Lighthouse for the Blind
of Houston and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2023 and 2022

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:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse for the Blind of Houston and Affiliates (Lighthouse), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Lighthouse as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Lighthouse and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lighthouse's ability to continue as a going concern for one year after the date that the 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lighthouse'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lighthouse'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information included in the consolidating statement of financial position as of June 30, 2023 and the consolidating statement of activities for the year ended June 30, 2023 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 audits 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 14, 2023

Lighthouse for the Blind of Houston and Affiliates

Consolidated Statements of Financial Position as of June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 763,788	$ 664,970
Accounts receivable, net *(Note 3)*	667,155	747,807
Contributions receivable from United Way	3,648	50,000
Inventory	257,228	100,793
Operating lease right-of-use assets *(Note 5)*	235,620	
Prepaids and other assets	44,640	63,307
Investments *(Note 4)*	40,936,470	38,787,977
Property, net *(Note 6)*	12,657,301	12,773,856
Cash held for tenant deposits and funded reserves *(Note 7)*	148,342	143,534
TOTAL ASSETS	$ 55,714,192	$ 53,332,244
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 292,643	$ 277,318
Accrued payroll expenses	95,299	87,895
Deferred revenue	21,000	122,828
Operating lease right-of-use liabilities *(Note 5)*	231,528	
Due to Texas Department of Health and Human Services		96,552
Tenant deposits	22,743	23,546
Mortgage notes payable *(Note 8)*	976,608	1,125,470
Total liabilities	1,639,821	1,733,609
Net assets:		
Without donor restrictions	54,024,368	51,538,632
With donor restrictions *(Note 9)*	50,003	60,003
Total net assets	54,074,371	51,598,635
TOTAL LIABILITIES AND NET ASSETS	$ 55,714,192	$ 53,332,244

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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	$ 1,449,631		$ 1,449,631
Direct cost of sales	(1,304,038)		(1,304,038)
Net merchandise sales	145,593		145,593
Service contract fees	2,034,411		2,034,411
Government service fees	796,033		796,033
Rental income	787,994		787,994
Contributions	293,698	$ 35,000	328,698
Net investment return excluding unrealized gain	39,616		39,616
Client fees and other	312,106		312,106
Total revenue	4,409,451	35,000	4,444,451
Net assets released from restrictions:			
Program and supporting services	45,000	(45,000)	
Total	4,454,451	(10,000)	4,444,451
EXPENSES:			
Program services:			
Rehabilitation and community services	1,924,559		1,924,559
Service contracts	1,907,688		1,907,688
Living Centers	657,084		657,084
Enterprise services	254,994		254,994
Total program services	4,744,325		4,744,325
Management and general	918,731		918,731
Fundraising	163,529		163,529
Total expenses	5,826,585		5,826,585
Changes in net assets from operating activities	(1,372,134)	(10,000)	(1,382,134)
Unrealized investment gain	3,857,870		3,857,870
CHANGES IN NET ASSETS	2,485,736	(10,000)	2,475,736
Net assets, beginning of year	51,538,632	60,003	51,598,635
Net assets, end of year	$ 54,024,368	$ 50,003	$ 54,074,371

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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	$ 1,509,489		$ 1,509,489
Direct cost of sales	(1,411,873)		(1,411,873)
Net merchandise sales	97,616		97,616
Service contract fees	1,874,587		1,874,587
Government service fees	826,870		826,870
Rental income	722,884		722,884
Contributions:			
United Way allocation		$ 145,170	145,170
Nonfinancial (in-kind)	25,692		25,692
Other	168,105	63,367	231,472
Net investment return excluding unrealized gain	2,164,547		2,164,547
Client fees and other	270,697		270,697
Total revenue	6,150,998	208,537	6,359,535
Net assets released from restrictions:			
Program and supporting services	299,705	(299,705)	
Total	6,450,703	(91,168)	6,359,535
EXPENSES:			
Program services:			
Rehabilitation and community services	1,889,261		1,889,261
Service contracts	1,773,036		1,773,036
Living Centers	615,842		615,842
Enterprise services	241,120		241,120
Total program services	4,519,259		4,519,259
Management and general	844,789		844,789
Fundraising	142,905		142,905
Total expenses	5,506,953		5,506,953
Changes in net assets from operating activities	943,750	(91,168)	852,582
Unrealized investment loss	(6,853,910)		(6,853,910)
CHANGES IN NET ASSETS	(5,910,160)	(91,168)	(6,001,328)
Net assets, beginning of year	57,448,792	151,171	57,599,963
Net assets, end of year	$ 51,538,632	$ 60,003	$ 51,598,635

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, 2023

	REHABILITATION AND COMMUNITY SERVICES	SERVICE CONTRACTS	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 1,063,153	$ 1,657,126	$ 187,988	$ 114,079	$ 516,934	$ 138,016	$ 3,677,296
Utilities, building insurance, and repairs	254,077	29,989	215,518	73,451	38,672	9,880	621,587
Depreciation	201,612	2,182	97,507	16,822	128,565		446,688
Professional fees and contract service payments	138,842	13,566	29,698	6,077	151,099	1,349	340,631
Supplies	111,133	5,685	6,422	7,218	7,670	3,031	141,159
Insurance	37,718	55,505	298	16,966	2,627	1,902	115,016
Bad debt expense	21,494	60,839		5,737	13,068		101,138
Mortgage interest			95,244				95,244
Telephone and communication	35,409	13,211	288	2,377	6,107	2,521	59,913
Local transportation	45,398	6,439		3,451	1,738	145	57,171
Commissions		51,108					51,108
Maintenance	2,258	244	13,902	7,101	273	265	24,043
Conferences and training	1,257	1,077		65	9,819	500	12,718
Other	12,208	10,717	10,219	1,650	42,159	5,920	82,873
Total expenses	$ 1,924,559	$ 1,907,688	$ 657,084	$ 254,994	$ 918,731	$ 163,529	5,826,585
Direct cost of sales							1,304,038
Total							$ 7,130,623

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, 2022

	REHABILITATION AND COMMUNITY SERVICES	SERVICE CONTRACTS	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 1,065,491	$ 1,563,250	$ 186,722	$ 119,214	$ 413,468	$ 118,750	$ 3,466,895
Utilities, building insurance, and repairs	255,942	28,244	159,486	18,912	35,888	9,978	508,450
Depreciation	211,674	1,218	102,542	9,974	119,939		445,347
Professional fees and contract service payments	125,449	21,541	203	1,322	198,759	5,578	352,852
Supplies	74,891	2,548	2,499	3,755	4,612	465	88,770
Insurance	30,203	52,190	14	17,540	9,043	1,097	110,087
Bad debt expense	21,477	29,560		63,222	6,106		120,365
Mortgage interest			108,291				108,291
Telephone and communication	34,655	8,382	316	1,803	9,012	2,175	56,343
Local transportation	55,908	4,507		1,001	1,169		62,585
Commissions		48,713					48,713
Maintenance	1,441	90	31,299	3,708	909	37	37,484
Conferences and training					1,706	50	1,756
Other	12,130	12,793	24,470	669	44,178	4,775	99,015
Total expenses	$ 1,889,261	$ 1,773,036	$ 615,842	$ 241,120	$ 844,789	$ 142,905	5,506,953
Direct cost of sales							1,411,873
Total							$ 6,918,826

See accompanying notes to consolidated financial statements.

Lighthouse for the Blind of Houston and Affiliates

Consolidated Statements of Cash Flows for the years ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 2,475,736	$ (6,001,328)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	(2,814,197)	5,536,884
Depreciation	446,688	445,347
Amortization of right-of-use assets	37,105	
Changes in operating assets and liabilities:		
Accounts receivable	80,652	(183,278)
Contributions receivable from United Way	46,352	40,321
Inventory	(156,435)	61,232
Prepaids and other assets	18,667	(22,383)
Operating lease liability	(41,197)	
Accounts payable and other liabilities	(74,626)	(373,535)
Deferred revenue	(101,828)	122,828
Net cash used by operating activities	(83,083)	(373,912)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(15,700,472)	(15,809,733)
Change in cash held as investments	(1,211,830)	162,401
Proceeds from sale of investments	17,578,006	16,688,659
Purchase of property	(330,133)	(323,005)
Net cash provided by investing activities	335,571	718,322
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage notes payable	(148,862)	(135,913)
NET CHANGE IN CASH	103,626	208,497
Cash, beginning of year	808,504	600,007
Cash, end of year	$ 912,130	$ 808,504

Reconciliation of cash and restricted cash to statements of financial position:

	2023	2022
Cash	$ 763,788	$ 664,970
Cash held for tenant deposits and funded reserves	148,342	143,534
Total cash	$ 912,130	$ 808,504

Supplemental disclosure of cash flow information:

	2023	2022
Cash paid for mortgage interest	$95,244	$109,325
Operating lease right-of-use asset financed by new lease liability	$272,725	

See accompanying 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 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 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 – 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. Accounts receivable from service merchandise sales at June 30, 2023, 2022, and 2021 were approximately $118,000, $335,800 and $86,000, respectively.

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, 2023, 2022, and 2021 were approximately $372,000, $352,000 and $393,000, 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, 2023, 2022, and 2021 were approximately $115,000, $54,000, and $76,000, 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 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, 2023, 2022, and 2021 were approximately $62,000, $6,000 and $10,000, respectively. There are no contract liabilities associated with this revenue. Deferred revenue from parking facility fees at June 30, 2023 and 2022 were approximately $21,000 and $22,820, respectively. There were no deferred revenues at June 30, 2021.

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. There are no accounts receivable from rental income at June 30, 2023 and 2022. Tenant security deposits at June 30, 2023, 2022, and 2021 were $22,743, $23,546 and $20,728, respectively.

Nonfinancial 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 typically need to be purchased if not provided by donation. There were no nonfinancial contributions recognized in fiscal year 2023 and nonfinancial (in-kind) contributions of $25,692 were recognized in fiscal year 2022.

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 revenue 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 comprise the following:

	2023	2022
Financial assets:		
Cash	$ 763,788	$ 664,970
Accounts receivable, net	667,155	747,807
Contributions receivable from United Way	3,648	50,000
Investments	40,936,470	38,787,977
Cash held for tenant deposits and funded reserves	148,342	143,534
Total financial assets	42,519,403	40,394,288
Less financial assets not available for general expenditure:		
Foundation investments not expected to be appropriated in the next 12 months	(39,436,470)	(37,062,977)
Deposits and funded reserves	(148,342)	(143,534)
Total financial assets available for general expenditure	$ 2,934,591	$ 3,187,777

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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	2023	2022
Accounts receivable	$ 703,296	$ 865,108
Allowance for uncollectible accounts	(36,141)	(117,301)
Accounts receivable, net	$ 667,155	$ 747,807

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, 2023 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stock:				
Information technology	$ 5,812,431			$ 5,812,431
Health care	2,981,034			2,981,034
Consumer staples	2,278,029			2,278,029
Financial	3,569,171			3,569,171
Communication services	880,662			880,662
Energy	1,720,714			1,720,714
Consumer discretionary	1,708,711			1,708,711
Industrial	1,051,042			1,051,042
Materials	702,650			702,650
Equity mutual funds:				
Large cap	5,261,798			5,261,798
Small cap	627,603			627,603
Mid cap	616,430			616,430
Debt securities:				
Corporate bonds		$ 8,724,080		8,724,080
Asset-backed securities		1,560,862		1,560,862
Municipal bonds		1,125,080		1,125,080
U. S. Treasury notes		388,667		388,667
Investments measured at fair value	$ 27,210,275	$ 11,798,689	$ 0	39,008,964
Cash held as investments				1,927,505
Mineral interests, net of depletion				1
Total investments				$ 40,936,470

Assets measured at fair value at June 30, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stock:				
Information technology	$ 4,042,091			$ 4,042,091
Industrials	980,531			980,531
Communication services	1,575,774			1,575,774
Financials	1,690,660			1,690,660
Health care	2,504,830			2,504,830
Energy	1,253,879			1,253,879
Consumer staples	1,827,887			1,827,887
Materials	512,059			512,059
Consumer discretionary	1,083,617			1,083,617
Equity mutual funds:				
Large cap	3,951,228			3,951,228
International development	2,048,876			2,048,876
Small cap	894,663			894,663
Mid cap	199,417			199,417
Commodities	938,473			938,473
International emerging markets	690,226			690,226
Real estate	670,290			670,290
Debt securities:				
Corporate bonds		$ 4,907,632		4,907,632
U. S. Treasury notes		413,824		413,824
Asset-backed securities		2,083,908		2,083,908
Fixed-income mutual funds	5,348,243			5,348,243
Other		28,086		28,086
Investments measured at fair value	$ 30,212,744	$ 7,433,450	$ 0	37,646,194
Cash held as investments				760,675
Mineral interests, net of depletion				381,108
Total investments				$ 38,787,977

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.
- *Mutual funds* are valued at the reported net asset value of shares held.
- *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.

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 – OPERATING LEASES

In the year ended June 30, 2023, Lighthouse for the Blind of Houston leased certain office space used in its operations that are classified as operating leases. Payments due under these lease contracts are fixed. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

As of June 30, 2023, the right-of-use (ROU) assets and lease liabilities related to operating leases are as follows:

Operating lease ROU assets	$235,620
Operating lease liabilities	$231,528

During 2023, lease cost associated with operating leases is as follows:

Operating lease cost:	
Fixed rent expense	$51,235

During the year ended June 30, 2023, cash and non-cash activities associated with operating leases are as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$51,235
Non-cash investing and financing liabilities:	
New operating lease liabilities	$272,725

Future payments due under operating leases as of June 30, 2023 are as follows:

2024	$ 54,646
2025	56,597
2026	58,903
2027	61,032
2028	20,581
Total undiscounted present value of lease liability	251,759
Less discount to present value	(20,231)
Total discounted present value of lease liability	$ 231,528

NOTE 6 – PROPERTY

Property consists of the following:

	2023	2022
Land	$ 4,809,595	$ 4,809,595
Buildings	14,464,852	14,221,399
Equipment, furniture and fixtures	1,323,794	1,237,114
Construction in progress	83,559	83,559
Total property, at cost	20,681,800	20,351,667
Accumulated depreciation	(8,024,499)	(7,577,811)
Property, net	$ 12,657,301	$ 12,773,856

NOTE 7 – TENANT DEPOSITS AND FUNDED RESERVES

Tenant deposits and funded reserves consist of the following:

	2023	2022
Replacement reserve *(Note 8)*	$ 110,438	$ 104,827
Residual receipts reserve	15,161	15,161
Tenant deposits	22,743	23,546
Total tenant deposits and funded reserves	$ 148,342	$ 143,534

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 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% 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:

2024	$ 163,043
2025	178,577
2026	195,590
2027	214,213
2028	107,569
Thereafter	117,616
Total	$ 976,608

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2023	2022
Multi-care center	$ 50,003	$ 50,003
Renovation of MCC Courtyard		10,000
Total net assets with donor restrictions	$ 50,003	$ 60,003

NOTE 10 – FOUNDATION ENDOWMENT FUNDS

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

Change in endowment net assets are as follows:

	TOTAL BOARD DESIGNATED
Endowment net assets, June 30, 2021	$ 45,326,169
Net investment return	(4,689,715)
Expenses	(9,294)
Distributions	(1,874,400)
Endowment net assets, June 30, 2022	38,752,760
Net investment return	3,897,027
Expenses	(106)
Distributions	(1,725,000)
Endowment net assets, June 30, 2023	$ 40,924,681

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 fair values of the portfolio.

NOTE 11 – 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 $75,000 and $62,000 in fiscal years 2023 and 2022, respectively. 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 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2023, 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, 2023

	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	$ 742,380		$ 19,733	$ 1,675		$ 763,788
Accounts receivable, net	667,155					667,155
Contributions receivable from United Way	3,648					3,648
Inventory	257,228					257,228
Operating lease right-of-use assets	235,620					235,620
Prepaids and other assets	43,464		606	570		44,640
Intercompany receivables	12,293,239				$ (12,293,239)	
Investments		$ 40,936,470				40,936,470
Property, net	11,340,595		677,595	639,111		12,657,301
Cash held for tenant deposits and funded reserves			71,091	77,251		148,342
Total assets	$ 25,583,329	$ 40,936,470	$ 769,025	$ 718,607	$ (12,293,239)	$ 55,714,192
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	$ 247,887	$ 11,789	$ 15,943	$ 17,024		$ 292,643
Accrued payroll expenses	93,253		1,023	1,023		95,299
Deferred revenue	21,000					21,000
Operating lease right-of-use liabilities	231,528					231,528
Intercompany payables		12,178,206	15,183	99,850	$ (12,293,239)	
Tenant deposits			11,214	11,529		22,743
Mortgage notes payable			405,821	570,787		976,608
Total liabilities	593,668	12,189,995	449,184	700,213	(12,293,239)	1,639,821
Net assets:						
Without donor restrictions	24,939,658	28,746,475	319,841	18,394		54,024,368
With donor restrictions	50,003					50,003
Total net assets	24,989,661	28,746,475	319,841	18,394		54,074,371
TOTAL LIABILITIES AND NET ASSETS	$ 25,583,329	$ 40,936,470	$ 769,025	$ 718,607	$ (12,293,239)	$ 55,714,192

Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Activities for the year ended June 30, 2023

	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	$ 1,449,631					$ 1,449,631
Direct cost of sales	(1,304,038)					(1,304,038)
Net merchandise sales	145,593					145,593
Service contract fees	2,034,411					2,034,411
Government service fees	796,033					796,033
Rental income			$ 391,629	$ 396,365		787,994
Management fees	45,530				$ (45,530)	
Contributions	328,698					328,698
Net investment return excluding unrealized gain		$ 39,157	222	237		39,616
Client fees and other	309,017		2,213	876		312,106
Total revenue	3,659,282	39,157	394,064	397,478	(45,530)	4,444,451
EXPENSES:						
Program services:						
Rehabilitation and community services	1,924,559					1,924,559
Service contracts	1,907,688					1,907,688
Living Centers	79,925		297,050	325,639	(45,530)	657,084
Enterprise services	254,994					254,994
Total program services	4,167,166		297,050	325,639	(45,530)	4,744,325
Management and general	880,415	104	19,280	18,932		918,731
Fundraising	163,529					163,529
Total expenses	5,211,110	104	316,330	344,571	(45,530)	5,826,585
Changes in net assets from operating activities	(1,551,828)	39,053	77,734	52,907	0	(1,382,134)
Unrealized investment gain		3,857,870				3,857,870
CHANGES IN NET ASSETS	(1,551,828)	3,896,923	77,734	52,907	0	2,475,736
Net assets, beginning of year	26,541,489	24,849,552	242,107	(34,513)	0	51,598,635
Net assets, end of year	$ 24,989,661	$ 28,746,475	$ 319,841	$ 18,394	$ 0	$ 54,074,371