The Center for Hearing and Speech
dba Texas Hearing Institute
The Center for Hearing and Speech Foundation

COMBINED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Center for Hearing and Speech dba Texas Hearing Institute

Board of Trustees
The Center for Hearing and Speech Foundation

Houston, Texas

Opinion

We have audited the accompanying combined financial statements of The Center for Hearing and Speech, dba Texas Hearing Institute, and The Center for Hearing and Speech Foundation (nonprofit organizations) (collectively, the Organization), which comprise the combined statements of financial position as of December 31, 2023 and 2022, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 combined 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 combined 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 combined 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 the Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
February 20, 2025

The Center for Hearing and Speech dba Texas Hearing Institute
The Center for Hearing and Speech Foundation
Combined Statements of Financial Position

December 31,		**2023**		2022
Assets				
Current assets				
Cash and cash equivalents	**$**	**262,722**	$	132,829
Restricted cash and cash equivalents		**7,406**		10,159
Program service fees receivable, net of allowance for credit losses of $489,106 and $328,210 for 2023 and 2022, respectively		**725,741**		810,006
Promises to give - current		**447,843**		673,702
Rent receivable		**15,097**		19,090
Prepaid expenses		**73,431**		148,797
Total current assets		**1,532,240**		1,794,583
Non-current assets				
Investments		**18,572,153**		17,786,352
Long-term promises to give, net		**205,697**		303,805
Employee Retention Credits receivable		**701,873**		701,873
Property and equipment, net		**13,593,788**		14,091,182
Total non-current assets		**33,073,511**		32,883,212
Total assets	**$**	**34,605,751**	$	34,677,795
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**392,825**	$	269,836
Deferred revenue		**165,686**		15,170
Total current liabilities		**558,511**		285,006
Net assets				
Without donor restrictions		**29,166,986**		29,618,330
With donor restrictions		**4,880,254**		4,774,459
Total net assets		**34,047,240**		34,392,789
Total liabilities and net assets	**$**	**34,605,751**	$	34,677,795

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Activities

For the years ended December 31,	2023			2022		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue and Other Support						
Tuition and fees for services, net	**$ 2,573,366**	**$ -**	**$ 2,573,366**	$ 2,574,949	$ -	$ 2,574,949
Special events	**799,930**	**-**	**799,930**	929,823	-	929,823
Special events - contributions of non-financial assets	**88,870**	**-**	**88,870**	59,761	-	59,761
United Way	**144,088**	**-**	**144,088**	302,647	-	302,647
Contributions	**1,396,359**	**238,000**	**1,634,359**	1,767,958	75,000	1,842,958
Investment return, net	**2,457,950**	**76,128**	**2,534,078**	(2,793,921)	(121,428)	(2,915,349)
Rent revenue	**90,000**	**-**	**90,000**	90,000	-	90,000
Other income	**52,931**	**-**	**52,931**	66,358	-	66,358
Net assets released from restrictions	**208,333**	**(208,333)**	**-**	475,000	(475,000)	-
Total revenue and other support	**7,811,827**	**105,795**	**7,917,622**	3,472,575	(521,428)	2,951,147
Expenses						
Program services						
Education and daycare	**2,412,402**	**-**	**2,412,402**	2,073,793	-	2,073,793
Social worker	**208,865**	**-**	**208,865**	170,732	-	170,732
Speech pathology	**1,650,444**	**-**	**1,650,444**	1,340,048	-	1,340,048
Audiology	**2,461,547**	**-**	**2,461,547**	2,136,628	-	2,136,628
Community relations	**303,017**	**-**	**303,017**	274,604	-	274,604
Total program services	**7,036,275**	**-**	**7,036,275**	5,995,805	-	5,995,805
Supporting services						
Development	**471,073**	**-**	**471,073**	497,226	-	497,226
Management and general	**691,219**	**-**	**691,219**	454,811	-	454,811
Total supporting services	**1,162,292**	**-**	**1,162,292**	952,037	-	952,037
Total expenses	**8,198,567**	**-**	**8,198,567**	6,947,842	-	6,947,842
Change in net assets	**(386,740)**	**105,795**	**(280,945)**	(3,475,267)	(521,428)	(3,996,695)
Net assets, beginning of year, before adoption of ASC 326	**29,618,330**	**4,774,459**	**34,392,789**	33,093,597	5,295,887	38,389,484
Impact of adoption of ASC 326	**(64,604)**	**-**	**(64,604)**	-	-	-
Net assets, beginning of year, after adoption of ASC 326	**29,553,726**	**4,774,459**	**34,328,185**	-	-	-
Net assets, end of year	**$ 29,166,986**	**$ 4,880,254**	**$ 34,047,240**	$ 29,618,330	$ 4,774,459	$ 34,392,789

The accompanying notes are an integral part of these combined financial statements.

The Center for Hearing and Speech
The Center for Hearing and Speech Foundation
Combined Statement of Functional Expenses

For the year ended December 31, 2023

	Program Services						Supporting Services			
	Education and Daycare	Social Worker	Speech Pathology	Audiology	Community Relations	Programs Subtotal	Development	Management and General	Supporting Subtotal	2023 Total
Salaries and wages	$ 1,313,962	$ 151,810	$ 1,163,257	$ 1,194,705	$ 148,475	$ 3,972,209	$ 93,846	$ 241,938	$ 335,784	$ 4,307,993
Employee benefits and payroll taxes	312,760	23,228	241,403	203,005	35,829	816,225	13,789	65,114	78,903	895,128
Total salaries and related benefits	1,626,722	175,038	1,404,660	1,397,710	184,304	4,788,434	107,635	307,052	414,687	5,203,121
Building insurance	67,842	2,869	14,454	27,117	5,764	118,046	3,047	12,281	15,328	133,374
Building maintenance	162,020	7,706	39,772	67,765	14,697	291,960	8,386	39,349	47,735	339,695
Conferences and conventions	6,361	35	1,721	5,297	800	14,214	629	7,774	8,403	22,617
Equipment repair, maintenance, and rental	8,977	251	708	34,248	458	44,642	258	8,051	8,309	52,951
Hearing devices	-	-	-	244,700	-	244,700	-	-	-	244,700
Occupancy	33,710	2,206	9,371	15,256	3,066	63,609	3,485	5,938	9,423	73,032
Organization dues	3,358	-	3,759	6,784	849	14,750	-	2,569	2,569	17,319
Other	39,761	845	3,585	24,574	260	69,025	9,229	19,858	29,087	98,112
Postage and shipping	1,668	93	366	878	194	3,199	3,178	379	3,557	6,756
Printing and publications	3,945	241	1,073	1,990	5,128	12,377	1,159	722	1,881	14,258
Professional fees	144,805	6,110	89,391	221,450	62,837	524,593	131,630	246,134	377,764	902,357
Protocols	934	-	4,746	-	-	5,680	-	-	-	5,680
Special events - venue and related costs	-	-	-	-	-	-	188,805	-	188,805	188,805
Supplies	28,399	695	14,529	9,584	400	53,607	416	2,345	2,761	56,368
Telephone	11,737	685	3,229	5,002	1,184	21,837	706	2,463	3,169	25,006
Travel	8,528	604	1,235	8,353	-	18,720	408	100	508	19,228
Provision for credit losses	-	-	-	282,380	-	282,380	-	-	-	282,380
Total expenses before depreciation	2,148,767	197,378	1,592,599	2,353,088	279,941	6,571,773	458,971	655,015	1,113,986	7,685,759
Depreciation	263,635	11,487	57,845	108,459	23,076	464,502	12,102	36,204	48,306	512,808
Total functional expenses	$ 2,412,402	$ 208,865	$ 1,650,444	$ 2,461,547	$ 303,017	$ 7,036,275	$ 471,073	$ 691,219	$ 1,162,292	$ 8,198,567

The accompanying notes are an integral part of these combined financial statements.

The Center for Hearing and Speech
The Center for Hearing and Speech Foundation
Combined Statement of Functional Expenses

For the year ended December 31, 2022

	Program Services						Supporting Services			
	Education and Daycare	Social Worker	Speech Pathology	Audiology	Community Relations	Programs Subtotal	Development	Management and General	Supporting Subtotal	2022 Total
Salaries and wages	$ 1,179,014	$ 121,199	$ 938,020	$ 1,047,021	$ 139,529	$ 3,424,783	$ 91,118	$ 267,311	$ 358,429	$ 3,783,212
Employee benefits and payroll taxes	265,838	18,628	175,796	181,572	26,026	667,860	15,597	49,740	65,337	733,197
Total salaries and related benefits	1,444,852	139,827	1,113,816	1,228,593	165,555	4,092,643	106,715	317,051	423,766	4,516,409
Building insurance	30,741	1,338	6,742	12,649	2,689	54,159	1,421	4,219	5,640	59,799
Building maintenance	173,716	8,664	40,170	72,484	16,024	311,058	9,185	25,009	34,194	345,252
Conferences and conventions	4,244	50	1,652	2,991	2,000	10,937	358	665	1,023	11,960
Equipment repair, maintenance, and rental	7,256	407	3,203	18,877	687	30,430	409	4,032	4,441	34,871
Hearing devices	-	-	-	236,189	-	236,189	-	-	-	236,189
Occupancy	34,293	2,241	9,504	15,499	3,129	64,666	3,508	24,011	27,519	92,185
Organization dues	4,974	-	4,923	5,347	660	15,904	2,016	4,278	6,294	22,198
Other	20,359	3	11,686	15,378	74	47,500	7,152	3,319	10,471	57,971
Postage and shipping	-	-	13	425	-	438	2,651	-	2,651	3,089
Printing and publications	3,161	202	828	3,727	5,674	13,592	3,057	519	3,576	17,168
Professional fees	82,108	5,018	75,430	157,669	57,385	377,610	126,742	30,450	157,192	534,802
Special events - venue and related costs	-	-	-	-	-	-	220,758	-	220,758	220,758
Supplies	30,949	756	15,607	11,497	975	59,784	918	5,217	6,135	65,919
Telephone	12,666	714	3,879	6,208	1,208	24,675	724	2,936	3,660	28,335
Travel	7,607	1,013	534	4,248	10	13,412	220	2,282	2,502	15,914
Bad debt	-	-	-	165,782	-	165,782	-	-	-	165,782
Total expenses before depreciation and amortization	1,856,926	160,233	1,287,987	1,957,563	256,070	5,518,779	485,834	423,988	909,822	6,428,601
Depreciation	216,867	10,499	52,061	179,065	18,534	477,026	11,392	30,823	42,215	519,241
Total functional expenses	$ 2,073,793	$ 170,732	$ 1,340,048	$ 2,136,628	$ 274,604	$ 5,995,805	$ 497,226	$ 454,811	$ 952,037	$ 6,947,842

The accompanying notes are an integral part of these combined financial statements.

The Center for Hearing and Speech dba Texas Hearing Institute
The Center for Hearing and Speech Foundation
Combined Statements of Cash Flows

For the years ended December 31,	**2023**	2022
Operating activities		
Changes in net assets	**$ (345,549)**	$ (3,996,695)
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities		
Credit loss expense	**282,380**	165,782
Discount on promises to give	**(29,584)**	-
Net realized and unrealized (gains) losses on marketable securities	**(1,749,699)**	3,805,470
Depreciation	**512,808**	519,241
Changes in operating assets and liabilities		
Program service fees receivable	**(198,115)**	(455,174)
Promises to give, net	**353,551**	138,384
Rent receivable	**3,993**	12,468
Prepaid expenses	**75,366**	(104,315)
Accounts payable and accrued liabilities	**122,989**	(5,603)
Deferred revenue	**150,516**	1,108
Net cash provided by (used in) operating activities	**(821,344)**	80,666
Investing activities		
Purchase of property and equipment	**(15,414)**	(67,558)
Purchases of investments	**(2,454,823)**	(9,793,562)
Proceeds from sales of investments	**3,418,721**	7,433,405
Net cash provided by (used in) investing activities	**948,484**	(2,427,715)
Net change in cash and cash equivalents	**127,140**	(2,347,049)
Cash and cash equivalents at beginning of year	**142,988**	2,490,037
Cash and cash equivalents at end of year	**$ 270,128**	$ 142,988
Presented on Statement of Financial Position as:		
Cash and cash equivalents	**$ 262,722**	$ 132,829
Restricted cash and cash equivalents	**7,406**	10,159
Cash and cash equivalents, at end of year	**$ 270,128**	$ 142,988

NOTE 1: DESCRIPTION OF THE ORGANIZATION

The Center for Hearing and Speech, dba Texas Hearing Institute (THI), a nonprofit organization, is incorporated under the laws of the State of Texas for the charitable and educational purpose of teaching listening, speaking and literacy skills to children with hearing loss. Effective August 26, 2020, THI began doing business as Texas Hearing Institute. THI is an active agency of the United Way of the Texas Gulf Coast. The business and affairs of THI are governed by a Board of Directors.

The Center for Hearing and Speech Foundation (the Foundation), a nonprofit organization, was incorporated under the laws of the State of Texas to generate investment and interest income to be transferred to THI for use in operations. The Foundation is organized for the benefit of THI and holds and maintains the investments on behalf of THI. The Foundation assets are managed by a Board of Trustees that has authority to make distributions to or for the use of THI.

THI conducts the following programs:

Education and Daycare – The Malinda Webb School provides masters level teachers of the deaf to help students ages 18 months to 6 years old accelerate their development of spoken language, listening and literacy skills so they can attend mainstream schools by first grade. The Malinda Webb School also enrolls children who are not deaf or hard of hearing so they may benefit from its language-rich environment.

Social Workers – Individuals work with children with hearing loss and their families by building and maintaining positive relationships with educators and other professionals to achieve optimal educational outcomes.

Speech Pathology – Certified listening and spoken language specialists provide specialized listening, language, and speech services to children who are deaf and hard of hearing from birth to age 21.

Audiology – Pediatric audiologists with doctoral degrees provide a family-centered, evidence-based early intervention approach to achieve optimal speech and language outcomes for children who are deaf and hard of hearing from birth to age 21.

Community Relations – THI works to inform and teach children and professionals about hearing loss. Community initiatives and programs aim to improve the lives of children with hearing loss through awareness and education.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying combined financial statements include the accounts of THI and the Foundation (collectively, the Organization). All significant inter-organization transactions and balances have been eliminated in combination.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to collectability of receivables, valuation of investments, useful lives of property and equipment and allocation of functional expenses.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Restricted cash and cash equivalents is segregated in separate money market investment accounts related to restricted and board designated funds.

Program Service Fees Receivable

Program service fee receivables are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing program services. Program service fee receivables are recorded in the accompanying combined statements of financial position net of contractual adjustment and explicit and implicit price concessions, which reflect management's estimate of the transaction price. The Organization estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts (including explicit price concessions), and implicit price concessions, and is recorded through a reduction of gross revenue and a credit to program service fees receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to fee for service revenue in the period of the change.

The Organization does not have a policy to charge interest on past due amounts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received.

Promises to Give

Conditional promises to give are not recognized in the combined financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. Management considers all amounts collectible as of December 31, 2023 and 2022, and accordingly, no allowance for doubtful accounts is considered necessary.

Employee Retention Credits Receivable

The CARES Act provided an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. The credits were limited to certain parameters as laid out by the different relief provisions passed by the United States government.

The ERC was considered a non-exchange transaction with a government entity and the Organization recognized the revenue following the guidance under FASB ASC958-605, government grant model. The ERC was recognized for the quarters in which the Organization qualified and used the credit against qualifying payroll and health care costs. The Organization did not receive any advances on the ERC.

Grants receivable for the ERC at December 31, 2023 and 2022 totaled $701,873, which represents refunds due on the 2020 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ending September 30, 2020 and December 31, 2020 and the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarter ending September 30, 2021. As of December 31, 2023, the refund is still pending.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization reports investments in equity securities with readily determinable fair values in the combined statements of financial position. Investment return includes interest, dividends and realized and unrealized gains and losses and are included in the change in net assets in the accompanying combined statement of activities. Investment earnings restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the earnings are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of $500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation.

Long-Lived Assets

The Organization’s long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. No impairment of long-lived assets was noted for the years ended December 31, 2023 and 2022.

Net Assets

The Organization reports information regarding its combined financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board of the Foundation has designated, from net assets without donor restrictions, net assets for an operating reserve.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the combined financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been met or the donor has explicitly removed the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Special Events

Special events revenue, which includes the Organization’s annual dinner and clay shoot, represents the amounts paid by donors, sponsors, and attendees of fundraising events and is comprised of an exchange element based upon the direct benefit donors received and a contribution element for the difference. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees. The cost of direct donor benefits provided for the years ended December 31, 2023 and 2022 was $108,250 and $102,494, respectively.

Deferred revenue includes pre-sale tickets to special events or contributions raised for the benefit of fundraising events set to occur in a future period. Deferred revenue is recognized as revenue in the year the special event or fundraising event is held. Deferred revenue at December 31, 2023 and 2022 included $127,348 and $0, respectively, for events set to occur in the following year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees

Tuition and fees for services are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

The Organization recognizes revenue from student tuition during the year in which the related services are provided to students. The performance obligation of educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the programs. Semesters do not overlap fiscal year periods. Payment for tuition is required before the start of the semester or month.

The Organization recognizes revenue from fees for services at the point in time the services are provided. Fees for services revenue is reported at the amount that reflects the consideration the Organization expects to be entitled for providing speech and audiology services. Payment for services is required at the time the service is provided for any amounts in excess of amounts to be billed to third-party payers. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from charged rates. The basis for payment to the Organization under these agreements includes prospectively determined rates for the services provided. Generally, the Organization bills the third-party payors after the services are performed while payment from patients is generally due at the time of service. Fees for services revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered.

The Organization determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors and implicit price concessions provided to self-pay or uninsured patients.

Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Organization expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Amounts recognized for tuition totaled $552,307 and $599,271, respectively, and amounts recognized for fees for services totaled $2,021,059 and $1,975,678, respectively, in the combined statements of activities for the years ended December 31, 2023 and 2022.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

Contract balances are as follows:

December 31,		**2023**		2022
Receivables from contracts, beginning of year	**$**	**810,006**	$	520,614
Receivables from contracts, end of year	**$**	**725,741**	$	810,006
Deferred revenue, beginning of year	**$**	**15,170**	$	14,062
Deferred revenue, end of year	**$**	**38,338**	$	15,170

Rent Revenue

THI entered into a sublease with Texas Children's Hospital (TCH) for a portion of its facility (see Note 12). The Organization accounts for leases under ASC 842, *Leases,* as the contract is specifically excluded from the guidance under ASC 606. Pursuant to ASC 842, the Organization has made an accounting policy election to apply the practical expedient to not separate the non-lease components, such as common area maintenance, from the lease components and has accounted for its leases as a single lease component. As a result, the Organization presented the sublease and common area maintenance revenues in the same line item in the combined statements of activities. Rental income from the Organization's operating lease, which includes scheduled increases in the required minimum monthly rental payment is recognized on a straight-line basis over the lease term. Revenues associated with operating expense recoveries are recognized in the period in which the expenses are incurred. Rent and related expenses receivable totaled $15,097 and $19,090 as of December 31, 2023 and 2022, respectively.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. The Organization receives donated items for its annual dinner which are valued at the sales price received during the auction on the day of the event and totaled $88,870 and $59,761 for the years ended December 31, 2023 and 2022, respectively. There were no donor-imposed restrictions associated with the contributed auction items.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers that provide assistance with special projects throughout the year that are not recognized as contributions in the combined financial statements since the recognition criteria were not met.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to the program or supporting services to which they relate. Expenses related to supplies, building, occupancy, facility costs, and depreciation are allocated based on square footage occupied by the program or supporting services. The remaining costs are allocated on the basis of estimates of time and effort.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on Federal income tax and accordingly no provision has been made for income taxes.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740*, Income Taxes*. Using that guidance, tax positions initially need to be recognized in the combined financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements.

Reclassification

Certain 2022 amounts were reclassified to conform with current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through the date the combined financial statements were available for issuance on February 20, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncement (Continued)

The Organization adopted ASU 2016-13 on January 1, 2023. The impact of the adoption was an increase in allowance for credit losses on program service fee receivables and decrease in net assets without donor restrictions at January 1, 2023 by $64,604. Adoption of ASU 2016-03 resulted in enhanced disclosures as well.

NOTE 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY

The following reflects the Organization's financial assets as of the combined statement of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statements of financial position. Amounts not immediately available include amounts set aside for long-term investing in a quasi-endowment that can be drawn upon when the Board of Directors (of THI) or the Board of Trustees (of the Foundation) approves the action. However, they do include amounts already appropriated from either the donor-restricted endowment or quasi-endowment.

December 31,	**2023**	2022
Total assets at year end	**$ 34,605,751**	$ 34,677,795
Less non-financial assets		
Prepaid expenses	**(73,431)**	(148,797)
Property and equipment, net	**(13,593,788)**	(14,091,182)
Financial assets at year-end	**20,938,532**	20,437,816
Less those unavailable for general expenditures within one year, due to: contractual or donor-imposed restrictions:		
Long-term promises to give, net	**(205,697)**	(303,805)
Employer retention credits	**(701,873)**	(701,873)
Investments held with donor-imposed restrictions	**(536,429)**	(560,852)
Investments held in donor-restricted endowment fund	**(4,105,825)**	(4,105,825)
Board designation - investments held for long-term use	**(1,397,748)**	(1,368,824)
Board designation - quasi-endowment fund, primarily for long-term investing	**(10,857,418)**	(9,604,915)
Financial assets available to meet cash needs for general expenditures within one year	**$ 3,133,542**	$ 3,791,722

THI's endowment funds are held and managed by the separate 501(c)(3) entity, the Foundation and its Board of Trustees. These funds consist of donor restricted endowments funds to be held in perpetuity and funds designated by the Board as endowments. Income from donor restricted and Board-designated endowments is designated for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds held in perpetuity are not available for general expenditure.

NOTE 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY (Continued)

THI's Board-designated endowment of $10,857,418 and $9,604,915 as of December 31, 2023 and 2022, respectively, is subject to an annual spending rate of 6% as described in Note 9. Although THI does not intend to spend from these endowed funds (choosing rather to allow them to grow), these amounts can be made available if necessary. In addition, as of December 31, 2023 and 2022, the Foundation's Board of Trustees had designated $1,397,748 and $1,368,824, respectively as an operating reserve which can be made available for specific or general expenditure if necessary.

As part of THI's liquidity management plan, THI invests cash in excess of daily requirements in a high-yield savings account (and attempt to maintain this account at approximately $300,000) until needed.

NOTE 4: RECEIVABLES

Program service fees receivable consist of the following:

December 31,	**2023**	2022
Program service fees receivables	**$ 1,214,847**	$ 1,138,216
Less allowance for credit losses	**(489,106)**	(328,210)
Program service fees receivable, net	**$ 725,741**	$ 810,006

Changes in the allowance for credit losses was as follows:

For the year ended December 31,	2023
Balance, beginning of year	$ 263,606
Impact of the adoption of the new credit loss standard	64,604
Provisions	443,276
Write-offs, net of recoveries	(282,380)
Balance, end of year	$ 489,106

Promises to give consist of the following:

December 31,	**2023**	2022
Less than one year	**$ 447,843**	$ 673,702
One to five years	**224,999**	352,691
Total promises to give	**672,842**	1,026,393
Discounted at 3%	**(19,302)**	(48,886)
Promises to give, net	**$ 653,540**	$ 977,507

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
    - observable; or
    - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The Organization has an investment held by a private equity fund. The private equity fund manager maintains the fund and handles the day-today investments and administration of the fund. Since the investments are maintained in a pooled fund by the private equity fund, the individual fair value amount included in the pooled funds are not available for disclosure in the combined financial statements. The fair value is based on the values provided the private equity fund and is determined as Level 3 inputs, which are defined as fair value amounts based on unobservable inputs that cannot be verified in the market place.

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets measured at fair value on a recurring basis consists of the following:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
December 31, 2023			
Mutual funds			
International equity	**$ 2,414,521**	**$ -**	**$ -**
Equity value	**4,277,539**	**-**	**-**
Equity growth	**4,289,510**	**-**	**-**
Fixed income	**7,389,936**	**-**	**-**
Private equity fund	**-**	**-**	**200,647**
	$ 18,371,506	**$ -**	**$ 200,647**
December 31, 2022			
Mutual funds			
International equity	$ 2,396,340	$ -	$ -
Equity value	4,142,219	-	-
Equity growth	3,834,491	-	-
Fixed income	7,338,302	-	-
Private equity fund	-	-	75,000
	$ 17,711,352	$ -	$ 75,000

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

For the years ended December 31,	**2023**	2022
Balance, January 1,	**$ 75,000**	$ -
Purchases	**100,000**	75,000
Investment earnings	**25,647**	-
Balance, December 31,	**$ 200,647**	$ 75,000

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31,	Useful Lives	**2023**	2022
Buildings and improvements	20-40	**$ 13,720,752**	$ 13,720,752
Equipment and fixtures	3-20	**1,787,018**	1,771,604
		15,507,770	15,492,356
Less: accumulated depreciation		**(1,913,982)**	(1,401,174)
Total property and equipment, net		**$ 13,593,788**	$ 14,091,182

Depreciation expense for the years ended December 31, 2023 and 2022 totaled $512,808 and $519,241, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

December 31,	**2023**	2022
Subject to expenditures for specific purpose		
THI		
Program activities		
Audiology services	**$ 128,000**	$ 50,000
Time restriction	**-**	25,000
Other	**110,000**	32,782
The Foundation		
Frank Webb fund for the Melinda Webb School	**536,429**	560,852
Perpetual in nature	**4,105,825**	4,105,825
Total net assets with donor restrictions	**$ 4,880,254**	$ 4,774,459

NOTE 8: DESIGNATED NET ASSETS

As of December 31, 2023 and 2022, the Foundation's Board of Trustees had designated $1,397,748 and $1,368,824 respectively, as an operating reserve.

NOTE 9: ENDOWMENT

The Foundation has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The Foundation is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the State of Texas. The management of the Foundation has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as net assets with donor restriction - held in perpetuity (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulation to the donor restricted endowment made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions – perpetual in nature is available for expenditure and appropriated by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Foundation considers the following factors in making determination to appropriate accumulated donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies and objectives of the Foundation

The primary investment objectives of the endowment funds are to preserve the purchasing power of the endowment funds for future generations, to provide a stream of income of 6% of the value of the endowment funds (based on a three-year rolling average of market values at December 31) on an annual basis to fund operations of THI, as needed. THI did not receive any distributions from the Foundation for the years ended December 31, 2023 and 2022, respectively. The Board of Trustees of the Foundation selects professional asset managers to achieve these objectives.

NOTE 9: ENDOWMENT (Continued)

Endowment funds by net asset classification are as follows:

December 31,	**2023**	2022
Net assets without donor restrictions - board designated quasi-endowment	**$ 10,857,418**	$ 9,604,915
Donor restricted endowment funds		
Original donor-restricted gift amount required to be retained in perpetuity	**4,105,825**	4,105,825
	$ 14,963,243	$ 13,710,740

Changes in endowment net assets are as follows:

	Board Designated Quasi-Endowment	Amount Held in Perpetuity	Total
Endowment Net Assets, December 31, 2021	$ 9,830,030	$ 4,105,825	$ 13,935,855
Transfer of funds from THI to the Foundation	1,937,057	-	1,937,057
Investment return			
Investment income	667,820	-	667,820
Net depreciation	(2,778,087)	-	(2,778,087)
Amounts appropriated for expenditures	(51,905)	-	(51,905)
Endowment Net Assets, December 31, 2022	$ 9,604,915	$ 4,105,825	$ 13,710,740
Transfer of funds from THI to the Foundation	(41,035)	-	(41,035)
Investment return			
Investment income	651,104	-	651,104
Net appreciation	1,417,434	-	1,417,434
Amounts appropriated for expenditures	(775,000)	-	(775,000)
Endowment Net Assets, December 31, 2023	**$ 10,857,418**	**$ 4,105,825**	**$ 14,963,243**

Note 10: CONCENTRATIONS

Financial instruments that are exposed to concentration of credit risk consist of cash and cash equivalents, investments and receivables. The Organization did not have cash deposits over the federally insured limits as of December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, one donor accounted for 34% and two donors accounted for 68%, respectively, of total contributions.

As of December 31, 2023 and 2022, three donors accounted for 79% and two donors accounted for 61%, respectively, of outstanding promises to give.

NOTE 11: RETIREMENT PLAN

THI has a defined contribution plan covering substantially all of its employees who have completed one year of service. The employees may select from funding options in either the Teachers' Insurance Annuity Association or College Retirement Equities Fund (TIAA-CREF). Each Employee establishes a personal account with TIAA-CREF into which THI deposits the equivalent of 5% of the employee's regular salary. In addition, the employee may make contributions to their account. Annual contributions are limited pursuant to Section 403(b) of the Internal Revenue Code of 1986. The accounts are managed by TIAA-CREF and the employee designates how the funds in their account are invested. Contributions under this plan expensed by THI for the years ended December 31, 2023 and 2022, were $137,613 and $129,009, respectively.

NOTE 12: LEASES

THI has a written ground lease agreement with The Texas Medical Center (TMC) for the site location where its facility is located. The lease payment is $1 per year for a period of 50 years. Due to the nature and terms of this lease it does not fall under the guidance of ASC 842. The agreement also includes charges for shared common area assessments. Expenses related to these assessments totaled $149,107 and $179,019 for the years ended December 31, 2023 and 2022, respectively.

THI has subleased a portion of its facility to Texas Children's Hospital, which commenced on January 1, 2021 and expires on December 31, 2030, and recorded $90,000 in rental income for the years ended December 31, 2023 and 2022, respectively.

Rental income to be recognized under this sub-lease is as follows:

For the years ending December 31,		
2024	$	66,245
2025		67,569
2026		68,917
2027		70,291
2028		71,714
Thereafter		147,747
Total	$	492,483