Houston Advanced Research Center

Consolidated Financial Statements
and Single Audit Reports
for the year ended December 31, 2025

Houston Advanced Research Center

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Independent Auditors' Report

To the Board of Directors of
Houston Advanced Research Center:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Advanced Research Center (HARC), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of HARC as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HARC'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 HARC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended December 31, 2025 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2026 on our consideration of HARC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HARC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HARC's internal control over financial reporting and compliance.

Blazek & Vetterling

July 21, 2026

Houston Advanced Research Center

Consolidated Statements of Financial Position as of December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 800,198	$ 5,986
Certificate of deposit	100,000	
Accounts receivable	50,561	51,000
Prepaid expenses and other assets	42,536	44,005
Contributions receivable – government grants	2,083,747	862,103
Property, net *(Note 3)*	5,562,877	5,864,173
TOTAL ASSETS	$ 8,639,919	$ 6,827,267
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,472,746	$ 406,965
Accrued expenses	451,975	298,480
Refundable advances		22,534
Note payable *(Note 7)*	500,000	100,000
Total liabilities	2,424,721	827,979
Contingencies *(Notes 5 and 7)*		
Net assets:		
Without donor restrictions	6,000,254	5,892,388
With donor restrictions *(Note 4)*	214,944	106,900
Total net assets	6,215,198	5,999,288
TOTAL LIABILITIES AND NET ASSETS	$ 8,639,919	$ 6,827,267

See accompanying notes to consolidated financial statements.

Houston Advanced Research Center

Consolidated Statement of Activities for the year ended December 31, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants *(Note 5)*		$ 6,239,280	$ 6,239,280
Other *(Note 6)*	$ 2,033,075	642,400	2,675,475
Research contracts	1,367,872		1,367,872
Other income	27,145		27,145
Total revenue	3,428,092	6,881,680	10,309,772
Net assets released from restrictions:			
Satisfaction of program restrictions	6,773,636	(6,773,636)	
Total	10,201,728	108,044	10,309,772
EXPENSES:			
Program services:			
Environment	4,427,700		4,427,700
Energy and Building Solutions	2,480,386		2,480,386
Total program services	6,908,086		6,908,086
Management and general	2,886,321		2,886,321
Fundraising	299,455		299,455
Total expenses	10,093,862		10,093,862
CHANGES IN NET ASSETS	107,866	108,044	215,910
Net assets, beginning of year	5,892,388	106,900	5,999,288
Net assets, end of year	$ 6,000,254	$ 214,944	$ 6,215,198

See accompanying notes to consolidated financial statements.

Houston Advanced Research Center

Consolidated Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants *(Note 5)*		$ 3,393,513	$ 3,393,513
Other *(Note 6)*	$ 3,731,510	515,365	4,246,875
Research contracts	288,792		288,792
Other income	21,587		21,587
Total revenue	4,041,889	3,908,878	7,950,767
Net assets released from restrictions:			
Satisfaction of program restrictions	3,802,372	(3,802,372)	
Total	7,844,261	106,506	7,950,767
EXPENSES:			
Program services:			
Environment	2,300,528		2,300,528
Energy and Building Solutions	2,806,033		2,806,033
Total program services	5,106,561		5,106,561
Management and general	2,504,310		2,504,310
Fundraising	350,257		350,257
Total expenses	7,961,128		7,961,128
CHANGES IN NET ASSETS	(116,867)	106,506	(10,361)
Net assets, beginning of year	6,009,255	394	6,009,649
Net assets, end of year	$ 5,892,388	$ 106,900	$ 5,999,288

See accompanying notes to consolidated financial statements.

Houston Advanced Research Center

Consolidated Statements of Functional Expenses for the years ended December 31, 2025 and 2024

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2025 TOTAL EXPENSES
Payroll and related benefits	$ 3,121,908	$ 2,236,100	$ 155,260	$ 5,513,268
Subcontracts	3,077,075			3,077,075
Consulting and professional fees	216,611	274,060	108,327	598,998
Depreciation	131,416	152,170	17,710	301,296
Occupancy and information technology	215,640	52,718	5,903	274,261
Office supplies and expenses	74,750	134,932	10,245	219,927
Travel	64,388	29,008	2,010	95,406
Materials and supplies	6,298	7,333		13,631
Total expenses	$ 6,908,086	$ 2,886,321	$ 299,455	$10,093,862

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL EXPENSES
Payroll and related benefits	$ 3,096,940	$ 1,623,421	$ 251,229	$ 4,971,590
Subcontracts	998,963			998,963
Consulting and professional fees	549,356	374,124	71,041	994,521
Depreciation	119,285	164,336	14,639	298,260
Occupancy and information technology	188,742	201,822		390,564
Office supplies and expenses	64,343	101,611	7,506	173,460
Travel	73,054	29,036	5,533	107,623
Materials and supplies	15,878	9,960	309	26,147
Total expenses	$ 5,106,561	$ 2,504,310	$ 350,257	$ 7,961,128

See accompanying notes to consolidated financial statements.

Houston Advanced Research Center

Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 215,910	$ (10,361)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	301,296	298,260
Changes in operating assets and liabilities:		
Accounts receivable	439	182,896
Prepaid expenses and other assets	1,469	32,415
Contributions receivable	(1,221,644)	(509,150)
Accounts payable	1,065,781	35,836
Accrued expenses	153,495	40,824
Refundable advances	(22,534)	(71,581)
Net cash provided (used) by operating activities	494,212	(861)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(100,000)	
Purchases of property		(36,354)
Net cash used by investing activities	(100,000)	(36,354)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	500,000	624,000
Principal payments on note payable	(100,000)	(599,000)
Net cash provided by financing activities	400,000	25,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	794,212	(12,215)
Cash and cash equivalents, beginning of year	5,986	18,201
Cash and cash equivalents, end of year	$ 800,198	$ 5,986

	2025	2024
Supplement disclosure of cash flow information:		
Interest paid	$6,727	$2,333

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston Advanced Research Center (the Center), a Texas nonprofit corporation, is a research hub providing independent analysis on energy, air and water issues to people seeking scientific answers. Major research interests are in the areas of the environment, energy, and policy analysis. The primary source of funding is research grants and contracts from both public and private sources. Philanthropic support provides funds for internal research and for expenditures not recovered from sponsored research activities.

HARC Living Lab, LLC (HLL) was formed as a Texas nonprofit limited liability corporation whose sole member is the Center. HLL's purpose is to hold title to the property known as the HARC Living Lab in The Woodlands.

HARC Research Innovations, Inc. (HRI) was formed as a Texas for-profit corporation and is a wholly owned subsidiary of the Center. HRI's purpose is to acquire, own, and operate companies and subsidiaries that apply sustainable development research and market the development and application of sustainable development technologies and applications.

Pythias Analytics, Inc. (Pythias) was formed as a Texas for-profit corporation and is a majority-owned subsidiary of HRI. Pythias' purpose is to develop, validate and market the Pythias Climate Risk Decision Tool. Pythias was dissolved in 2025.

Basis of consolidation – These consolidated financial statements include the assets, liabilities, net assets and activities of the Center, HLL, HRI and Pythias (collectively HARC). All significant intercompany balances and transactions have been eliminated in consolidation. HLL and HRI were legally active in 2025 and 2024, but had no operations or financial activity. Pythias was legally active in 2024, but had no operations or financial activity.

Federal income tax status – The Center is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. HLL is exempt from federal income tax under §501(c)(2) of the Internal Revenue Code. HRI is a for-profit corporation, which is subject to income tax. HRI files an annual federal tax return that is subject to routine examination; however, there are no examinations for any tax periods currently in process.

Cash equivalents include highly liquid financial instruments with original maturities of three months or less and are held for operations. At December 31, 2025, HARC has a money market mutual fund with a fair value of $800,198. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market mutual fund inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

Certificate of deposit is nonnegotiable with a term of five months, reported at face value.

Accounts receivable reflects the consideration the Center expects to be entitled to in exchange for services. Management estimates an allowance for doubtful accounts based on historical collection experience adjusted for management's expectations about current and future economic conditions which indicates that there are no estimated uncollectible accounts receivable at December 31, 2025 or 2024.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. At December 31, 2025, all contributions receivable are expected to be collected within one year. An allowance for contributions receivable is provided when it is believed the balances may not be collected in full. Balances are written off against the allowance when management determines the receivable will not be collected. HARC considers receivables to be fully collectible; accordingly, no allowance for doubtful receivables is recorded in these financial statements.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Additions and improvements with a cost of more than $5,000 and a useful life of greater than one year are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 5 years for furniture and equipment and 10 to 31 ½ years for building and improvements.

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

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

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Research contracts – Revenue is recognized over time as performance obligations are met using the input method based on the labor hours expended and third-party costs incurred. Accounts receivable represents contract payments due to completed performance obligations. At December 31, 2025, 2024 and 2023, accounts receivable from research contracts were $50,561, $51,000 and $233,896, respectively. Payments collected but not yet recognized as revenue result in a contract liability and are reported as deferred revenue. There were no deferred revenue for the years ended December 31, 2025, 2024 or 2023.

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

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

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 800,198	$ 5,986
Certificate of deposit	100,000	
Accounts receivable	50,561	51,000
Contributions receivable – government grants	2,083,747	862,103
Total financial assets available for general expenditure	$ 3,034,506	$ 919,089

For purposes of analyzing resources available to meet general expenditures over a 12-month period, HARC considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

HARC regularly monitors liquidity required to meet its operating needs and contractual commitments, while striving to minimize use of the annual unrestricted contribution received from an endowment fund with a similar mission. HARC's annual budget is based on expected general expenditures for the next 12-month period and management anticipates collecting sufficient revenue to fund general expenditures not funded by restricted resources. HARC also maintains a revolving line of credit, as described in Note 7, to support short-term liquidity needs and working capital management.

NOTE 3 – PROPERTY

Property consists of the following:

	2025	2024
Land	$ 829,376	$ 829,376
Building and improvements	7,065,560	7,065,560
Furniture and equipment	1,009,207	1,009,207
Total property, at cost	8,904,143	8,904,143
Accumulated depreciation	(3,341,266)	(3,039,970)
Property, net	$ 5,562,877	$ 5,864,173

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2025	2024
Subject to expenditure for specified purpose:		
Land preservation initiative (CGMF)	$ 121,632	
Carbon management grant 2025 (CGMF)	36,425	
Development consultant support (ERSS)	29,887	
TMDSCPMSL land preservation (CGMF)	27,000	
Building an energy and water workforce in under-resourced communities		$ 100,000
Ensure Texas Solar for All coalition is prepared for EPA program		6,900
Total net assets with donor restrictions	$ 214,944	$ 106,900

NOTE 5 – GOVERNMENT GRANTS

HARC is party to agreements with government agencies. Should these agreements not be received, a replacement for this source of support may not be forthcoming and related expenses would not be incurred.

Government grants include the following:

	2025	2024
Federal grants:		
U. S. Environmental Protection Agency	$ 2,426,394	$ 715,959
U. S. Department of Agriculture	1,895,522	715,944
U. S. Department of Energy	1,841,699	1,860,649
U. S. Department of Treasury	22,950	
Total federal grants	6,186,565	3,292,552
State grants	52,715	100,961
Total government grants	$ 6,239,280	$ 3,393,513

Government grants are recognized as contributions that are derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts awarded are recognized as revenue when HARC has incurred expenditures in compliance with specific contract provisions. HARC has been awarded cost-reimbursable grants of approximately $61,000,000 that have not been recognized at December 31, 2025 because qualifying expenditures have not yet been incurred or the contracts stipulate these qualifying expenditures have not been approved by the government audit compliance officials as reimbursable amounts. Approximately, $45.8 million of these conditional contributions are subject to on-going legislation regarding the award's administrative termination.

HARC's government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by HARC with the terms of the contracts. Management believes such disallowances, if any, would not be material to HARC's financial position or changes in net assets.

NOTE 6 – CONCENTRATIONS

HARC receives annual support from a foundation that shares a similar mission. Additionally, this foundation serves as the lender for HARC's $1,500,000 credit agreement, as described in Note 7. During 2025, HARC received $1,750,000 in contributions from this foundation, which represents 17% of total revenue. During 2024, HARC received $3,500,000 in contributions from this foundation, which represents 44% of total revenue.

NOTE 7 – LINE OF CREDIT

HARC has a $100,000 revolving line of credit with a commercial bank to support short-term working capital. Borrowings are secured by substantially all business assets of HARC and bear interest at a variable rate equal to 6.10% above the bank's prime rate. Per the terms of the agreement, the revolving feature terminated on the line of credit's fifth anniversary in February 2026. There was no outstanding balance on this facility at December 31, 2025.

HARC is party to a $1,500,000 unsecured credit agreement with a foundation that shares its mission. The facility expires on December 31, 2027, and outstanding borrowings bear interest at a variable rate equal to 1.5%, adjusted and payable quarterly. The entire unpaid principal balance is due in a lump sum at maturity. As of December 31, 2025, there was $500,000 outstanding on this note, leaving $1,000,000 in available capacity.

NOTE 8 – RELATED PARTY TRANSACTIONS

HARC subcontracted research services with the employer of a certain member of the HARC Board of Directors totaling approximately $34,000 during 2024. This subcontractor was obtained through a competitive award process.

NOTE 9 – RETIREMENT PLAN

HARC has a tax-sheltered annuity plan (the Plan) established under §403(b) of the Internal Revenue Code. Under the terms of the Plan, HARC contributed a match of 1% for each percent the employee contributes up to 7%. HARC contributed to the Plan approximately $207,000 in 2025 and $183,000 in 2024.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2026, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Houston Advanced Research Center

Schedule of Expenditures of Federal Awards for the year ended December 31, 2025

CLUSTER TITLE GRANTOR Pass-through Grantor Program Title & Period	Assistance Listing Number	Contract Number or Pass-through Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
U. S. DEPARTMENT OF AGRICULTURE					
Direct Funding:					
Inflation Reduction Act Urban and Community Forestry Program Creating an Inclusive Community Canopy within Houston and Harris County					
#1 04/24/24 – 04/23/29	10.727	24-DG-11083150-568	$15,000,000	$ 1,895,522	$ 1,336,711
Total U. S. Department of Agriculture				1,895,522	1,336,711
U. S. DEPARTMENT OF ENERGY					
Passed through State Energy Conservation Office:					
State Energy Program SECO HVAC2023 Training					
#2 09/01/22 – 08/31/25	81.041	PO0187	$491,802	136,414	100,000
State Energy Program City Efficiency Leadership Council					
#3 09/01/22 – 08/31/25	81.041	23-7600JM	$619,556	192,344	155,856
State Energy Program HVAC Design Training					
#4 10/02/25 – 08/31/26	81.041	CM25015	$215,000	49,435	46,363
State Energy Program Community Efficiency Leadership Program and Codes Collective (CELC)					
#5 11/19/25 – 08/31/26	81.041	CM25014	$386,773	31,629	26,992
Subtotal for 81.041				409,822	329,211
Passed through University of Houston:					
Renewable Energy Research and Development Equitable Workforce Opportunities: Engaging Gulf Coast Communities in their Clean Energy Economy					
#6 01/01/25 – 12/31/27	81.087	DE-EE0011536	$173,306	57,129	

(continued)

Houston Advanced Research Center

Schedule of Expenditures of Federal Awards for the year ended December 31, 2025 *(continued)*

	CLUSTER TITLE GRANTOR Pass-through Grantor Program Title & Period	Assistance Listing Number	Contract Number or Pass-through Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
RESEARCH AND DEVELOPMENT CLUSTER *(continued)*						
U. S. DEPARTMENT OF ENERGY *(continued)*						
Direct Funding:						
	Weatherization Assistance for Low-Income Persons Preparing the Frontlines for a Climate Future through Holistic Weatherization					
#7	03/01/23 – 02/28/26	81.042	DE-EE0010270	$1,970,345	788,705	424,675
	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance South Central/Upper West Combined Heat and Power Technical Assistance Partnership 2017					
#8	08/01/18 – 03/31/25	81.117	DE-EE0008272	$4,212,500	61,062	
	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance Onsite Energy Technical Assistance Partnership					
#9	10/01/23 – 12/31/25	81.117	DE-EE0010963	$1,498,631	498,547	18,690
	Subtotal for 81.117				559,609	18,690
Passed through GTI Energy:						
	Clean Energy Demonstrations HyVelocity Hub: Rapidly Scaling Clean Energy and Demand					
#10	11/18/24 – 09/22/25	81.255	SR140	$56,266	26,434	
Total U. S. Department of Energy					1,841,699	772,576
U. S. DEPARTMENT OF TREASURY						
Passed through University of Houston:						
	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States: UH Workforce Development & Risk Mitigation					
#11	09/18/25 – 02/28/27	21.015	R-26-0025	$255,000	3,396	
Total U. S. Department of Treasury					3,396	

(continued)

Houston Advanced Research Center

Schedule of Expenditures of Federal Awards for the year ended December 31, 2025 *(continued)*

CLUSTER TITLE GRANTOR Pass-through Grantor Program Title & Period		Assistance Listing Number	Contract Number or Pass-through Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
RESEARCH AND DEVELOPMENT CLUSTER *(continued)*						
U. S. ENVIRONMENTAL PROTECTION AGENCY						
Passed through Houston-Galveston Area Council:						
	Climate Pollution Reduction Grants Planning Grant Workplan					
#12	10/01/23 – 09/30/27	66.046	11728	$188,262	83,438	
Passed through Texas Commission on Environmental Quality:						
	National Estuary Program Galveston Bay Regional Database					
#13	01/04/21 – 08/31/25	66.456	582-21-10088	$350,228	27,140	
	National Estuary Program Galveston Bay Report Card Vietnamese Outreach					
#14	09/01/22 – 03/31/25	66.456	582-23-40249	$75,000	11,656	7,256
	National Estuary Program Galveston Bay Comprehensive Conservation Management Plan Update					
#15	09/01/23 – 08/31/25	66.456	582-24-50173	$222,157	87,267	
	National Estuary Program Galveston Bay Comprehensive Conservation Management Plan Update					
#16	09/01/23 – 05/31/26	66.456	582-24-50169	$100,000	20,991	11,630
	National Estuary Program Evaluating Galveston Bay's Resilience to Ocean and Coastal Acidification					
#17	09/01/24 – 05/31/27	66.456	582-25-00040	$278,000	47,935	13,550
	National Estuary Program Bay Estuary Program State of the Bay 5th Edition					
#18	09/01/25 – 05/31/28	66.456	582-25-00095	$395,184	3,325	
	National Estuary Program Galveston Bay Comprehensive Conservation Management Plan Update					
#19	09/01/25 – 05/31/28	66.456	582-26-00097	$281,123	3,012	
	Subtotal for 66.456				201,326	32,436

(continued)

Houston Advanced Research Center

Schedule of Expenditures of Federal Awards for the year ended December 31, 2025 *(continued)*

CLUSTER TITLE GRANTOR Pass-through Grantor Program Title & Period		Assistance Listing Number	Contract Number or Pass-through Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
RESEARCH AND DEVELOPMENT CLUSTER *(continued)*						
U. S. ENVIRONMENTAL PROTECTION AGENCY *(continued)*						
	Nonpoint Source Implementation Grants Low Impact Development 2020					
#20	11/06/20 – 04/30/26	66.460	582-21-10148	$666,184	321,464	21,528
Passed through Texas State Soil and Water Conservation Board:						
	Nonpoint Source Implementation Grants Double Bayou Watershed Protection Planning Implement					
#21	10/17/22 – 08/31/25	66.460	22-13	$373,175	162,662	63,162
	Subtotal for 66.460				484,126	84,690
Passed through Mission Waco Mission World:						
	Environmental and Climate Justice Community Change Grants Program Engaging Communities for a Resilient and Sustainable Waco and McLennan County					
#22	01/01/25 – 05/01/25	66.616	CCWACO24	$362,026	362,026	167,803
Passed through Air Alliance:						
	Environmental and Climate Justice Community Change Grants Program Community Change Track II – AirMail Gulf Coast					
#23	01/02/25 – 05/01/25	66.616	E121225M	$28,781	28,781	
	Subtotal for 66.616				390,807	167,803
Passed through Harris County:						
	Greenhouse Gas Reduction Fund: Solar for All The Texas Solar for All Coalition: A Collaborative Effort to Enable Low-Income Solar and Storage					
#24	09/01/24 – 08/31/29	66.959	84087701	$47,432,657	1,407,242	441,399
Total U. S. Environmental Protection Agency					2,566,939	726,328
TOTAL FEDERAL AWARDS/RESEARCH AND DEVELOPMENT CLUSTER					$ 6,307,556	$ 2,835,615

See accompanying note to schedule of expenditures of federal awards.

Houston Advanced Research Center

Note to Schedule of Expenditures of Federal Awards for the year ended December 31, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include both costs that are capitalized and costs that are recognized as expenses in HARC's financial statements in conformity with generally accepted accounting principles. HARC does not utilize the 10% de minimus indirect rate, but uses a rate equal to or less than the indirect rate approved by the U. S. Department of Energy.

Because the schedule presents only a selected portion of the operations of HARC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HARC.

Major program – All of HARC's programs fall within the Research and Development Cluster, which as a result, is the major program.

NOTE 2 – U. S. ENVIRONMENTAL PROTECTION AGENCY (EPA) SOLAR FOR ALL PROGRAM

During the year ended December 31, 2025, HARC recognized $1,407,242 in federal pass-through grant revenue and expenditures under the EPA's Solar For All program (ALN 66.959) via Harris County, Texas. As of December 31, 2025, a grant receivable of $184,853 remains outstanding. The EPA Solar For All award previously held by HARC remains subject to ongoing litigation (Harris County vs. EPA) regarding the award's administrative termination. As of the date these financial statements were available to be issued, the matter remains unresolved. No additional project activity, expenditures, or reimbursements are occurring under the award pending resolution of the litigation. While the ultimate collection of the remaining receivable or potential claw-back of funds is dependent on the litigation outcome, management believes all recorded expenditures are fully allowable and that no loss allocation is necessary at this time. HARC has approximately $45.8 million in conditional contributions at December 31, 2025 arising from the EPA Solar For All award.

NOTE 3 – PRIOR YEAR EXPENDITURES

Based on guidance and approval of the grantor, expenditures reported in the schedule of $140,545 are expenditures incurred during the fiscal year ended December 31, 2024. The expenditures are included in balances reported as:

Assistance listing #66.460, Nonpoint Source Implementation Grants, Contract Number 582-21-10148.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Houston Advanced Research Center:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston Advanced Research Center (HARC), which comprise the consolidated statement of financial position and the related consolidated statements of activities, of functional expenses, and of cash flows as of and for the year ended December 31, 2025, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HARC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HARC's internal control. Accordingly, we do not express an opinion on the effectiveness of HARC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HARC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

July 21, 2026

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Houston Advanced Research Center:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Houston Advanced Research Center's (HARC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on HARC's major federal program for the year ended December 31, 2025. HARC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, HARC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of HARC and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of HARC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HARC's federal program.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HARC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HARC's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HARC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HARC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HARC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

July 21, 2026

Houston Advanced Research Center

Schedule of Findings and Questioned Costs for the year ended December 31, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? ☐ yes ☒ no

Identification of major program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
Research and Development Cluster:	
10.727	Inflation Reduction Act Urban and Community Forestry Program
81.041	State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.087	Renewable Energy Research and Development
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
81.255	Clean Energy Demonstrations
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States
66.046	Climate Pollution Reduction Grants
66.456	National Estuary Program
66.460	Nonpoint Source Implementation Grants
66.616	Environmental and Climate Justice Community Change Grants Program
66.959	Greenhouse Gas Reduction Fund: Solar for All

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).

HARC

Summary Schedule of Prior Audit Findings

The following audit findings for the year ended December 31, 2024, are required to be reported in accordance with 2 CFR §200.511.

<u>Finding #2024-001</u> – Other Noncompliance

Condition and context: Under the terms of its agreement with the Texas Commission in Environmental Quality, HARC receives reimbursement for a percentage of the expenditures incurred in performance of the funded program. Donated services utilized in performance of the program where included in reimbursement submitted to the grantor.

Recommendation: Re-emphasize to program and accounting personnel federal grant requirements for the allowability of in-kind donations.

Management's response: Management concurs with the finding. This issue arose because the non-federal flow-through sponsor required certain in-kind cost share amounts to be invoices as direct expenses, which conflicted with federal cost principles. It is important to note that while the questioned costs increased reported revenue for 2024, the program has unreimbursed expenditures. Corrective actions were implemented in the first half of 2025, including the hiring of new Grants and Contracts Management staff and strengthening of internal controls, to ensure compliance with federal requirements and prevent recurrence in future reporting.

Management's 2025 follow-up response: Management considers this finding fully corrected. All corrective actions described in the 2024 management response have been fully implemented. HARC hired dedicated Grants and Contracts Management Staff in the first half of 2025, strengthening the organization's capacity to review invoicing practices against applicable federal cost principles prior to submission. Internal controls were updated to ensure that in-kind cost share amounts are properly segregated and not included in reimbursement requests to federal pass-through sponsors. No recurrence of this issue has been identified during the year ended December 31, 2025.

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