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

COMBINED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Table of Contents

	Pag
REPORT	
Independent Auditor's Report	1
COMBINED FINANCIAL STATEMENTS	
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statements of Functional Expenses	5
Combined Statements of Cash Flows	7
Notes to Combined Financial Statements	8



Carr, Riggs & Ingram, L.L.C. Two Riverway 15th Floor Houston, TX 77056

713.621.8090 713.621.6907 (fax) CRIadv.com

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, 2024 and 2023, 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, 2024 and 2023, 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.

Houston, Texas

September 25, 2025

arr, Riggs & Ungram, L.L.C.

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

December 31,		2024		2023
Assets				
Current assets				
Cash and cash equivalents	\$	745,720	\$	262,722
Restricted cash and cash equivalents	Y	743,720	Y	7,406
Program service fees receivable, net of allowance for credit		_		7,400
losses of \$552,839 and \$489,106 for 2024 and 2023, respectively		1,078,268		725,741
Promises to give - current		468,822		447,843
Rent receivable		826		15,097
Prepaid expenses		77,729		73,431
Ттерани ехрепаса		77,725		73,431
Total current assets		2,371,365		1,532,240
Non-current assets				
Investments		20,474,550		18,572,153
Long-term promises to give, net		105,698		205,697
Employee Retention Credits receivable		701,873		701,873
Property and equipment, net		13,348,143		13,593,788
Total non-current assets		34,630,264		33,073,511
Total assets	\$	37,001,629	\$	34,605,751
Liabilities and Net Assets				
Current liabilities			_	
Accounts payable and accrued liabilities	\$	399,199	\$	392,825
Deferred revenue		129,486		165,686
Total current liabilities		528,685		558,511
Net assets				
Without donor restrictions		31,281,609		29,166,986
With donor restrictions		5,191,335		4,880,254
Total net assets		36,472,944		34,047,240
Total liabilities and net assets	\$	37,001,629	\$	34,605,751

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

For the years ended December 31,	2024			2023				
	Without donor	Without donor With donor		Without donor	With donor			
	restrictions	restrictions	Total	restrictions	restrictions	Total		
Revenue and Other Support								
Tuition and fees for services, net	\$ 2,975,984	\$ -	\$ 2,975,984	\$ 2,573,366	\$ -	\$ 2,573,366		
Special events	1,147,174	-	1,147,174	799,930	-	799,930		
Special events - contributions of non-financial assets	63,910	-	63,910	88,870	-	88,870		
United Way	144,088	-	144,088	144,088	-	144,088		
Contributions	3,640,673	595,936	4,236,609	1,396,359	238,000	1,634,359		
Investment return, net	2,007,603	53,145	2,060,748	2,457,950	76,128	2,534,078		
Rent revenue	100,351	-	100,351	90,000	-	90,000		
Other income	50,637	-	50,637	52,931	-	52,931		
Net assets released from restrictions	338,000	(338,000)	-	208,333	(208,333)	-		
Total revenue and other support	10,468,420	311,081	10,779,501	7,811,827	105,795	7,917,622		
Expenses								
Program services								
Education and daycare	2,305,723	-	2,305,723	2,412,402	-	2,412,402		
Social worker	169,323	-	169,323	208,865	-	208,865		
Speech pathology	1,763,675	-	1,763,675	1,650,444	-	1,650,444		
Audiology	2,614,864	-	2,614,864	2,461,547	-	2,461,547		
Community relations	300,289	-	300,289	303,017	-	303,017		
Total program services	7,153,874	-	7,153,874	7,036,275	-	7,036,275		
Supporting services								
Development	524,823	-	524,823	471,073	-	471,073		
Management and general	675,100	-	675,100	691,219	-	691,219		
Total supporting services	1,199,923	-	1,199,923	1,162,292	-	1,162,292		
Total expenses	8,353,797	-	8,353,797	8,198,567	-	8,198,567		
Change in net assets	2,114,623	311,081	2,425,704	(386,740)	105,795	(280,945)		
Net assets, beginning of year, before adoption of ASC 326	-	-	-	29,618,330	4,774,459	34,392,789		
Impact of adoption of ASC 326				(64,604)		(64,604)		
Net assets, beginning of year, after adoption of ASC 326	29,166,986	4,880,254	34,047,240	29,553,726	4,774,459	34,328,185		
Net assets, end of year	\$ 31,281,609	\$ 5,191,335	\$ 36,472,944	\$ 29,166,986	\$ 4,880,254	\$ 34,047,240		

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

For the year ended December 31, 2024

	Program Services					Supporting Services						
	Education and		Social	Speech		Community	Pro	rograms		Management	Supporting	•
		Daycare	Worker	Pathology	Audiology	Relations	Sı	ubtotal	Development	and General	Subtotal	2024 Total
Salaries and wages	\$	1,295,647	\$ 110,451	\$ 1,245,359	\$ 1,233,247	\$ 144,007	\$ 4	4,028,711	\$ 98,565	\$ 321,033	\$ 419,598	\$ 4,448,309
Employee benefits and												
payroll taxes		293,914	22,832	258,631	237,577	39,218		852,172	19,899	35,831	55,730	907,902
Total salaries and related												
benefits		1,589,561	133,283	1,503,990	1,470,824	183,225	4	4,880,883	118,464	356,864	475,328	5,356,211
Building insurance		47,273	2,058	10,368	19,452	4,135		83,286	2,187	6,488	8,675	91,961
Building maintenance		164,572	8,512	41,060	69,954	15,465		299,563	9,512	41,359	50,871	350,434
Conferences and conventions		4,612	200	775	4,299	250		10,136	1,121	74	1,195	11,331
Equipment repair,												
maintenance, and rental		5,083	228	1,539	34,011	750		41,611	236	4,698	4,934	46,545
Hearing devices		-	-	-	265,268			265,268	-	-	-	265,268
Occupancy		30,938	1,978	8,230	13,733	2,938		57,817	2,727	5,078	7,805	65,622
Organization dues		4,575	-	4,175	4,521	1,571		14,842	3,000	4,329	7,329	22,171
Other		22,528	1,093	6,378	16,450	610		47,059	9,706	1,831	11,537	58,596
Postage and shipping		2,197	96	482	1,114	192		4,081	3,210	302	3,512	7,593
Printing and publications		3,868	237	947	3,170	3,228		11,450	4,095	553	4,648	16,098
Professional fees		126,544	7,294	107,799	192,674	62,854		497,165	131,383	211,190	342,573	839,738
Protocols		2,991	-	5,667	-	-		8,658	-	-	-	8,658
Special events - venue and related costs		-	-	-	-	-		-	225,775	-	225,775	225,775
Supplies		18,277	522	10,051	5,548	694		35,092	384	1,358	1,742	36,834
Telephone		12,308	673	4,012	5,156	1,199		23,348	703	1,719	2,422	25,770
Travel		5,239	1,629	128	6,476	36		13,508	91	1,731	1,822	15,330
Provision for credit losses		-	-	-	380,924	-		380,924	-	-	-	380,924
Total expenses before												
depreciation		2,040,566	157,803	1,705,601	2,493,574	277,147	6	6,674,691	512,594	637,574	1,150,168	7,824,859
Depreciation		265,157	11,520	58,074	121,290	23,142		479,183	12,229	37,526	49,755	528,938
Total functional expenses	\$	2,305,723	\$ 169,323	\$ 1,763,675	\$ 2,614,864	\$ 300,289	\$ 7	7,153,874	\$ 524,823	\$ 675,100	\$ 1,199,923	\$ 8,353,797

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

		P	rogram Servic	es				Supporting Services						
	Education and	Social	Speech		Со	mmunity	Programs			Ma	inagement	Supporti	ng	
	Daycare	Worker	Pathology	Audiology	R	elations	Subtotal	Dev	elopment	an	d General	Subtota	ıl	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	\$ 335,7	'84	\$ 4,307,993
Employee benefits and payroll taxes	312,760	23,228	241,403	203,005		35,829	816,225		13,789		65,114	78,9	03	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	414,6	87	5,203,121
Building insurance	67,842	2,869	14,454	27,117		5,764	118,046		3,047		12,281	15,3	328	133,374
Building maintenance	162,020	7,706	39,772	67,765		14,697	291,960		8,386		39,349	47,7	'35	339,695
Conferences and conventions Equipment repair,	6,361	35	1,721	5,297		800	14,214		629		7,774	8,4	103	22,617
maintenance, and rental	8,977	251	708	34,248		458	44,642		258		8,051	8,3	809	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	9,4	123	73,032
Organization dues	3,358	-	3,759	6,784		849	14,750		-		2,569	2,5	69	17,319
Other	39,761	845	3,585	24,574		260	69,025		9,229		19,858	29,0	87	98,112
Postage and shipping	1,668	93	366	878		194	3,199		3,178		379	3,5	57	6,756
Printing and publications	3,945	241	1,073	1,990		5,128	12,377		1,159		722	1,8	881	14,258
Professional fees	144,805	6,110	89,391	221,450		62,837	524,593		131,630		246,134	377,7	'64	902,357
Protocols	934	-	4,746	-		-	5,680		-		-		-	5,680
Special events - venue and related costs	-	-	-	-		-	-		188,805		-	188,8	805	188,805
Supplies	28,399	695	14,529	9,584		400	53,607		416		2,345	2,7	61	56,368
Telephone	11,737	685	3,229	5,002		1,184	21,837		706		2,463	3,1	.69	25,006
Travel	8,528	604	1,235	8,353		-	18,720		408		100	5	808	19,228
Bad debt	-	-	-	282,380		-	282,380		-		-		-	282,380
Total expenses before depreciation and amortization	2,148,767	197,378	1,592,599	2,353,088		279,941	6,571,773		458,971		655,015	1,113,9	986	7,685,759
Depreciation	263,635	11,487	57,845	108,459		23,076	464,502		12,102		36,204	48,3	806	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	\$ 1,162,2	92	\$ 8,198,567

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,		2024		2023
Operating activities				
Operating activities Changes in not assets	\$	2,425,704	ç	(24E E40)
Changes in net assets	Þ	2,425,704	Ş	(345,549)
Adjustments to reconcile changes in net assets to				
cash provided by (used in) operating activities		200.024		202 200
Credit loss expense		380,924		282,380
Discount on promises to give		- (4 420 500)		(29,584)
Net realized and unrealized gains on marketable securities		(1,439,589)		(1,749,699)
Depreciation		528,938		512,808
Changes in operating assets and liabilities		(200 424)		(400 445)
Program service fees receivable		(733,451)		(198,115)
Promises to give, net		79,020		353,551
Rent receivable		14,271		3,993
Prepaid expenses		(4,298)		75,366
Accounts payable and accrued liabilities		6,374		122,989
Deferred revenue		(36,200)		150,516
Net cash provided by (used in) operating activities		1,221,693		(821,344)
Investing activities				
Purchase of property and equipment		(283,293)		(15,414)
Purchases of investments		(19,461,103)		(2,454,823)
Proceeds from sales of investments		18,998,295		3,418,721
Net cash provided by (used in) investing activities		(746,101)		948,484
Net change in cash and cash equivalents		475,592		127,140
Cash and cash equivalents at beginning of year		270,128		142,988
Cash and cash equivalents at end of year	\$	745,720	\$	270,128
Presented on Statement of Financial Position as:				
Cash and cash equivalents	\$	745,720	\$	262,722
Restricted cash and cash equivalents		<u> </u>	_	7,406
Cash and cash equivalents, at end of year	\$	745,720	\$	270,128

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.

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. The Organization has elected a practical expedient that presumes current conditions will remain unchanged over the asset's remaining life. 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, 2024 and 2023, 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, 2024 and 2023 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, 2024, 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 statements 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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, 2024 and 2023.

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, 2024 and 2023 was \$168,453 and \$108,250, 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, 2024 and 2023 included \$81,500 and \$127,348, respectively, for events set to occur in the following year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

<u>Program Service Fees</u>

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 \$574,270 and \$552,307, respectively, and amounts recognized for fees for services totaled \$2,401,714 and \$2,021,059, respectively, in the combined statements of activities for the years ended December 31, 2024 and 2023.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

Contract balances are as follows:

December 31,	2024	2023
Receivables from contracts, beginning of year	\$ 725,741	\$ 810,006
Receivables from contracts, end of year	\$ 1,078,268	\$ 725,741
Deferred revenue, beginning of year	\$ 38,338	\$ 15,170
Deferred revenue, end of year	\$ 47,986	\$ 38,338

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 \$826 and \$15,097 as of December 31, 2024 and 2023, 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 \$63,910 and \$88,870 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the date the combined financial statements were available for issuance on September 25, 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.

Recently Adopted Accounting Pronouncements

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.

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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

In July 2025, the FASB issued ASU 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Accounts Receivable and Contract Assets. Under the amendments of this ASU, entities may elect a practical expedient that assumes that conditions as of the statement of financial position date do not change for the remaining life of the assets and (2) an entity that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the statement of financial position date when estimating expected credit losses for current accounts receivable and contract assets arising from transactions accounted for under FASB ASC 606, Revenue from Contracts with Customers. The Organization adopted the available practical expedient available under ASU 2025-05 on January 1, 2024.

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,	2024	2023
Total assets at year end	\$ 37,001,629	\$ 34,605,751
Less non-financial assets		
Prepaid expenses	(77,729)	(73,431)
Property and equipment, net	(13,348,143)	(13,593,788)
Financial assets at year-end	23,575,757	20,938,532
Less those unavailable for general expenditures within one year, due to: contractual or donor-imposed restrictions:		
Long-term promises to give, net	(105,698)	(205,697)
Employer retention credits	(701,873)	(701,873)
Investments held with donor-imposed restrictions	(490,125)	(536,429)
Investments held in donor-restricted endowment fund	(4,105,825)	(4,105,825)
Board designation - investments held for long-term use	(1,546,982)	(1,397,748)
Board designation - quasi-endowment fund,		
primarily for long-term investing	(13,826,469)	(10,857,418)
Financial access available to make each pands for ganeral		
· · · · · · · · · · · · · · · · · · ·	\$ 2.798.785	\$ 3,133,542
Investments held with donor-imposed restrictions Investments held in donor-restricted endowment fund Board designation - investments held for long-term use Board designation - quasi-endowment fund,	(490,125) (4,105,825) (1,546,982)	(536,42 (4,105,82 (1,397,74 (10,857,41

NOTE 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY (Continued)

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.

THI's Board-designated endowment of \$13,826,469 and \$10,857,418 as of December 31, 2024 and 2023, respectively, is subject to an annual spending rate of 6% as described in Note 9. In addition, as of December 31, 2024 and 2023, the Foundation's Board of Trustees had designated \$1,546,982 and \$1,397,748, 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,		2024	2023
Program service fees receivables	\$	1,631,107	\$ 1,214,847
Less allowance for credit losses	•	(552,839)	(489,106)
Program service fees receivable, net	\$	1,078,268	\$ 725,741
Changes in the allowance for credit losses were as follows:			
For the years ended December 31,		2024	2023
Balance, beginning of year Impact of the adoption of the new credit loss standard	\$	489,106 -	\$ 263,606 64,604
Provisions Write offs not of recoveries		444,657	443,276
Write-offs, net of recoveries		(380,924)	(282,380)
Balance, end of year	\$	552,839	\$ 489,106

NOTE 4: RECEIVABLES (Continued)

Promises to give consist of the following:

December 31,		2024	2023
Less than one year	\$	468,822 \$	447,843
One to five years	•	125,000	224,999
Total promises to give		593,822	672,842
Discounted at 3%		(19,302)	(19,302)
Promises to give, net	\$	574,520 \$	653,540

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, 2024 and 2023.

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.

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

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:

	Quote	ed Market Prices	Other	Und	bservable
	in A	ctive Markets	Observable Inp	uts	Inputs
		(Level 1)	(Level 2)	(Level 3)
December 31, 2024					
Mutual funds					
International equity	\$	3,067,354	\$	- \$	-
Equity growth		11,523,930		-	-
Fixed income		5,502,815		-	-
Private equity fund		-		-	380,451
	\$	20,094,099	\$	- \$	380,451
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

NOTE 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

For the years ended December 31,	2024		2023
Balance, January 1, Purchases	\$ 200,6 ⁴ 150,00	0	75,000 100,000
Investment earnings	29,80		25,647
Balance, December 31,	\$ 380,45	1 \$	200,647

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, 2024 and 2023, 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	2024	2023
Buildings and improvements	20-40	\$ 13,964,752	13,720,752
Equipment and fixtures	3-20	1,826,311	1,787,018
		15,791,063	15,507,770
Less: accumulated depreciation		(2,442,920)	(1,913,982)
Total property and equipment, net		\$ 13,348,143	13,593,788

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$528,938 and \$512,808, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

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

December 31,	2024	2023
Subject to expenditures for specific purpose		
THI		
Program activities		
Audiology services	\$ 421,574	\$ 128,000
Time restriction	98,811	-
Other	75,000	110,000
The Foundation		
Frank Webb fund for the Melinda Webb School	490,125	536,429
Perpetual in nature	4,105,825	4,105,825
Total net assets with donor restrictions	\$ 5,191,335	\$ 4,880,254

NOTE 8: DESIGNATED NET ASSETS

As of December 31, 2024 and 2023, the Foundation's Board of Trustees had designated \$1,546,982 and \$1,397,748 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.

NOTE 9: ENDOWMENT (Continued)

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, 2024 and 2023, respectively. The Board of Trustees of the Foundation selects professional asset managers to achieve these objectives.

Endowment funds by net asset classification are as follows:

December 31,	2024	2023
Net assets without donor restrictions - board designated quasi-endowment Donor restricted endowment funds	\$ 13,826,469	\$ 10,857,418
Original donor-restricted gift amount required to be		
retained in perpetuity	4,105,825	4,105,825
	\$ 17,932,294	\$ 14,963,243

Changes in endowment net assets are as follows:

		ard Designated asi-Endowment		mount Held Perpetuity	Total
Endowment Net Assets, December 31, 2022	\$	9,604,915	\$		\$ 13,710,740
Transfer of funds from THI to the Foundation Investment return	Ψ	(41,035)	Ψ	-	(41,035)
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
Transfer of funds from THI to the Foundation		1,710,712		-	1,710,712
Investment return					
Investment income		561,225		-	561,225
Net appreciation		1,197,114		-	1,197,114
Amounts appropriated for expenditures		(500,000)		-	(500,000)
Endowment Net Assets, December 31, 2024	\$	13,826,469	\$	4,105,825	\$ 17,932,294

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, 2024 and 2023.

For the years ended December 31, 2024 and 2023, one donor accounted for 64% and 34%, respectively, of total contributions.

As of December 31, 2024 and 2023, one donor accounted for 35% and three donors accounted for 79%, 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, 2024 and 2023, were \$173,544 and \$137,613, 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 \$158,139 and \$149,107 for the years ended December 31, 2024 and 2023, 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 \$100,351 and \$90,000 in rental income for the years ended December 31, 2024 and 2023, respectively.

NOTE 12: LEASES (Continued)

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

For the years ending December	31.	
-------------------------------	-----	--

\$ 67,569
68,917
70,291
71,714
73,137
74,610
\$ 426,238