

Summerhouse Houston

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Summerhouse Houston and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related 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 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.

Blazek & Vetterling

March 8, 2024

Summerhouse Houston

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 623,968	\$ 397,882
Accounts receivable from member fees, government contracts, and other program fees	36,172	26,869
Contributions receivable	83,450	
Prepaid assets	21,136	17,104
Cash restricted for building expansion	80,100	682,171
Contributions receivable for building expansion	22,900	37,093
Property, net (<i>Note 3</i>)	<u>2,392,658</u>	<u>1,468,137</u>
TOTAL ASSETS	<u>\$ 3,260,384</u>	<u>\$ 2,629,256</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 58,936	\$ 48,889
Deferred member fees	11,278	
Note payable (<i>Note 4</i>)	<u>576,922</u>	<u>594,781</u>
Total liabilities	<u>647,136</u>	<u>643,670</u>
Net assets:		
Without donor restrictions	2,247,438	1,172,051
With donor restrictions (<i>Note 5</i>)	<u>365,810</u>	<u>813,535</u>
Total net assets	<u>2,613,248</u>	<u>1,985,586</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,260,384</u>	<u>\$ 2,629,256</u>

See accompanying notes to financial statements.

Summerhouse Houston

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 6</i>):			
Government contributions		\$ 196,292	\$ 196,292
Other contributed financial assets	\$ 170,068	657,752	827,820
Fundraising event:			
Cash and other financial assets	188,450		188,450
Proceeds from contributed auction items (<i>Note 7</i>)	15,540		15,540
Cost of direct donor benefits	(68,979)		(68,979)
Member fees	849,789		849,789
Government contracts	114,048		114,048
Other program fees	15,819		15,819
Other income	24,838		24,838
Total revenue	1,309,573	854,044	2,163,617
Net assets released from restrictions:			
Program expenditures	347,066	(347,066)	
Capital additions	954,703	(954,703)	
Total	2,611,342	(447,725)	2,163,617
EXPENSES:			
Program services:			
Summerhouse Houston	1,013,645		1,013,645
Employment Services	261,379		261,379
Total program services	1,275,024		1,275,024
Management and general	126,384		126,384
Fundraising	134,547		134,547
Total expenses	1,535,955		1,535,955
CHANGES IN NET ASSETS	1,075,387	(447,725)	627,662
Net assets, beginning of year	1,172,051	813,535	1,985,586
Net assets, end of year	\$ 2,247,438	\$ 365,810	\$ 2,613,248

See accompanying notes to financial statements.

Summerhouse Houston

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions (<i>Note 6</i>):			
Contributed financial assets	\$ 23,056	\$ 778,735	\$ 801,791
Contributed nonfinancial assets (<i>Note 7</i>)	82,329		82,329
Fundraising event:			
Cash and other financial assets	244,080		244,080
Proceeds from contributed auction items (<i>Note 7</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:			
Summerhouse Houston	863,337		863,337
Employment Services	92,571		92,571
Total program services	955,908		955,908
Management and general	83,668		83,668
Fundraising	117,514		117,514
Total 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.

Summerhouse Houston

Statement of Functional Expenses for the year ended December 31, 2023

	SUMMERHOUSE PROGRAM	EMPLOYMENT PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Compensation and related benefits	\$ 675,678	\$ 226,087	\$ 78,091	\$ 96,895	\$ 1,076,751
Supplies and food	121,397	3,101	2,167	6,127	132,792
Depreciation	56,646	1,317	2,635	5,269	65,867
Contract services	31,330	5,482	18,627	9,349	64,788
Insurance	42,345	2,457	5,081	4,176	54,059
Vehicle fuel and repair	28,013				28,013
Occupancy	18,073	407	814	1,629	20,923
Bank fees			13,745	4,742	18,487
Travel and mileage	2,168	13,810	870	303	17,151
Interest expense	13,445	313	625	1,251	15,634
Equipment rental and maintenance	11,573	842	500	1,760	14,675
Professional development	7,082	5,465	623	255	13,425
Telephone and internet	3,848	903	179	358	5,288
Postage and printing	77	41	1,638	2,424	4,180
Other	1,970	1,154	789	9	3,922
Total expenses	<u>\$ 1,013,645</u>	<u>\$ 261,379</u>	<u>\$ 126,384</u>	<u>\$ 134,547</u>	1,535,955
Cost of direct donor benefits					<u>68,979</u>
Total					<u>\$ 1,604,934</u>

See accompanying notes to financial statements.

Summerhouse Houston

Statement of Functional Expenses for the year ended December 31, 2022

	SUMMERHOUSE PROGRAM	EMPLOYMENT PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Compensation and related benefits	\$ 610,203	\$ 88,504	\$ 49,908	\$ 83,180	\$ 831,795
Supplies and food	93,873	364	1,353	2,310	97,900
Depreciation	50,400		1,061	1,592	53,053
Contract services	3,869		12,676	23,800	40,345
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
Travel and mileage	5,229	2,932	52		8,213
Interest expense	8,794		185	278	9,257
Equipment rental and maintenance	4,130	300	51	76	4,557
Professional development	5,270	243	263	225	6,001
Telephone and internet	4,119		85	128	4,332
Postage and printing	771	228	526	3,781	5,306
Other	2,143		622	70	2,835
Total functional expenses	<u>\$ 863,337</u>	<u>\$ 92,571</u>	<u>\$ 83,668</u>	<u>\$ 117,514</u>	1,157,090
Cost of direct donor benefits					<u>71,686</u>
Total					<u>\$ 1,228,776</u>

See accompanying notes to financial statements.

Summerhouse Houston

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 627,662	\$ 801,329
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donated property		(80,785)
Contributions restricted for building expansion	(304,624)	(723,735)
Depreciation	65,867	53,053
Changes in operating assets and liabilities:		
Accounts receivable	(9,303)	(21,963)
Prepaid assets	(4,032)	(5,794)
Contributions receivable	(83,450)	
Accounts payable and accrued expenses	10,047	17,858
Deferred member fees	<u>11,278</u>	<u> </u>
Net cash provided by operating activities	<u>313,445</u>	<u>39,963</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(990,388)</u>	<u>(33,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for building expansion	318,817	686,642
Proceeds from note payable		5,278
Principal payments on note payable	<u>(17,859)</u>	<u>(18,608)</u>
Net cash provided by financing activities	<u>300,958</u>	<u>673,312</u>
NET CHANGE IN CASH	(375,985)	679,394
Cash, beginning of year	<u>1,080,053</u>	<u>400,659</u>
Cash, end of year	<u>\$ 704,068</u>	<u>\$ 1,080,053</u>
<i>Reconciliation of cash reported in the statements of financial position with cash reported in the statements of cash flows:</i>		
Cash	\$ 623,968	\$ 397,882
Cash restricted for building expansion	<u>80,100</u>	<u>682,171</u>
Total cash	<u>\$ 704,068</u>	<u>\$ 1,080,053</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$14,760	\$9,257
Note retired with proceeds of new note		\$607,683

See accompanying notes to financial statements.

Summerhouse Houston

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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:

Summerhouse Houston:

- 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.

Employment Services:

- 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 at December 31, 2023 are expected to be collected as follows: \$96,350 in 2024, and \$5,000 each year in 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 – 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>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 704,068	\$ 1,080,053
Accounts and contributions receivable	<u>142,522</u>	<u>63,962</u>
Total financial assets	846,590	1,144,015
Less financial assets not available for general expenditure:		
Restricted by donors for use in building expansion	(103,000)	(719,264)
Other donor-restricted assets subject to satisfaction of restrictions and the passage of time	<u>(86,861)</u>	<u> </u>
Total financial assets available for general expenditure	<u>\$ 656,729</u>	<u>\$ 424,751</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 3 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 675,573	\$ 675,573
Buildings and improvements	1,606,364	688,277
Vehicles	284,457	214,437
Furniture and equipment	69,867	33,798
Building expansion in progress	<u> </u>	<u>33,788</u>
Total property	2,636,261	1,645,873
Accumulated depreciation	<u>(243,603)</u>	<u>(177,736)</u>
Property, net	<u>\$ 2,392,658</u>	<u>\$ 1,468,137</u>

NOTE 4 – 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, 2023.

The scheduled maturities of the note payable are as follows:

2024	\$ 17,350
2025	17,932
2026	18,484
2027	19,052
2028	19,595
Thereafter	<u>484,509</u>
Total	<u>\$ 576,922</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Employment services and job coaches	\$ 114,092	
Scholarships	103,718	\$ 59,983
Building expansion	103,000	753,052
Vehicle	45,000	
Other	<u> </u>	<u>500</u>
Total net assets with donor restrictions	<u>\$ 365,810</u>	<u>\$ 813,535</u>

NOTE 6 – CONTRIBUTION CONCENTRATIONS

In 2023, a \$196,292 Employee Retention Tax Credit and contributions from three other donors represent approximately 68% of financial contributions recognized. In 2022, gifts from five donors represent approximately 69% of financial contributions recognized.

NOTE 7 – 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 2023	FISCAL YEAR 2022
Donated auction items	Sold at fundraising event	None	Valued using the auction price received.	\$15,540	\$54,186
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 the selling price of similar services.		\$1,544
Total contributed nonfinancial assets				<u>\$15,540</u>	<u>\$136,515</u>

NOTE 8 – 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 \$9,100 for the year ended December 31, 2023 and \$4,400 for the year ended December 31, 2022.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 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.