

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

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2024 and 2023

Lighthouse for the Blind of Houston and Affiliates

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of June 30, 2024 and 2023	3
Consolidated Statement of Activities for the year ended June 30, 2024	4
Consolidated Statement of Activities for the year ended June 30, 2023	5
Consolidated Statement of Functional Expenses for the year ended June 30, 2024	6
Consolidated Statement of Functional Expenses for the year ended June 30, 2023	7
Consolidated Statements of Cash Flows for the years ended June 30, 2024 and 2023	8
Notes to Consolidated Financial Statements for the years ended June 30, 2024 and 2023	9
Supplementary Information:	
Consolidating Statement of Financial Position as of June 30, 2024	18
Consolidating Statement of Activities for the year ended June 30, 2024	19

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, 2024 and 2023, 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, 2024 and 2023, 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.

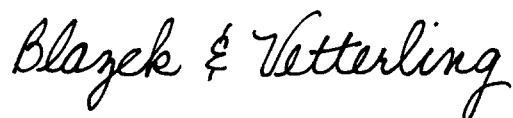
In performing an audit in accordance with generally accepted auditing standards, we:

- 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, 2024 and the consolidating statement of activities for the year ended June 30, 2024 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.



December 12, 2024

Lighthouse for the Blind of Houston and Affiliates

Consolidated Statements of Financial Position as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 1,296,853	\$ 763,788
Accounts receivable, net <i>(Note 3)</i>	691,049	667,155
Contributions receivable	3,846	3,648
Inventory	220,205	257,228
Operating lease right-of-use asset <i>(Note 5)</i>	184,611	235,620
Prepays and other assets	66,180	44,640
Investments <i>(Note 4)</i>	46,038,191	40,936,470
Property, net <i>(Note 6)</i>	12,507,835	12,657,301
Cash held for tenant deposits and funded reserves <i>(Note 7)</i>	<u>136,056</u>	<u>148,342</u>
TOTAL ASSETS	<u>\$ 61,144,826</u>	<u>\$ 55,714,192</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 260,370	\$ 292,643
Accrued payroll expenses	153,605	95,299
Deferred revenue	28,500	21,000
Operating lease right-of-use liability <i>(Note 5)</i>	184,916	231,528
Tenant deposits	24,563	22,743
Mortgage notes payable <i>(Note 8)</i>	<u>813,567</u>	<u>976,608</u>
Total liabilities	<u>1,465,521</u>	<u>1,639,821</u>
Net assets:		
Without donor restrictions	59,669,305	54,024,368
With donor restrictions <i>(Note 9)</i>	<u>10,000</u>	<u>50,003</u>
Total net assets	<u>59,679,305</u>	<u>54,074,371</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,144,826</u>	<u>\$ 55,714,192</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, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	\$ 1,173,659		\$ 1,173,659
Direct cost of sales	<u>(971,511)</u>		<u>(971,511)</u>
Net merchandise sales	202,148		202,148
Service contract fees	2,220,896		2,220,896
Government service fees	465,759		465,759
Rental income	807,185		807,185
Contributions	375,424	\$ 22,136	397,560
Special events	221,256		221,256
Direct donor benefits	(95,453)		(95,453)
Client fees and other	289,727		289,727
Net investment return excluding unrealized gain	1,694,843		1,694,843
Gain on sale of property	<u>417,043</u>		<u>417,043</u>
Total revenue	6,598,828	22,136	6,620,964
Net assets released from restrictions:			
Program and supporting services	<u>62,139</u>	<u>(62,139)</u>	
Total	<u>6,660,967</u>	<u>(40,003)</u>	<u>6,620,964</u>
EXPENSES:			
Program services:			
Service contracts	1,903,982		1,903,982
Rehabilitation and community services	1,736,873		1,736,873
Living Centers	693,307		693,307
Enterprise services	<u>237,497</u>		<u>237,497</u>
Total program services	4,571,659		4,571,659
Management and general	1,083,809		1,083,809
Fundraising	<u>269,361</u>		<u>269,361</u>
Total expenses	<u>5,924,829</u>		<u>5,924,829</u>
Changes in net assets from operating activities	736,138	(40,003)	696,135
Unrealized investment gain	<u>4,908,799</u>		<u>4,908,799</u>
CHANGES IN NET ASSETS	5,644,937	(40,003)	5,604,934
Net assets, beginning of year	<u>54,024,368</u>	<u>50,003</u>	<u>54,074,371</u>
Net assets, end of year	<u>\$ 59,669,305</u>	<u>\$ 10,000</u>	<u>\$ 59,679,305</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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales	\$ 1,449,631		\$ 1,449,631
Direct cost of sales	<u>(1,304,038)</u>		<u>(1,304,038)</u>
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	165,879	\$ 35,000	200,879
Special events	216,644		216,644
Direct donor benefits	(88,825)		(88,825)
Client fees and other	312,106		312,106
Net investment return excluding unrealized gain	<u>39,616</u>		<u>39,616</u>
Total revenue	4,409,451	35,000	4,444,451
Net assets released from restrictions:			
Program and supporting services	<u>45,000</u>	<u>(45,000)</u>	
Total	<u>4,454,451</u>	<u>(10,000)</u>	<u>4,444,451</u>
EXPENSES:			
Program services:			
Service contracts	1,907,688		1,907,688
Rehabilitation and community services	1,924,559		1,924,559
Living Centers	657,084		657,084
Enterprise services	<u>254,994</u>		<u>254,994</u>
Total program services	4,744,325		4,744,325
Management and general	918,731		918,731
Fundraising	<u>163,529</u>		<u>163,529</u>
Total expenses	<u>5,826,585</u>		<u>5,826,585</u>
Changes in net assets from operating activities	(1,372,134)	(10,000)	(1,382,134)
Unrealized investment gain	<u>3,857,870</u>		<u>3,857,870</u>
CHANGES IN NET ASSETS	2,485,736	(10,000)	2,475,736
Net assets, beginning of year	<u>51,538,632</u>	<u>60,003</u>	<u>51,598,635</u>
Net assets, end of year	<u>\$ 54,024,368</u>	<u>\$ 50,003</u>	<u>\$ 54,074,371</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, 2024

	SERVICE CONTRACTS	REHABILITATION AND COMMUNITY SERVICES	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 1,686,413	\$ 841,258	\$ 193,921	\$ 93,135	\$ 677,465	\$ 231,927	\$ 3,724,119
Utilities, building insurance, and repairs	27,136	256,526	231,246	104,661	49,434	14,728	683,731
Depreciation	3,327	259,882	98,402	9,116	142,536		513,263
Professional fees and contract service payments	27,466	175,184	24,784	6,576	123,478	4,138	361,626
Insurance	59,331	40,350	250	14,564	11,557	2,245	128,297
Supplies	4,044	85,954	12,986	3,455	13,979	4,365	124,783
Mortgage interest			80,955				80,955
Commissions	62,788						62,788
Telephone and communication	16,917	30,182	194	2,695	6,669	2,397	59,054
Maintenance	94	292	44,038	1,099	470	16	46,009
Local transportation	5,756	22,235		1,062	1,335	379	30,767
Credit loss expense	2,011	9,213					11,224
Conferences and training		2,656			7,477	271	10,404
Other	8,699	13,141	6,531	1,134	49,409	8,895	87,809
Total expenses	<u>\$ 1,903,982</u>	<u>\$ 1,736,873</u>	<u>\$ 693,307</u>	<u>\$ 237,497</u>	<u>\$ 1,083,809</u>	<u>\$ 269,361</u>	5,924,829
Direct cost of sales							971,511
Direct donor benefits							<u>95,453</u>
Total							<u>\$ 6,991,793</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, 2023

	SERVICE CONTRACTS	REHABILITATION AND COMMUNITY SERVICES	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 1,657,126	\$ 1,063,153	\$ 187,988	\$ 114,079	\$ 516,934	\$ 138,016	\$ 3,677,296
Utilities, building insurance, and repairs	29,989	254,077	215,518	73,451	38,672	9,880	621,587
Depreciation	2,182	201,612	97,507	16,822	128,565		446,688
Professional fees and contract service payments	13,566	138,842	29,698	6,077	151,099	1,349	340,631
Insurance	55,505	37,718	298	16,966	2,627	1,902	115,016
Supplies	5,685	111,133	6,422	7,218	7,670	3,031	141,159
Mortgage interest			95,244				95,244
Commissions	51,108						51,108
Telephone and communication	13,211	35,409	288	2,377	6,107	2,521	59,913
Maintenance	244	2,258	13,902	7,101	273	265	24,043
Local transportation	6,439	45,398		3,451	1,738	145	57,171
Credit loss expense	60,839	21,494		5,737	13,068		101,138
Conferences and training	1,077	1,257		65	9,819	500	12,718
Other	10,717	12,208	10,219	1,650	42,159	5,920	82,873
Total expenses	<u>\$ 1,907,688</u>	<u>\$ 1,924,559</u>	<u>\$ 657,084</u>	<u>\$ 254,994</u>	<u>\$ 918,731</u>	<u>\$ 163,529</u>	5,826,585
Direct cost of sales							1,304,038
Direct donor benefits							<u>88,825</u>
Total							<u>\$ 7,219,448</u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 5,604,934	\$ 2,475,736
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(5,795,397)	(2,814,197)
Depreciation	513,263	446,688
Amortization of right-of-use asset	51,009	37,105
Gain on sale of property	(417,043)	
Changes in operating assets and liabilities:		
Accounts receivable	(23,894)	80,652
Contributions receivable	(198)	46,352
Inventory	37,023	(156,435)
Prepays and other assets	(21,540)	18,667
Accounts payable and other liabilities	27,853	(74,626)
Deferred revenue	7,500	(101,828)
Operating lease liability	<u>(46,612)</u>	<u>(41,197)</u>
Net cash used by operating activities	<u>(63,102)</u>	<u>(83,083)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(7,497,419)	(15,700,472)
Change in cash held as investments	911,046	(1,211,830)
Proceeds from sale of investments	7,280,049	17,578,006
Purchase of property	(461,477)	(330,133)
Proceeds from sale of property	<u>514,723</u>	<u> </u>
Net cash provided by investing activities	<u>746,922</u>	<u>335,571</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage notes payable	<u>(163,041)</u>	<u>(148,862)</u>
NET CHANGE IN CASH	520,779	103,626
Cash, beginning of year	<u>912,130</u>	<u>808,504</u>
Cash, end of year	<u>\$ 1,432,909</u>	<u>\$ 912,130</u>
<i>Reconciliation of cash and restricted cash to statements of financial position:</i>		
Cash	\$ 1,296,853	\$ 763,788
Cash held for tenant deposits and funded reserves	<u>136,056</u>	<u>148,342</u>
Total cash	<u>\$ 1,432,909</u>	<u>\$ 912,130</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for mortgage interest	\$80,955	\$95,244
Operating lease right-of-use asset financed by new lease liability		\$272,725

See accompanying notes to consolidated financial statements.

Lighthouse for the Blind of Houston and Affiliates

Notes to Consolidated Financial Statements for the years ended June 30, 2024 and 2023

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:

- *Service Contracts Division* provides employment to blind and low vision workers in areas such as medical transcription, switchboard operations, and mail service.
- *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.
- *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 represent Lighthouse’s right to consideration for goods and services provided. Accounts receivable are recorded net of allowances for credit losses.

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 include raw material costs, packaging supplies, and labor costs. Accounts receivable from service merchandise sales at June 30, 2024, 2023, and 2022 were approximately \$196,000, \$118,000 and \$335,800, 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, 2024, 2023, and 2022 were approximately \$401,000, \$372,000 and \$352,000, 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. There were no accounts receivable from government service fees at June 30, 2024. Accounts receivable from government service fees at June 30, 2023 and 2022 were approximately \$115,000 and \$54,000, 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. There are no accounts receivable from rental income at June 30, 2024 and 2023. Tenant security deposits at June 30, 2024, 2023, and 2022 were \$24,563, \$22,743 and \$23,546, respectively.

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, 2024, 2023, and 2022 were approximately \$100,000, \$62,000 and \$6,000, respectively. There are no contract liabilities associated with this revenue. Deferred revenue from parking facility fees at June 30, 2024, 2023, and 2022 were approximately \$28,500, \$21,000 and \$22,820, 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 2024 or 2023.

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:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 1,296,853	\$ 763,788
Accounts receivable, net	691,049	667,155
Contributions receivable	3,846	3,648
Investments	46,038,191	40,936,470
Cash held for tenant deposits and funded reserves	<u>136,056</u>	<u>148,342</u>
Total financial assets	48,165,995	42,519,403
Less financial assets not available for general expenditure:		
Foundation investments not expected to be appropriated in the next 12 months	(45,038,191)	(39,436,470)
Deposits and funded reserves	<u>(136,056)</u>	<u>(148,342)</u>
Total financial assets available for general expenditure	<u>\$ 2,991,748</u>	<u>\$ 2,934,591</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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 727,829	\$ 703,296
Allowance for credit losses	<u>(36,780)</u>	<u>(36,141)</u>
Accounts receivable, net	<u>\$ 691,049</u>	<u>\$ 667,155</u>

Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Lighthouse separates accounts receivable into risk pools primarily based on their aging. In determining the amount of the allowance as of the reporting date, Lighthouse develops a loss rate for each risk pool. This loss rate is based on management’s historical collection experience, adjusted for management’s expectations about current and future economic conditions.

Changes in the allowance for credit losses for the year ended June 30, 2024 are as follows:

Balance at June 30, 2023	\$ (36,141)
Provisions	(11,224)
Write-offs, net of recoveries	<u>10,585</u>
Balance at June 30, 2024	<u>\$ (36,780)</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, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 8,414,187			\$ 8,414,187
Health care	4,134,365			4,134,365
Financials	3,937,833			3,937,833
Consumer discretionary	2,708,016			2,708,016
Industrials	1,519,413			1,519,413
Communication services	1,335,298			1,335,298
Energy	1,280,663			1,280,663
Consumer staples	946,834			946,834
Materials	223,823			223,823
Real estate	211,299			211,299
Debt securities:				
Corporate bonds		\$ 8,961,968		8,961,968
Asset-backed securities		1,542,803		1,542,803
Municipal bonds		990,399		990,399
U. S. Treasury notes		392,822		392,822
Equity mutual funds:				
Large cap	6,528,134			6,528,134
Mid cap	701,684			701,684
Small cap	<u>695,717</u>			<u>695,717</u>
Investments measured at fair value	<u>\$ 32,637,266</u>	<u>\$ 11,887,992</u>	<u>\$ 0</u>	44,525,258
Cash held as investments				1,016,459
Mineral interest				<u>496,474</u>
Total investments				<u>\$ 46,038,191</u>

Assets measured at fair value at June 30, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 5,812,431			\$ 5,812,431
Health care	2,981,034			2,981,034
Financials	3,569,171			3,569,171
Consumer discretionary	1,708,711			1,708,711
Industrials	1,051,042			1,051,042
Communication services	880,662			880,662
Energy	1,720,714			1,720,714
Consumer staples	2,278,029			2,278,029
Materials	702,650			702,650
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
Equity mutual funds:				
Large cap	5,261,798			5,261,798
Mid cap	616,430			616,430
Small cap	<u>627,603</u>			<u>627,603</u>
Investments measured at fair value	<u>\$ 27,210,275</u>	<u>\$ 11,798,689</u>	<u>\$ 0</u>	39,008,964
Cash held as investments				1,927,505
Mineral interests, net of depletion				<u>1</u>
Total investments				<u>\$ 40,936,470</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.
- *Mineral interests* are valued at estimated fair value as determined by management based on cash flow analysis.

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

For the year ended June 30, 2024, Lighthouse for the Blind of Houston leased certain office space used in its operations that is classified as an operating lease. Payments due under this lease contract are fixed. The right-of-use asset is 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. The operating lease right-of-use asset is amortized so that lease costs remain constant over the lease term.

Lease costs associated with operating lease was \$79,393 and \$51,235 in the years ended 2024 and 2022, respectively.

During the years ended June 30, 2024 and 2023, cash paid for amounts included in the measurement of operating lease liabilities was \$54,646 and \$51,235, respectively.

Future payments due under the operating lease as of June 30, 2024 are as follows:

2025	\$ 56,597
2026	58,903
2027	61,032
2028	<u>20,581</u>
Total undiscounted present value of lease liability	197,113
Less discount to present value using approximately 3%	<u>(12,197)</u>
Total discounted present value of lease liability	<u>\$ 184,916</u>

NOTE 6 – PROPERTY

Property consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 4,711,915	\$ 4,809,595
Buildings	14,714,855	14,464,852
Equipment, furniture and fixtures	1,525,909	1,323,794
Construction in progress	<u>83,559</u>	<u>83,559</u>
Total property, at cost	21,036,238	20,681,800
Accumulated depreciation	<u>(8,528,403)</u>	<u>(8,024,499)</u>
Property, net	<u>\$ 12,507,835</u>	<u>\$ 12,657,301</u>

NOTE 7 – TENANT DEPOSITS AND FUNDED RESERVES

Tenant deposits and funded reserves consist of the following:

	<u>2024</u>	<u>2023</u>
Replacement reserve (Note 8)	\$ 96,332	\$ 110,438
Residual receipts reserve	15,161	15,161
Tenant deposits	<u>24,563</u>	<u>22,743</u>
Total tenant deposits and funded reserves	<u>\$ 136,056</u>	<u>\$ 148,342</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 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:

2025	\$ 178,577
2026	195,590
2027	214,213
2028	107,569
2029	<u>117,618</u>
Total	<u>\$ 813,567</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Orientation and Mobility	\$ 10,000	
Multi-care center	<u> </u>	\$ 50,003
Total net assets with donor restrictions	<u>\$ 10,000</u>	<u>\$ 50,003</u>

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:

	<u>TOTAL BOARD DESIGNATED</u>
Endowment net assets, June 30, 2022	\$ 38,752,760
Net investment return	3,897,027
Expenses	(106)
Distributions	<u>(1,725,000)</u>
Endowment net assets, June 30, 2023	<u>40,924,681</u>
Net investment return	6,601,722
Distributions	<u>(1,500,000)</u>
Endowment net assets, June 30, 2024	<u>\$ 46,026,403</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 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 \$77,000 and \$75,000 in fiscal years 2024 and 2023, 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 12, 2024, 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, 2024

	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	\$ 1,256,474		\$ 30,926	\$ 9,453		\$ 1,296,853
Accounts receivable, net	691,049					691,049
Contributions receivable	3,846					3,846
Inventory	220,205					220,205
Operating lease right-of-use assets	184,611					184,611
Prepays and other assets	58,655		3,071	4,454		66,180
Intercompany receivables	10,846,468				\$ (10,846,468)	
Investments		\$ 46,038,191				46,038,191
Property, net	11,197,030		706,997	603,808		12,507,835
Cash held for tenant deposits and funded reserves			63,353	72,703		136,056
Total assets	\$ 24,458,338	\$ 46,038,191	\$ 804,347	\$ 690,418	\$ (10,846,468)	\$ 61,144,826
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 210,387	\$ 11,788	\$ 22,771	\$ 15,424		\$ 260,370
Accrued payroll expenses	149,887		1,859	1,859		153,605
Deferred revenue	28,500					28,500
Operating lease right-of-use liabilities	184,916					184,916
Intercompany payables		10,678,207	67,372	100,889	\$ (10,846,468)	
Tenant deposits			10,883	13,680		24,563
Mortgage notes payable			317,928	495,639		813,567
Total liabilities	573,690	10,689,995	420,813	627,491	(10,846,468)	1,465,521
Net assets:						
Without donor restrictions	23,874,648	35,348,196	383,534	62,927		59,669,305
With donor restrictions	10,000					10,000
Total net assets	23,884,648	35,348,196	383,534	62,927		59,679,305
TOTAL LIABILITIES AND NET ASSETS	\$ 24,458,338	\$ 46,038,191	\$ 804,347	\$ 690,418	\$ (10,846,468)	\$ 61,144,826

Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Activities for the year ended June 30, 2024

	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	\$ 1,173,659					\$ 1,173,659
Direct cost of sales	<u>(971,511)</u>					<u>(971,511)</u>
Net merchandise sales	202,148					202,148
Service contract fees	2,220,896					2,220,896
Government service fees	465,759					465,759
Rental income			\$ 402,182	\$ 405,003		807,185
Management fees	46,230				\$ (46,230)	
Contributions	397,560					397,560
Special events	221,256					221,256
Direct donor benefits	(95,453)					(95,453)
Client fees and other	287,042		1,995	690		289,727
Net investment return excluding unrealized gain		\$ 1,692,922	978	943		1,694,843
Gain on sale of property	<u>417,043</u>					<u>417,043</u>
Total revenue	<u>4,162,481</u>	<u>1,692,922</u>	<u>405,155</u>	<u>406,636</u>	<u>(46,230)</u>	<u>6,620,964</u>
EXPENSES:						
Program services:						
Service contracts	1,903,982					1,903,982
Rehabilitation and community services	1,736,873					1,736,873
Living Centers	111,789		304,817	322,931	(46,230)	693,307
Enterprise services	<u>237,497</u>					<u>237,497</u>
Total program services	3,990,141		304,817	322,931	(46,230)	4,571,659
Management and general	1,007,992		36,645	39,172		1,083,809
Fundraising	<u>269,361</u>					<u>269,361</u>
Total expenses	<u>5,267,494</u>		<u>341,462</u>	<u>362,103</u>	<u>(46,230)</u>	<u>5,924,829</u>
Changes in net assets from operating activities	(1,105,013)	1,692,922	63,693	44,533	0	696,135
Unrealized investment gain		<u>4,908,799</u>				<u>4,908,799</u>
CHANGES IN NET ASSETS	(1,105,013)	6,601,721	63,693	44,533	0	5,604,934
Net assets, beginning of year	<u>24,989,661</u>	<u>28,746,475</u>	<u>319,841</u>	<u>18,394</u>	<u>0</u>	<u>54,074,371</u>
Net assets, end of year	<u>\$ 23,884,648</u>	<u>\$ 35,348,196</u>	<u>\$ 383,534</u>	<u>\$ 62,927</u>	<u>\$ 0</u>	<u>\$ 59,679,305</u>