

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

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2025 and 2024

# 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025, and the consolidating statement of activities for the year ended June 30, 2025, 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 16, 2025

## Lighthouse for the Blind of Houston and Affiliates

Consolidated Statements of Financial Position as of June 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 1,164,615	\$ 1,296,853
Accounts receivable, net <i>(Note 3)</i>	804,534	691,049
Inventory	217,558	220,205
Operating lease right-of-use assets <i>(Note 5)</i>	618,359	184,611
Prepays and other assets	60,591	70,026
Investments <i>(Note 4)</i>	58,664,771	46,038,191
Property, net <i>(Note 6)</i>	12,521,231	12,507,835
Cash held for tenant deposits and funded reserves <i>(Note 7)</i>	<u>128,237</u>	<u>136,056</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 74,179,896</u></b>	<b><u>\$ 61,144,826</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 142,265	\$ 260,370
Accrued payroll expenses	188,724	153,605
Deferred revenue		28,500
Operating lease right-of-use liabilities <i>(Note 5)</i>	640,318	184,916
Tenant deposits	25,599	24,563
Mortgage notes payable <i>(Note 8)</i>	<u>634,990</u>	<u>813,567</u>
Total liabilities	<u>1,631,896</u>	<u>1,465,521</u>
Net assets <i>(Note 9)</i> :		
Without donor restrictions	72,538,000	59,669,305
With donor restrictions for orientation and mobility	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>72,548,000</u>	<u>59,679,305</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 74,179,896</u></b>	<b><u>\$ 61,144,826</u></b>

*See accompanying notes to consolidated financial statements.*

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## Lighthouse for the Blind of Houston and Affiliates

Consolidated Statement of Activities for the year ended June 30, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Merchandise sales:			
State agencies	\$ 1,044,073		\$ 1,044,073
Other	78,414		78,414
Direct cost of sales	<u>(640,873)</u>		<u>(640,873)</u>
Net merchandise sales	481,614		481,614
Service contract fees	2,463,931		2,463,931
Government service fees	297,176		297,176
Rental income	825,630		825,630
Contributions	10,252,503	\$ 34,201	10,286,704
Special events	230,283		230,283
Direct donor benefits	(106,026)		(106,026)
Client fees and other	278,759		278,759
Net investment return excluding unrealized gain	5,145,069		5,145,069
Gain on sale of property	<u>17,949</u>		<u>17,949</u>
Total revenue	19,886,888	34,201	19,921,089
Net assets released from restrictions:			
Program and supporting services	<u>34,201</u>	<u>(34,201)</u>	
Total	<u>19,921,089</u>	<u>0</u>	<u>19,921,089</u>
EXPENSES:			
Program services:			
Service contracts	2,133,531		2,133,531
Rehabilitation and community services	1,789,804		1,789,804
Living Centers	640,934		640,934
Enterprise services	<u>466,610</u>		<u>466,610</u>
Total program services	5,030,879		5,030,879
Management and general	1,153,929		1,153,929
Fundraising	<u>269,942</u>		<u>269,942</u>
Total expenses	<u>6,454,750</u>		<u>6,454,750</u>
Changes in net assets from operating activities	13,466,339		13,466,339
Unrealized investment loss	<u>(597,644)</u>		<u>(597,644)</u>
CHANGES IN NET ASSETS	12,868,695	0	12,868,695
Net assets, beginning of year	<u>59,669,305</u>	<u>10,000</u>	<u>59,679,305</u>
Net assets, end of year	<u>\$ 72,538,000</u>	<u>\$ 10,000</u>	<u>\$ 72,548,000</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:			
State agencies	\$ 1,107,078		\$ 1,107,078
Other	66,581		66,581
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 Functional Expenses for the year ended June 30, 2025

	SERVICE CONTRACTS	REHABILITATION AND COMMUNITY SERVICES	LIVING CENTERS	ENTERPRISE SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 1,904,741	\$ 783,769	\$ 189,018	\$ 332,289	\$ 678,556	\$ 213,782	\$ 4,102,155
Rent, utilities, building insurance, and repairs	24,170	280,359	242,272	164,792	58,543	13,578	783,714
Product costs				536,913			536,913
Depreciation	3,327	259,871	103,427	9,116	142,284		518,025
Professional fees and contract service payments	9,075	283,185	122	110	109,446	12,546	414,484
Insurance	76,865	28,446	338	22,374	13,266	3,143	144,432
Supplies	6,094	75,085	6,718	3,249	18,719	10,909	120,774
Credit loss expense			12,543		100,917		113,460
Telephone and communication	23,431	37,813	372	6,423	9,513	2,585	80,137
Commissions	67,201						67,201
Mortgage interest			65,303				65,303
Maintenance			19,217	11,023			30,240
Conferences and training	3,129	5,173		4,085	12,648	1,212	26,247
Local transportation	5,047	13,895		3,042	1,988	113	24,085
Shipping and freight				12,554			12,554
Other	10,451	22,208	1,604	1,513	8,049	12,074	55,899
Total expenses	2,133,531	1,789,804	640,934	1,107,483	1,153,929	269,942	7,095,623
Less expenses in direct cost of sales in statement of activities				(640,873)			(640,873)
Expenses by function	<u>\$ 2,133,531</u>	<u>\$ 1,789,804</u>	<u>\$ 640,934</u>	<u>\$ 466,610</u>	<u>\$ 1,153,929</u>	<u>\$ 269,942</u>	6,454,750
Direct donor benefits							106,026
Total							<u>\$ 6,560,776</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
Credit loss expense	2,011	9,213					11,224
Telephone and communication	16,917	30,182	194	2,695	6,669	2,397	59,054
Commissions	62,788						62,788
Mortgage interest			80,955				80,955
Maintenance	94	292	44,038	1,099	470	16	46,009
Conferences and training		2,656			7,477	271	10,404
Local transportation	5,756	22,235		1,062	1,335	379	30,767
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 Statements of Cash Flows for the years ended June 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 12,868,695	\$ 5,604,934
Adjustments to reconcile changes in net assets to net cash provided used by operating activities:		
Net realized and unrealized gain on investments	(3,555,378)	(5,795,397)
Depreciation	518,025	513,263
Amortization of right-of-use asset	74,059	51,009
Gain on sale of property	(17,949)	(417,043)
Changes in operating assets and liabilities:		
Accounts receivable	(113,485)	(23,894)
Inventory	2,647	37,023
Prepays and other assets	9,435	(21,738)
Accounts payable and other liabilities	(81,950)	27,853
Deferred revenue	(28,500)	7,500
Operating lease liability	<u>(52,405)</u>	<u>(46,612)</u>
Net cash provided (used) by operating activities	<u>9,623,194</u>	<u>(63,102)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(19,407,256)	(7,497,419)
Change in cash held as investments	(2,014,642)	911,046
Proceeds from sale of investments	12,350,696	7,280,049
Purchase of property	(545,472)	(461,477)
Proceeds from sale of property	<u>32,000</u>	<u>514,723</u>
Net cash provided (used) by investing activities	<u>(9,584,674)</u>	<u>746,922</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on mortgage notes payable	<u>(178,577)</u>	<u>(163,041)</u>
<b>NET CHANGE IN CASH</b>	<b>(140,057)</b>	<b>520,779</b>
Cash, beginning of year	<u>1,432,909</u>	<u>912,130</u>
Cash, end of year	<u>\$ 1,292,852</u>	<u>\$ 1,432,909</u>
<i>Reconciliation of cash and restricted cash to statements of financial position:</i>		
Cash	\$ 1,164,615	\$ 1,296,853
Cash held for tenant deposits and funded reserves	<u>128,237</u>	<u>136,056</u>
Total cash	<u>\$ 1,292,852</u>	<u>\$ 1,432,909</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for mortgage interest	\$66,661	\$80,955
Operating lease right-of-use asset financed by new lease liability	\$507,807	

See accompanying notes to consolidated financial statements.

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# Lighthouse for the Blind of Houston and Affiliates

Notes to Consolidated Financial Statements for the years ended June 30, 2025 and 2024

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## 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 \$5,000 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 product costs (including packing supplies), labor costs, and shipping and freight. Accounts receivable from service merchandise sales at June 30, 2025, 2024, and 2023 were approximately \$129,000, \$196,000 and \$118,000, 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, 2025, 2024, and 2023 were approximately \$530,000, \$401,000 and \$372,000, 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, 2025 and 2024. Accounts receivable from government service fees at June 30, 2023 were approximately \$115,000. 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, 2025 was \$7,778. There were no accounts receivable from rental income at June 30, 2024 and 2023. Tenant security deposits at June 30, 2025, 2024, and 2023 were \$25,599, \$24,563, and \$22,743, 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, 2025, 2024, and 2023 were approximately \$199,000, \$100,000 and \$62,000, respectively. There are no contract liabilities associated with this revenue. There is no deferred revenue from parking facility fees at June 30, 2025. Deferred revenue from parking facility fees at June 30, 2024 and 2023 were approximately \$28,500 and \$21,000, respectively.

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>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 1,164,615	\$ 1,296,853
Accounts receivable, net	804,534	691,049
Contributions receivable	2,959	3,846
Investments	58,664,771	46,038,191
Cash held for tenant deposits and funded reserves	<u>128,237</u>	<u>136,056</u>
Total financial assets	60,765,116	48,165,995
Less financial assets not available for general expenditure:		
Foundation investments not expected to be appropriated in the next 12 months	(57,664,771)	(45,038,191)
Deposits and funded reserves	<u>(128,237)</u>	<u>(136,056)</u>
Total financial assets available for general expenditure	<u>\$ 2,972,108</u>	<u>\$ 2,991,748</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 composed of the following:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 899,078	\$ 727,829
Allowance for credit losses	<u>(94,544)</u>	<u>(36,780)</u>
Accounts receivable, net	<u>\$ 804,534</u>	<u>\$ 691,049</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 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	(36,780)
Provisions	(113,460)
Write-offs, net of recoveries	<u>55,696</u>
Balance at June 30, 2025	<u>\$ (94,544)</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, 2025 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Common stock:				
Information technology	\$ 13,197,890			\$ 13,197,890
Financials	4,591,555			4,591,555
Health care	3,226,189			3,226,189
Consumer discretionary	3,038,163			3,038,163
Industrials	2,451,519			2,451,519
Energy	1,254,989			1,254,989
Communication services	1,251,486			1,251,486
Consumer staples	1,170,377			1,170,377
Real estate	313,560			313,560
Materials	283,272			283,272
Debt securities:				
Corporate bonds		\$ 10,273,088		10,273,088
Asset-backed securities		3,580,919		3,580,919
Municipal bonds		1,027,954		1,027,954
U. S. Treasury notes		384,463		384,463
Equity mutual funds:				
Large cap	7,514,752			7,514,752
Mid cap	821,388			821,388
Small cap	<u>755,632</u>			<u>755,632</u>
Investments measured at fair value	<u>\$ 39,870,772</u>	<u>\$ 15,266,424</u>	<u>\$ 0</u>	55,137,196
Cash held as investments				3,031,101
Mineral interests, net of depletion				<u>496,474</u>
Total investments				<u>\$ 58,664,771</u>

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
Financials	3,937,833			3,937,833
Health care	4,134,365			4,134,365
Consumer discretionary	2,708,016			2,708,016
Industrials	1,519,413			1,519,413
Energy	1,280,663			1,280,663
Communication services	1,335,298			1,335,298
Consumer staples	946,834			946,834
Real estate	211,299			211,299
Materials	223,823			223,823
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 interests, net of depletion				<u>496,474</u>
Total investments				<u>\$ 46,038,191</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 – OPERATING LEASES

For the year ended June 30, 2025, Lighthouse for the Blind of Houston leased certain office and warehouse space used in its operations that are classified as operating leases. Payments due under these lease contracts are fixed. The 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. The operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Lease costs associated with operating leases were \$123,400 and \$79,393 in the years ended June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, cash paid for amounts included in the measurement of operating lease liabilities was \$149,692 and \$54,646.

Future payments due under the operating leases as of June 30, 2025 are as follows:

2026	\$	131,660
2027		136,739
2028		148,914
2029		158,724
2030		<u>136,290</u>
Total undiscounted present value of lease liabilities		712,327
Less discount to present value using approximately 4%		<u>(72,009)</u>
Total discounted present value of lease liabilities	\$	<u>640,318</u>

The weighted-average lease term is 58 months and 40 months and the average risk-free discount rate is 3.94% and 3.90% as of June 30, 2025 and 2024, respectively.

## NOTE 6 – PROPERTY

Property consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 4,711,915	\$ 4,711,915
Buildings	15,003,770	14,714,855
Equipment, furniture and fixtures	1,751,810	1,525,909
Construction in progress	<u>83,559</u>	<u>83,559</u>
Total property, at cost	21,551,054	21,036,238
Accumulated depreciation	<u>(9,029,823)</u>	<u>(8,528,403)</u>
Property, net	<u>\$ 12,521,231</u>	<u>\$ 12,507,835</u>

## NOTE 7 – TENANT DEPOSITS AND FUNDED RESERVES

Tenant deposits and funded reserves consist of the following:

	<u>2025</u>	<u>2024</u>
Replacement reserve (Note 8)	\$ 87,500	\$ 96,332
Residual receipts reserve	15,138	15,161
Tenant deposits	<u>25,599</u>	<u>24,563</u>
Total tenant deposits and funded reserves	<u>\$ 128,237</u>	<u>\$ 136,056</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:

2026	\$ 195,590
2027	214,213
2028	107,569
2029	<u>117,618</u>
Total	<u>\$ 634,990</u>

#### **NOTE 9 – 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, 2023	\$ 40,924,681
Net investment return	6,601,722
Distributions	<u>(1,500,000)</u>
Endowment net assets, June 30, 2024	46,026,403
Net investment return	4,545,291
Contributions	9,916,787
Distributions	<u>(1,835,500)</u>
Endowment net assets, June 30, 2025	<u>\$ 58,652,981</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 10 – CONCENTRATION**

Lighthouse recognized an estate contribution of approximately \$9,800,000 during the year ended June 30, 2025.

#### **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 \$79,000 and \$77,000 in fiscal years 2025 and 2024, 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 16, 2025, 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.

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# Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Financial Position as of June 30, 2025

	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
<b>ASSETS</b>						
Cash	\$ 1,136,393		\$ 22,632	\$ 5,590		\$ 1,164,615
Accounts receivable, net	796,756		5,809	1,969		804,534
Inventory	217,558					217,558
Operating lease right-of-use asset	618,359					618,359
Prepays and other assets	59,683		448	460		60,591
Intercompany receivables	8,949,802				\$ (8,949,802)	
Investments		\$ 58,664,771				58,664,771
Property, net	11,276,343		668,462	576,426		12,521,231
Cash held for tenant deposits and funded reserves			60,725	67,512		128,237
Total assets	<u>\$ 23,054,894</u>	<u>\$ 58,664,771</u>	<u>\$ 758,076</u>	<u>\$ 651,957</u>	<u>\$ (8,949,802)</u>	<u>\$ 74,179,896</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 110,288	\$ 11,788	\$ 12,798	\$ 7,391		\$ 142,265
Accrued payroll expenses	183,346		2,689	2,689		188,724
Operating lease right-of-use liabilities	640,318					640,318
Intercompany payables		8,842,707	42,533	64,562	\$ (8,949,802)	
Tenant deposits			11,238	14,361		25,599
Mortgage notes payable			221,550	413,440		634,990
Total liabilities	<u>933,952</u>	<u>8,854,495</u>	<u>290,808</u>	<u>502,443</u>	<u>(8,949,802)</u>	<u>1,631,896</u>
Net assets:						
Without donor restrictions	22,110,942	49,810,276	467,268	149,514		72,538,000
With donor restrictions for orientation and mobility	<u>10,000</u>					<u>10,000</u>
Total net assets	<u>22,120,942</u>	<u>49,810,276</u>	<u>467,268</u>	<u>149,514</u>		<u>72,548,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,054,894</u>	<u>\$ 58,664,771</u>	<u>\$ 758,076</u>	<u>\$ 651,957</u>	<u>\$ (8,949,802)</u>	<u>\$ 74,179,896</u>

## Lighthouse for the Blind of Houston and Affiliates

Consolidating Statement of Activities for the year ended June 30, 2025

	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
<b>REVENUE:</b>						
Merchandise sales	\$ 1,122,487					\$ 1,122,487
Direct cost of sales	<u>(640,873)</u>					<u>(640,873)</u>
Net merchandise sales	481,614					481,614
Service contract fees	2,463,931					2,463,931
Government service fees	297,176					297,176
Rental income			\$ 410,311	\$ 415,319		825,630
Management fees	47,486				\$ (47,486)	
Contributions	10,286,704	\$ 9,916,789			(9,916,789)	10,286,704
Special events	230,283					230,283
Direct donor benefits	(106,026)					(106,026)
Client fees and other	264,562		1,667	12,530		278,759
Net investment return excluding unrealized gain		5,142,935	1,046	1,088		5,145,069
Gain on sale of property	<u>17,949</u>					<u>17,949</u>
Total revenue	<u>13,983,679</u>	<u>15,059,724</u>	<u>413,024</u>	<u>428,937</u>	<u>(9,964,275)</u>	<u>19,921,089</u>
<b>EXPENSES:</b>						
Program services:						
Service contracts	2,133,531					2,133,531
Rehabilitation and community services	1,789,804					1,789,804
Living Centers	37,272		296,795	306,867		640,934
Enterprise services	466,610					466,610
Grant expense	<u>9,916,789</u>				<u>(9,916,789)</u>	
Total program services	14,344,006		296,795	306,867	(9,916,789)	5,030,879
Management and general	1,133,437		32,495	35,483	(47,486)	1,153,929
Fundraising	<u>269,942</u>					<u>269,942</u>
Total expenses	<u>15,747,385</u>		<u>329,290</u>	<u>342,350</u>	<u>(9,964,275)</u>	<u>6,454,750</u>
Changes in net assets from operating activities	(1,763,706)	15,059,724	83,734	86,587	0	13,466,339
Unrealized investment loss		<u>(597,644)</u>				<u>(597,644)</u>
<b>CHANGES IN NET ASSETS</b>	<u>(1,763,706)</u>	<u>14,462,080</u>	<u>83,734</u>	<u>86,587</u>	<u>0</u>	<u>12,868,695</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 22,120,942</u>	<u>\$ 49,810,276</u>	<u>\$ 467,268</u>	<u>\$ 149,514</u>	<u>\$ 0</u>	<u>\$ 72,548,000</u>