	-	-	29,854
Fundraising	99,173	-	99,173	-	-	-	99,173
Total expenses	714,101	-	714,101	-	-	-	714,101
Changes in net assets	36,189	851,003	887,192	-	163,724	163,724	1,050,916
Net assets, at beginning of year	130,749	5,270	136,019	-	2,019,078	2,019,078	2,155,097
Net assets at end of year	\$ 166,938	\$ 856,273	\$ 1,023,211	\$ -	\$ 2,182,802	\$ 2,182,802	\$ 3,206,013

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Functional Expenses**

For the year ended December 31,

2022

	Program Services	Management and General	Fundraising	Total
Interfaith CarePartners, Inc.				
Salaries	\$ 719,254	\$ 133,166	\$ 23,249	\$ 875,669
Fringe benefits and taxes	141,763	27,898	4,489	174,150
Contractual and professional services	218,829	64,418	26,556	309,803
Printing, postage and supplies	46,030	2,640	5,167	53,837
Office rent and maintenance	162,077	9,013	786	171,876
IT and communications	23,956	1,508	5,210	30,674
Professional development	1,271	559	603	2,433
Insurance	11,409	(1,287)	296	10,418
Other expenses	6,159	5,547	6,422	18,128
Travel and mileage	5,327	64	33	5,424
Program support	33,194	150	3	33,347
Special event expenses	-	-	37,089	37,089
Total Interfaith CarePartners, Inc.	\$ 1,369,269	\$ 243,676	\$ 109,903	\$ 1,722,848

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Functional Expenses**

For the year ended December 31,

2021

	Program Services	Management and General	Fundraising	Total
Interfaith CarePartners, Inc.				
Salaries	\$ 332,962	\$ 3,416	\$ 21,049	\$ 357,427
Fringe benefits and taxes	60,686	(1,560)	3,412	62,538
Contractual and professional services	93,328	23,958	34,984	152,270
Printing, postage and supplies	8,221	909	4,170	13,300
Office rent and maintenance	63,243	687	4,812	68,742
IT and communications	11,961	190	803	12,954
Professional development	1,665	18	127	1,810
Insurance	8,485	(534)	646	8,597
Bank and merchant fees	18	2,673	28	2,719
Travel and mileage	2,176	83	123	2,382
Program support	2,329	14	89	2,432
Special event expenses	-	-	28,930	28,930
Total Interfaith CarePartners, Inc.	\$ 585,074	\$ 29,854	\$ 99,173	\$ 714,101

The accompanying notes are an integral part of these combined financial statements.

**Interfaith CarePartners, Inc. and Affiliate
Combined Statements of Cash Flows**

<i>For the years ended December 31,</i>	2022	2021
Operating activities		
Changes in net assets	\$ (985,486)	\$ 1,050,916
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on sale of investments	(18,915)	(43,801)
Net unrealized (gains) losses on investments	381,712	(78,972)
Amortization of right-of-use asset	7,118	-
Changes in operating assets and liabilities:		
Promises to give	228,515	(403,245)
Accounts receivable	(50,878)	(24,052)
Prepaid expenses	6,716	162
Accounts payable	(1,589)	14,758
Accrued expenses	14,835	-
Payroll liabilities	28,192	28,662
Refundable advances	60,000	(50,000)
Net cash provided by (used in) operating activities	(329,780)	494,428
Investing activities		
Proceeds from sale of investments	275,000	-
Receipts of dividends reinvested	(34,059)	(40,951)
Net cash provided by (used in) investing activities	240,941	(40,951)
Net change in cash, cash equivalents and restricted cash	(88,839)	453,477
Cash, cash equivalents and restricted cash, beginning of year	629,374	175,897
Cash, cash equivalents and restricted cash, end of year	\$ 540,535	\$ 629,374
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 128,989	\$ 166,616
Restricted cash	411,546	462,758
Total cash, cash equivalents and restricted cash	\$ 540,535	\$ 629,374
Schedule of Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	\$ 641,614	\$ -

The accompanying notes are an integral part of these combined financial statements.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 1: ORGANIZATION AND NATURE OF OPERATIONS (Unaudited)

In June 1988, the Foundation for Interfaith Research and Ministry (FIRM) was established as a nonprofit corporation to support research, education and service programs relating to the disciplines of theology, religious studies, pastoral care and other public service programs. In July 2000, FIRM legally amended its charter, changing its name to Interfaith CarePartners, Inc. Interfaith CarePartners, Inc.'s certificate of operation under Assumed Name of "CarePartners" became effective on June 2, 2016 for a period of ten years.

CarePartners is a nationally recognized nonprofit organization providing high-quality care for older adults and people with dementia, as well as their caregivers. CarePartners bridges the gap between healthcare and social services by offering programs across Greater Houston which support caregivers' physical and mental health while accommodating their loved ones' needs, interests, and abilities. We partner with over 80 different faith-based congregations, healthcare systems and nonprofit organizations. Expanding our capacity, in 2022, we took over operations of Texas's oldest dementia day center to provide a safe and nurturing place where people with dementia can have physical, mental, and social stimulation while caregivers get some breathing room to recharge their batteries. Additionally, we added a care consultation program, providing one-on-one action planning and coaching to family caregivers. Through these programs, we provided 84,335 hours of care to 2,355 older adults, individuals with dementia and their caregivers. Volunteers play an integral role in our model and over 1,705 individuals volunteered 57,870 hours across our programs. Those volunteer hours equal an estimated \$1.63 million in free care.

Special Note: In January 2022, we took over operations of the Dementia Day Center. The Day Center, formally operated by BakerRipley, is the first of its kind in Texas and remains the only center in Houston that serves individuals in the early to moderate-late stages of dementia. The addition of this program impacted agency operations by adding a state-licensed program to our model, added paid staff positions, and added earned income streams. In 2021, CarePartners launched a fundraising campaign to assist in the transition of the Day Center resulting in over \$1 million in restricted funds to help bridge the gap in operations from 2022-2024.

Program Offerings:

Caregiver Educational Conferences:

Workshops and conferences that provide caregivers with education and community resources to help them take better care of themselves and their loved ones. In 2022, 614 individuals attended our in-person and virtual conference and workshops offered across the region.

Common Ground:

Support groups for family caregivers of older adults and individuals with dementia offering emotional support, resources, and tips about self-care. 12 in-person groups are offered monthly across the Greater Houston area and 2 programs are offered virtually, one weekly and the other bi-weekly. In 2022, 225 family caregivers received emotional support through Common Ground.

Caregiver Consultation:

Ongoing one-on-one support, guidance, and action-planning for family caregivers by a licensed master-level social worker. Our care consultant provided 131 hours of direct service to 289 caregivers.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 1: ORGANIZATION AND NATURE OF OPERATIONS (Unaudited)(Continued)

Second Family:

In-home companionship and respite program led by volunteers for homebound older adults and individuals living with dementia. Availability limited to geographic areas. 13 teams of volunteers across greater Houston provided in-home and transportation assistance to 152 older adults in 2022.

The Gathering Place:

Half-day activity program for individuals with dementia with multiple locations throughout Harris, Fort Bend, and Montgomery Counties. In 2022, 36 sites across greater Houston provided socialization, care, supervision, and respite to 906 individuals with dementia and their caregivers.

Dementia Day Center:

Licensed Adult Day Center for individuals with dementia that provides a variety of unique activities and quality care from specialized staff in a safe, secure, and well-planned environment. Participants must pay daily rates or receive subsidies through the Harris County Area Agency on Aging or the VA to attend. In 2022, the Day Center provided 24,069 hours of care to 64 individuals with dementia.

CarePartners programs are in Harris, Fort Bend, Montgomery, Galveston, and Brazoria counties. Our online programs and resources are available to everyone with access to the internet. In addition, our programs have won numerous national and local awards, including a President's Community Service Award, the nation's highest honor for volunteer community service. The organization's reputation for excellence in volunteer program management elicits inquiries from groups across the country seeking advice and consultation, as well as wishing to replicate the procedures and practices of CarePartners' program.

The affiliate of CarePartners is The Acorn Foundation (Acorn), established as a nonprofit corporation in June 1993, to be administered solely for the benefit of CarePartners. Acorn exists to invest and administer the endowment fund for Interfaith CarePartners.

The accompanying combined financial statements include the accounts of CarePartners and Acorn (collectively, the Organization), all of which are under common control. Inter-organization transactions and balances have been eliminated in combination.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could differ from those estimates that were used.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

As of December 31, 2022 and 2021, the restricted cash of \$411,546 and \$462,758, respectively, is for the Dementia Day Center and Caregiver staff positions.

Investments and Investment Return

The Organization reports investments at fair value in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined statements of activities. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions in the reporting period in which the income and gains are recognized.

Promises to Give

Conditional promises to give are not recognized in the combined financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, if material. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to give, net consists of the following:

<i>December 31,</i>	2022	2021
Promises to give	\$ 180,000	\$ 410,000
Less unamortized discount (1%)	-	(1,485)
Total	\$ 180,000	\$ 408,515

The promises to give are due as follows:

<i>December 31,</i>	2022	2021
Less than one year	\$ 180,000	\$ 260,000
One to five years	-	148,515
Total	\$ 180,000	\$ 408,515

Accounts Receivable

Accounts receivable consist of a billing for cost-reimbursement costs or billings from contract with customers that are expected to be collected within one year. The Organization considers the collectability of each account individually. Management believes all accounts receivable are collectible and therefore there is no allowance for doubtful accounts.

Contract assets related to revenue from grants or contracts with customers consists of the following:

<i>December 31,</i>	2022	2021
Contract assets		
Accounts receivable, beginning of year	\$ 24,052	\$ -
Accounts receivable, end of year	\$ 74,930	\$ 24,052

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. As of December 31, 2022 and 2021, all property and equipment is fully depreciated.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases before adoption of FASB ASC 842

CarePartners leases office space under a noncancelable operating lease which expired on May 31, 2021 and was extended on month-to-month basis. CarePartners terminated this lease effective January 1, 2022. Total annual lease expense amounted to \$67,365 for the year ended December 31, 2021.

Leases after adoption of FASB ASC 842

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities the combined statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Refundable Advance

The Organization recognizes contributions received in advance (primarily for their annual fundraising event, Sweet Charity), as a refundable advance.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the combined financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

Revenue Recognition

Revenue from fees and payments under various contracts is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized at point in time when the services are performed. These amounts are included in performance obligation liabilities within the combined statements of financial position, if any.

Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, the Organization recognizes revenue and records a receivable for the reimbursement amount from the granting agency.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions.

Special event revenue represents the amount paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recorded when the event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees. For the years ended December 31, 2022 and 2021, cost of direct donor benefits totaled approximately \$36,700 and \$27,600, respectively.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also contribute their time to support the Organization's service programs, principally in client care, and fund-raising services throughout the year that are not recognized as contributions in the combined financial statements since the recognition criteria were not met.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to program or supporting services. Expenses that relate to salaries, fringe benefit and taxes, contractual and professional services, printing, postage and supplies, office rent and maintenance, IT and communications, professional development, insurance, travel and mileage, and program support are allocated based on estimates of time and effort of all staff members, which are reviewed throughout the year and updated, if needed, due to staff changes.

Income Taxes

CarePartners and Acorn are exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, are not subjected to federal income taxes.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the combined financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2022 and 2021, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the combined financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued May 18, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the combined statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of combined financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into on or after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of \$641,614, which represents the present value of the remaining operating lease payments of \$654,802, discounted using the risk-free rate of 1%, and a right-of-use asset of \$641,614. There was no impact on net assets at date of adoption.

The standard had a material impact on the Organization's combined statements of financial position, but did not have an impact on the combined statements of activities, functional expenses or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

In addition, in September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the combined statements of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the combined statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization adopted this standard on January 1, 2022. The standard did not have a material impact on the combined financial statements. The Organization has updated disclosures as necessary (See Note 8).

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The CarePartners' primary sources of support are contributions and grants. Fundraising events are held during the year to support the CarePartners' budget. Additionally, CarePartners receives funds from Acorn based on budgeted needs. CarePartners operates with a balanced budget and anticipates covering its general expenditures by collection of sufficient support and Acorn's annual transfer of funds.

As of December 31, 2022, CarePartners has \$173,919 of unrestricted financial assets available within one year of the combined statement of financial position date consisting of cash and cash equivalents and accounts receivable. As of December 31, 2021, CarePartners has \$205,668 of unrestricted financial assets available within one year of the combined statement of financial position date consisting of cash and cash equivalents, promises to give, and accounts receivable.

Although not expected to be needed, the Acorn's financial assets are available for spending without limitation at the discretion of the Board. As of December 31, 2022, Acorn's financial assets total \$1,579,064 consisting of short-term and long-term investments.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Investments in mutual funds with readily determinable fair values are carried at fair value based on quoted market values in active markets (Level 1).

The fair value of assets measured at fair value on a recurring basis is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>December 31, 2022</i>			
Total investment in mutual funds	\$ 1,579,064	\$ -	\$ -
<i>December 31, 2021</i>			
Total investment in mutual funds	\$ 2,182,802	\$ -	\$ -

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined statements of financial position and the combined statements of activities.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 5: LEASES

Lease commitments after adoption of FASB ASC 842

On November 1, 2021, CarePartners signed a lease agreement with BakerRipley commencing on January 1, 2022 for the location of the Dementia Day Center on the first floor and a smaller portion of the second floor of the BakerRipley property situated at 3838 Aberdeen Way, Houston, Texas. The Organization received the first two months for free and the lease expires on December 2025.

The components of lease expense consist of the following:

<i>For the year ended December 31,</i>	2022
Operating lease cost	\$ 167,278

Other information related to leases was as follows:

<i>For the year ended December 31,</i>	2022
Supplemental Cash Flow Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 142,348
 Weighted average remaining lease term	
Operating leases	3 years
 Weights average discount rate	
Operating leases	1.00%

Future minimum lease payments under non-cancellable operating leases as of December 31, 2022, were as follows:

<i>For the year ending December 31,</i>	Lease Payments	Present Value
2023	\$ 170,818	\$ 173,370
2024	170,818	166,672
2025	170,818	165,015
Total	\$ 512,454	\$ 505,057

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 6: NET ASSETS WITH DONOR RESTRICTIONS

During 2022, CarePartners received \$199,070 from one donor to be held in perpetuity and the future earnings to be used for Dementia Day Center operations. No earnings were accumulated for the year ended December 31, 2022 on this donation. At December 31, 2022, CarePartners has net assets with donor restrictions of \$199,070 as the original donor restricted gift and amount required to be retained in perpetuity.

At December 31, 2022, CarePartners has net assets with donor restrictions of \$351,241 for the Dementia Day Center operations, \$8,260 for CareTeam coordinator and \$2,975 for caregiver education to be used in subsequent periods. At December 31, 2021, CarePartners has net assets with donor restriction of \$806,273 for the Dementia Day Center acquisition and operations and \$50,000 for two caregiver staff positions to be used in subsequent periods.

At December 31, 2022 and 2021, net assets with donor restrictions from Acorn in the amount of \$1,579,064 and \$2,182,802, respectively, are available for investment for the benefit of CarePartners.

Note 7: PAYCHECK PROTECTION PROGRAM

In March 2021, in response to the global pandemic, the Organization applied for and received a second PPP loan of \$47,623. The Organization applied for forgiveness of \$47,623 of the debt and recorded the amount as government grant revenue during 2021. On June 14, 2021, the Organization received notice that a principal balance of \$47,623 and related interest of \$134 had been forgiven.

Note 8: CONTRIBUTIONS IN-KIND

In addition to the lease agreement with BakerRipley, CarePartners signed a transfer agreement for the transfer of supplies and equipment in use at the Dementia Day Center and other office supplies and equipment for monetary consideration of \$1. The total fair market value of these items is \$35,675. This was recorded as an in-kind donation at the transfer date of January 1, 2022 and the supplies and equipment were subsequently expensed during the same period as their individual values were below the capitalization threshold. Donated supplies and equipment are valued at the fair value of the cost of similar items.

During the year ended December 31, 2021, the Organization received \$2,400 in donated office equipment valued at fair value of the cost of similar items.

Note 9: DISTRIBUTION TO AFFILIATE

In 2022, Acorn's Board of Directors approved \$275,000 transfer to CarePartners. No distribution was made from Acorn to CarePartners in 2021.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

Note 10: CONCENTRATION OF CREDIT RISK

At various times during the years, the Organization may have bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institution.

As of December 31, 2022, two donors accounted for 83% of the promises to give. As of December 31, 2021, three donors accounted for 99% of the promises to give.

As of December 31, 2022, two grantors accounted for 57% of the accounts receivable. As of December 31, 2021, one grantor accounted for 100% of the accounts receivable.

For the year ended December 31, 2022, two donors accounted for 40% of the grants and contributions. For the year ended December 31, 2021, one donor accounted for 28% of the grants and contributions.