

**LIGHTHOUSE FOR THE BLIND
OF HOUSTON AND AFFILIATES**

**Consolidated Financial Statements
and Independent Auditors' Report
for the Years Ended June 30, 2019 and 2018**

Independent Auditors' Report

To the Board of Directors of
Lighthouse for the Blind of Houston and Affiliates:

We have audited the accompanying consolidated financial statements of Lighthouse for the Blind of Houston and Affiliates (a nonprofit organization) (the Lighthouse), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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 financial position of Lighthouse for the Blind of Houston and Affiliates as of June 30, 2019 and 2018, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of June 30, 2019 and 2018 and the consolidating statements of activities for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tange, Mann + Garga

December 3, 2019

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2019	2018
Cash and cash equivalents	\$ 9,545,662	\$ 826,214
Accounts receivable, net	377,555	493,312
Accrued revenue	-	9,851
Interest and dividends receivable	87,680	70,467
Pledges receivable from United Way and others	181,279	321,515
Inventory	126,625	247,551
Prepays and other assets	51,232	14,614
Investments	28,946,950	20,348,127
Assets of discontinued operations	-	1,691,010
Property, net	13,372,833	13,688,301
Deposits and funded reserves	149,714	130,677
TOTAL ASSETS	\$ 52,839,530	\$ 37,841,639

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 207,270	466,367
Accrued expenses	481,451	498,333
Deferred revenue	-	27,644
Liabilities of discontinued operations	-	409,843
Line of credit	-	1,078,037
Mortgage notes payable	1,498,773	1,602,216
Total liabilities	2,187,494	4,082,440
Net assets:		
Without donor restrictions	50,472,793	33,438,998
With donor restrictions	179,243	320,201
Total net assets	50,652,036	33,759,199
TOTAL LIABILITIES AND NET ASSETS	\$ 52,839,530	\$ 37,841,639

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	\$ 1,355,208		\$ 1,355,208
Direct cost of sales	<u>(1,394,524)</u>		<u>(1,394,524)</u>
Net merchandise sales	(39,316)		(39,316)
Service contract fees	2,310,685		2,310,685
Government service fees	972,353		972,353
Rental income	718,633		718,633
United Way allocation		\$ 362,219	362,219
Contributions	470,907	30,885	501,792
Investment return, excluding unrealized investment gain	920,806		920,806
Client fees and other	<u>188,481</u>		<u>188,481</u>
Total revenue	5,542,549	393,104	5,935,653
Net assets released from restrictions:			
Program and supporting services	<u>534,062</u>	<u>(534,062)</u>	
Total	<u>6,076,611</u>	<u>(140,958)</u>	<u>5,935,653</u>
EXPENSES:			
Program services:			
Rehabilitation and community services	2,587,985		2,587,985
Service contracts	2,260,841		2,260,841
Enterprise services	120,668		120,668
Living Centers	<u>626,263</u>		<u>626,263</u>
Total program services	5,595,757		5,595,757
Management and general	<u>1,710,558</u>		<u>1,710,558</u>
Total expenses	<u>7,306,315</u>		<u>7,306,315</u>
Changes in net assets before unrealized investment gain and discontinued operations	(1,229,704)	(140,958)	(1,370,662)
Net unrealized investment gain	1,079,518		1,079,518
Discontinued operation – gain from operations of industrial division chemical products	<u>17,183,981</u>		<u>17,183,981</u>
CHANGES IN NET ASSETS	17,033,795	(140,958)	16,892,837
Net assets, beginning of year	<u>33,438,998</u>	<u>320,201</u>	<u>33,759,199</u>
Net assets, end of year	<u>\$ 50,472,793</u>	<u>\$ 179,243</u>	<u>\$ 50,652,036</u>

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	\$ 1,420,783		\$ 1,420,783
Direct cost of sales	<u>(1,473,239)</u>		<u>(1,473,239)</u>
Net merchandise sales	(52,456)		(52,456)
Service contract fees	2,367,482		2,367,482
Government service fees	1,306,924		1,306,924
Rental income	708,928		708,928
United Way allocation		\$ 393,075	393,075
Contributions	157,361	200,459	357,820
Investment return, excluding unrealized investment gain	1,996,396		1,996,396
Client fees and other	<u>174,614</u>		<u>174,614</u>
Total revenue	6,659,249	593,534	7,252,783
Net assets released from restrictions:			
Program and supporting services	<u>734,878</u>	<u>(734,878)</u>	
Total	<u>7,394,127</u>	<u>(141,344)</u>	<u>7,252,783</u>
EXPENSES:			
Program services:			
Rehabilitation and community services	2,708,106		2,708,106
Service contracts	2,169,917		2,169,917
Enterprise services	72,830		72,830
Living Centers	<u>615,445</u>		<u>615,445</u>
Total program services	5,566,298		5,566,298
Management and general	<u>2,684,372</u>		<u>2,684,372</u>
Total expenses	<u>8,250,670</u>		<u>8,250,670</u>
Changes in net assets before unrealized investment loss and discontinued operations	(856,543)	(141,344)	(997,887)
Net unrealized investment loss	(362,366)		(362,366)
Discontinued operation – gain from operations of industrial division chemical products	<u>35,947</u>		<u>35,947</u>
CHANGES IN NET ASSETS	(1,182,962)	(141,344)	(1,324,306)
Net assets, beginning of year	<u>34,621,960</u>	<u>461,545</u>	<u>35,083,505</u>
Net assets, end of year	<u>\$ 33,438,998</u>	<u>\$ 320,201</u>	<u>\$ 33,759,199</u>

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	REHABILITATION COMMUNITY SERVICES	SERVICE CONTRACTS	INDUSTRIAL	LIVING CENTERS	MANAGEMENT AND GENERAL	TOTAL
Salaries and related expenses	\$ 1,687,961	\$ 2,064,671	\$ 418,996	\$ 163,864	\$ 989,909	\$ 5,325,401
Utilities, building insurance, and repairs	255,367	7,872	71,550	136,138	62,188	533,115
Professional fees and contract service payments	8,079	48,960	101,423	22,000	316,160	496,622
Depreciation	213,322	3,956	45,831	115,019	88,177	466,305
Commissions to National Industries for the Blind		74,943	77,880			152,823
Mortgage interest				141,008		141,008
Interest					53,526	53,526
Local transportation	123,989	6,058	3,687	1,878	7,615	143,227
Supplies	117,948	7,951	3,430	7,299	24,426	161,054
Maintenance	36,286	6,206	3,586		24,131	70,209
Telephone and communication	18,324	38,877	4,923		52,770	114,894
Conferences and training	4,007	107	351	510	25,926	30,901
Insurance	13,051	771	6,918	1,180	18,483	167,840
Bad debt expense	2,340		165,500			167,840
Direct assistance to individuals	99,512					99,512
Other	7,799	469	2,580	37,367	47,247	95,462
Total expenses	<u>\$ 2,587,985</u>	<u>\$ 2,260,841</u>	<u>906,655</u>	<u>\$ 626,263</u>	<u>\$ 1,710,558</u>	<u>8,092,302</u>
Direct cost of sales						<u>3,335,524</u>
Total						11,427,826
Amounts reported in discontinued operations			<u>(785,987)</u>			<u>(2,726,987)</u>
Total net of discontinued operations amounts – Enterprise services			<u>\$ 120,668</u>			<u>\$ 8,700,839</u>

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	REHABILITATION COMMUNITY SERVICES	SERVICE CONTRACTS	INDUSTRIAL	LIVING CENTERS	MANAGEMENT AND GENERAL	TOTAL
Salaries and related expenses	\$ 1,786,013	\$ 1,956,131	\$ 461,665	\$ 158,403	\$ 960,542	\$ 5,322,754
Utilities, building insurance, and repairs	278,761	10,861	87,320	137,246	67,121	581,309
Professional fees and contract service payments	10,626	56,015	41,859	20,000	270,942	399,442
Depreciation	234,237	7,222	51,922	99,388	55,726	448,495
Commissions to National Industries for the Blind		77,462	116,168			193,630
Mortgage interest				150,073		150,073
Local transportation	115,345	6,213	2,750	2,012	1,770	128,090
Supplies	109,583	3,186	8,002	8,714	27,821	157,306
Maintenance	38,493	6,860	5,488		21,900	72,741
Telephone and communication	14,812	41,043	3,569		46,939	106,363
Conferences and training	1,428	2,544	5,036	700	24,447	34,155
Insurance	13,082	497	8,849	963	19,296	42,687
Bad debt expense	2,190		20,961			23,151
Inventory reserve			87,000			87,000
Write-off of indirect construction costs	93,058				1,096,043	1,096,043
Direct assistance to individuals	10,478	1,883	2,894	37,946		93,058
Other					91,825	145,026
Total expenses	<u>\$ 2,708,106</u>	<u>\$ 2,169,917</u>	<u>903,483</u>	<u>\$ 615,445</u>	<u>\$ 2,684,372</u>	<u>9,081,323</u>
Direct cost of sales						<u>4,028,048</u>
Total						13,109,371
Amounts reported in discontinued operations			<u>(830,653)</u>			<u>(3,385,462)</u>
Total net of discontinued operations amounts – Enterprise services			<u>\$ 72,830</u>			<u>\$ 9,723,909</u>

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 16,892,837	\$ (1,324,306)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Inventory reserve	(87,000)	87,000
Accounts receivable written off	(31,895)	(16,151)
Provision for loss on accounts receivable	167,840	23,151
Write-off of indirect construction costs	-	1,096,043
Depreciation and amortization	466,304	448,495
Loss (gain) on asset disposals	(17,834,915)	5,938
Net realized gain on investments	(296,556)	(1,586,050)
Net unrealized (gain) loss on investments	(1,079,518)	362,366
Changes in operating assets and liabilities:		
Accounts receivable	846,393	(536,460)
Accrued revenue	9,851	373,796
Interest and dividends receivable	(17,213)	(13,081)
Pledges receivable from United Way and others	140,236	127,534
Inventory	511,521	85,000
Other current assets	(36,618)	6,091
Accounts payable and accrued expenses	(685,821)	510,792
Other current liabilities	(27,644)	16,644
Contributions restricted for long-term purposes	(2,000)	(168,751)
Net cash used by operating activities	(1,064,198)	(501,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(14,629,632)	(17,518,027)
Proceeds from sale of investments	7,406,883	17,573,636
Net change in deposits and funded reserves	(19,037)	(4,047)
Purchase of property	(248,975)	(396,587)
Proceeds from asset disposals	18,453,887	-
Net cash provided (used) by investing activities	10,963,126	(345,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage notes payable	(103,443)	(94,447)
Proceeds from (payments on) short-term borrowings	(1,078,037)	3,037
Contributions restricted for long-term purposes:		
Capital campaign	2,000	168,751
Net cash provided (used) by financing activities	(1,179,480)	77,341

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year Ended June 30,	
	2019	2018
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 8,719,448	\$ (769,633)
Cash and cash equivalents, beginning of year	826,214	1,595,847
Cash and cash equivalents, end of year	\$ 9,545,662	\$ 826,214
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest, net of \$-0- and \$34,955 capitalized interest in 2019 and 2018, respectively	\$ 195,321	\$ 150,792

See accompanying notes to consolidated financial statements

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Accounting Policies

Organization - Lighthouse for the Blind of Houston was incorporated in 1939 for the purpose of assisting persons who are blind or visually impaired. Funds are received in the form of contributions, government fees, client fees and grants, and from sales of goods manufactured or packaged by visually-impaired workers, which include detergent, disinfectant, bar soap and other cleaning products as well as video and audio tapes.

Houston Lighthouse Foundation, Inc. (the Foundation) was incorporated in 1968 for the exclusive purpose of promoting, encouraging, and advancing the activities of Lighthouse for the Blind of Houston.

Lighthouse Living Centers, Inc. (Living Centers) and Lighthouse Living Centers No. 2, Inc. (Living Centers No. 2) were formed in 1984 and 1986, respectively, to operate two 40-unit apartment projects in Houston, Texas under Section 202 of the National Housing Act. The projects are regulated under the U. S. Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The apartments are rented to individuals who are physically disabled.

Charitable programs are conducted primarily in the following areas:

- *Rehabilitation and Community Services Division* provides educational programs, vocational evaluation, adult day care services, summer camps, orientation and mobility training, therapeutic recreation, a computer learning center, optometry services, and deaf blind group homes.
- *Service Contracts Division* provides employment to visually-impaired workers in areas such as medical transcription, switchboard operations, and mail service.
- *Industrial Division* provides employment to visually-impaired workers who produce cleaning and floor care products (chemical products); and package video and audio tapes, and soap (enterprise services). See Note 17 for discussion on the sale of industrial division chemical products.
- *Living Centers Division* provides an independent living option to physically-disabled individuals by offering affordable housing at one of two 40-unit apartment complexes.

Basis of consolidation - These consolidated financial statements include the accounts of Lighthouse for the Blind of Houston, the Foundation, Living Centers, and Living Centers No. 2 (collectively the Lighthouse). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status - The Lighthouse is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. Lighthouse for the Blind of Houston and Living Centers are classified as public charities under 509(a)(2). The Foundation and Living Centers No. 2 are classified as Type I supporting organizations under §509(a)(3).

Management is not aware of any uncertain tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Accounting Policies (Continued)

Cash equivalents are highly liquid investments with original maturities of three months or less. At June 30, 2019, cash, cash equivalents, deposits and funded reserves totaled \$9,545,662. This increase in cash over the prior year is due to the recent sale of the Industrial division. Approximately \$8 million of this balance was held by investment firms in either government-backed reserve or government-backed money market accounts, all of which are considered very low risk. Due to the timing of the sale, the cash balance held in these accounts was temporarily higher than usual, though in compliance with Foundation investment policy. Subsequent to June 30 and continuing through early 2020, the cash balance in these accounts is anticipated to decrease significantly as the funds are strategically placed in the market. The remaining balance was held by a bank. While the total funds maintained by the bank exceeded the FDIC insured level of \$250,000, the bank is a strong regional financial institution that manages billions of dollars in funds and the combined account balance is considered low risk.

Accounts receivable and allowance for uncollectible accounts – Accounts receivable are reported at the amount management expects to collect from outstanding balances. Receivables are considered past due or delinquent based on contractual terms. An allowance for accounts receivable is provided when it is believed accounts may not be collected in full. The amount of bad debt expense recorded each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and customer-by-customer analysis of accounts receivable balances each period.

Accrued revenue is recorded for amounts expected to be collected for services provided by the Lighthouse during the fiscal year.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Inventory is stated at the lower of cost or net realizable value. Cost is determined on a weighted average basis.

Adoption of Accounting Pronouncement - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions, and reporting investment return net of external and direct internal investment expenses. The ASU also requires changes in the way certain information is aggregated and reported by the Lighthouse, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Lighthouse's

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Accounting Policies (Continued)

year ended June 30, 2019 and thereafter and must be applied on a retrospective basis. Adoption of the ASU did not result in any reclassifications or restatements to net assets or change in net assets.

Investment objectives and guidelines – Management’s objective is to provide long-term growth of the assets for future Lighthouse projects while preserving principal. Holdings will generally fall within the following target ranges, over the course of a market cycle, as determined by the investment manager’s economic outlook and market valuations: stocks 40%-70%; bonds 10%-60%; and cash 0%-50%.

Management’s goal is that total investment return (appreciation plus income) should exceed the sum of the net annual withdrawal rate plus the rate of inflation.

Investments in marketable securities are recorded at fair value. Investment return includes interest, dividends, and realized gains and losses, net of investment expenses. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the return is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions.

Property is stated at cost if purchased and at estimated fair value at the date of contribution if donated. Absent donor stipulations, donated property is recorded as support without donor restrictions when placed in service. Expenditures for long-lived assets in excess of \$500 for land, buildings, and equipment are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 40 years. No depreciation is taken on construction in progress until it is placed in service.

Net asset classification - Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature such as those that will be met by the passage of time or other events specified by donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources can be maintained in perpetuity.

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Accounting Policies (Continued)

The Lighthouse reports contributions restricted by donors as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions restricted for the acquisition (or construction) of land, buildings, and equipment are reported as net assets without donor restrictions upon the acquisition of the assets and when the assets are placed in service.

Merchandise sales and service fees are recognized when the related goods or services are delivered.

Rental income is recorded based on 100% of occupancy at the gross rents approved by HUD less any loss as a result of vacancies. Rental income includes rental income from residents as well as tenant assistance payments received from HUD. Rental income is recorded as the related services are provided.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from a donor. Contributions received with donor stipulations that limit their use are recorded as support with donor restrictions.

Non-cash contributions - Donated materials and use of facilities are recorded as contributions at estimated fair value when an unconditional commitment is received from a donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. There were no non-cash contributions in 2019 and 2018.

Shipping and handling expenses are included in cost of sales.

Functional allocation of expenses – The cost of providing the various programs and other activities are summarized on a functional basis in the consolidated statement of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimate of the benefit received. The expenses that are allocated included utilities, insurance, maintenance, and telephone which are allocated based on square footage. Other expenses directly attributable to a specific functional activity of the Lighthouse are reported as expenses of those functional activities.

Estimates - Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Accounting Policies (Continued)

various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain accounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Included in reclassifications is \$22,206 in net assets that have been shown as permanently restricted in years prior to fiscal 2019. In 2019, management determined that these net assets had been released from restrictions years ago. As a result, net assets without donor restrictions as of July 1, 2018 have been increased by \$22,206 and permanently restricted net assets have been eliminated.

Note 2 - Cash and Cash Equivalents

As of June 30, cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 7,997,331	\$ 424,333
Bank deposits	<u>1,548,331</u>	<u>401,881</u>
Total cash and cash equivalents	<u>\$ 9,545,662</u>	<u>\$ 826,214</u>

Note 3 - Accounts Receivable

As of June 30, accounts receivable are comprised of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 570,500	\$ 1,416,893
Less accounts receivable of discontinued operations	(173,000)	(866,581)
Allowance for uncollectible accounts	(192,945)	(57,000)
Plus allowance for uncollectible accounts-discontinued operations	<u>173,000</u>	<u>-</u>
Accounts receivable, net	<u>\$ 377,555</u>	<u>\$ 493,312</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Inventory

As of June 30, inventory is comprised of the following:

	<u>2019</u>	<u>2018</u>
Finished goods	\$ 87,596	\$ 368,143
Raw materials	39,029	270,003
Inventory reserve	-	(87,000)
Less inventory of discontinued operations, net	-	(303,595)
Total inventory	<u>\$ 126,625</u>	<u>\$ 247,551</u>

Note 5 - Investments at Fair Value

Generally accepted accounting principles require enhanced disclosures about assets and liabilities measured at fair value. Generally accepted accounting principles include a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 – Inputs are quoted prices in active markets for identical assets and liabilities.

Level 2 – Inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, inputs other than quoted market prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

As of June 30, fair value measurements for investments reported at fair value on a recurring basis were determined based on:

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 - Investments at Fair Value (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2019				
Equities	\$ 16,541,164	\$ -	\$ -	\$ 16,541,164
Bonds and notes	7,173,072	4,739,643	-	11,912,715
Real estate	399,571	-	-	399,571
Mineral interests	-	-	93,500	93,500
Total	<u>\$ 24,113,807</u>	<u>\$ 4,739,643</u>	<u>\$ 93,500</u>	<u>\$ 28,946,950</u>
2018				
Equities	\$ 12,278,484	\$ -	\$ -	\$ 12,278,484
Bonds and notes	4,107,140	3,714,003	-	7,821,143
Real estate	155,000	-	-	155,000
Mineral interests	-	-	93,500	93,500
Total	<u>\$ 16,540,624</u>	<u>\$ 3,714,003</u>	<u>\$ 93,500</u>	<u>\$ 20,348,127</u>

Level 2 is comprised of bonds that are priced by a pricing vendor on the basis of bid or mid evaluations in accordance to a region's market convention, using factors which include but are not limited to market quotations, yields, maturities, and the bond's terms and conditions. The pricing vendors use proprietary methods to arrive at the evaluated price. These prices represent the price a dealer would pay for a security (typically in an institutional round lot).

Level 3 is comprised of the fair value of mineral interests. The market value is derived from an oil and gas industry reporting standard as a multiple of the trailing twelve months annual income. The amount is considered immaterial to investments as a whole.

Other mineral interests were given no value due to the uncertainty of the realization of future benefits.

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

For the years ended June 30, investment return includes earnings on cash and cash equivalents and consists of the following:

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 - Investments at Fair Value (Continued)

	<u>2019</u>	<u>2018</u>
Net unrealized gain (loss) on investments	\$ 1,079,518	\$ (362,366)
Interest and dividends	652,490	436,226
Mineral interest income	112,068	108,164
Net realized gain on investments	<u>296,556</u>	<u>1,586,050</u>
Total investment return	2,140,632	1,768,074
Less investment expense	(140,308)	(134,044)
Subtract net unrealized investment gain (loss)	<u>(1,079,518)</u>	<u>362,366</u>
Investment return, excluding unrealized investment gain (loss)	<u>\$ 920,806</u>	<u>\$ 1,996,396</u>

Note 6 - Property

As of June 30, property consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,597,645	\$ 4,811,829
Buildings	13,983,033	15,594,334
Equipment, furniture and fixtures	<u>1,105,653</u>	<u>2,095,655</u>
Total property, at cost	19,686,331	22,501,818
Accumulated depreciation	<u>(6,313,498)</u>	<u>(8,292,683)</u>
Total	13,372,833	14,209,135
Less property of discontinued operations, net	<u>-</u>	<u>(520,834)</u>
Property, net	<u>\$ 13,372,833</u>	<u>\$ 13,688,301</u>

On December 18, 2008, the Lighthouse purchased the ground lease property at or near 3602 West Dallas for \$2,068,000. As additional consideration for the sale, the Lighthouse agreed not to sell or lease the property for five years after the purchase, and to continue to operate as a non-profit organization for the benefit of blind or visually impaired persons.

On February 15, 2013, the Foundation purchased land and buildings near 3602 West Dallas for \$2,250,000 (Marston Project). As additional consideration for the sale, the Lighthouse agreed not to sell or lease the property for twenty years to any person or entity other than another non-profit public service organization that will develop the property and use it primarily for the benefit of handicapped persons. In fiscal 2015, after a cost benefit analysis, management decided to demolish the original building and rebuild. They are committed to building two group homes for deaf-blind people, a health services building, and parking area. In June 2017, the

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Property (Continued)

Foundation’s Board of Directors approved the contribution of the Marston Project and related buildings and structures to Lighthouse for the Blind of Houston. During the fiscal year 2017, the building of the two group homes was complete for a total cost of \$4,268,573 and they were placed in service.

Over the construction period, indirect construction costs (primarily architecture and fundraising costs) were allocated to all of the planned buildings, including the health services building. As of June 30, 2018, unadjusted capitalized costs for construction in progress totaled \$1,353,211. As of June 30, 2018, management evaluated the future benefit of these capitalized indirect construction costs. With the termination of the relationships with the general contractor, architectural firm, the external fund raiser, and the fact that all of the external fundraising monies have been spent, the future benefit of the indirect construction costs in construction in progress seems minimal. As a result, management made a decision to write off \$1,096,043 of indirect construction costs, leaving \$257,168 of direct construction costs in construction in progress as of June 30, 2018. As of June 30, 2019, the construction in progress was \$285,721.

Note 7 - Deposits and Funded Reserves

As of June 30, deposits and funded reserves consist of the following:

	<u>2019</u>	<u>2018</u>
Replacement reserve (<i>Note 8</i>)	\$ 101,922	\$ 84,049
Residual receipts reserve	26,998	26,972
Tenant deposits	<u>20,794</u>	<u>19,656</u>
Total deposits and funded reserves	<u>\$ 149,714</u>	<u>\$ 130,677</u>

Living Centers and Living Centers No. 2 are required to maintain a reserve fund for property replacements and a residual receipts fund for any residual receipts realized from the operation of the properties. These funds must be deposited into two separate accounts which are insured by the Federal Deposit Insurance Corporation (FDIC). No withdrawals can be made from the accounts without prior approval of HUD.

Note 8 - Mortgage Notes Payable

Living Centers is party to a mortgage note payable to HUD that is payable in monthly installments of \$10,147 including principal and interest at a stated rate of 9.25% maturing on June 1, 2027. Living Centers No. 2 is party to a mortgage note payable to HUD that is payable in monthly installments of \$10,289 including principal and interest at a stated rate of 9.00%

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Mortgage Notes Payable (Continued)

maturing on June 1, 2029. A reserve fund for property replacements is required by the regulatory agreement to be paid into a separate account that is insured by the FDIC.

As of June 30, 2019, future debt service and reserve fund requirements under the mortgage notes payable are as follows:

	RESERVE FUND	DEBT SERVICE
2020	\$ 17,652	\$ 113,298
2021	17,652	124,091
2022	17,652	135,913
2023	17,652	148,861
2024	17,652	163,043
Thereafter	<u>70,692</u>	<u>813,567</u>
Total reserve fund requirements and mortgage notes payable	<u>\$ 158,952</u>	<u>\$ 1,498,773</u>

As of June 30, 2019, buildings and land with a net book value of \$1,396,686 are pledged as collateral for the notes.

Note 9 – Line of Credit

At June 30, 2018, the Foundation had \$1.078 million outstanding under a line of credit of \$2 million from a financial institution. Interest is payable monthly at the rate equal to the “Overnight LIBOR-based rate”, as defined in the loan agreement (3.58% at June 30, 2018). The line of credit was secured by an investment security account with a balance of \$10,275,748 at June 30, 2018. This line of credit matured on December 10, 2018 and was extended for a year.

Note 10 - Net Assets with Donor Restrictions

As of June 30, net assets with donor restrictions are available for the following purposes:

	2019	2018
Recreation program	\$ 23,889	\$ 81,770
Outpatient rehabilitation	100,947	54,181
Multicare program	32,019	34,870
Volunteer program	22,388	24,380
Marston project	<u>-</u>	<u>125,000</u>
Total net assets with donor restrictions	<u>\$ 179,243</u>	<u>\$ 320,201</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 - Concentration of Risks

Approximately 70% and 72% of the Lighthouse's merchandise sales and service contract fees for the years ended June 30, 2019 and 2018, respectively, were through The National Industries for the Blind (NIB) to the federal government and affiliated contracts. The Lighthouse pays NIB a commission of approximately 4% on these sales.

Note 12 - Employee Benefit Plans

Industrial division personnel (see Note 17 for discussion of industrial division chemical products sale), plus housekeeping and janitorial employees, are covered under a defined contribution pension plan that requires Lighthouse for the Blind of Houston to make contributions equal to 12% of covered salaries. Contributions to the plan totaled \$23,982 in 2019 and \$36,875 in 2018.

In prior years, Lighthouse for the Blind of Houston established a 401(k) profit-sharing plan, a 403(b) thrift plan, and a 457(b) thrift plan for the employees of Lighthouse for the Blind of Houston. All employees of Lighthouse for the Blind of Houston are eligible to participate in one of these plans. Eligible employees can elect to contribute up to the IRS maximum and Lighthouse for the Blind of Houston matches 150% of the employee's before-tax contribution up to 6% of the employee's salary for employees with at least one year of credited service (1,000 hours of service). The employer-matching contributions under these plans were \$141,020 in 2019 and \$126,669 in 2018. Effective October 1, 2010, the 401(k) profit-sharing plan was terminated and is in the process of liquidation.

Note 13 - Leases

The Lighthouse leases automobiles and equipment under operating leases. Lease expense was \$71,762 in 2019 and \$67,769 in 2018. As of June 30 2019, future lease commitments are as follows:

2020	\$ 44,662
2021	<u>11,317</u>
	<u>\$ 55,979</u>

Note 14 - Related Party Transactions

Lighthouse paid or accrued \$171,910 in 2019 and \$153,915 in 2018 for services performed by companies in which board members or former board members had an ownership interest. At June 30, 2019, and 2018 Lighthouse owed \$11,500 and \$13,583 to these related parties, respectively.

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Contingencies

Lighthouse for the Blind of Houston is involved in a contractual and Department of Labor dispute. Management believes that the ultimate outcome of this matter will not have a material negative impact on its operations.

Note 16- New Pronouncements not yet Effective

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. This update was originally effective for years ending June 30, 2019. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers-Deferral of the Effective Date, to defer the effective date of ASU 2014-09 for one year, or years ending June 30, 2020. The Lighthouse is evaluating the financial impact of adopting this standard.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02: Leases (Topic 842), which requires organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases with terms of more than 12 months. This update will be effective for years ending June 30, 2022. The Lighthouse is evaluating the financial impact of adopting this standard.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the FASB Accounting Standards Codification (ASC) to require an explanation in the cash flow statement of the change in the total of (1) cash, (2) cash equivalents, and (3) restricted cash or restricted cash equivalents. This update will be effective for years ending June 30, 2020. Management believes this update will not materially affect the understanding of the current financial information.

The Lighthouse's management is not aware of any other new pronouncements that have been released and are not yet effective which will have a significant impact on its financial position or results of operation.

Note 17 – Discontinued Operations

In May of 2018, Lighthouse entered into an agreement to sell the property which houses the industrial division chemical products at a sales price of \$19,150,000. The sale was finalized on April 1, 2019. With the sale of the property, the industrial division chemical products ceased operations. As of June 30, 2019, there was approximately \$173,000 in accounts receivable from industrial division chemical product customers which the Lighthouse has fully reserved, but intends to pursue the collection.

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 – Discontinued Operations (continued)

The following table presents the detail of the assets and liabilities of the discontinued operations as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets		
Accounts receivable, net of \$173,000 allowance in 2019 and \$-0- in 2018	\$ -	\$ 866,581
Inventory, net of \$-0- reserve in 2019 and \$ 87,000 in 2018	-	303,595
Property, plant and equipment, net	-	<u>520,834</u>
Total assets of discontinued operations	<u>\$ -</u>	<u>\$ 1,691,010</u>
Liabilities		
Accounts payable	\$ -	\$ 339,517
Accrued expenses	-	<u>70,326</u>
Total liabilities of discontinued operations	<u>\$ -</u>	<u>\$ 409,843</u>

The following table provides information about the gain from discontinued operations as presented in the statement of activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Merchandise sales	\$ 2,074,605	\$ 3,424,877
Direct cost of sales	<u>(1,941,000)</u>	<u>(2,554,809)</u>
Net merchandise sales	133,605	870,068
General and administrative expense:		
Salaries and related expenses	358,477	413,574
Utilities building insurance, and repairs	41,868	71,875
Professional fees and contract service payments	101,423	41,859
Depreciation	41,166	45,167
Commissions to National Industries for the Blind	77,880	116,168
Local transportation	2,540	2,750
Supplies	2,434	6,911
Maintenance	3,586	5,488
Telephone and communication	2,518	2,994
Conference and training	350	4,999
Insurance	5,809	8,013
Inventory reserve	-	87,000
Bad debt expense	145,555	20,961
Other	<u>2,381</u>	<u>2,894</u>
	<u>785,987</u>	<u>830,653</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 – Discontinued Operations (continued)

Other income	\$ -	\$ 2,470
Gain (loss) on disposal of assets	<u>17,836,363</u>	<u>(5,938)</u>
Net gain from discontinued operations	<u>\$ 17,183,981</u>	<u>\$ 35,947</u>

Included in the direct cost of sales and general and administrative expenses is the severance package of approximately \$350,000 that the Lighthouse paid to certain industrial employees in 2019.

Total operating cash inflows of the discontinued operations for the years ended June 30, 2019 and 2018 were \$149,117 and \$86,382, respectively. Total investing cash inflows (outflows) for those periods were \$18,456,787 and \$105,150, respectively.

Note 18 – Liquidity

As of June 30, 2019, financial assets available for general expenditures, that are without donor or other restrictions limiting their use, within one year of the balance sheet date are comprised of the following:

Cash and cash equivalents	\$ 9,366,419
Accounts receivable, net	377,555
Interest and dividends receivable	87,680
Pledge receivable from United Way and others	181,279
Inventory	126,625
Investments	<u>28,946,950</u>
	<u>\$ 39,086,508</u>

The receivables are subject to time restrictions but are expected to be collected within one year. The inventory is expected to be sold during the year to generate more cash flow. The Lighthouse expects to meet normal cash needs from its cash and cash equivalents.

Note 19 - Subsequent Events

Management has evaluated subsequent events through December 3, 2019, the date that the financial statements were available to be issued, and has determined that no subsequent events have occurred that require disclosure.

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2019

	LIGHTHOUSE FOR THE BLIND OF HOUSTON	HOUSTON LIGHTHOUSE FOUNDATION, INC.	LIGHTHOUSE LIVING CENTERS	LIGHTHOUSE LIVING CENTERS NO. 2	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED BALANCE
ASSETS						
Cash and cash equivalents	\$ 1,529,620	\$ 7,997,331	\$ 18,511	\$ 200		\$ 9,545,662
Accounts receivable, net	479,567	87,680		560	(102,572)	377,555
Interest and dividends receivable	181,279					181,279
Pledges receivable from United Way and others	126,625					126,625
Inventory	50,471		378	383		51,232
Other current assets	15,812,067				(15,812,067)	
Intercompany receivables		28,946,950	639,334	757,645		28,946,950
Investments	11,975,854		73,115	76,599		13,572,833
Property, net			731,338	835,387		149,714
Deposits and funded reserves						
Total assets	<u>\$ 30,155,483</u>	<u>\$ 37,031,961</u>	<u>\$ 731,338</u>	<u>\$ 835,387</u>	<u>\$ (15,914,639)</u>	<u>\$ 52,839,530</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 202,673		\$ 41,661	\$ 65,508		\$ 207,207
Accrued expenses	391,210	\$ 23,003	32,824	34,414	(102,572)	481,451
Intercompany payables		15,744,533	20,873	46,661	(15,812,067)	
Mortgage notes payable			686,543	812,230		1,498,773
Total liabilities	<u>593,883</u>	<u>15,767,536</u>	<u>781,901</u>	<u>958,813</u>	<u>(15,914,639)</u>	<u>2,187,494</u>
Net assets:						
Without donor restrictions	29,382,357	21,264,425	(50,563)	(123,426)		50,472,793
With donor restrictions	179,243					179,243
Total net assets	<u>29,561,600</u>	<u>21,264,425</u>	<u>(50,563)</u>	<u>(123,426)</u>		<u>50,652,036</u>
Total liabilities and net assets	<u>\$ 30,155,483</u>	<u>\$ 37,031,961</u>	<u>\$ 731,338</u>	<u>\$ 835,387</u>	<u>\$ (15,914,639)</u>	<u>\$ 52,839,530</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2018

	<u>LIGHTHOUSE FOR THE BLIND OF HOUSTON</u>	<u>HOUSTON LIGHTHOUSE FOUNDATION, INC.</u>	<u>LIGHTHOUSE LIVING CENTERS</u>	<u>LIGHTHOUSE LIVING CENTERS NO. 2</u>	<u>ADJUSTMENTS AND ELIMINATIONS</u>	<u>CONSOLIDATED BALANCE</u>
ASSETS						
Cash and cash equivalents	\$ 389,794	\$ 424,333	\$ 8,718	\$ 3,369		\$ 826,214
Accounts receivable, net	529,149		5	87		493,312
Accrued revenue	9,851	70,467			(35,929)	9,851
Interest and dividends receivable	321,515					70,467
Pledges receivable from United Way and others	247,551					321,515
Inventory	13,925					247,551
Other current assets	103,534	149,942	340	349		14,614
Intercompany receivables	1,691,010				\$ (253,476)	
Assets of discontinued operations		20,348,127				1,691,010
Investments	12,237,143		668,779	782,379		20,348,127
Property, net			63,491	67,186		13,688,301
Deposits and funded reserves			<u>\$ 741,333</u>	<u>\$ 853,370</u>		<u>130,677</u>
Total assets	<u>\$ 15,543,472</u>	<u>\$ 20,992,869</u>			<u>\$ (289,405)</u>	<u>\$ 37,841,639</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 447,643		\$ 20,193	\$ 34,460		\$ 466,367
Accrued expenses	423,457	\$ 9,000	32,028	33,848	\$ (35,929)	498,333
Intercompany payables	149,942		38,873	64,661	(253,476)	
Liabilities of discontinued operations						409,843
Line of credit		1,078,037				1,078,037
Deferred revenue	27,644		741,988	860,228		27,644
Mortgage notes payable						<u>1,602,216</u>
Total liabilities	<u>1,458,529</u>	<u>1,087,037</u>	<u>833,082</u>	<u>993,197</u>	<u>(289,405)</u>	<u>4,082,440</u>
Net assets:						
Without donor restrictions	13,764,742	19,905,832	(91,749)	(139,827)		33,438,998
With donor restrictions	<u>320,201</u>					<u>320,201</u>
Total net assets	<u>14,084,943</u>	<u>19,905,832</u>	<u>(91,749)</u>	<u>(139,827)</u>		<u>33,759,199</u>
Total liabilities and net assets	<u>\$ 15,543,472</u>	<u>\$ 20,992,869</u>	<u>\$ 741,333</u>	<u>\$ 853,370</u>	<u>\$ (289,405)</u>	<u>\$ 37,841,639</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>LIGHTHOUSE FOR THE BLIND OF HOUSTON</u>	<u>HOUSTON LIGHTHOUSE FOUNDATION, INC.</u>	<u>LIGHTHOUSE LIVING CENTERS</u>	<u>LIGHTHOUSE LIVING CENTERS, NO.2</u>	<u>ADJUSTMENTS AND ELIMINATIONS</u>	<u>CONSOLIDATED BALANCE</u>
REVENUE:						
Merchandise sales	\$ 1,355,208					\$ 1,355,208
Direct cost of sales	<u>(1,394,524)</u>					<u>(1,394,524)</u>
Net merchandise sales	(39,316)					(39,316)
Service contract fees	2,310,685					2,310,685
Government service fees	972,353					972,353
Rental income			\$ 370,635	\$ 347,998		718,633
Distributions from Houston Lighthouse Foundation, Inc.	627,307				\$ (627,307)	362,219
United Way allocation	362,219					501,792
Contributions	501,792					920,806
Investment return, excluding unrealized investment gain	174	\$ 920,385	131	116		920,806
Client fees and other	<u>223,511</u>		<u>2,621</u>	<u>3,086</u>	<u>(40,737)</u>	<u>188,481</u>
Total revenue	<u>4,958,725</u>	<u>920,385</u>	<u>373,387</u>	<u>351,200</u>	<u>(668,044)</u>	<u>5,935,653</u>
EXPENSES:						
Program services:						
Rehabilitation and community services	2,587,985					2,587,985
Service contracts	2,260,841					2,260,841
Enterprise services	120,668					120,668
Living Centers			332,201	334,799	(40,737)	626,263
Distribution to Lighthouse for the Blind of Houston	4,969,494	627,307	332,201	334,799	(627,307)	5,995,757
Total program services	<u>1,696,555</u>	<u>14,003</u>	<u>332,201</u>	<u>334,799</u>	<u>(668,044)</u>	<u>1,710,558</u>
Management and general	6,666,049	641,310				7,306,315
Total expenses	<u>(1,707,324)</u>	<u>279,075</u>	<u>41,186</u>	<u>16,401</u>		<u>(1,370,662)</u>
Changes in net assets before unrealized investment gain and discontinued operations						1,079,518
Net unrealized investment gain		1,079,518				17,183,981
Discontinued operations –gain from operations of chemical products industrial division						16,892,837
CHANGES IN NET ASSETS	15,476,657	1,358,593	41,186	16,401		33,759,199
Net assets, beginning of year	<u>14,084,943</u>	<u>19,905,832</u>	<u>(91,749)</u>	<u>(139,827)</u>		<u>33,759,199</u>
Net assets, end of year	<u>\$ 29,561,600</u>	<u>\$ 21,264,425</u>	<u>\$ (50,563)</u>	<u>\$ (123,426)</u>		<u>\$ 50,652,036</u>

LIGHTHOUSE FOR THE BLIND OF HOUSTON AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	LIGHTHOUSE FOR THE BLIND OF HOUSTON	HOUSTON LIGHTHOUSE FOUNDATION, INC.	LIGHTHOUSE LIVING CENTERS	LIGHTHOUSE LIVING CENTERS NO.2	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED BALANCE
REVENUE:	\$ 1,420,783		\$ 366,321	\$ 342,607		\$ 1,420,783
Merchandise sales	(1,473,239)					(1,473,239)
Direct cost of sales	(52,456)					(52,456)
Net merchandise sales	2,367,482					2,367,482
Service contract fees	1,306,924					1,306,924
Government service fees						708,928
Rental income	762,692				\$ (762,692)	
Distributions from Houston Lighthouse Foundation, Inc.	393,075					393,075
United Way allocation	357,574	\$ 246				357,820
Contributions	235	1,996,101	28	32		1,996,396
Investment return, excluding unrealized investment gain	207,743		2,949	4,332	(40,410)	174,614
Client fees and other						
Total revenue	5,343,269	1,996,347	369,298	346,971	(803,102)	7,252,783
EXPENSES:						
Program services:						
Rehabilitation and community services	2,708,106					2,708,106
Service contracts	2,169,917					2,169,917
Enterprise services	72,830		323,992	331,863	(40,410)	72,830
Living Centers					(762,692)	
Distribution to Lighthouse for the Blind of Houston	4,950,853	762,692	323,992	331,863	(803,102)	5,566,298
Total program services	2,674,646	9,726				2,684,372
Management and general	7,625,499	772,418	323,992	331,863	(803,102)	8,250,670
Total expenses	(2,282,230)	1,223,929	45,306	15,108		(997,887)
Changes in net assets before unrealized investment loss and discontinued operations	35,947	(362,366)				(362,366)
Net unrealized investment loss						35,947
Discontinued operations –gain from operations of chemical products industrial division	(2,246,283)	861,563	45,306	15,108		(1,324,306)
CHANGES IN NET ASSETS	16,331,226	19,044,269	(137,055)	(154,955)		35,083,505
Net assets, beginning of year	\$ 14,084,943	\$ 19,905,832	\$ (91,749)	\$ (139,827)		\$ 33,759,199
Net assets, end of year						