

**Family Houston
and
Family Service Foundation of Houston**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

Family Houston and Family Service Foundation of Houston

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Independent Auditors' Report

To the Board of Directors of
Family Houston:

We have audited the accompanying financial statements of Family Houston and Family Service Foundation of Houston, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 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 financial statements.

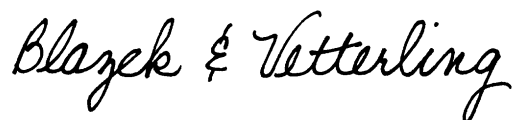
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Houston and Family Service Foundation of Houston as of June 30, 2021 and 2020 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



November 17, 2021

Family Houston and Family Service Foundation of Houston

Consolidated Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 771,683	\$ 1,037,575
Accounts receivable and other assets	267,868	123,925
Contributions receivable:		
United Way	975,578	1,169,618
Other	1,139,669	203,225
Investments (Note 3)	9,100,752	7,261,212
Property, net (Note 4)	<u>929,931</u>	<u>912,030</u>
TOTAL ASSETS	<u>\$13,185,481</u>	<u>\$10,707,585</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 83,011	\$ 156,422
Accrued salaries and related expenses	330,684	340,199
Deferred revenue	192,178	76,711
Refundable advance – Paycheck Protection Program (Note 2)	<u> </u>	<u>700,000</u>
Total liabilities	<u>605,873</u>	<u>1,273,332</u>
Net assets (Note 7):		
Without donor restrictions (Note 5)	10,774,176	7,401,198
With donor restrictions (Note 6)	<u>1,805,432</u>	<u>2,033,055</u>
Total net assets	<u>12,579,608</u>	<u>9,434,253</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,185,481</u>	<u>\$10,707,585</u>

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Consolidated Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
United Way		\$ 2,862,920	\$ 2,862,920
Other contributions	\$ 1,243,384	301,450	1,544,834
Government grant – Paycheck Protection Program		700,000	700,000
Other government grants		299,783	299,783
Special event	180,311		180,311
Direct donor benefit costs from special event	(43,071)		(43,071)
Program service fees	939,648		939,648
Net investment return	1,761,388	178,504	1,939,892
Other income	112,648		112,648
Total revenue	4,194,308	4,342,657	8,536,965
Net assets released from restrictions:			
Expiration of time restrictions	2,198,230	(2,198,230)	
Program expenditures	2,372,050	(2,372,050)	
Total	8,764,588	(227,623)	8,536,965
EXPENSES:			
Program services:			
Mental health	2,288,645		2,288,645
Basic needs	1,217,822		1,217,822
Financial stability	784,614		784,614
Total program services	4,291,081		4,291,081
Management and general	719,033		719,033
Fundraising	381,496		381,496
Total expenses	5,391,610		5,391,610
CHANGES IN NET ASSETS	3,372,978	(227,623)	3,145,355
Net assets, beginning of year	7,401,198	2,033,055	9,434,253
Net assets, end of year	\$10,774,176	\$ 1,805,432	\$12,579,608

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Consolidated Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
United Way		\$ 3,391,574	\$ 3,391,574
Other contributions	\$ 171,728	410,235	581,963
Government grants		299,980	299,980
Special event contributions	186,868		186,868
Program service fees	857,637		857,637
Net investment return	100,353	5,057	105,410
Other income	19,434		19,434
	<u>1,336,020</u>	<u>4,106,846</u>	<u>5,442,866</u>
Net assets released from restrictions:			
Expiration of time restrictions	2,457,432	(2,457,432)	
Program expenditures	1,679,609	(1,679,609)	
	<u>5,473,061</u>	<u>(30,195)</u>	<u>5,442,866</u>
EXPENSES:			
Program services:			
Mental health	2,468,364		2,468,364
Basic needs	960,583		960,583
Financial stability	953,434		953,434
	<u>4,382,381</u>		<u>4,382,381</u>
Management and general	808,233		808,233
Fundraising	480,449		480,449
Building operations	21,082		21,082
	<u>5,692,145</u>		<u>5,692,145</u>
CHANGES IN NET ASSETS	(219,084)	(30,195)	(249,279)
Net assets, beginning of year	<u>7,620,282</u>	<u>2,063,250</u>	<u>9,683,532</u>
Net assets, end of year	<u>\$ 7,401,198</u>	<u>\$ 2,033,055</u>	<u>\$ 9,434,253</u>

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2021

<u>EXPENSES</u>	<u>MENTAL HEALTH</u>	<u>BASIC NEEDS</u>	<u>FINANCIAL STABILITY</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 2,046,167	\$ 628,191	\$ 727,407	\$ 3,401,765	\$ 532,152	\$ 327,801	\$ 4,261,718
Assistance to individuals		507,021		507,021			507,021
Occupancy	100,290	25,681	4,490	130,461	15,761	10,430	156,652
Fees and contract services	17,344	516	5,135	22,995	116,649	10,282	149,926
Depreciation	67,953	36,159	23,296	127,408	14,055	7,457	148,920
Insurance	26,260	7,877	9,161	43,298	7,045	4,445	54,788
Software licenses	15,586	2,662	3,130	21,378	2,910	11,961	36,249
Supplies	1,583	3,576	8,188	13,347	6,466	1,310	21,123
Telephone	7,443	4,800	1,465	13,708	2,074	820	16,602
Printing and publications	284	193	134	611	5,372	5,410	11,393
Travel and training	3,309	113	284	3,706	288	281	4,275
Other	2,426	1,033	1,924	5,383	16,261	1,299	22,943
Total expenses	<u>\$ 2,288,645</u>	<u>\$ 1,217,822</u>	<u>\$ 784,614</u>	<u>\$ 4,291,081</u>	<u>\$ 719,033</u>	<u>\$ 381,496</u>	5,391,610
Direct donor benefit costs from special event							<u>43,071</u>
Total							<u>\$ 5,434,681</u>

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2020

<u>EXPENSES</u>	<u>MENTAL HEALTH</u>	<u>BASIC NEEDS</u>	<u>FINANCIAL STABILITY</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 2,194,454	\$ 603,256	\$ 822,431	\$ 3,620,141	\$ 590,590	\$ 390,864	\$ 4,601,595
Assistance to individuals		271,267		271,267			271,267
Occupancy	88,204	28,218	33,016	149,438	35,486	15,186	200,110
Fees and contract services	63,267	11,948	36,550	111,765	117,750	31,036	260,551
Depreciation	50,091	19,493	19,348	88,932	11,610	6,813	107,355
Insurance	25,930	6,978	9,721	42,629	7,900	4,959	55,488
Software licenses	16,315	3,948	5,344	25,607	3,809	14,011	43,427
Supplies	7,883	8,329	17,379	33,591	15,053	3,432	52,076
Telephone	6,653	4,055	2,550	13,258	1,946	974	16,178
Printing and publications	2,559	530	2,352	5,441	7,763	10,900	24,104
Travel and training	11,041	1,581	3,455	16,077	1,267	932	18,276
Other	1,967	980	1,288	4,235	15,059	1,342	20,636
Total expenses	<u>\$ 2,468,364</u>	<u>\$ 960,583</u>	<u>\$ 953,434</u>	<u>\$ 4,382,381</u>	<u>\$ 808,233</u>	<u>\$ 480,449</u>	5,671,063
Building operations							<u>21,082</u>
Total							<u>\$ 5,692,145</u>

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Consolidated Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,145,355	\$ (249,279)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss on investments	(1,839,752)	5,718
Depreciation	148,920	107,355
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(143,943)	(25,139)
Contributions receivable	(742,404)	23,835
Accounts payable	(73,411)	11,194
Accrued salaries and related expenses	(9,515)	27,225
Deferred revenue	115,467	(93,711)
Refundable advance – Paycheck Protection Program	<u>(700,000)</u>	<u>700,000</u>
Net cash provided (used) by operating activities	<u>(99,283)</u>	<u>507,198</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(95,363)	(953,234)
Sales of investments	878,000	980,000
Net purchase of money market mutual funds held as investments	(782,425)	(146,113)
Purchases of property	<u>(166,821)</u>	<u>(180,620)</u>
Net cash used by investing activities	<u>(166,609)</u>	<u>(299,967)</u>
NET CHANGE IN CASH	(265,892)	207,231
Cash, beginning of year	<u>1,037,575</u>	<u>830,344</u>
Cash, end of year	<u>\$ 771,683</u>	<u>\$ 1,037,575</u>

See accompanying notes to consolidated financial statements.

Family Houston and Family Service Foundation of Houston

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Serving Houston families since 1904, Family Houston is a Texas nonprofit corporation providing a wide range of health and human services for families in the greater Houston community. Family Houston’s programs seek to create a stronger community for tomorrow by helping individuals and families meet the challenges they face today. Family Service Foundation of Houston (the Foundation) is a Texas nonprofit corporation founded to support the mission and benevolent activities of Family Houston. Family Houston is the sole member of the Foundation.

Family Houston’s programs are summarized in the following categories:

- *Mental health* – Counseling and Parenting Resources, providing children, adolescents, and adults with individual, family and group counseling, as well as providing valuable information for raising resilient, self-disciplined children.
- *Basic needs* – Intensive case management, connecting individuals and families to resources and benefits.
- *Financial stability* – Financial and Employment Coaching, guiding individuals and families as they budget, manage debt, improve credit, find employment, and achieve goals, as well as providing one-on-one coaching to help individuals reach their career goals.

Basis of consolidation – The accompanying financial statements include the assets, liabilities, net assets and activities of Family Houston and the Foundation. Balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – Family Houston and the Foundation are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. Family Houston is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Foundation is classified as a public charity under §509(a)(3)(b)(i) as a Type I supporting organization to Family Houston.

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

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, if material, to estimate the present value of future cash flows. At June 30, 2021, all contributions receivable are due within one year. At June 30, 2021, 95% of contributions receivable were from two donors.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 20 years for building and leasehold improvements, and 3 to 10 years for furniture and equipment. Items with a cost or fair value of \$2,000 or more and a useful life of more than 3 years are capitalized.

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

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

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

Non-cash contributions – Donated materials and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Family Houston recognized approximately \$91,000 and \$86,000 of contributed facility rent, supplies and services in 2021 and 2020, respectively. These amounts are included in contribution revenue and program services expenses in these financial statements.

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

Program service fees are derived from providing mental health counseling services to individuals. Performance obligations are recognized at the point in time the services are provided. Program service fees are recognized at the amount of consideration Family Houston expects to be entitled to in exchange for those services. Amounts are due from third-party payors billed weekly at amounts expected to be received and copayments are due from individuals when services are provided.

Family Houston also has contracts with organizations to provide counseling, financial and employment coaching, and other support services to individuals in need at a predetermined hourly rate or per session fee. Performance obligations are recognized at the point in time the services are provided. Family Houston submits reimbursement requests monthly to certain organizations for the costs incurred, and receives advance payments from certain organizations. Family Houston's receivables related to program service fees are \$76,826, \$76,114, and \$18,155 at June 30, 2021, 2020, and 2019, respectively. Family Houston's deferred revenue from program service fees is \$62,430 at June 30, 2021. There was no deferred revenue from program service fees at June 30, 2020 and 2019.

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 occupancy costs are allocated based on usage of related facilities.

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

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021 and requires retrospective application. Family Houston will adopt this ASU in fiscal year 2022.

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 June 30 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 771,683	\$ 1,037,575
Contributions receivable	2,115,247	1,372,843
Accounts and other receivables	218,251	76,180
Investments	<u>9,100,752</u>	<u>7,261,212</u>
Total financial assets	12,205,933	9,747,810
Less financial assets not available for general expenditure:		
Investments held by the Foundation, net of 2021 appropriation of \$600,000 for 2022 and \$0 for 2021	(6,561,623)	(5,325,291)
Board-designated cash held by the Foundation	<u>(26,326)</u>	<u>(170,523)</u>
Total financial assets available for general expenditure	<u>\$ 5,617,984</u>	<u>\$ 4,251,996</u>

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

Family Houston is substantially supported by contributions and service provider contracts, and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Family Houston has an operating reserve policy to designate a minimum of two months of average

recurring operating costs. Although Family Houston does not intend to spend from the operating reserve fund, amounts could be made available, if necessary. Operating investments are invested in certificates of deposit and mutual funds, which can be made available should the funds be needed.

Family Houston received a \$700,000 Paycheck Protection Program (PPP) loan through the Small Business Administration in May 2020. PPP loan principal and interest may be forgiven, in whole or in part, if Family Houston meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. In November 2020, Family Houston was notified that the PPP loan had been forgiven and recognized it as a government grant contribution.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are held for the following:

	<u>2021</u>	<u>2020</u>
Foundation endowments	\$ 3,869,495	\$ 2,837,676
Foundation – undesignated	3,292,128	2,487,615
Family Houston – undesignated	<u>1,939,129</u>	<u>1,935,921</u>
Total investments	<u>\$ 9,100,752</u>	<u>\$ 7,261,212</u>

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – 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.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Small-cap index	\$ 2,008,530			\$ 2,008,530
Mid-cap index	1,994,018			1,994,018
Large-cap index	1,940,654			1,940,654
Money market mutual funds	1,893,442			1,893,442
Short-term bond mutual funds	<u>1,264,108</u>			<u>1,264,108</u>
Total assets measured at fair value	<u>\$ 9,100,752</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,100,752</u>

Assets measured at fair value at June 30, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Small-cap index	\$ 1,283,358			\$ 1,283,358
Mid-cap index	1,357,414			1,357,414
Large-cap index	1,467,680			1,467,680
Money market mutual funds	1,111,017			1,111,017
Short-term bond mutual funds	1,260,207			1,260,207
Certificates of deposit		<u>\$ 781,536</u>		<u>781,536</u>
Total assets measured at fair value	<u>\$ 6,479,676</u>	<u>\$ 781,536</u>	<u>\$ 0</u>	<u>\$ 7,261,212</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Certificates of deposit* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Family Houston and the Foundation believes their valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 467,428	\$ 467,428
Building and leasehold improvements	1,888,868	1,743,765
Furniture, equipment and software	<u>947,045</u>	<u>925,327</u>
Total property, at cost	3,303,341	3,136,520
Accumulated depreciation	<u>(2,373,410)</u>	<u>(2,224,490)</u>
Property, net	<u>\$ 929,931</u>	<u>\$ 912,030</u>

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 6,644,169	\$ 4,142,407
Board-designated for general endowment	3,200,076	2,346,761
Property, net	<u>929,931</u>	<u>912,030</u>
Total net assets without donor restrictions	<u>\$10,774,176</u>	<u>\$ 7,401,198</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Family Houston:		
Financial stability	\$ 120,435	\$ 174,916
Basic needs	<u>40,000</u>	<u>195,088</u>
Total subject to expenditure for specified purpose	160,435	370,004
Subject to the passage of time:		
Family Houston:		
United Way allocations for subsequent periods	975,578	1,169,621
Other contributions restricted for future operations	<u> </u>	<u>2,515</u>
Total subject to the passage of time	<u>975,578</u>	<u>1,172,136</u>
Endowment subject to spending policy and appropriation	<u>669,419</u>	<u>490,915</u>
Total net assets with donor restrictions	<u>\$ 1,805,432</u>	<u>\$ 2,033,055</u>

NOTE 7 – FOUNDATION ENDOWMENT FUNDS

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

Changes in the Foundation's endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, June 30, 2019	\$ 2,322,588	\$ 275,393	\$ 210,465	\$ 2,808,446
Net investment return	<u>24,173</u>	<u>5,057</u>	<u> </u>	<u>29,230</u>
Endowment net assets, June 30, 2020	<u>2,346,761</u>	<u>280,450</u>	<u>210,465</u>	<u>2,837,676</u>
Net investment return	<u>853,315</u>	<u>178,504</u>	<u> </u>	<u>1,031,819</u>
Endowment net assets, June 30, 2021	<u>\$ 3,200,076</u>	<u>\$ 458,954</u>	<u>\$ 210,465</u>	<u>\$ 3,869,495</u>

The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Foundation considers the duration and preservation of the funds and other resources of the Foundation in making a determination to appropriate or accumulate donor-restricted endowment funds.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the overall investment objective is to provide a maximum total return while exposing the Foundation to a reasonable, but not excessive amount of risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's endowment spending policy allows a maximum appropriation of 5% of the fund's fair market value determined based on a three-year rolling average. Distributions are approved by the Board of Directors of the Foundation annually. The Board of Directors of the Foundation may approve a distribution in excess of the spending policy for extenuating circumstances.

NOTE 8 – CONDITIONAL CONTRIBUTIONS

At June 30, 2021, Family Houston has approximately \$300,000 of conditional contributions from a government agency, which has not been recognized in the accompanying financial statements because the conditions have not been met. Family Houston will recognize this grant as qualifying grant expenditures are incurred and/or performance requirements are met.

At June 30, 2021, Family Houston has approximately \$127,000 conditional contributions from United Way and a foundation, which have not been recognized in the accompanying financial statements because the conditions have not been met. Family Houston will recognize these contributions when the conditions required by the donor have been met.

At June 30, 2021, Family Houston has a conditional contribution from an estate, which has not been recognized in the accompanying financial statements because a barrier has been imposed on the distribution of assets. The final distribution amount has not been determined as of the date of this report. Family Houston will recognize this contribution when the barrier has been removed.

NOTE 9 – EMPLOYEE BENEFIT PLAN

Family Houston participates in a §403(b) plan administered by Mutual of America Life Insurance Company. Employees may elect to participate after one year of service by contributing up to 15% of their compensation to the plan. Each year, Family Houston makes a contribution of 2% of participants' compensation and, in addition, makes a matching contribution equal to 100% of the employee's contribution up to a maximum of 3% of the employee's compensation. Family Houston contributed approximately \$145,000 and \$128,000 to this plan during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 17, 2021, 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.
