

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Annual Financial Report

For the Year Ended December 31, 2024

**Tomball Hospital Authority dba
Tomball Regional Health Foundation**
Year Ended December 31, 2024
Table of Contents

Page

Financial Section

Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	9

Basic Financial Statements

Governmental Fund Balance Sheet / Statement of Net Position	18
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities.....	19
Notes to the Basic Financial Statements	21

This Page Intentionally Left Blank

Financial Section

This Page Intentionally Left Blank

Independent Auditor's Report

To the Board of Directors of
Tomball Hospital Authority
dba Tomball Regional Health Foundation

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of Tomball Hospital Authority dba Tomball Regional Health Foundation (Authority), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Tomball Hospital Authority dba Tomball Regional Health Foundation, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 auditor's report that includes our opinions. 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 GAAS 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 GAAS, 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 the Authority'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 the Authority'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
March 25, 2025

This Page Intentionally Left Blank

Management's Discussion and Analysis (Unaudited)

This Page Intentionally Left Blank

Management's Discussion and Analysis (Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Tomball Hospital Authority dba Tomball Regional Health Foundation (the Authority) provides an overview of the Authority's financial and program activities for the year ended December 31, 2024. It is intended to serve as an introduction to the basic financial statements which follow this section. Please read it in conjunction with those statements.

During the fiscal year ending June 30, 2012, the Authority ceased operating a hospital or providing direct healthcare to residents within our community. The Authority's sole source of revenue is investment income from the Authority's investment portfolio resulting from the sale of the previously operated hospital. Its Mission Statement is "To promote wellness and improve health status for all residents in our communities through programs that enhance access to healthcare, preventative care and health education." We desire to create a partnership with our community and local organizations that serve healthcare and healthcare related educational needs. That desire is accomplished by funding various projects within our community that fit our mission and values.

Tomball Hospital Authority is a separate and distinct governmental entity, a political subdivision of the State of Texas, organized under Chapter 262 of the Texas Health and Safety Code. The Authority is not a 501(c)(3). Although not a "charity", the Authority strives to meet the same standards as set forth by the BBB Wise Giving Alliance and their accreditation standards. Of their 20 published standards, 5 of those standards address fundraising which the Authority does not do. Of the remaining 15 accreditation standards, we are in compliance with all 15 of those standards with at least 65% of our total expense being spent on projects. These Accreditation Standards can be found at <http://www.give.org/for-charities/How-We-Accredit-Charities/>.

In year ending 2023 and 2024, program fees were 85% and 85% of total operating expenses, respectively.

As stated above, revenue for the Authority is solely dependent upon investment performance. The primary expense of the Authority is program fees.

Financial Highlights

Total current assets increased for the year ending December 31, 2024, by \$16,047,622 or 13%. The overall increase in investments was primarily the result of the favorable performance of the investment portfolio. In August of 2015, the Board of Directors (the Board) approved an annual spend rate of 4% based on the rolling average of 12 quarters of quarterly market value of the investment portfolio. The Spending Policy was re-evaluated in September 2024 and the rolling average of the previous 8 quarters was determined to be \$122,144,362 yielding a 4% spend rate of \$4,885,774 and a quarterly withdrawal of up to \$1,221,444 to support projects and operations.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Authority presents its financial activities and financial position entirely through a set of combined government-wide and fund financial statements. These statements include the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities.

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, reports information on all of the *governmental activities* of the Authority.

The fund financial statements, which include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance, places an emphasis on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Authority does not report any non-major funds, and reports only one major governmental fund. The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities provide a reconciliation to facilitate this comparison between the general fund and governmental activities.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic financial statements. The Authority has prepared notes sufficient to provide the readers of these financial statements a clear picture of the Authority's financial position and insight into the results of its operations. These notes are in conformity with GAAP.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$142,029,106 at the close of the year ended as noted in Table A-1 below.

Tomball Hospital Authority dba Tomball Regional Health Foundation's Net Position

	December 31, 2024		December 31, 2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	\$ 563,703	-	\$ 397,780	-	\$ 165,923	42
Investments	140,663,676	99	124,775,940	99	15,887,736	13
Prepaid items and other	71,113	-	77,150	-	(6,037)	(8)
Total current assets	141,298,492		125,250,870		16,047,622	
Noncurrent assets						
Capital assets, net	1,678,659	1	1,210,390	1	468,269	39
Total assets	142,977,151	100	126,461,260	100	16,515,891	
Current liabilities						
Accounts payable	590,711	62	354,117	49	236,594	67
Accrued liabilities	4,983	1	-	-	4,983	-
Total current liabilities	595,694		354,117		241,577	
Long-term liabilities						
Estimated self-insurance - due in more than one year	352,351	37	362,213	51	(9,862)	(3)
Total liabilities	948,045	100	716,330	100	231,715	
Net position						
Net investment in capital assets	1,678,659	1	1,210,390	1	468,269	39
Unrestricted	140,350,447	99	124,534,540	99	15,815,907	13
Total net position	\$ 142,029,106	100	\$ 125,744,930	100	\$ 16,284,176	

The Authority's total assets of \$142,977,151 are largely comprised of current investments of \$140,663,676 or 99%. The Authority's investment income provides for program costs.

Accounts payable of \$590,711 comprise 62% of the Authority's total liabilities of \$948,045. Long-term liabilities are comprised of estimated self-insurance, \$352,351 or 37% of total liabilities, related to general and professional liability and workers' compensation. As of December 31, 2024, the Authority did not report a portion of estimated self-insurance as due within one year, which is generally included in current liabilities.

At December 31, 2024, the Authority's net position consisted primarily of unrestricted net position of \$140,350,447 which represents resources available to fund the services of the Authority next year.

The Authority's net position increased \$16,284,176 for the year ending December 31, 2024 from current operations as noted in Table A-2 below.

	Fiscal Year Ending 2024		Eighteen Months Ending 2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Investment income	\$ 19,896,788	100	\$ 23,972,606	100	\$ (4,075,818)	(17)
Total revenues	19,896,788	100	23,972,606	100	(4,075,818)	
Expenses						
Salaries and benefits	271,655	8	350,033	7	(78,378)	(22)
Purchased services and professional fees	146,719	4	196,215	4	(49,496)	(25)
Program fees	3,077,090	86	4,386,929	84	(1,309,839)	(30)
Supplies and other	101,063	2	169,311	3	(68,248)	(40)
Amortization expense	-	-	14,816	-	(14,816)	(100)
Insurance	16,415	-	80,331	2	(63,916)	(80)
Interest	-	-	34	-	(34)	(100)
Total expenses	3,612,942	100	5,197,669	100	(1,584,727)	
Excess (deficit) of revenues over expenses from continuing operations	16,283,846		18,774,937		(2,491,091)	
Discontinued operations						
Gain from discontinued operations	330		-		330	
Change in net position	16,284,176		18,774,937		(2,490,761)	
Beginning net position	125,744,930		106,969,993		18,774,937	
Ending net position	\$ 142,029,106		\$ 125,744,930		\$ 16,284,176	

The Authority's total revenues of \$19,896,788 were comprised of investment income related to increases in fair value of investments. Total expenses were \$3,612,942, which consisted primarily of salaries and benefits of \$271,655 or 8% of total expenses, and program fees of \$3,077,090, or 86% of total expenses.

Governmental Fund Financial Analysis

The focus of the Authority's general fund is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the Authority's net resources available for discretionary use as it represents a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Directors.

As of the end of the year, the Authority's general fund reported ending fund balance of \$140.7 million, an increase of \$15.8 million over the prior year due to favorable investment returns and adherence to the Authority's spending policy. Approximately 99.9% of this total amount, \$140.6 million, is unassigned fund balance and the remaining 0.1%, or \$0.1 million, is non-spendable fund balance.

Capital Assets

At the end of 2024, the Authority had invested \$1.7 million in capital assets, net of accumulated depreciation and amortization. Capital assets increased \$0.5 million due to the increase in construction in progress associated with the new administration building.

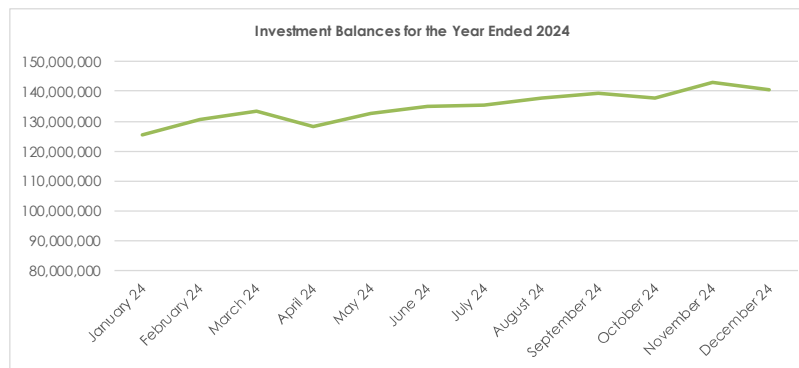
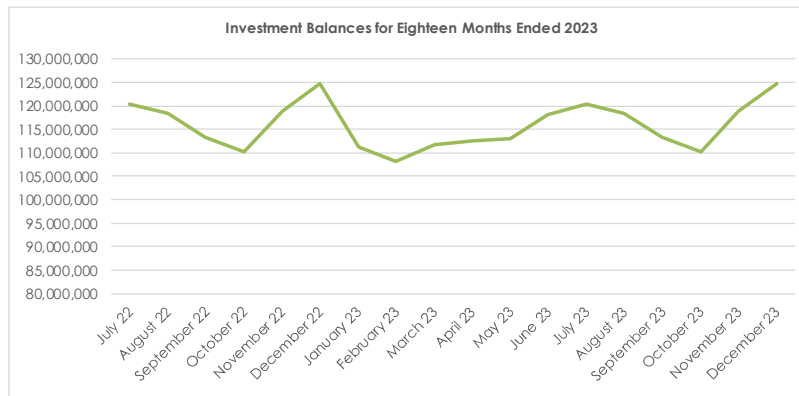
Investment Portfolio Performance

Investment performance for the year ended 2024 was steady but favorable to the portfolio due to market conditions as noted in Table A-3 below for period ending 2023 and 2024.

Month	2022	2023	2024
January		\$ 111,236,067	\$ 125,588,429
February		108,176,616	130,632,995
March		111,648,367	133,517,257
April		112,570,412	128,194,272
May		113,011,440	132,442,154
June		118,009,286	135,159,409
July	\$ 113,120,448	120,401,194	135,594,601
August	107,937,494	118,321,888	137,962,260
September	99,102,056	113,326,500	139,312,496
October	102,973,277	110,110,268	137,888,173
November	108,498,433	118,843,177	142,852,284
December	104,067,651	124,775,940	140,663,676

Table A-3

Tomball Hospital Authority dba Tomball Regional Health Foundation's Investment Portfolio Performance



Program Fees

The Authority spent \$3,077,090 and \$4,386,929 for year ending 2024 and eighteen months ended 2023, respectively, on the following programs:

Program Description	2024	2023
Northwest Assistance Ministry	\$ 380,128	\$ 412,592
TOMAGWA Health Care	350,568	979,114
PsychPlus Foundation	217,351	-
Tomball ISD	204,412	194,682
Inspiration Ranch	184,000	261,240
Meals on Wheels - Montgomery County	157,875	203,452
Shield Bearer Counseling Centers	134,000	130,750
JoyRide Center	115,100	80,311
The Way, Truth, and Life Outreach	101,600	101,979
Inspiring Possibilities	98,900	109,208
Tomball Pregnancy Center	98,570	108,000
Society of Samaritans	90,360	49,993
Cy-Hope	88,213	10,000
Tomball Emergency Assistance Ministries	86,549	121,945
U.S. Vets-Houston	68,715	-
Montgomery County Youth Services	68,000	102,767
American Heart Assoc	66,213	48,589
Texas Hearing Institute	66,196	30,489
Be An Angel, Inc.	60,000	55,000
Lone Star College Foundation	54,299	30,276
The Rose	50,000	75,000
AsSalam Clinic	40,000	41,250
Kailee Mills Foundation	28,000	25,000
Mosaics of Mercy	26,708	-
Boys & Girls Country	25,000	31,250
YMCA at Cypress Creek	25,000	20,000
Senior Rides and More	20,000	4,600
Families Feeding Families	20,000	32,550
Care Net Pregnancy Ctr	17,000	16,260
Reach Unlimited	14,991	5,550
Habitat for Humanity Montgomery County, TX	14,875	-
Ruby's Home for Good	14,000	5,760
ERJCC/Senior Companions	13,728	-
The Rescue for PTSD	11,600	-
Foundation for Autism Care, Education and Services	10,000	-
Family Ties, Family Resource Services	10,000	-
Raj Hope Foundation	10,000	-
City of Tomball	9,690	506,483
CASA Child Advocates of Montgomery County	8,133	10,000
Concordia Lutheran High School	7,250	29,581
Tomball Chamber Health & Wellness Alliance	5,000	18,869
Klein ISD	2,900	45,243
Northwest Community Health	1,364	-
Swim Safe Program	802	2,110
Camp Hope	-	180,320
An Nisa Hope Center	-	281,716
Beloved and Beyond	-	25,000
Total program fees	\$ 3,077,090	\$ 4,386,929
Monthly Average	\$ 256,424	\$ 243,718

Community Engagement

The Authority is making a concerted effort to identify the healthcare needs of the community and to collaborate with community partners to meet those needs. To that end, the Authority is actively participating in local Chambers of Commerce and other avenues within the communities we serve to be visible and approachable. The Authority has updated its website and is active on social media with a presence on Facebook and Instagram. In addition, TRHF holds quarterly roundtable events to help local non-profit organizations and community leaders better understand each other's role in the community and how to work together to improve the healthcare of the communities we serve. Future events will be held at our administrative building and learning center to expand our community engagement.

Construction of the Administrative Building and Learning Center

It has long been the desire of the Tomball Hospital Authority to develop the approximately 5.5 acres that it owns on Medical Complex Drive in Tomball to provide administrative offices for the Authority and benefit the health and wellness of area residents. On February 7, 2024, the board met to discuss how to best utilize the property. Out of that discussion, the board voted to hire Scott Clanton with MG Architects to begin the design of the building and surrounding grounds on Medical Complex Drive. CEO Jeffrey Klein and board chairman, Jim Ross were asked to work with MG Architects on a plan for the property and building. After working diligently with MG Architects and asking for requests for proposals from qualified construction firms, the design team narrowed the list of possible construction partners to two well-qualified construction firms. At a special meeting on August 8, 2024, the board authorized the CEO to begin negotiations with Paradigm Construction of Tomball as the first choice to build the new administrative building and learning center and develop the surrounding grounds into a wellness park. On September 17, 2024, the CEO signed a contract with Paradigm Construction as the Design-Builder of the project. A groundbreaking ceremony was held on November 5, 2024, and design and engineering plans were finalized in December. Site development for the project began the first week of 2025.

Fiduciary and Investment Advisory Services

The Tomball Hospital Authority takes seriously its fiduciary responsibility to the citizens of the greater Tomball Area to manage the funds entrusted to it with the utmost care. At the January 2024 board meeting, the board voted to authorize the finance committee to request proposals from four well-qualified advisory firms to serve in the capacity of investment advisor for the Tomball Hospital Authority. After carefully reviewing the proposals, the finance committee interviewed two exceptional firms for the position. At the May 22, 2024, board meeting, the board voted to retain Wells Fargo and authorized the CEO to negotiate with Wells Fargo to provide fiduciary and investment advisory services. That negotiation was successful, and a new service agreement and fee structure document was approved by the board and signed with Wells Fargo Bank, N.A., on May 29, 2024.

Contacting the Authority

This report is designed to provide our community with a general overview of the Authority's finances and activities. Questions about this report and request for additional financial information should be directed to the Authority by telephoning 832.559.5513, or by visiting our website at <https://trhfoundation.org>.

This Page Intentionally Left Blank

Basic Financial Statements

Tomball Hospital Authority
dba Tomball Regional Health Foundation
Governmental Fund Balance Sheet /
Statement of Net Position
December 31, 2024

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Current assets			
Cash and cash equivalents	\$ 563,703	\$ -	\$ 563,703
Investments	140,663,676	-	140,663,676
Prepaid items and other	71,113	-	71,113
Total current assets	141,298,492	-	141,298,492
Noncurrent assets			
Capital assets, net	-	1,678,659	1,678,659
Total noncurrent assets	-	1,678,659	1,678,659
Total assets	141,298,492	1,678,659	142,977,151
LIABILITIES			
Current liabilities			
Accounts payable	590,711	-	590,711
Accrued liabilities	4,983	-	4,983
Total current liabilities	595,694	-	595,694
Long term liabilities			
Estimated self-insurance - due in more than one year	-	352,351	352,351
Total noncurrent liabilities	-	352,351	352,351
Total liabilities	595,694	352,351	948,045
FUND BALANCE			
Nonspendable	71,113	(71,113)	-
Unassigned	140,631,685	(140,631,685)	-
TOTAL FUND BALANCE	\$ 140,702,798	\$ (140,702,798)	\$ -
NET POSITION			
Net investment in capital assets	\$ -	\$ 1,678,659	\$ 1,678,659
Unrestricted	-	140,350,447	140,350,447
TOTAL NET POSITION	\$ -	\$ 142,029,106	\$ 142,029,106

The Notes to the Basic Financial Statements are an integral part of these statements.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
Year Ended December 31, 2024

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
REVENUES			
Investment income	\$ 19,896,788	\$ -	\$ 19,896,788
Total revenues	19,896,788	-	19,896,788
EXPENDITURES / EXPENSES			
Salaries and benefits	271,655	-	271,655
Purchased services and professional fees	146,719	-	146,719
Program fees	3,077,090	-	3,077,090
Supplies and other	110,925	(9,862)	101,063
Insurance	16,415	-	16,415
Capital outlay	468,269	(468,269)	-
Total expenditures / expenses	4,091,073	(478,131)	3,612,942
Excess (deficit) of revenues over expenditures / expenses	15,805,715	478,131	16,283,846
DISCONTINUED OPERATIONS			
Gain from discontinued operations	330	-	330
Change in fund balance / net position	15,806,045	478,131	16,284,176
Fund balance / net position - beginning	124,896,753		125,744,930
FUND BALANCE / NET POSITION - ENDING	<u>\$ 140,702,798</u>		<u>\$ 142,029,106</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

This Page Intentionally Left Blank

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Tomball Hospital Authority dba Tomball Regional Health Foundation (the Authority), was organized under the *Texas Hospital Authority Act* in 1973 as a body politic and corporate and political subdivision of the State of Texas. Five of the Authority's eleven Board of Directors (the Board) are appointed by Tomball's City Council. The remaining six members are appointed by the Board.

Prior to October 1, 2011, the Authority, formerly Tomball Hospital Authority dba Tomball Regional Hospital, owned and operated Tomball Regional Hospital (the Hospital), an acute care hospital located in Tomball, Texas. The Authority primarily earned revenues by providing inpatient, outpatient and emergency care services to patients in Tomball, Texas and surrounding areas.

Effective October 1, 2011, the Authority sold the interest in its Hospital operations and substantially all of its assets, including its interests in Tomball Hospital Holdings (THH), Tomball Regional Medical Center Provider Network and an interest in Tomball Ambulatory Surgery Center dba Medical Complex Surgical Center (TASC) to Tomball Texas Holdings, LLC (TTH), a subsidiary of Community Health Systems, Inc. (CHS). A portion of the proceeds were used to pay in full the outstanding long-term debt of the Authority. The Authority aims to use the remaining resources to improve the access to and quality of health care for residents of Tomball, Texas and the surrounding areas.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority's accounting policies are described below.

In evaluating how to define the Authority for financial reporting purposes, management has applied certain criteria defined by generally accepted accounting principles. The basic criterion used was whether the governing body has ability to exercise oversight responsibility over another entity, manifested by significant financial interdependency, the selection of governing authorities, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used was whether special financing relationships exist with other entities, regardless of whether the Authority is able to exercise oversight responsibilities. After applying these criteria, it was determined that no component units require inclusion as part of the reporting entity of the Authority. The Authority is also not considered a component unit of any other reporting entity.

B. Basis of Presentation

The Authority meets the requirements to report as a stand-alone special-purpose government with a single governmental activity. The Authority presents its financial activities and financial position entirely through a set of combined government-wide and fund financial statements. These statements include the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities.

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, reports information on all of the *governmental activities* of the Authority. These activities are supported primarily by investment income, which is an own source revenue.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

The fund financial statements, which include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance, places an emphasis on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Authority does not report any non-major governmental funds, and reports only one major governmental fund. The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue / expense as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term debt and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and SBITAs are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Authority.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period . Accordingly, actual results could differ from those estimates.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and deposits with depository banks.

2. Investments and Investment Income

Investments for the Authority are reported at fair value and are recorded on the trade-date.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change in fair value (unrealized gains and losses) on investments.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which includes land and improvements, construction in progress and furniture and equipment are capitalized and reported in the financial statements at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of an item or increase its estimated useful life. Donated capital assets are reported at acquisition value at the date of donation. Land and improvements and construction in progress are not depreciated. Furniture and equipment is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	3-40 years
Furniture and equipment	3-20 years

5. Leases

The Authority is a lessee for noncancellable leases of property and equipment. The Authority recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

The Authority's leases are immaterial to the financial statements as a whole and are not recognized as a lease liability or a lease asset.

6. Subscription-Based Information Technology Arrangements (SBITAs)

The Authority has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The Authority recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The Authority recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

The Authority's SBITAs are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

Tomball Hospital Authority dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

7. Net Position and Flow Assumption

Net position consists of 1) Net investment in capital assets 2) restricted and 3) unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation, amortization and related long-term liabilities. The Authority does not report net position that meets the criteria of restricted. Remaining net position is classified as unrestricted.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statements of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance and Flow Assumption

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority classifies governmental fund balances as follows:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This Authority does not have resources that meet this definition.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the Authority through formal action of the Authority's highest level of decision-making authority. The Board of Directors (the Board) is the highest level of decision-making authority for the Authority that can, by action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by Board action or the resolution remains in place until a similar action is taken (the Board action or adoption of another resolution) to remove or revise the limitation.

Assigned – includes fund balance amounts that are self-imposed by the Authority to be used for specific purposes, but do not meet the criteria to be classified as non-spendable, restricted or committed. The Authority has, by policy, authorized the Board to assign fund balance. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

F. Revenues and Expenses

1. Discontinued Operations

Gains and losses from discontinued operations include payments related to agreements with third-party payers when the Authority owned the hospital assets prior to October 1, 2011. These agreements provided for payments to the Authority at amounts different from its established rates. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and included estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period the related services were rendered and such estimated amounts were revised in the future periods as adjustments became known. These payment arrangements included:

Medicare

Inpatient and substantially all outpatient services rendered to Medicare program beneficiaries were paid at prospectively determined rates. These rates varied according to a patient classification system that is based on clinical, diagnostic and other factors. The Authority was reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services were paid based on a prospective payment system. Most outpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost reimbursement methodology. The Authority was reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary.

Workers' Compensation

Workers' compensation claims incurred prior to disposition of the hospital assets are the responsibility of the Authority. Until those claims are fully resolved, the Authority will continue to include any adjustments related to workers' compensation reserves.

2. Income Taxes

As a political subdivision under the laws of the State of Texas, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority may be subject to federal income tax on any unrelated business taxable income.

G. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet / statement of net position includes an adjustment column to facilitate reconciliation between the general fund and governmental activities. As of December 31, 2024 amounts reported for governmental activities in the statement of net position are different because:

- Capital assets, net of accumulated depreciation and amortization, or \$1,678,659 used in governmental activities are not current financial resources, and therefore are not reported in the governmental fund balance sheet.
- Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund balance sheet. This includes self-insurance of \$352,351.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

The governmental fund statement of revenues, expenditures and change in fund balance / statement of activities includes an adjustment column to facilitate reconciliation between the general fund and governmental activities. For the year ended December 31, 2024, amounts reported for governmental activities in the statement of activities are different because:

- Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund. Self-insurance liability decreased by \$9,862 in the current year.
- Capital outlay of \$468,269 is reported as expenditures in the general fund, but is not a current financial resource under full accrual and, therefore, is capitalized and not reported as an expense in the statement of activities.

Note 2. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. In accordance with the Public Funds Investment Act, the Board of Directors has enacted deposit policies to ensure compliance with state laws regarding the deposit of Authority funds and maintains a formal agreement with a custodial bank that provides for collateralization of funds in accordance with state and federal statutes.

As of December 31, 2024, the Authority's bank deposit balances of \$813,378 were not exposed to custodial credit risk because they were insured and collateralized with pledged securities with Frost Bank.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U. S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. Pursuant to the passing of Senate Bill 233 on September 1, 2013, a hospital authority that no longer owns or operates a hospital and is using the remaining assets to promote public health and general welfare initiatives can invest the remaining assets as provided by Chapter 2256 Government Code, the "Public Funds Investment Act", and Property Code, Title 9, Subtitle B, the "Texas Trust Code". The Authority modified their investment policy during the fiscal year ending June 30, 2014, as Senate Bill 233 allowed them to expand the investment portfolio to include U.S. and global equities and fixed income securities.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

The Authority's investment balances, level of fair values, and weighted average maturity of such investments are as follows:

Investment Type	Investments	Fair Value Measurements (Level 1)	Fair Value Measurements (Level 2)	Percent of Total Investments	Weighted Average Maturity (Years)	S&P Credit Rating	Moody's Credit Rating
December 31, 2024							
Investments reported at net asset value, not subject to level reporting							
Money market mutual funds	\$ 6,996,639			5%	-	AAAm	NR
Investments reported at fair value							
Equity securities							
U.S. equity securities	71,166,026	\$ 71,166,026	\$ -	51%	-	NR	NR
Global equity securities	11,437,877	11,437,877	-	8%	-	NR	NR
Fixed income mutual funds:							
U.S. fixed income non-government/ agency	7,927,473	7,927,473	-	6%	-	NR	NR
Global fixed income	589,744	589,744	-	0%	-	NR	NR
Government obligations	26,013,494	-	26,013,494	18%	18.5	NR to AA+	NR to Aaa
Mortgage backed securities	1,606,988	-	1,606,988	1%	17.9	NR to AAA	NR to Aaa
Corporate obligations	14,925,435	-	14,925,435	11%	8.6	BBB to AA	Baa2 to A1
Total value	\$ 140,663,676	\$ 91,121,120	\$ 42,545,917	100%			
Portfolio weighted average maturity					4.5	4.5	4.5

Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Tomball Hospital Authority dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

The Authority has the following fair value measurements as of December 31, 2024:

Equity Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Fixed Income Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Government obligations consisting of U.S. Treasury and U.S. Government Agency securities are classified in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Mortgage-backed securities classified in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Corporate obligations consisting of corporate bonds and classified in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the Authority reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to ensure adequate cash flow requirements are met.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to limit its investments in money market mutual funds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). At December 31, 2024 the Authority's investments are rated as noted on the previous table. Equity securities and fixed income mutual funds are not subject to NRSRO ratings; however, the Authority will seek diversification by asset class in order to limit credit risk.

Concentration of Credit Risk

The investment policy of the Authority requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The strategic asset allocation and associated ranges of the Authority are as follows:

- Equities shall not exceed 55-65% of the total portfolio.
- Fixed Income shall not be less than 30-40% of the total portfolio.
- Real Estate shall not exceed 0-10% of the total portfolio.

The Authority is diligent in its efforts to maximize the returns of the organization so that maximum funding might be available to the community.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not exposed to custodial credit risk as the investments are held by the Authority's agent in the Authority's name for the benefit of the Authority.

Investment income for the year ended December 31, 2024, consisted of the following:

	<u>2024</u>
Interest and dividend income	\$ 2,238,417
Net realized and unrealized gains	<u>17,658,371</u>
Total investment income	<u>\$ 19,896,788</u>

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	\$ 1,210,390	\$ -	\$ -	\$ 1,210,390
Construction in progress	-	468,269	-	468,269
Total capital assets not being depreciated	1,210,390	468,269	-	1,678,659
Capital assets being depreciated				
Furniture and equipment	94,642	-	-	94,642
Total capital assets being depreciated	94,642	-	-	94,642
Less accumulated depreciation and amortization for				
Furniture and equipment	(94,642)	-	-	(94,642)
Total accumulated depreciation and amortization	(94,642)	-	-	(94,642)
Total capital assets being depreciated and amortized, net	-	-	-	-
Total capital assets, net	\$ 1,210,390	\$ 468,269	\$ -	\$ 1,678,659

Remaining commitments under related construction contracts for the new administration building project at year end were as follows:

Projects	Approved Construction Budget	Stored and Completed To Date	Remaining Commitment
Administration Building	\$ 1,337,389	\$ 174,461	\$ 1,162,928

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

Note 4. Risk Management

General and Professional Liability – Self Insured

As a unit of government covered by the Texas Tort Claims Act (the Act), the Authority's liability for general and malpractice claims is limited to \$100,000 per person and \$300,000 per occurrence, with no annual limit. The Authority is self-insured for amounts not limited by the Act. Losses from asserted and unasserted claims identified under the Authority's incident reporting system are accrued based on estimates that incorporate the Authority's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Authority's estimate of losses will change by a material amount in the near term.

Workers' Compensation – Self insured

The Authority was self-insured for workers' compensation claims costs prior to the sale of its hospital assets in 2011. A provision is accrued for carry-over workers' compensation claims including both claims reported and claims incurred, but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Authority's estimate will change by a material amount in the near term.

Activity for the Authority's self-insured liabilities for the year ending December 31, 2024, is summarized as follows:

	General and Professional Liability	Workers' Compensation	Total
Balance, beginning of year	\$ 100,000	\$ 262,213	\$ 362,213
Changes in estimates for claims incurred in prior years	-	-	-
Claims and expenses paid	-	(9,862)	(9,862)
Balance, end of year	\$ 100,000	\$ 252,351	\$ 352,351
Due within one year	\$ -	\$ -	\$ -
Due in more than one year	100,000	252,351	352,351

Note 5. Contingencies

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations may be in areas not covered by the Authority's self-insurance program or by commercial insurance (discussed in Note 4); for example, allegations regarding employment practices or performance on contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.