

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**

Annual Financial Report

For the Year Ended December 31, 2025

**Tomball Hospital Authority dba  
Tomball Regional Health Foundation**  
Year Ended December 31, 2025  
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# Financial Section

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## 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, 2025, 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, 2025, 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  
April 21, 2026

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# **Management's Discussion and Analysis (Unaudited)**

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## **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, 2025. 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 years ending 2024 and 2025, 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, 2025, by \$4,535,568 or 3%. 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 December 2025 and the rolling average of the previous 8 quarters was determined to be \$139,108,575 yielding a 4% spend rate of \$5,564,343 and a quarterly withdrawal of up to \$1,391,086 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, report 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, place 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 \$153,495,929 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

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	\$ 555,242	-	\$ 563,703	-	\$ (8,461)	(2)
Investments	145,197,684	94	140,663,676	99	4,534,008	3
Prepaid items and other	81,134	-	71,113	-	10,021	14
<b>Total current assets</b>	<b>145,834,060</b>		<b>141,298,492</b>		<b>4,535,568</b>	
Noncurrent assets						
Net pension asset	1,547	-	-	-	1,547	-
Capital assets, net	9,568,877	6	1,678,659	1	7,890,218	470
<b>Total assets</b>	<b>155,404,484</b>	<b>100</b>	<b>142,977,151</b>	<b>100</b>	<b>12,427,333</b>	
Deferred outflows of resources						
Deferred outflows of resources for pensions	21,518	100	-	-	21,518	-
<b>Total deferred outflows of resources</b>	<b>21,518</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>21,518</b>	
Current liabilities						
Accounts payable	1,581,390	82	590,711	62	990,679	168
Accrued liabilities	7,049	-	4,983	1	2,066	41
<b>Total current liabilities</b>	<b>1,588,439</b>		<b>595,694</b>		<b>992,745</b>	
Noncurrent liabilities						
Estimated self-insurance	341,634	18	352,351	37	(10,717)	(3)
<b>Total noncurrent liabilities</b>	<b>341,634</b>		<b>352,351</b>		<b>(10,717)</b>	
<b>Total liabilities</b>	<b>1,930,073</b>	<b>100</b>	<b>948,045</b>	<b>100</b>	<b>982,028</b>	
Net position						
Investment in capital assets	9,568,877	6	1,678,659	1	7,890,218	470
Unrestricted	143,927,052	94	140,350,447	99	3,576,605	3
<b>Total net position</b>	<b>\$ 153,495,929</b>	<b>100</b>	<b>\$ 142,029,106</b>	<b>100</b>	<b>\$ 11,466,823</b>	

The Authority's total assets of \$155,404,484 are largely comprised of current investments of \$145,197,684 or 94%. The Authority's investment income provides for program costs.

Accounts payable of \$1,581,390 comprise 82% of the Authority's total liabilities of \$1,930,073. Long-term liabilities are comprised of estimated self-insurance, \$341,634 or 18% of total liabilities, related to general and professional liability and workers' compensation. As of December 31, 2025, 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, 2025, the Authority's net position consisted primarily of unrestricted net position of \$143,927,052 which represents resources available to fund the services of the Authority next year.

The Authority's net position increased \$11,466,823 for the year ending December 31, 2025 from current operations as noted in Table A-2 below.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Investment income	\$ 15,598,286	100	\$ 19,896,788	100	\$ (4,298,502)	(22)
Total revenues	15,598,286	100	19,896,788	100	(4,298,502)	
Expenses						
Salaries and benefits	327,861	7	271,655	8	56,206	21
Purchased services and professional fees	261,490	6	146,719	4	114,771	78
Program fees	3,777,842	85	3,077,090	85	700,752	23
Supplies and other	98,048	1	101,063	3	(3,015)	(3)
Insurance	27,215	1	16,415	-	10,800	66
Pension expense (benefit)	(23,065)	-	-	-	(23,065)	-
Total expenses	4,469,391	100	3,612,942	100	856,449	
Excess (deficit) of revenues over expenses from continuing operations	11,128,895		16,283,846		(5,154,951)	
Discontinued operations						
Gain from discontinued operations	337,928		330		337,598	
Change in net position	11,466,823		16,284,176		(4,817,353)	
Beginning net position	142,029,106		125,744,930		16,284,176	
<b>Ending net position</b>	<b>\$ 153,495,929</b>		<b>\$ 142,029,106</b>		<b>\$ 11,466,823</b>	

The Authority's total revenues of \$15,598,286 were comprised of investment income related to increases in fair value of investments and also includes interest and dividend income. Total expenses were \$4,469,391, which consisted primarily of salaries and benefits of \$327,861 or 7% of total expenses, and program fees of \$3,777,842, or 85% 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 \$144.2 million, an increase of \$3.5 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, \$144.1 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 2025, the Authority had invested \$9.6 million in capital assets, net of accumulated depreciation and amortization. Capital assets increased \$7.9 million due to the increase in construction in progress associated with the new administration building.

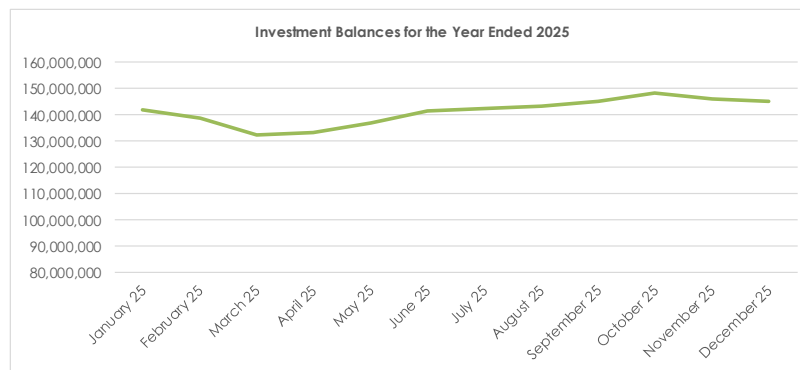
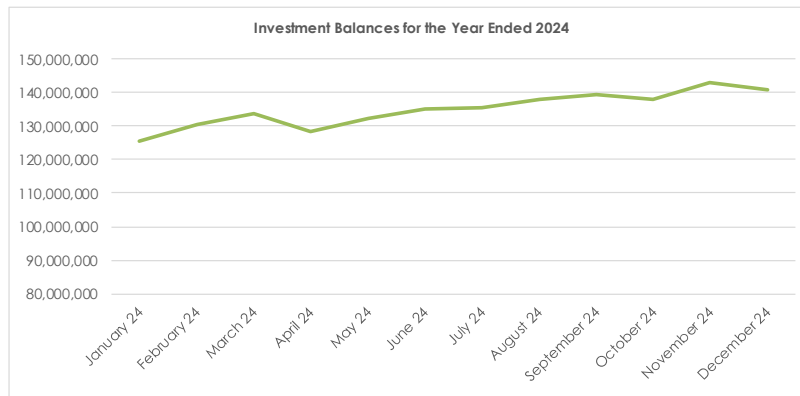
## Investment Portfolio Performance

Investment performance for the year ended 2025 was steady but favorable to the portfolio due to market conditions as noted in Table A-3 below for periods ending 2024 and 2025.

Month	2024	2025
January	\$ 125,588,429	\$ 141,756,012
February	130,632,995	138,830,482
March	133,517,257	132,193,784
April	128,194,272	133,141,914
May	132,442,154	136,957,162
June	135,159,409	141,480,877
July	135,594,601	142,208,582
August	137,962,260	143,099,233
September	139,312,496	145,228,002
October	137,888,173	148,296,754
November	142,852,284	146,177,205
December	140,663,676	145,197,684

**Table A-3**

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



## Program Fees

The Authority spent \$3,777,842 and \$3,077,090 for years ending 2025 and 2024, respectively, on the following programs:

Program Description	2025	2024
Northwest Assistance Ministry	\$ 440,512	\$ 380,128
TOMAGWA Health Care	271,843	350,568
Lone Star Family Health Center	209,522	-
Inspiration Ranch	202,179	184,000
PsychPlus Foundation	200,000	217,351
Tomball ISD	193,258	204,412
Meals on Wheels - Montgomery County	170,000	157,875
Lone Star College Foundation	151,746	54,299
Tomball Pregnancy Center	150,000	98,570
Shield Bearer Counseling Centers	142,356	134,000
Inspiring Possibilities	134,475	98,900
JoyRide Center	126,241	115,100
Tomball Emergency Assistance Ministries	114,327	86,549
The Way, Truth, and Life Outreach	114,000	101,600
American Heart Assoc	104,804	66,213
Cy-Hope	100,000	88,213
U.S. Vets-Houston	95,000	68,715
Society of Samaritans	80,000	90,360
Montgomery County Youth Services	79,886	68,000
The Rose	75,000	50,000
Northwest Community Health	65,771	1,364
Texas Hearing Institute	59,046	66,196
AsSalam Clinic	50,000	40,000
Care Net Pregnancy Ctr	40,002	17,000
Kailee Mills Foundation	40,000	28,000
Be An Angel, Inc.	36,783	60,000
Mosaics of Mercy	30,000	26,708
Ruby's Home for Good	25,720	14,000
Boys & Girls Country	25,000	25,000
YMCA at Cypress Creek	25,000	25,000
Foundation for Autism Care, Education and Services	25,000	10,000
Cypress Assistance Ministries	25,000	-
Habitat for Humanity Montgomery County, TX	22,189	14,875
Families Feeding Families	20,000	20,000
Family Ties, Family Resource Services	20,000	10,000
Senior Rides and More	19,950	20,000
The Rescue for PTSD	18,981	11,600
ERJCC/Senior Companions	16,503	13,728
Raj Hope Foundation	15,357	10,000
Reach Unlimited	15,000	14,991
The Tomball Lions Club	11,113	-
His Grace Foundation	8,000	-
Tomball Chamber Health & Wellness Alliance	5,000	5,000
Swim Safe Program	3,278	802
City of Tomball	-	9,690
CASA Child Advocates of Montgomery County	-	8,133
Concordia Lutheran High School	-	7,250
Klein ISD	-	2,900
<b>Total program fees</b>	<b>\$ 3,777,842</b>	<b>\$ 3,077,090</b>
<b>Monthly Average</b>	<b>\$ 314,820</b>	<b>\$ 256,424</b>

## **Development of the Administration Building and Learning Center Campus**

**History-** The Tomball Hospital Authority voted to develop approximately 5.5 acres on Medical Complex Drive to provide administrative offices for the Authority and benefit the health and wellness of area residents. At a special meeting on August 8, 2024, the board authorized the CEO to begin negotiations with Paradigm Construction, and on September 17, 2024, the CEO signed a contract with Paradigm 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.

**Construction-** Site development for the project began the first week of January 2025, and construction started in earnest in February. On June 25, 2025, non-profit partners and board members were invited to sign the beams of the building in a special topping out ceremony. While the building was under construction, an amazing fitness and wellness park took shape on the tree-lined property. A fishing pond, walking track, birding stations, a covered pavilion, sensory garden, and three amazing workout stations became a reality. As the beautiful lodge-like building edged toward final completion, audiovisual equipment, furnishings, and artwork arrived in early January.

**Usage-**With substantial completion achieved, the staff moved into the building in late January, and the final certificate of occupancy was issued on January 30, 2026. This building will be utilized to assist the missions of our funding partners and for educational programs that support our mission of improving healthcare in the greater Tomball region. The surrounding park area is open to the community to enhance opportunities for exercise and provide thoughtful green space for improved mental health and relaxation.

## **By-Laws Update**

On July 30, 2025, the Board of Directors voted to amend the by-laws of the Tomball Hospital Authority. Key revisions include but are not limited to:

- The Authority will now appoint nine members to the Board and the City of Tomball will appoint two.
- Board terms will now last three years instead of two. Terms will be staggered.
- Board members shall be limited to serving no more than four consecutive terms.
- An immediate family member of the Authority or the City of Tomball may not serve on the Board.

## **Bush School of Government Research Project**

Beginning in September of 2025, The Authority entered into a nine-month agreement with the Bush School of Government & Public Service at Texas A&M University for eleven graduate students under the direction of William Brown, professor and director of the Center for Nonprofits and Philanthropy, to provide research into the health needs of the community and how our new facility might assist. This project is currently underway, and the final report is due in May of 2026. Students are specifically tasked with providing the following:

- Community Health Needs Assessment
- Funding Partner Needs Assessment
- Facility Management and Usage Assessment

### **Staffing Update**

Considering the increased workload related to managing the Learning Center and the 5.5-acre campus, the board recommended at its annual retreat that the CEO hire an additional staff member. Lisa Pinz joined the team as Learning Center Manager in November 2025. Administrative Manager Sarah Dill was elevated to the role of Chief Administrative Officer in recognition of the increased complexity of her role, given the addition of the new facility and educational programming.

### **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 832.559.5511, or by visiting our website at <https://trhfoundation.org>.

# **Basic Financial Statements**

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**  
Governmental Fund Balance Sheet /  
Statement of Net Position  
December 31, 2025

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 555,242	\$ -	\$ 555,242
Investments	145,197,684	-	145,197,684
Prepaid items and other	81,134	-	81,134
	<hr/>	<hr/>	<hr/>
Total current assets	145,834,060	-	145,834,060
Noncurrent assets			
Net pension asset	-	1,547	1,547
Capital assets, net	-	9,568,877	9,568,877
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	-	9,570,424	9,570,424
	<hr/>	<hr/>	<hr/>
Total assets	145,834,060	9,570,424	155,404,484
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for pensions	-	21,518	21,518
	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	-	21,518	21,518
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,581,390	-	1,581,390
Accrued liabilities	7,049	-	7,049
	<hr/>	<hr/>	<hr/>
Total current liabilities	1,588,439	-	1,588,439
Noncurrent liabilities			
Due in more than one year			
Estimated self-insurance	-	341,634	341,634
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	-	341,634	341,634
	<hr/>	<hr/>	<hr/>
Total liabilities	1,588,439	341,634	1,930,073
<b>FUND BALANCE</b>			
Nonspendable	81,134	(81,134)	-
Unassigned	144,164,487	(144,164,487)	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCE</b>	<u>\$ 144,245,621</u>	<u>\$ (144,245,621)</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Investment in capital assets	\$ -	\$ 9,568,877	\$ 9,568,877
Unrestricted	-	143,927,052	143,927,052
	<hr/>	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ 153,495,929</u>	<u>\$ 153,495,929</u>

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, 2025

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Investment income	\$ 15,598,286	\$ -	\$ 15,598,286
Total revenues	15,598,286	-	15,598,286
<b>EXPENDITURES / EXPENSES</b>			
Salaries and benefits	327,861	-	327,861
Purchased services and professional fees	261,490	-	261,490
Program fees	3,777,842	-	3,777,842
Supplies and other	108,765	(10,717)	98,048
Insurance	27,215	-	27,215
Pension expense (benefit)	-	(23,065)	(23,065)
Capital outlay	7,890,218	(7,890,218)	-
Total expenditures / expenses	12,393,391	(7,924,000)	4,469,391
Excess (deficit) of revenues over expenditures / expenses	3,204,895	7,924,000	11,128,895
<b>DISCONTINUED OPERATIONS</b>			
Gain from discontinued operations	337,928	-	337,928
Change in fund balance / net position	3,542,823	7,924,000	11,466,823
Fund balance / net position - beginning	140,702,798		142,029,106
<b>FUND BALANCE / NET POSITION - ENDING</b>	<u>\$ 144,245,621</u>		<u>\$ 153,495,929</u>

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

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**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. Two of the Authority's eleven Board of Directors (the Board) are appointed by Tomball's City Council. The remaining nine members are elected 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, report 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**  
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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**  
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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 non-cancellable 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**  
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Notes to the Basic Financial Statements

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. The deferred outflow for pensions results from the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees. The Authority also recognizes a deferred outflow for contributions made to the plan after the plan's measurement date which are recognized in the subsequent year.

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category only in the government-wide statement of net position. The deferred inflows of resources for pensions results from differences in expected and actual experience and also includes change in assumptions and projected versus actual earnings in the current fiscal year.

**8. Pensions**

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**9. 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.

**Tomball Hospital Authority**  
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Notes to the Basic Financial Statements

**10. 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**  
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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 \$9,568,877 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 \$341,634 and net pension asset of (\$1,547).

**Tomball Hospital Authority**  
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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, 2025, 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 \$10,717 in the current year.
- Capital outlay of \$7,890,218 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.
- Pension expense (benefit) of (\$23,065) reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the general fund.

**H. Implementation of New Accounting Standards**

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the Authority's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the Authority's fiscal year 2025 financial statements with no impact to amounts or disclosure previously reported.

**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, 2025, the Authority's bank deposit balances of \$602,918 were not exposed to custodial credit risk because they were fully insured and collateralized with pledged securities with Frost Bank.

# Tomball Hospital Authority

## dba Tomball Regional Health Foundation

### Notes to the Basic Financial Statements

#### 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. 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, 2025							
Investments reported at net asset value, not subject to level reporting							
Money market mutual funds	\$ 2,573,626			2%	-	AAAm	Aaa-mf
Investments reported at fair value							
Equity securities							
U.S. equity securities	69,701,401	\$ 69,701,401	\$ -	48%	-	NR	NR
Global equity securities	10,469,067	10,469,067	-	7%	-	NR	NR
Fixed income:							
Domestic mutual funds	6,386,605	6,386,605	-	4%	-	NR	NR
Government obligations	32,505,193	-	32,505,193	22%	17.7	NR to AA+	NR to AA1
Mortgage backed securities	3,106,475	-	3,106,475	2%	15.8	NR to AAA	NR
Corporate obligations	20,455,317	-	20,455,317	15%	8.0	BBB to AA	Baa3 to A1
<b>Total value</b>	<b>\$ 145,197,684</b>	<b>\$ 86,557,073</b>	<b>\$ 56,066,985</b>	<b>100%</b>			

Portfolio weighted average maturity

5.4

#### 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**  
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Notes to the Basic Financial Statements

The Authority has the following fair value measurements as of December 31, 2025:

*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, 2025 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**  
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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, 2025, consisted of the following:

	<u>2025</u>
Interest and dividend income	\$ 3,172,119
Net realized and unrealized gains	<u>12,426,167</u>
<b>Total investment income</b>	<b><u><u>\$ 15,598,286</u></u></b>

**Note 3. Capital Assets**

Capital assets activity for the year ended December 31, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 1,210,390	\$ -	\$ -	\$ 1,210,390
Construction in progress	<u>468,269</u>	<u>7,890,218</u>	<u>-</u>	<u>8,358,487</u>
Total capital assets not being depreciated	1,678,659	7,890,218	-	9,568,877
Capital assets being depreciated				
Furniture and equipment	<u>94,642</u>	<u>-</u>	<u>-</u>	<u>94,642</u>
Total capital assets being depreciated	94,642	-	-	94,642
Less accumulated depreciation and amortization for				
Furniture and equipment	<u>(94,642)</u>	<u>-</u>	<u>-</u>	<u>(94,642)</u>
Total accumulated depreciation and amortization	(94,642)	-	-	(94,642)
<b>Total capital assets, net</b>	<b><u><u>\$ 1,678,659</u></u></b>	<b><u><u>\$ 7,890,218</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 9,568,877</u></u></b>

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

<u>Projects</u>	<u>Approved Construction Budget</u>	<u>Stored and Completed To Date</u>	<u>Remaining Commitment</u>
Administration Building	\$ 7,216,850	\$ 6,895,232	\$ 321,618

**Tomball Hospital Authority**  
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Notes to the Basic Financial Statements

**Note 4. Pension Plan**

**A. Plan Description**

The Authority's nontraditional defined benefit pension plan, Texas County and District Retirement Systems (TCDRS), provides pensions for all of its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 890 participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The most recent ACFR for TCDRS can be found at the following link: [www.tcdrs.org](http://www.tcdrs.org).

**B. Benefits Provided**

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the Authority within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with five or more years of service at age 60 and above, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their person contributions in a lump sum are not entitled to any amounts contributed by the Authority.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Directors of the Authority within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The Plan is open to new entrants.

**C. Employees Covered by Benefit Terms**

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>2</u>
<b>Total</b>	<u><u>2</u></u>

**Tomball Hospital Authority**  
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Notes to the Basic Financial Statements

**D. Contributions**

The Authority has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The contribution rates for the Authority is 8.53% in calendar years 2024 and 2025. The Authority's contributions to TCDRS for the fiscal year ended December 31, 2025 were \$21,125.

The deposit rate payable by the employee member was 7.00% as adopted by the Board of Directors. The employee deposit rate and the employer contribution rate may be changed by the Board of Directors within the options available in the TCDRS Act.

**E. Actuarial Assumptions**

The total pension liability/asset in the December 31, 2024 actuarial assumption was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth	0.00%
Real rate of return	5.00%
Long-term investment return	7.50%

The actuarial assumptions that determined the total pension liability/asset as of December 31, 2024, were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68, and adopted by the TCDRS Board of Trustees in March 2021. In addition, mortality rates were based on the following mortality tables:

Depositing Members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and Non-depositing Members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown are based on January 2025 information for a 10-year time horizon.

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Notes to the Basic Financial Statements

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term horizon, the most recent analysis was performed for the January 2017 through December 31, 2020. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Geometric Real Rate of Return
U.S. equities	13.00 %	5.35%
Global equities	4.00	5.15%
International equities - developed markets	6.00	4.75%
Investment - grade bonds	3.00	2.55%
Strategic credit	9.00	3.70%
Direct lending	16.00	6.85%
Distressed debt	4.00	6.80%
REIT equities	2.00	3.95%
Master limited partnerships	2.00	4.95%
Commodities	2.00	1.00%
Private real estate partnerships	6.00	5.75%
Private equity	25.00	8.15%
Hedge funds	6.00	3.60%
Cash equivalents	2.00	1.10%
<b>Total</b>	100.00 %	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level of pay over 20-year closed layered periods. The employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**

Notes to the Basic Financial Statements

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**F. Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (asset) (a) - (b)
Balance at December 31, 2023	\$ -	\$ -	\$ -
Changes for the year			
Service cost	24,589	-	24,589
Interest on total pension liability	1,869	-	1,869
Effect of plan changes	-	-	-
Effect of economic demographic gains or losses	16	-	16
Effects of assumption changes or inputs	-	-	-
Difference between expected and actual experience	-	-	-
Refunds of contributions	-	-	-
Benefit payments	-	-	-
Administrative expense	-	(15)	15
Member contributions	-	11,742	(11,742)
Net investment income	-	552	(552)
Employer contributions	-	14,308	(14,308)
Other changes	-	1,434	(1,434)
Net changes	<u>26,474</u>	<u>28,021</u>	<u>(1,547)</u>
<b>Balance at December 31, 2024</b>	<u><u>\$ 26,474</u></u>	<u><u>\$ 28,021</u></u>	<u><u>\$ (1,547)</u></u>

**Tomball Hospital Authority**  
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Notes to the Basic Financial Statements

**Sensitivity Analysis**

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.60% as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's net pension liability / (asset)	\$ 2,881	\$ (1,547)	\$ (5,218)

**G. Pension Expense/Revenue and Deferred Outflows of Resources Related to Pensions**

For the fiscal year ended December 31, 2025, the Authority recognized pension revenue of \$23,065.

At December 31, 2025, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15	\$ -
Net difference between projected and actual earnings on pension plan investments	378	-
Contributions made subsequent to the measurement date	21,125	-
<b>Totals</b>	<b>\$ 21,518</b>	<b>\$ -</b>

The \$21,125 reported as deferred outflows of resources related to the Authority's pension contributions made subsequent to the measurement date will be recognized as pension expense in the fiscal year ending December 31, 2026. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2026	\$ 96
2027	96
2028	96
2029	94
2030	1
Thereafter	10
<b>Total</b>	<b>\$ 393</b>

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**

Notes to the Basic Financial Statements

**Note 5. 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, 2025, is summarized as follows:

	General and Professional Liability	Workers' Compensation	Total
Balance, beginning of year	\$ 100,000	\$ 252,351	\$ 352,351
Changes in estimates for claims			
Claims and expenses paid	-	(10,717)	(10,717)
<b>Balance, end of year</b>	<b>\$ 100,000</b>	<b>\$ 241,634</b>	<b>\$ 341,634</b>
Due in more than one year	100,000	241,634	341,634

The authority also purchases commercial insurance for workers' compensation benefits with a \$1,000,000 occurrence and per employee policy limit. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

**Note 6. 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 5); 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.

## **Required Supplementary Information**

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**  
Schedule of Authority Contributions to Texas County  
and District Retirement System (TCDRS)  
For the Fiscal Year Ending\*

**Exhibit E-2**

	<u>2025</u>
<b>TOTAL PENSION LIABILITY</b>	
Service Cost	\$ 24,589
Interest	1,869
Effect of plan changes	-
Effect of economic/demographic (gains) or losses	16
Effect of assumptions changes or inputs	-
Refund of contributions	-
Benefit payments	-
	<hr/>
Net change in total pension liability	26,474
	<hr/>
Total pension liability - beginning	-
	<hr/>
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<b>\$ 26,474</b>
	<hr/> <hr/>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - authority	\$ 14,308
Contributions - employee	11,742
Net investment income (loss)	552
Benefit payments	-
Refund of contributions	-
Administrative expense	(15)
Other	1,434
	<hr/>
Net change in fiduciary net position	28,021
	<hr/>
Plan fiduciary net position - beginning	-
	<hr/>
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<b>\$ 28,021</b>
	<hr/> <hr/>
<b>NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)</b>	<b>\$ (1,547)</b>
	<hr/> <hr/>
Plan fiduciary net position as a percentage of total pension liability	105.84%
Covered payroll	167,741
Net pension liability (asset) as a percentage of covered payroll	-0.92%

\*GASB Statement No. 68 requires 10 years of data; however, we have shown only the years for which the plan took effect. Additionally, GASB Statement No. 68 requires that information on this schedule correspond with the plan's measurement date, December 31, twelve months prior to the Authority's year end.

**Tomball Hospital Authority**  
**dba Tomball Regional Health Foundation**  
 Schedule of Authority Contributions to Texas County  
 and District Retirement System (TCDRS)  
 For the Fiscal Year Ending\*

**Exhibit E-2**

	<u>2025</u>
Actuarial determined contribution	\$ 21,125
Contributions in relation to the actuarially determined contributions	<u>21,125</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>
Covered payroll	\$ 262,772
Contributions as a percentage of covered payroll	8.04%

\* GASB Statement No. 68 requires 10 years of data; however, we have shown only the years for which the plan took effect. Additionally, GASB Statement No. 68 requires that information on this schedule correspond with the Authority's fiscal year end, December 31.

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**Tomball Hospital Authority**  
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 Notes to the Required Supplementary Information

**Note 1. Pension**

Valuation Date – Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.6 years (based on contribution rate calculated in 12/31/24 valuation)
Asset valuation method	5 year smoothed rate
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.