

Halo House Foundation

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

Halo House Foundation

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Independent Auditors' Report

To the Board of Directors of
Halo House Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Halo House Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Halo House Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Halo House Foundation 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halo House Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Halo House Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

May 17, 2023

Halo House Foundation

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

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 2,997,350	\$ 2,330,453
Certificate of deposit	5,066,017	5,021,049
Contributions receivable	78,600	10,000
Prepaid assets	2,338	1,561
Property and equipment, net (<i>Note 3</i>)	<u>8,362,509</u>	<u>8,814,118</u>
TOTAL ASSETS	<u>\$ 16,506,814</u>	<u>\$ 16,177,181</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	\$ <u>13,917</u>	\$ <u>13,455</u>
Net assets:		
Without donor restrictions	13,530,030	13,035,623
With donor restrictions – unamortized contributed use of land	<u>2,962,867</u>	<u>3,128,103</u>
Total net assets	<u>16,492,897</u>	<u>16,163,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,506,814</u>	<u>\$ 16,177,181</u>

See accompanying notes to financial statements.

Halo House Foundation

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 537,352	\$ 15,000	\$ 552,352
Special events	484,717		484,717
Proceeds from contributed auction items <i>(Note 4)</i>	77,000		77,000
Direct donor benefit costs	(70,589)		(70,589)
Rental income	317,904		317,904
Interest income	46,126		46,126
Total revenue	1,392,510	15,000	1,407,510
Net assets released from restrictions:			
Amortization of contributed use of land	165,236	(165,236)	
Program support	15,000	(15,000)	
Total	1,572,746	(165,236)	1,407,510
EXPENSES:			
Program services	907,586		907,586
Management and general	108,644		108,644
Fundraising	62,109		62,109
Total expenses	1,078,339		1,078,339
CHANGES IN NET ASSETS	494,407	(165,236)	329,171
Net assets, beginning of year	13,035,623	3,128,103	16,163,726
Net assets, end of year	\$ 13,530,030	\$ 2,962,867	\$ 16,492,897

See accompanying notes to financial statements.

Halo House Foundation

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 418,508	\$ 25,000	\$ 443,508
Special events	377,212		377,212
Direct donor benefit costs	(47,952)		(47,952)
Rental income	319,088		319,088
Interest income	12,963		12,963
Total revenue	1,079,819	25,000	1,104,819
Net assets released from restrictions:			
Amortization of contributed use of land	161,032	(161,032)	
Program support	25,000	(25,000)	
Total	1,265,851	(161,032)	1,104,819
EXPENSES:			
Program services	842,504		842,504
Management and general	119,858		119,858
Fundraising	55,605		55,605
Total expenses	1,017,967		1,017,967
CHANGES IN NET ASSETS	247,884	(161,032)	86,852
Net assets, beginning of year	12,787,739	3,289,135	16,076,874
Net assets, end of year	\$ 13,035,623	\$ 3,128,103	\$ 16,163,726

See accompanying notes to financial statements.

Halo House Foundation

Statements of Functional Expenses for the years ended December 31, 2022 and 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL EXPENSES
Depreciation and amortization	\$ 429,029	\$ 13,548	\$ 9,032	\$ 451,609
Salaries and related costs	177,754	58,993	33,867	270,614
Utilities	87,016	2,226	1,278	90,520
Transportation	67,449			67,449
Repairs and maintenance	56,178			56,178
Insurance	46,355			46,355
Supplies and equipment	24,020	1,616	11,775	37,411
Professional fees and contract services	10,138	23,076	1,788	35,002
Bank and credit card fees		5,983		5,983
Other	9,647	3,202	4,369	17,218
Total expenses	<u>\$ 907,586</u>	<u>\$ 108,644</u>	<u>\$ 62,109</u>	1,078,339
Direct donor benefit costs				<u>70,589</u>
Total				<u>\$ 1,148,928</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021 TOTAL EXPENSES
Depreciation and amortization	\$ 425,035	\$ 13,422	\$ 8,948	\$ 447,405
Salaries and related costs	164,113	71,116	38,293	273,522
Utilities	84,032	1,933	1,042	87,007
Transportation	59,940			59,940
Repairs and maintenance	44,520			44,520
Insurance	39,382			39,382
Supplies and equipment	14,700	1,266	3,908	19,874
Professional fees and contract services	2,415	20,705	564	23,684
Bank and credit card fees		6,244		6,244
Other	8,367	5,172	2,850	16,389
Total expenses	<u>\$ 842,504</u>	<u>\$ 119,858</u>	<u>\$ 55,605</u>	1,017,967
Direct donor benefit costs				<u>47,952</u>
Total				<u>\$ 1,065,919</u>

See accompanying notes to financial statements.

Halo House Foundation

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

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 329,171	\$ 86,852
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	451,609	447,405
Changes in operating assets and liabilities:		
Contributions receivable	(68,600)	29,367
Prepaid assets	(777)	14,975
Accounts payable and other accrued liabilities	<u>462</u>	<u>(6,269)</u>
Net cash provided by operating activities	<u>711,865</u>	<u>572,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificate of deposit	<u>(44,968)</u>	<u>(12,673)</u>
NET CHANGE IN CASH	666,897	559,657
Cash, beginning of year	<u>2,330,453</u>	<u>1,770,796</u>
Cash, end of year	<u>\$ 2,997,350</u>	<u>\$ 2,330,453</u>

See accompanying notes to financial statements.

Halo House Foundation

Notes to Financial Statements for the years ended December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Halo House Foundation (the Foundation) is a Texas nonprofit corporation. The mission of the Foundation is to help save the lives of cancer patients battling leukemia, lymphoma or myeloma by providing them with fully furnished temporary housing at a very low cost while they are undergoing active treatment for their cancer in Texas Medical Center member institutions. The Foundation owns and operates a facility with 29 one-bedroom apartments and 4 two-bedroom apartments in the Texas Medical Center (TMC) in Houston, Texas. Each apartment is fully furnished and includes a washer/dryer, cable TV and WiFi, pots and pans, linens, and towels. A 12 hour per day/5 days a week shuttle service is provided free of charge to guests so that they may easily travel from their apartment to TMC for treatment. Other amenities include a state-of-the-art Fitness Center, Community Center, Chapel, and beautiful meditative gardens.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Certificate of deposit is a bank time deposit with an original maturity of greater than three months and is reported at face value plus accrued interest.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. At December 31, 2022, all contributions receivable are due within one year.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. The Foundation capitalizes property and equipment that have a cost or fair value of \$10,000 or greater and an estimated useful life of more than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 8 to 35 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before

the Foundation is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Special events revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Rental income is recognized in the period of occupancy.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building and improvements and occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 2,997,350	\$ 2,330,453
Certificate of deposit	5,066,017	5,021,049
Contributions receivable	<u>78,600</u>	<u>10,000</u>
Total financial assets	8,141,967	7,361,502
Less financial assets not available for general expenditure:		
Board-designated reserve funds for maintenance and future capital projects	<u>(2,536,564)</u>	<u>(1,755,864)</u>
Total financial assets available for general expenditure	<u>\$ 5,605,403</u>	<u>\$ 5,605,638</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers liquidation of liabilities and future expenditures related to its ongoing activities of providing fully furnished housing for cancer patients being treated in TMC member institutions, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Board of Directors (the Board) has designated a portion of its resources without donor restrictions to be used for maintenance and future capital projects. While the Board does not intend to use these financial assets for general expenditures in the next 12 months, these funds remain available to be spent at the discretion of the Board.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Apartment building	\$ 4,619,086	\$ 4,619,086
Contributed use of land	3,817,231	3,817,231
Major equipment, landscape, and grounds	1,074,516	1,074,516
Appliances	469,786	469,786
Furnishings and office equipment	<u>286,288</u>	<u>286,288</u>
Total property and equipment, at cost	10,266,907	10,266,907
Accumulated depreciation and amortization	<u>(1,904,398)</u>	<u>(1,452,789)</u>
Property and equipment, net	<u>\$ 8,362,509</u>	<u>\$ 8,814,118</u>

In 2017, the Foundation entered into a lease for the use of land on which the apartment complex was constructed for a nominal cost. The initial term of the lease is 20 years with contingent options to renew for up to 30 additional years. If at any time the Foundation ceases to use the property for providing low-cost housing primarily to cancer patients, the Foundation would be required to pay a market lease rate. The Foundation intends to continue using the property for the specified purpose for at least 20 years. The present value of the contributed use of land for the initial lease term was estimated using a risk-free interest rate of 2.58% and is being amortized over 20 years.

NOTE 4 – CONTRIBUTED NONFINANCIAL ASSETS

The Foundation recognized \$77,000 from donated auction items during the year ended December 31, 2022. Items donated to be auctioned to raise funds at fundraising events are valued using the auction price received.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.