

**Lighthouse for the Blind
of Houston and Affiliates**

Consolidated Financial Statements
and Independent Auditors' Report
for the year ended June 30, 2021

Lighthouse for the Blind of Houston and Affiliates

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Lighthouse for the Blind of Houston and Affiliates (Lighthouse), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lighthouse as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statement of financial position as of June 30, 2021 and the consolidating statement of activities for the year ended June 30, 2021 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Blazek & Vetterling

December 16, 2021

Lighthouse for the Blind of Houston and Affiliates

Consolidated Statement of Financial Position as of June 30, 2021

ASSETS

Cash	\$ 478,255
Accounts receivable, net (<i>Note 3</i>)	564,529
Contributions receivable from United Way	90,321
Inventory	162,025
Prepays and other assets	40,924
Investments (<i>Note 4</i>)	45,366,188
Property, net (<i>Note 5</i>)	12,896,198
Cash held for tenant deposits and funded reserves (<i>Note 6</i>)	<u>121,752</u>
TOTAL ASSETS	<u>\$ 59,720,192</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 429,843
Accrued payroll expenses	332,451
Due to Texas Department of Health and Human Services	96,552
Mortgage notes payable (<i>Note 7</i>)	<u>1,261,383</u>
Total liabilities	<u>2,120,229</u>
Net assets:	
Without donor restrictions	57,448,792
With donor restrictions (<i>Note 8</i>)	<u>151,171</u>
Total net assets	<u>57,599,963</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,720,192</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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	\$ 1,401,085		\$ 1,401,085
Direct cost of sales	<u>(1,233,116)</u>		<u>(1,233,116)</u>
Net merchandise sales	167,969		167,969
Service contract fees	1,570,599		1,570,599
Government service fees	524,476		524,476
Rental income	746,642		746,642
Contributions:			
United Way allocation		\$ 198,713	198,713
Other	84,795	921,600	1,006,395
Net investment return	2,430,904		2,430,904
Client fees and other	<u>221,386</u>		<u>221,386</u>
Total revenue	5,746,771	1,120,313	6,867,084
Net assets released from restrictions:			
Program and supporting services	<u>1,141,195</u>	<u>(1,141,195)</u>	
Total	<u>6,887,966</u>	<u>(20,882)</u>	<u>6,867,084</u>
EXPENSES:			
Program services:			
Rehabilitation and community services	2,293,231		2,293,231
Service contracts	1,718,277		1,718,277
Living Centers	641,365		641,365
Enterprise services	<u>291,734</u>		<u>291,734</u>
Total program services	4,944,607		4,944,607
Management and general	1,199,737		1,199,737
Fundraising	<u>74,101</u>		<u>74,101</u>
Total expenses	<u>6,218,445</u>		<u>6,218,445</u>
Changes in net assets from operating activities	669,521	(20,882)	648,639
Unrealized investment gain	<u>6,645,780</u>		<u>6,645,780</u>
CHANGES IN NET ASSETS	7,315,301	(20,882)	7,294,419
Net assets, beginning of year	<u>50,133,491</u>	<u>172,053</u>	<u>50,305,544</u>
Net assets, end of year	<u>\$ 57,448,792</u>	<u>\$ 151,171</u>	<u>\$ 57,599,963</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, 2021

	REHABILITATION AND COMMUNITY SERVICES	SERVICE CONTRACTS	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 1,326,276	\$ 1,569,044	\$ 152,535	\$ 211,997	\$ 527,492	\$ 71,374	\$ 3,858,718
Utilities, building insurance, and repairs	253,286	8,660	218,971	39,632	79,930		600,479
Professional fees and contract service payments	286,419	74,271		7,527	334,482	2,727	705,426
Depreciation	192,637	1,427	91,041	13,304	113,193		411,602
Commissions to National Industries for the Blind		35,120					35,120
Mortgage interest			120,203				120,203
Local transportation	30,279	9,662		1,543	1,920		43,404
Supplies	48,993	417	5,969	4,378	32,803		92,560
Maintenance	25,228	3,944	27,238	2,980	12,958		72,348
Telephone and communication	20,853	15,263		4,180	47,506		87,802
Conferences and training	155		761	349	1,851		3,116
Insurance	9,869	334	288	5,084	18,940		34,515
Bad debt expense	96,552						96,552
Other	2,684	135	24,359	760	28,662		56,600
Total expenses	<u>\$ 2,293,231</u>	<u>\$ 1,718,277</u>	<u>\$ 641,365</u>	<u>\$ 291,734</u>	<u>\$ 1,199,737</u>	<u>\$ 74,101</u>	6,218,445
Direct cost of sales							<u>1,233,116</u>
Total							<u>\$ 7,451,561</u>

See accompanying notes to consolidated financial statements.

Lighthouse for the Blind of Houston and Affiliates

Consolidated Statement of Cash Flows for the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 7,294,419
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Net realized and unrealized gain on investments	(8,293,327)
Depreciation and amortization	411,602
Changes in operating assets and liabilities:	
Accounts receivable	(165,991)
Contributions receivable from United Way	83,954
Inventory	(18,672)
Prepays and other assets	28,540
Accounts payable and accrued expenses	1,440
Refundable advance – Paycheck Protection Program	<u>(911,600)</u>
Net cash used by operating activities	<u>(1,569,635)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(14,645,442)
Change in money market mutual funds held as investments	835,382
Proceeds from sale of investments	14,727,592
Purchase of property	<u>(178,147)</u>
Net cash provided by investing activities	<u>739,385</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on mortgage notes payable	<u>(124,091)</u>
NET CHANGE IN CASH	(954,341)
Cash, beginning of year	<u>1,554,348</u>
Cash, end of year	<u>\$ 600,007</u>
<i>Reconciliation of cash and restricted cash to statement of financial position:</i>	
Cash	\$ 478,255
Cash held for tenant deposits and funded reserves	<u>121,752</u>
Total cash	<u>\$ 600,007</u>
<i>Supplemental disclosure of cash flow information:</i>	
Cash paid for mortgage interest	\$121,147

See accompanying notes to consolidated financial statements.

Lighthouse for the Blind of Houston and Affiliates

Notes to Consolidated Financial Statements for the year ended June 30, 2021

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 to be independent members of society. It provides services that identify and develop the individual strengths and needs of each person with visual disabilities, so they may reach their full emotional, social, and educational potential.

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 buildings in Houston, Texas under Section 202 of the National Housing Act. The buildings 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* is comprised of the vision rehabilitation/low vision clinic, behavioral health services, community education and outreach, day activity health services, vocational programs, diabetes education services, and deaf blind group homes.
- *Service Contracts Division* provides employment to blind and low vision workers in areas such as medical transcription, switchboard operations, and mail service.
- *Living Centers Division* provides an independent living option to physically-disabled individuals by offering affordable housing at one of two 40-unit apartment buildings.
- *Enterprise Services Division* provides employment to blind and low vision workers to assemble and package cleaning products, video and audio tapes, and other products for sale to state agencies or for sale by Lighthouse for the Blind of Houston.

Basis of consolidation – These consolidated financial statements include the assets, liabilities, net assets and activities of Lighthouse for the Blind of Houston, the Foundation, Living Centers, and Living Centers No. 2 (collectively 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).

Cash includes bank deposits that exceed the federally insured limit per depositor per institution. Cash held for investment purposes is reported with investments and excluded from cash in the statement of cash flows.

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.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. All contributions receivable are due within one year.

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

Investments are reported at fair value, except for investments in mineral interests, which are reported at cost less depletion. Investment return includes interest, dividends, and realized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased and at estimated fair value at the date of contribution if donated. 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.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions 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-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Operating activities – Lighthouse classifies unrealized investment gains and losses on its Foundation endowment funds as non-operating. All other activities are classified as operating.

Merchandise sales include sales of goods from the vision rehabilitation/low vision clinic, the Reflections Store, and Enterprise Services. Revenues are recognized when goods or services are provided to a customer, in an amount that reflects the consideration that Lighthouse expects to be entitled to in exchange for those goods or services. Payment is due at point of delivery. Direct cost of sales includes raw material costs, packaging supplies, and labor costs. Refunds on purchases from the Reflections Store are provided within 30 days of purchase. Accounts receivable from service merchandise sales at June 30, 2021 and 2020 were approximately \$86,000 and \$10,000, respectively. There are no contract liabilities associated with this revenue.

Service contract fees are derived from providing call center, mail center, medical transcription, document scanning and indexing, and other services to government agencies, and are recognized at a point in time when the services are provided to the customer in an amount that reflects the consideration Lighthouse expects to be entitled to in exchange for those services. Customers are billed at least monthly for services provided and invoices are due upon receipt. Accounts receivable from service contract fees at June 30, 2021 and 2020 were approximately \$393,000 and \$245,000, respectively. There are no contract liabilities associated with this revenue.

Government service fees are earned from direct services provided to deaf blind group home residents and are contracted with and paid by various government agencies. Government service fees are recognized as performance obligations are satisfied and are reported at the amount that reflects the consideration Lighthouse expects to receive in exchange for the services provided. Services are provided on a daily basis based on each resident's needs. Reimbursement rates are established by the appropriate governmental agency and are based on rates per unit of service provided. Amounts are billed monthly at the end of every month that the services are provided and are due upon receipt. Accounts receivable from government service fees at June 30, 2021 and 2020 were approximately \$76,000 and \$77,000, respectively. There are no contract liabilities associated with this revenue.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Lighthouse is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as a refundable advance.

Client fees and other – Client fees are derived from providing deaf blind group home housing, behavioral health, vision rehabilitation/low vision clinic, diabetes education, and other services to clients. Housing fees are billed monthly and are due at the beginning of each month. Performance obligations are satisfied and revenue is recognized during the month. Client fees from the vision rehabilitation/low vision clinic, diabetes education, behavioral health services, and support groups, are recognized as performance obligations are satisfied, and are reported at the amount that reflects the consideration Lighthouse expects to receive in exchange for the services provided. These amounts are due from clients and third-party payors and are generally billed daily at the time of service and are due upon receipt. Other service fees include fees paid by third parties to use Lighthouse's parking facilities, which are not material and are not disaggregated from client fees. Accounts receivable from client fees at June 30, 2021 and 2020 were approximately \$10,000 and \$13,000, respectively. There are no contract liabilities associated with this revenue.

Rental income is recognized during the related period of occupancy at the amount of consideration Living Centers expects to be entitled to receive. Rental income includes amounts from residents and housing assistance payments due from HUD, which guarantees the difference between what residents are able to pay and HUD's approved rate for each unit. Accounts receivable from rental income at June 30, 2021 and 2020 were \$0 and \$58, respectively. Tenant security deposits at June 30, 2021 and 2020 were \$20,728 and \$21,104, respectively.

Non-cash contributions – Donated materials and use of facilities are recorded as contributions at estimated fair value when an unconditional commitment is received from the 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 recognized in 2021.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated between program,

management and general, and fundraising on the basis of estimated time and effort expended. Utilities, building insurance, repairs and maintenance, and telephone and communications are allocated based on square footage.

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

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2021 comprise the following:

Financial assets:	
Cash	\$ 478,255
Accounts receivable, net	564,529
Contributions receivable from United Way	90,321
Investments	45,366,188
Deposits and funded reserves	<u>121,752</u>
Total financial assets	46,621,045
Less financial assets not available for general expenditure:	
Foundation investments not expected to be appropriated in the next 12 months	(44,093,316)
Deposits and funded reserves	<u>(121,752)</u>
Total financial assets available for general expenditure	<u>\$ 2,405,977</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Lighthouse considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Foundation’s Board of Directors has designated its Foundation investments to be used to support Lighthouse. These funds remain available to be spent at the discretion of the Foundation’s Board of Directors.

In April 2020, Lighthouse received \$911,600 under the Small Business Administration’s Paycheck Protection Program (PPP). The loan was forgiven in March 2021 as Lighthouse met the eligibility requirements and used the loan to fund qualified payroll and other eligible costs. The amount has been recognized as a contribution *with donor restrictions* in 2021.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 are comprised of the following:

Accounts receivable	\$ 580,765
Allowance for uncollectible accounts	<u>(16,236)</u>
Accounts receivable, net	<u>\$ 564,529</u>

NOTE 4 – INVESTMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 5,267,114			\$ 5,267,114
Communication services	2,989,987			2,989,987
Health care	2,653,230			2,653,230
Financials	2,301,228			2,301,228
Consumer discretionary	1,739,761			1,739,761
Consumer staples	1,652,592			1,652,592
Industrials	1,224,546			1,224,546
Materials	616,008			616,008
Energy	93,114			93,114
Debt securities:				
Corporate bonds		\$ 5,796,426		5,796,426
U. S. Treasury notes		2,800,155		2,800,155
Asset-backed securities		2,458,487		2,458,487
Equity mutual funds:				
Large cap	4,370,860			4,370,860
International development	3,365,929			3,365,929
International emerging markets	1,438,946			1,438,946
Mid cap	780,652			780,652
Small cap	546,221			546,221
Fixed-income mutual funds	2,821,825			2,821,825
Global index mutual funds	<u>1,756,817</u>			<u>1,756,817</u>
Investments measured at fair value	<u>\$ 33,618,830</u>	<u>\$ 11,055,068</u>	<u>\$ 0</u>	44,673,898
Cash held as investments				598,274
Mineral interests, net of depletion				<u>94,016</u>
Total investments				<u>\$ 45,366,188</u>

Valuation methods used for assets measured at fair value are as follows:

- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

- *Debt securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- *Mutual funds* are valued at the reported net asset value of shares held.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Lighthouse believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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 such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – PROPERTY

Property at June 30, 2021 consists of the following:

Land	\$ 4,809,595
Buildings	13,931,488
Equipment, furniture and fixtures	1,204,020
Construction in progress	<u>83,559</u>
Total property, at cost	20,028,662
Accumulated depreciation	<u>(7,132,464)</u>
Property, net	<u>\$ 12,896,198</u>

NOTE 6 – TENANT DEPOSITS AND FUNDED RESERVES

Deposits and funded reserves at June 30, 2021 consist of the following:

Replacement reserve (<i>Note 7</i>)	\$ 85,863
Residual receipts reserve	15,161
Tenant deposits	<u>20,728</u>
Total deposits and funded reserves	<u>\$ 121,752</u>

Under regulatory agreements with HUD, 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 7 – 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% maturing on June 1, 2029. The related project buildings and land are pledged as collateral for the respective notes. 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. Future maturities of the mortgage notes payable are as follows:

2022	\$ 135,913
2023	148,861
2024	163,043
2025	178,577
2026	195,590
Thereafter	<u>439,399</u>
Total	<u>\$ 1,261,383</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 are available for the following purposes:

Outpatient rehabilitation	\$ 138,483
Program equipment	10,000
Community independence program	<u>2,688</u>
Total net assets with donor restrictions	<u>\$ 151,171</u>

NOTE 9 – FOUNDATION ENDOWMENT FUNDS

The assets of the Foundation consist of funds designated by the Board of Directors to function as an endowment to advance the activities of Lighthouse for the Blind Houston.

Assets measured at fair value at June 30, 2021 are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, June 30, 2020	<u>\$ 22,298,131</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,298,131</u>
Net investment return	9,076,257			9,076,257
Expenses	(10,950)			(10,950)
Distributions	<u>(1,814,877)</u>			<u>(1,814,877)</u>
Endowment net assets, June 30, 2021	<u>\$ 29,548,561</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,548,561</u>

Investment and Spending Policies

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. Unless elected otherwise by the Board of Directors, the required cash distribution for each fiscal year shall be an amount equal to 3% of the market values of the portfolio.

NOTE 10 – EMPLOYEE BENEFIT PLANS

Lighthouse offers 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 Internal Revenue Service maximum and Lighthouse matches 150% of the employee's before-tax contribution up to 4% 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 approximately \$74,000 in 2021. Lighthouse also maintains employee balances in a 401(k) profit-sharing plan that was terminated in 2020 and is in the process of liquidation.

NOTE 11 – RELATED PARTY TRANSACTIONS

Lighthouse paid \$140,365 in 2021 for services performed by companies in which board members or former board members had an ownership interest, or by individuals related to board members. At June 30, 2021, Lighthouse owed \$5,014 to these related parties.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Financial Position as of June 30, 2021

	LIGHTHOUSE FOR THE BLIND OF HOUSTON	HOUSTON LIGHTHOUSE FOUNDATION, INC.	LIGHTHOUSE LIVING CENTERS, INC.	LIGHTHOUSE LIVING CENTERS NO. 2, INC.	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED BALANCE
ASSETS						
Cash	\$ 473,988		\$ 2,354	\$ 1,913		\$ 478,255
Accounts receivable, net	564,529					564,529
Contributions receivable from United Way	90,321					90,321
Inventory	162,025					162,025
Prepays and other assets	39,905		427	592		40,924
Intercompany receivables	15,890,765				\$(15,890,765)	
Investments		\$ 45,366,188				45,366,188
Property, net	11,476,248		733,426	686,524		12,896,198
Deposits and funded reserves			58,553	63,199		121,752
Total assets	\$ 28,697,781	\$ 45,366,188	\$ 794,760	\$ 752,228	\$(15,890,765)	\$ 59,720,192
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 423,603	\$ 40,019	\$ 29,719	\$ 33,054		\$ 526,395
Accrued payroll expenses	325,385		3,635	3,431		332,451
Intercompany payables		15,777,608	26,596	86,561	\$(15,890,765)	
Mortgage notes payable			559,079	702,304		1,261,383
Total liabilities	748,988	15,817,627	619,029	825,350	(15,890,765)	2,120,229
Net assets:						
Without donor restrictions	27,797,622	29,548,561	175,731	(73,122)		57,448,792
With donor restrictions	151,171					151,171
Total net assets	27,948,793	29,548,561	175,731	(73,122)		57,599,963
TOTAL LIABILITIES AND NET ASSETS	\$ 28,697,781	\$ 45,366,188	\$ 794,760	\$ 752,228	\$(15,890,765)	\$ 59,720,192

Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Activities for the year ended June 30, 2021

	LIGHTHOUSE FOR THE BLIND OF HOUSTON	HOUSTON LIGHTHOUSE FOUNDATION, INC.	LIGHTHOUSE LIVING CENTERS, INC.	LIGHTHOUSE LIVING CENTERS NO. 2, INC.	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED BALANCE
REVENUE:						
Merchandise sales	\$ 1,401,085					\$ 1,401,085
Direct cost of sales	<u>(1,233,116)</u>					<u>(1,233,116)</u>
Net merchandise sales	167,969					167,969
Service contract fees	1,570,599					1,570,599
Government service fees	524,476					524,476
Rental income			\$ 387,514	\$ 359,128		746,642
Distributions from the Foundation	1,685,098		129,779		\$ (1,814,877)	
United Way allocation	198,713					198,713
Contributions	1,006,395					1,006,395
Net investment return	422	\$ 2,430,477	2	3		2,430,904
Client fees and other	<u>259,431</u>		<u>2,423</u>	<u>1,869</u>	<u>(42,337)</u>	<u>221,386</u>
Total revenue	<u>5,413,103</u>	<u>2,430,477</u>	<u>519,718</u>	<u>361,000</u>	<u>(1,857,214)</u>	<u>6,867,084</u>
EXPENSES:						
Program services:						
Rehabilitation and community services	2,293,231					2,293,231
Service contracts	1,718,277					1,718,277
Living Centers			341,979	341,723	(42,337)	641,365
Enterprise Services	291,734					291,734
Distributions to Lighthouse for the Blind of Houston and Living Centers		<u>1,814,877</u>			<u>(1,814,877)</u>	
Total program services	4,303,242	1,814,877	341,979	341,723	(1,857,214)	4,944,607
Management and general	1,167,704	10,950	10,083	11,000		1,199,737
Fundraising	<u>74,101</u>					<u>74,101</u>
Total expenses	<u>5,545,047</u>	<u>1,825,827</u>	<u>352,062</u>	<u>352,723</u>	<u>(1,857,214)</u>	<u>6,218,445</u>
Changes in net assets from operating activities	(131,944)	604,650	167,656	8,277	0	648,639
Unrealized investment gain		<u>6,645,780</u>				<u>6,645,780</u>
CHANGES IN NET ASSETS	(131,944)	7,250,430	167,656	8,277	0	7,294,419
Net assets, beginning of year	<u>28,080,737</u>	<u>22,298,131</u>	<u>8,075</u>	<u>(81,399)</u>	<u>0</u>	<u>50,305,544</u>
Net assets, end of year	<u>\$ 27,948,793</u>	<u>\$ 29,548,561</u>	<u>\$ 175,731</u>	<u>\$ (73,122)</u>	<u>\$ 0</u>	<u>\$ 57,599,963</u>