

# **Summerhouse Houston**

Financial Statements  
and Independent Auditors' Report  
for the year ended December 31, 2022

# Summerhouse Houston

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## Independent Auditors' Report

To the Board of Directors of  
Summerhouse Houston:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Summerhouse Houston, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Summerhouse Houston as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit 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 Summerhouse Houston and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. 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 Summerhouse Houston'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.

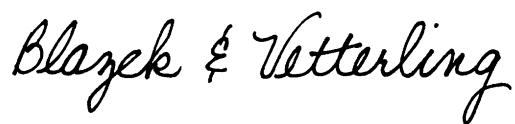
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Summerhouse Houston'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 Summerhouse Houston'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.

#### **Financial Statements for the Year ended December 31, 2021**

The financial statements for the year ended December 31, 2021 were reviewed by us, and our report thereon dated March 9, 2022, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.



March 21, 2023

## Summerhouse Houston

### Statements of Financial Position as of December 31, 2022 and 2021

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	AUDITED <u>2022</u>	REVIEWED <u>2021</u>
ASSETS		
Cash	\$ 397,882	\$ 371,342
Accounts receivable from member fees, government contracts, and other program fees	26,869	4,906
Prepaid assets	17,104	11,310
Cash restricted for building expansion	682,171	29,317
Contributions receivable for building expansion	37,093	
Property, net ( <i>Note 4</i> )	<u>1,468,137</u>	<u>1,406,524</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,629,256</u></b>	<b><u>\$ 1,823,399</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 48,889	\$ 31,031
Note payable ( <i>Note 5</i> )	<u>594,781</u>	<u>608,111</u>
Total liabilities	<u>643,670</u>	<u>639,142</u>
Net assets:		
Without donor restrictions	1,172,051	1,084,135
With donor restrictions ( <i>Note 6</i> )	<u>813,535</u>	<u>100,122</u>
Total net assets	<u>1,985,586</u>	<u>1,184,257</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,629,256</u></b>	<b><u>\$ 1,823,399</u></b>

*See accompanying notes to financial statements.*

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## Summerhouse Houston

### Statement of Activities for the year ended December 31, 2022 (Audited)

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 7</i> ):			
Cash and other financial assets	\$ 23,056	\$ 778,735	\$ 801,791
Contributed nonfinancial assets ( <i>Note 8</i> )	82,329		82,329
Fundraising event:			
Cash and other financial assets	244,080		244,080
Proceeds from contributed auction items ( <i>Note 8</i> )	54,186		54,186
Cost of direct donor benefits	(71,686)		(71,686)
Member fees	734,757		734,757
Government contracts	85,626		85,626
Other program fees	24,025		24,025
Other income	3,311		3,311
Total revenue	1,179,684	778,735	1,958,419
Net assets released from restrictions:			
Program expenditures	65,322	(65,322)	
Total	1,245,006	713,413	1,958,419
EXPENSES:			
Program services	955,908		955,908
Management and general	83,668		83,668
Fundraising	117,514		117,514
Total functional expenses	1,157,090		1,157,090
CHANGES IN NET ASSETS	87,916	713,413	801,329
Net assets, beginning of year	1,084,135	100,122	1,184,257
Net assets, end of year	\$ 1,172,051	\$ 813,535	\$ 1,985,586

*See accompanying notes to financial statements.*

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## Summerhouse Houston

### Statement of Activities for the year ended December 31, 2021 (Reviewed)

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions <i>(Note 7)</i> :			
Cash and other financial assets	\$ 32,920	\$ 253,492	\$ 286,412
Contributed nonfinancial assets <i>(Note 8)</i>	9,625		9,625
Fundraising event:			
Cash and other financial assets	93,305		93,305
Proceeds from contributed auction items <i>(Note 8)</i>	22,748		22,748
Cost of direct donor benefits	(12,587)		(12,587)
Member fees	550,719		550,719
Government contracts	64,106		64,106
Other program fees	23,365		23,365
Other income	53		53
Total revenue	784,254	253,492	1,037,746
Net assets released from restrictions:			
Program expenditures	168,870	(168,870)	
Total	953,124	84,622	1,037,746
EXPENSES:			
Program services	750,393		750,393
Management and general	93,070		93,070
Fundraising	63,082		63,082
Total functional expenses	906,545		906,545
CHANGES IN NET ASSETS	46,579	84,622	131,201
Net assets, beginning of year	1,037,556	15,500	1,053,056
Net assets, end of year	\$ 1,084,135	\$ 100,122	\$ 1,184,257

*See accompanying notes to financial statements.*

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## Summerhouse Houston

### Statement of Functional Expenses for the year ended December 31, 2022 (Audited)

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Compensation and related benefits	\$ 698,708	\$ 49,908	\$ 83,180	\$ 831,796
Supplies and food	94,237	1,353	2,310	97,900
Depreciation	50,401	1,061	1,591	53,053
Contract and professional services	3,870	12,676	23,800	40,346
Insurance	33,865	4,520	1,554	39,939
Vehicle fuel and repair	24,204	20		24,224
Occupancy	16,467	347	520	17,334
Bank fees		11,999		11,999
Interest expense	8,795	185	278	9,258
Travel and mileage	8,161	52		8,213
Professional development	5,512	263	225	6,000
Postage and printing	998	526	3,781	5,305
Equipment rental and maintenance	4,430	51	76	4,557
Communications and internet	4,119	85	128	4,332
Other	<u>2,141</u>	<u>622</u>	<u>71</u>	<u>2,834</u>
Total functional expenses	<u>\$ 955,908</u>	<u>\$ 83,668</u>	<u>\$ 117,514</u>	1,157,090
Cost of direct donor benefits				<u>71,686</u>
Total expenses				<u>\$ 1,228,776</u>

*See accompanying notes to financial statements.*

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## Summerhouse Houston

### Statement of Functional Expenses for the year ended December 31, 2021 (Reviewed)

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Compensation and related benefits	\$ 538,306	\$ 51,885	\$ 58,370	\$ 648,561
Supplies and food	60,599	933	488	62,020
Depreciation	37,232	784	1,176	39,192
Contract and professional services		18,939		18,939
Insurance	26,915	2,952	1,141	31,008
Vehicle fuel and repair	14,112			14,112
Occupancy	18,763	382	573	19,718
Bank fees		7,609		7,609
Interest expense	16,062	933	507	17,502
Travel and mileage	7,657	510	29	8,196
Professional development	4,129	135		4,264
Postage and printing	378	160		538
Equipment rental and maintenance	22,600	457	685	23,742
Communications and internet	3,568	64	113	3,745
Other	<u>72</u>	<u>7,327</u>	<u></u>	<u>7,399</u>
Total functional expenses	<u>\$ 750,393</u>	<u>\$ 93,070</u>	<u>\$ 63,082</u>	906,545
Cost of direct donor benefits				<u>12,587</u>
Total expenses				<u>\$ 919,132</u>

*See accompanying notes to financial statements.*

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## Summerhouse Houston

### Statements of Cash Flows for the years ended December 31, 2022 and 2021

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	AUDITED <u>2022</u>	REVIEWED <u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 801,329	\$ 131,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated property	(80,785)	(6,500)
Contributions restricted for building expansion	(723,735)	(29,317)
Depreciation	53,053	39,192
Changes in operating assets and liabilities:		
Accounts receivable	(21,963)	2,677
Prepaid assets	(5,794)	(4,711)
Accounts payable and accrued expenses	17,858	8,362
Deferred member fees		(1,640)
Refundable advance – Paycheck Protection Program	<u>                    </u>	<u>(15,844)</u>
Net cash provided by operating activities	<u>39,963</u>	<u>123,420</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property	<u>(33,881)</u>	<u>(48,022)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for property acquisition	686,642	41,399
Proceeds from note payable	5,278	
Principal payments on note payable	<u>(18,608)</u>	<u>(48,092)</u>
Net cash provided (used) by financing activities	<u>673,312</u>	<u>(6,693)</u>
<b>NET CHANGE IN CASH</b>	679,394	68,705
Cash, beginning of year	<u>400,659</u>	<u>331,954</u>
Cash, end of year	<u>\$ 1,080,053</u>	<u>\$ 400,659</u>
<i>Reconciliation of cash reported in the statements of financial position with cash reported in the statements of cash flows:</i>		
Cash	\$ 397,882	\$ 371,342
Cash restricted for building expansion	<u>682,171</u>	<u>29,317</u>
Total cash	<u>\$ 1,080,053</u>	<u>\$ 400,659</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$9,257	\$17,502
Note defeased with proceeds of new note	\$607,683	

*See accompanying notes to financial statements.*

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## Summerhouse Houston

Notes to Financial Statements for the years ended December 31, 2022 (Audited) and 2021 (Reviewed)

### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Summerhouse Houston was established to create opportunities for adults with intellectual disabilities to belong and positively impact the Greater Houston community. Summerhouse Houston supports adults with intellectual disabilities, their families, and our community through employment, volunteerism, and partnerships to foster a culture of belonging, choice, and respect. Summerhouse Houston programs focus on four primary areas:

- **Employment:** Highly individualized and customized job placement, coaching, and supported employment services provided to members and outside referrals.
- **Volunteerism:** Assisting members to give back to the community while exploring their career interests and learning valuable work skills.
- **Community Engagement:** Our community is stronger when everyone participates, and Summerhouse Houston supports members to develop socially valued roles and engage in their communities.
- **Family Support:** Being a resource and support to families as Summerhouse Houston truly partners to implement each member’s vision and individualized learning plan.

Program services encompass:

- Community Inclusion – Members engage in opportunities around the neighborhood and the city to both serve and connect with the world around them. Through volunteer sites, community outings, structured leisure, and making connections, members learn important socialization and communication skills, meet their health and fitness goals, and develop friendships that last a lifetime.
- Shred for Independence supports members as they learn the value of hard work. Members hone skills such as sorting, shredding, consistency, follow-through and endurance and learn to value themselves and take pride in a job well done.
- Vocational Training – Through both volunteer and paid positions, members are supported in many different vocational roles. In addition to contributing to the greater community, vocational sites provide valuable training for future potential job placements.
- Supported Employment / Customized Employment – Summerhouse Houston offers job placement, job coaching, and supported employment to members, as well as to referrals from Texas Workforce Commission (TWC) and Workforce Solutions. Services include assessing and then assisting individuals to develop a list of interest and potential skills; performing job site analyses to match a person with the right position; providing one-to-one training on the job site; and maintaining evaluation data for performance reporting. Training is customized to meet the demands of a challenging work environment for both the individual and the employer.

Federal income tax status – Summerhouse Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public charity under §509(a)(1).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. Contributions receivable of \$37,093 at December 31, 2022 are expected to be collected as follows: \$22,093 in 2023, and \$5,000 each year in 2024, 2025, and 2026.

Property is reported at cost if purchased, or at estimated fair value at the date of gift, if donated. Generally, additions and improvements that have a tangible future economic life of more than one year and a cost of more than \$1,000 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 5 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. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized 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 Summerhouse Houston 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 satisfied is reported as refundable advances.

Contributed nonfinancial assets – Supplies and other goods contributed to support Summerhouse Houston's programs are recognized at fair value when an unconditional commitment is received from the donor. 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.

Fundraising event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Fundraising event revenue is recognized when an event occurs. Cost of direct donor benefits provided at fundraising events represent the cost of goods and services provided in exchange for the amount paid by sponsors and attendees.

Member fees, government contracts, and other program fees – Member fees are derived primarily from providing vocation, integration, and socialization services to members. Member fees are billed monthly and are due at the beginning of each month. Performance obligations are satisfied, and revenue is recognized during the membership month. Member enrollment, activity, lunch and other miscellaneous fees are immaterial and are not disaggregated from member fees. Member fees collected in advance of the membership month are deferred until performance obligations are met, generally in the following month.

Government contracts and other program fees are derived from providing TWC and Workforce Solutions vocational rehabilitation services, document shredding services, and consulting services, and are recognized at a point in time when the goods or services are provided to the customer in an amount that reflects the

consideration Summerhouse Houston 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.

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 on the basis of estimated time and effort expended. Depreciation and occupancy costs 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 – ADOPTION OF ACCOUNTING STANDARD

During 2022, Summerhouse Houston adopted the amendments of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2021. Adoption of this ASU resulted in the restatement of previously reported activities to conform to the 2022 presentation, but had no impact on total net assets or total changes in net assets for the year ended December 31, 2021.

## NOTE 3 – 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 December 31 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 1,080,053	\$ 400,659
Contributions and accounts receivable	<u>63,962</u>	<u>4,906</u>
Total financial assets	1,144,015	405,565
Less financial assets not available for general expenditure:		
Restricted by donors for use in building expansion	<u>(719,264)</u>	<u>(29,317)</u>
Total financial assets available for general expenditure	<u>\$ 424,751</u>	<u>\$ 376,248</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Summerhouse Houston considers all expenditures related to its programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. Summerhouse Houston is substantially supported by contributions and program fees and regularly monitors the liquidity required to meet its operating needs, loan payments, and other contractual commitments.

#### NOTE 4 – PROPERTY

Property consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 675,573	\$ 675,573
Buildings and improvements	688,277	688,277
Vehicles	214,437	133,559
Furniture and equipment	33,798	33,798
Building expansion in progress	<u>33,788</u>	<u>          </u>
Total property	1,645,873	1,531,207
Accumulated depreciation	<u>(177,736)</u>	<u>(124,683)</u>
Property, net	<u>\$ 1,468,137</u>	<u>\$ 1,406,524</u>

#### NOTE 5 – NOTE PAYABLE

In March 2022, Summerhouse Houston entered into a 20-year bank loan and, as part of the transaction, retired the outstanding principal of an existing loan from a board member. The bank loan is collateralized by the Waseca property and matures on February 25, 2032. The interest rate varies from .9% to 2.99% until maturity. Interest and principal are due monthly, and the interest rate was .9% at December 31, 2022.

The scheduled maturities of the note payable are as follows:

2023	\$ 17,300
2024	17,350
2025	17,932
2026	18,484
2027	19,052
Thereafter	<u>504,663</u>
Total	<u>\$ 594,781</u>

#### NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Building expansion	\$ 753,052	\$ 29,317
Scholarships	59,983	68,805
Other	<u>500</u>	<u>2,000</u>
Total net assets with donor restrictions	<u>\$ 813,535</u>	<u>\$ 100,122</u>

## NOTE 7 – CONTRIBUTIONS

*Conditional contributions* – During 2022, Summerhouse Houston received a conditional contribution of \$299,852 for building expansion. The gift is conditioned upon Summerhouse Houston breaking ground on the expansion project within a specified time. Summerhouse Houston will record the contribution when the conditions are substantially met.

*Concentrations* – In 2022, gifts from five donors represent approximately 69% of financial contributions recognized. In 2021, a \$95,689 Paycheck Protection Program loan forgiveness and a contribution from one other donor represent approximately 68% of contributions recognized.

## NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets were recognized as follows:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR 2022	FISCAL YEAR 2021
Vehicles	Utilized in programs	None	Fair value estimated based on the selling price of items of similar type and condition.	\$80,785	
Printing services	Utilized for fundraising event invitations and programs	None	Fair value estimated based on selling price of similar services.	\$1,544	
Fencing and shed materials	Capitalized and depreciated for use in programs and supporting services	None	Fair value estimated based on selling price of similar items, including installation.		\$6,500
Donated food, drink and entertainment for special event	Utilized for fundraising event and included in cost of direct donor benefits	None	Fair value estimated based on selling price of similar goods and services.		\$3,125
Donated auction items	Sell at fundraising event	None	Valued using the auction price received.	\$54,186	\$22,748
Total contributed nonfinancial assets				<u>\$136,515</u>	<u>\$32,373</u>

Items donated to be auctioned to raise funds at fundraising events are valued using the auction price received.

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

In 2022, Summerhouse Houston entered into an agreement establishing a §401(k) defined contribution retirement plan. Full-time employees may elect to participate in the §401(k) plan after one year of employment. Summerhouse Houston makes a matching contribution equal to 1% of the employee's contribution. Contributions to the §401(k) plan totaled approximately \$4,400 for the year ended December 31, 2022.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 21, 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.

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