

Summerhouse Houston

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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 7, 2025

Summerhouse Houston

Statements of Financial Position as of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 681,464	\$ 623,968
Accounts receivable from member fees, government contracts, and other program fees	27,999	36,172
Contributions receivable	36,700	83,450
Prepaid assets	16,508	21,136
Cash restricted for building expansion		80,100
Contributions receivable for building expansion		22,900
Property, net <i>(Note 4)</i>	<u>2,396,732</u>	<u>2,392,658</u>
TOTAL ASSETS	<u>\$ 3,159,403</u>	<u>\$ 3,260,384</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 64,427	\$ 58,936
Deferred member fees		11,278
Note payable <i>(Note 5)</i>	<u>559,514</u>	<u>576,922</u>
Total liabilities	<u>623,941</u>	<u>647,136</u>
Net assets:		
Without donor restrictions	2,364,401	2,247,438
With donor restrictions <i>(Note 6)</i>	<u>171,061</u>	<u>365,810</u>
Total net assets	<u>2,535,462</u>	<u>2,613,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,159,403</u>	<u>\$ 3,260,384</u>

See accompanying notes to financial statements.

Summerhouse Houston

Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 111,700	\$ 391,300	\$ 503,000
Fundraising event:			
Cash and other financial assets	193,441		193,441
Contributed nonfinancial assets <i>(Note 7)</i>	11,945		11,945
Cost of direct donor benefits	(67,960)		(67,960)
Member fees	884,911		884,911
Government contracts	128,913		128,913
Other program fees	988		988
Other income	46,437		46,437
Total revenue	1,310,375	391,300	1,701,675
Net assets released from restrictions:			
Program expenditures	489,525	(489,525)	
Capital additions	96,524	(96,524)	
Total	1,896,424	(194,749)	1,701,675
EXPENSES:			
Program services:			
Summerhouse Houston	1,044,848		1,044,848
Employment Services	346,569		346,569
Total program services	1,391,417		1,391,417
Management and general	181,230		181,230
Fundraising	206,814		206,814
Total expenses	1,779,461		1,779,461
CHANGES IN NET ASSETS	116,963	(194,749)	(77,786)
Net assets, beginning of year	2,247,438	365,810	2,613,248
Net assets, end of year	\$ 2,364,401	\$ 171,061	\$ 2,535,462

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:			
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 expenditures	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 Functional Expenses for the year ended December 31, 2024

	SUMMERHOUSE HOUSTON	EMPLOYMENT SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Compensation and related benefits	\$ 669,696	\$ 251,136	\$ 107,630	\$ 167,425	\$ 1,195,887
Supplies and food	112,562	4,380	1,351	8,698	126,991
Depreciation	67,663	24,702	7,518	7,518	107,401
Insurance	42,860	15,709	7,393	5,633	71,595
Contract services	26,488	5,040	32,117	3,360	67,005
Vehicle fuel and repair	56,737	778		84	57,599
Occupancy	22,464	8,201	2,593	2,496	35,754
Equipment rental and maintenance	22,441	8,849	1,610	1,610	34,510
Travel and mileage	3,700	15,402		227	19,329
Bank charges			17,457		17,457
Interest expense	10,897	3,978	1,211	1,211	17,297
Professional development	4,217	4,505	903	900	10,525
Telephone and internet	3,765	1,983	460	534	6,742
Postage and printing	68	493	62	2,015	2,638
Other	1,290	1,413	925	5,103	8,731
Total expenses	<u>\$ 1,044,848</u>	<u>\$ 346,569</u>	<u>\$ 181,230</u>	<u>\$ 206,814</u>	1,779,461
Cost of direct donor benefits					<u>67,960</u>
Total					<u>\$ 1,847,421</u>

See accompanying notes to financial statements.

Summerhouse Houston

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

	SUMMERHOUSE HOUSTON	EMPLOYMENT SERVICES	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
Insurance	42,345	2,457	5,081	4,176	54,059
Contract services	31,330	5,482	18,627	9,349	64,788
Vehicle fuel and repair	28,013				28,013
Occupancy	18,073	407	814	1,629	20,923
Equipment rental and maintenance	11,573	842	500	1,760	14,675
Travel and mileage	2,168	13,810	870	303	17,151
Bank charges			13,745	4,742	18,487
Interest expense	13,445	313	625	1,251	15,634
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

Statements of Cash Flows for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (77,786)	\$ 627,662
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for building expansion		(304,624)
Depreciation	107,401	65,867
Changes in operating assets and liabilities:		
Accounts receivable	8,173	(9,303)
Contributions receivable	63,450	(83,450)
Prepaid assets	4,628	(4,032)
Accounts payable and accrued expenses	5,491	10,047
Deferred member fees	<u>(11,278)</u>	<u>11,278</u>
Net cash provided by operating activities	<u>100,079</u>	<u>313,445</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(111,475)</u>	<u>(990,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for building expansion	6,200	318,817
Principal payments on note payable	<u>(17,408)</u>	<u>(17,859)</u>
Net cash provided (used) by financing activities	<u>(11,208)</u>	<u>300,958</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,604)	(375,985)
Cash and cash equivalents, beginning of year	<u>704,068</u>	<u>1,080,053</u>
Cash and cash equivalents, end of year	<u>\$ 681,464</u>	<u>\$ 704,068</u>
<i>Reconciliation of cash and cash equivalents reported in the statements of financial position and the statements of cash flows:</i>		
Cash and cash equivalents	\$ 681,464	\$ 623,968
Cash restricted for building expansion	<u> </u>	<u>80,100</u>
Total cash and cash equivalents	<u>\$ 681,464</u>	<u>\$ 704,068</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$17,297	\$15,634

See accompanying notes to financial statements.

Summerhouse Houston

Notes to Financial Statements for the years ended December 31, 2024 and 2023

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.
- 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, 2024 are expected to be collected as follows: \$26,700 in 2025, and \$5,000 each year in 2026 and 2027.

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>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 681,464	\$ 704,068
Accounts and contributions receivable	<u>64,699</u>	<u>142,522</u>
Total financial assets	746,163	846,590
Less financial assets not available for general expenditure:		
Restricted by donors for use in building expansion		(103,000)
Other donor-restricted assets subject to satisfaction of restrictions and the passage of time	<u>(130,174)</u>	<u>(86,861)</u>
Total financial assets available for general expenditure	<u>\$ 615,989</u>	<u>\$ 656,729</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 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2024</u>	<u>2023</u>
Bank deposits	\$ 513,067	\$ 543,628
Money market mutual funds	<u>168,397</u>	<u>160,440</u>
Total cash and cash equivalents	<u>\$ 681,464</u>	<u>\$ 704,068</u>

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 675,573	\$ 675,573
Buildings and improvements	1,632,919	1,606,364
Vehicles	292,611	284,457
Furniture and equipment	<u>72,836</u>	<u>69,867</u>
Total property	2,673,939	2,636,261
Accumulated depreciation	<u>(277,207)</u>	<u>(243,603)</u>
Property, net	<u>\$ 2,396,732</u>	<u>\$ 2,392,658</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 2.99% at December 31, 2024.

The scheduled maturities of the note payable at December 31, 2024 are as follows:

2025	\$ 17,992
2026	18,545
2027	19,115
2028	19,660
2029	20,931
Thereafter	<u>463,271</u>
Total	<u>\$ 559,514</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Employment services and job coaches	\$ 95,174	\$ 114,092
Scholarships	75,887	103,718
Building expansion		103,000
Vehicle		<u>45,000</u>
Total net assets with donor restrictions	<u>\$ 171,061</u>	<u>\$ 365,810</u>

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 2024	FISCAL YEAR 2023
Donated auction items	Sold at fundraising event	None	Valued using the auction price received.	\$10,045	\$15,540
Donated food items	Used at fundraising event	None	Fair value estimated on basis of retail price for similar items.	1,900	
Total contributed nonfinancial assets				<u>\$11,945</u>	<u>\$15,540</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 \$6,500 for the year ended December 31, 2024 and \$9,100 for the year ended December 31, 2023.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 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.