

Family Houston

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2017 and 2016

Family 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, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

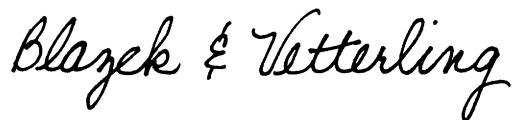
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 financial position of Family Houston as of June 30, 2017 and 2016 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.



November 6, 2017

Family Houston

Statements of Financial Position as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 1,047,894	\$ 442,628
Receivables:		
Service provider contracts	89,736	164,511
Other (Note 2)	128,070	107,858
Prepaid expenses and other assets	95,371	104,364
Pledges receivable:		
United Way	1,297,896	1,013,742
Other (Note 2)	246,036	983,763
Investments (Note 3)	1,274,178	1,262,355
Property, net (Note 4)	<u>40,324</u>	<u>91,922</u>
TOTAL ASSETS	<u>\$ 4,219,505</u>	<u>\$ 4,171,143</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 48,759	\$ 44,027
Accrued salaries and related expenses	331,367	314,032
Deferred revenue	103,583	104,861
Note payable (Note 5)	<u>65,107</u>	<u>95,140</u>
Total liabilities	<u>548,816</u>	<u>558,060</u>
Net assets:		
Unrestricted	1,528,610	1,023,598
Temporarily restricted (Note 6)	<u>2,142,079</u>	<u>2,589,485</u>
Total net assets	<u>3,670,689</u>	<u>3,613,083</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,219,505</u>	<u>\$ 4,171,143</u>

See accompanying notes to financial statements.

Family Houston

Statement of Activities for the year ended June 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Service provider contracts (Note 7)	\$ 1,862,129		\$ 1,862,129
United Way contributions		\$ 3,119,942	3,119,942
Other contributions (Note 2)	212,103	645,000	857,103
Special event contributions	266,325		266,325
Direct donor benefit costs from special event	(70,186)		(70,186)
Program fees	512,718		512,718
Loss on disposal of property	(21,221)		(21,221)
Investment return and other income (Note 4)	<u>13,963</u>		<u>13,963</u>
Total revenue	2,775,831	3,764,942	6,540,773
Net assets released from restrictions (Note 6):			
Expiration of United Way restrictions	2,835,597	(2,835,597)	
Program expenditures	971,751	(971,751)	
Time restrictions	<u>405,000</u>	<u>(405,000)</u>	
Total	<u>6,988,179</u>	<u>(447,406)</u>	<u>6,540,773</u>
EXPENSES:			
Program services:			
Health, wellness and self-sufficiency	2,436,773		2,436,773
Strengthen families and individuals	2,062,668		2,062,668
Nurture children and youth	<u>940,100</u>		<u>940,100</u>
Total program services	5,439,541		5,439,541
Management and general	735,274		735,274
Fundraising	<u>308,352</u>		<u>308,352</u>
Total expenses (Note 2)	<u>6,483,167</u>		<u>6,483,167</u>
CHANGES IN NET ASSETS	505,012	(447,406)	57,606
Net assets, beginning of year	<u>1,023,598</u>	<u>2,589,485</u>	<u>3,613,083</u>
Net assets, end of year	<u>\$ 1,528,610</u>	<u>\$ 2,142,079</u>	<u>\$ 3,670,689</u>

See accompanying notes to financial statements.

Family Houston

Statement of Activities for the year ended June 30, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Service provider contracts (Note 7)	\$ 2,758,943		\$ 2,758,943
United Way contributions		\$ 1,982,626	1,982,626
Other contributions (Note 2)	585,601	759,500	1,345,101
Special event contributions	139,595		139,595
Direct donor benefit costs from special event	(10,133)		(10,133)
Program fees	508,262		508,262
Investment return and other income (Note 4)	<u>39,527</u>		<u>39,527</u>
Total revenue	4,021,795	2,742,126	6,763,921
Net assets released from restrictions (Note 6):			
Expiration of United Way restrictions	2,041,254	(2,041,254)	
Program expenditures	<u>997,678</u>	<u>(997,678)</u>	
Total	<u>7,060,727</u>	<u>(296,806)</u>	<u>6,763,921</u>
EXPENSES:			
Program services:			
Health, wellness and self-sufficiency	2,217,135		2,217,135
Strengthen families and individuals	2,786,411		2,786,411
Nurture children and youth	<u>1,420,046</u>		<u>1,420,046</u>
Total program services	6,423,592		6,423,592
Management and general	706,734		706,734
Fundraising	<u>161,330</u>		<u>161,330</u>
Total expenses (Note 2)	<u>7,291,656</u>		<u>7,291,656</u>
CHANGES IN NET ASSETS	(230,929)	(296,806)	(527,735)
Net assets, beginning of year	<u>1,254,527</u>	<u>2,886,291</u>	<u>4,140,818</u>
Net assets, end of year	<u>\$ 1,023,598</u>	<u>\$ 2,589,485</u>	<u>\$ 3,613,083</u>

See accompanying notes to financial statements.

Family Houston

Statement of Functional Expenses for the year ended June 30, 2017

<u>EXPENSES</u>	<u>HEALTH, WELLNESS AND SELF-SUFFICIENCY</u>	<u>STRENGTHEN FAMILIES AND INDIVIDUALS</u>	<u>NURTURE CHILDREN AND YOUTH</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 1,746,478	\$ 1,565,696	\$ 747,098	\$ 4,059,272	\$ 280,763	\$ 211,205	\$ 4,551,240
Fees and contract services	185,827	171,204	81,541	438,572	241,701	37,380	717,653
Occupancy	122,699	185,592	51,234	359,525	156,215	24,254	539,994
Assistance to individuals	234,042			234,042			234,042
Supplies	26,833	33,055	17,476	77,364	19,358	19,832	116,554
In-kind rent, supplies and services	44,709	35,585	1,583	81,877			81,877
Travel	27,254	19,165	22,625	69,044	2,914	1,840	73,798
Insurance	18,983	17,022	8,222	44,227	3,363	2,243	49,833
Depreciation	11,418	9,665	4,405	25,488	3,444	1,445	30,377
Telephone	7,614	12,501	1,627	21,742	1,680	517	23,939
Printing and publications	3,046	4,851	1,314	9,211	4,971	5,713	19,895
Equipment costs	4,283	4,642	1,853	10,778	1,110	114	12,002
Membership dues	1,744	3,196	1,051	5,991	588	806	7,385
Postage	530	494	71	1,095	2,157	1,602	4,854
Other	<u>1,313</u>	<u></u>	<u></u>	<u>1,313</u>	<u>17,010</u>	<u>1,401</u>	<u>19,724</u>
Total	<u>\$ 2,436,773</u>	<u>\$ 2,062,668</u>	<u>\$ 940,100</u>	<u>\$ 5,439,541</u>	<u>\$ 735,274</u>	<u>\$ 308,352</u>	6,483,167
Direct donor benefit costs from special event							<u>70,186</u>
Total expenses							<u>\$ 6,553,353</u>

See accompanying notes to financial statements.

Family Houston

Statement of Functional Expenses for the year ended June 30, 2016

<u>EXPENSES</u>	<u>HEALTH, WELLNESS AND SELF-SUFFICIENCY</u>	<u>STRENGTHEN FAMILIES AND INDIVIDUALS</u>	<u>NURTURE CHILDREN AND YOUTH</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL EXPENSES</u>
Salaries and related expenses	\$ 1,627,546	\$ 2,035,388	\$ 1,172,240	\$ 4,835,174	\$ 139,131	\$ 75,474	\$ 5,049,779
Fees and contract services	196,538	222,910	110,979	530,427	451,287	42,987	1,024,701
Occupancy	164,149	229,862	68,500	462,511	60,690	20,584	543,785
Assistance to individuals	132,445			132,445			132,445
Supplies	23,313	50,728	16,182	90,223	15,477	6,190	111,890
In-kind rent, supplies and services		105,452	740	106,192		3,500	109,692
Travel	22,667	71,043	24,570	118,280	1,463	2,626	122,369
Insurance	15,882	19,908	11,474	47,264	2,211	734	50,209
Depreciation	8,967	11,358	5,978	26,303	7,959	598	34,860
Telephone	8,775	13,784	2,311	24,870	4,275	1,613	30,758
Printing and publications	6,643	7,041	1,379	15,063	4,531	5,018	24,612
Equipment costs	3,898	12,265	3,139	19,302	1,475		20,777
Membership dues	3,423	5,524	2,354	11,301	658	143	12,102
Postage	1,492	1,148	200	2,840	1,595	1,863	6,298
Other	<u>1,397</u>			<u>1,397</u>	<u>15,982</u>		<u>17,379</u>
Total	<u>\$ 2,217,135</u>	<u>\$ 2,786,411</u>	<u>\$ 1,420,046</u>	<u>\$ 6,423,592</u>	<u>\$ 706,734</u>	<u>\$ 161,330</u>	7,291,656
Direct donor benefit costs from special event							<u>10,133</u>
Total expenses							<u>\$ 7,301,789</u>

See accompanying notes to financial statements.

Family Houston

Statements of Cash Flows for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 57,606	\$ (527,735)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss on investments	14,200	(11,158)
Depreciation	30,377	34,860
Loss on disposal of property	21,221	
Changes in operating assets and liabilities:		
Receivables	54,563	25,405
Prepaid expenses and other assets	8,993	(31,801)
Pledges receivable	453,573	81,412
Accounts payable	4,732	(20,190)
Accrued salaries and related expenses	17,335	(133,288)
Deferred revenue	<u>(1,278)</u>	<u>19,280</u>
Net cash provided (used) by operating activities	<u>661,322</u>	<u>(563,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(11,820)	(12,010)
Sales of investments	200,000	400,000
Net sale (purchase) of money market mutual funds held as investments	(214,203)	24,130
Purchases of property	<u> </u>	<u>(27,345)</u>
Net cash provided (used) by investing activities	<u>(26,023)</u>	<u>384,775</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	<u>(30,033)</u>	<u>(28,978)</u>
NET CHANGE IN CASH	605,266	(207,418)
Cash, beginning of year	<u>442,628</u>	<u>650,046</u>
Cash, end of year	<u>\$ 1,047,894</u>	<u>\$ 442,628</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$2,811	\$4,040

See accompanying notes to financial statements.

Family Houston

Notes to Financial Statements for the years ended June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Family Services of Greater Houston (dba 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 strengthen individuals, families, and communities through the provision of preventive, supportive, and therapeutic services.

Family Resources, Inc. (FRI) is the sole member of Family Houston and Family Service Foundation of Houston (the Foundation) confirming the election of each entities' Board of Directors. However, FRI filed a certificate of termination for its dissolution effective June 30, 2017, resulting in its resignation as the sole member of Family Houston and the Foundation. The Foundation was created primarily to support the mission and benevolent activities of Family Houston. Effective July 1, 2017, Family Houston became the sole member of the Foundation.

Basis of presentation – These financial statements include only the assets, liabilities, net assets, activities, and cash flows of Family Houston. Significant balances and transactions with the affiliated organizations are described in Note 2.

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

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

Pledges receivable that are due within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. At June 30, 2017, all pledges are due within one year.

Allowance for uncollectible accounts – Family Houston provides an allowance for service provider contracts receivable and pledges receivable when it believes balances may not be collected in full. It is Family Service's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on pledges recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and customer-by-customer analysis of receivable balances. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of these receivables.

Investments are reported at fair value.

Property is reported at cost or, if contributed, at the estimated fair value at the date of gift. Depreciation is provided using the straight-line method over estimated useful lives of 2 to 12 years. 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 – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Fees for service – Revenue from service provider contracts and program fees are recognized when the related services are provided. Amounts received in advance are deferred until earned.

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 restricted support.

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 \$96,000 and \$109,000 of contributed facility rent, supplies and services in 2017 and 2016, respectively. These amounts are included in contribution revenue and program services expenses in these financial statements.

Direct donor benefit costs represent the cost of goods and services provided to attendees of the special event.

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

NOTE 2 – RELATED PARTY TRANSACTIONS

FRI provided management and fundraising services to Family Houston. In 2017 and 2016, Family Houston incurred management fees of approximately \$419,000 and \$590,000, respectively. Accounts receivable at June 30, 2017 include \$81,173 due from FRI.

Family Houston leases office space and equipment from the Foundation. The office space is leased under a non-cancelable operating lease that expired June 30, 2017, with annual rent of \$240,000. At June 30, 2017 and 2016, other accounts receivable includes receivables from the Foundation of approximately \$11,000 for expenses paid by Family Houston on behalf of the Foundation. Pledges receivable at June 30, 2016 include receivables from the Foundation of \$405,000. Family Houston recognized contributions of \$853,000 in 2016 from the Foundation. Family Houston did not receive contributions from the Foundation in 2017.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Short-term bond mutual funds	\$ 800,216			\$ 800,216
Money market mutual funds	273,387			273,387
Certificates of deposit	<u> </u>	<u>\$ 200,575</u>	<u> </u>	<u>200,575</u>
Total assets measured at fair value	<u>\$ 1,073,603</u>	<u>\$ 200,575</u>	<u>\$ 0</u>	<u>\$ 1,274,178</u>

Assets measured at fair value at June 30, 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Short-term bond mutual funds	\$ 800,491			\$ 800,491
Money market mutual funds	59,184			59,184
Certificates of deposit	<u> </u>	<u>\$ 402,680</u>	<u> </u>	<u>402,680</u>
Total assets measured at fair value	<u>\$ 859,675</u>	<u>\$ 402,680</u>	<u>\$ 0</u>	<u>\$ 1,262,355</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 based upon a matrix or model pricing method and all mature within one year.

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 believes its 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.

Investment return consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 16,024	\$ 17,887
Net realized and unrealized gain (loss) on investments	<u>(14,200)</u>	<u>11,158</u>
Total investment return	<u>\$ 1,824</u>	<u>\$ 29,045</u>

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 378,461	\$ 378,461
Leasehold improvements	23,910	23,910
Software	<u> </u>	<u>200,707</u>
Total property, at cost	402,371	603,078
Accumulated depreciation	<u>(362,047)</u>	<u>(511,156)</u>
Property, net	<u>\$ 40,324</u>	<u>\$ 91,922</u>

NOTE 5 – NOTE PAYABLE

In August 2013, Family Houston entered into an unsecured promissory note agreement for \$175,000 to fund a portion of the payment of the estimated liability associated with the termination of the Cash Balance Pension Plan. The note is guaranteed by United Way of Greater Houston. The loan bears interest at 3.5% and matures on August 1, 2019. Minimum principal payments are due as follows:

2018	\$ 30,961
2019	<u>34,146</u>
Total note payable	<u>\$ 65,107</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods for 2017:

	BALANCE JUNE 30, 2016	CONTRIBUTIONS	UTILIZED FOR PROGRAMS	BALANCE JUNE 30, 2017
United Way allocations for subsequent periods	\$ 1,013,554	\$ 3,119,942	\$ (2,835,600)	\$ 1,297,896
Transition-Age Youth Service	733,583		(313,933)	419,650
Middle School Substance Abuse prevention	412,348		(156,263)	256,085
Fiscal year 2017 operations	405,000		(405,000)	
Other programs	<u>25,000</u>	<u>645,000</u>	<u>(501,552)</u>	<u>168,448</u>
Total	<u>\$ 2,589,485</u>	<u>\$ 3,764,942</u>	<u>\$ (4,212,348)</u>	<u>\$ 2,142,079</u>

Temporarily restricted net assets are available for the following purposes or periods for 2016:

	BALANCE JUNE 30, 2015	CONTRIBUTIONS	UTILIZED FOR PROGRAMS	BALANCE JUNE 30, 2016
United Way allocations for subsequent periods	\$ 1,072,182	\$ 1,982,626	\$ (2,041,254)	\$ 1,013,554
Transition-Age Youth Service	1,076,996		(343,413)	733,583
Middle School Substance Abuse prevention	582,113		(169,765)	412,348
Fiscal year 2017 operations		405,000		405,000
Ways to Work	75,000	50,000	(125,000)	
Other programs	<u>80,000</u>	<u>304,500</u>	<u>(359,500)</u>	<u>25,000</u>
Total	<u>\$ 2,886,291</u>	<u>\$ 2,742,126</u>	<u>\$ (3,038,932)</u>	<u>\$ 2,589,485</u>

NOTE 7 – SERVICE PROVIDER CONTRACTS

Revenue from service provider contracts includes:

	<u>2017</u>	<u>2016</u>
Federal and state awards:		
U. S. Department of Health and Human Services	\$ 366,202	\$ 629,272
Texas Veterans Commission	304,195	231,291
Texas Department of State Health Services	57,942	53,239
The Metropolitan Transit Authority of Harris County, Texas	39,937	146,300
United Way THRIVE	765,437	671,168
United Way – other	208,643	206,131
United Way Baytown Area	15,400	486,464
Houston Independent School District		162,896
Other sources	<u>104,373</u>	<u>172,182</u>
Total	<u>\$ 1,862,129</u>	<u>\$ 2,758,943</u>

Grants from government funding sources 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 Family Houston with the terms of the contracts. Management believes such disallowances, if any, would not be material to Family Houston's financial position or changes in net assets.

NOTE 8 – 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 \$110,000 and \$134,000 to this plan during the years ended June 30, 2017 and 2016, respectively.

NOTE 9 – CONDITIONAL CONTRIBUTION

In 2017, Family Houston received a \$50,000 conditional grant from United Way of Greater Houston to provide basic needs financial assistance to residents for long-term recovery needs in Fort Bend County following the 2016 flooding of the Brazos River. Any unused funds are to be returned to United Way of Greater Houston. As of June 30, 2017, \$2,471 was recognized as contributions. The remaining amount of \$47,529 was recorded in deferred revenue and will be recognized as contribution revenue when the conditions are met.

NOTE 10 – COMMITMENTS

Family Houston leases office space under non-cancelable operating leases (see Note 2 for related party leases). Lease expense was approximately \$431,000 during 2017 and \$439,000 during 2016. The future minimum lease payments at June 30, 2017 are as follows:

2018	\$ 110,467
2019	108,384
2020	<u>11,452</u>
Total	<u>\$ 230,303</u>

Family Houston entered into a sublease agreement effective May 1, 2017 where a portion of the leased space is subleased to an organization under a noncancelable operating lease. Payments due under the sublease are as follows:

2018	\$ 73,024
2019	79,663
2020	<u>13,277</u>
Total	<u>\$ 165,964</u>

Family Houston entered into a software licensing agreement with an annual maintenance fee of \$45,000 that is in effect for as long as Family Houston continues to utilize the software. It is anticipated that Family Houston will use the software for the foreseeable future.

NOTE 11 – JOB ACCESS REVERSE COMMUTE LOAN GUARANTEE FUND

Family Houston participates in the national Ways to Work program, which provides loans to working parents who are not otherwise able to obtain loans at competitive interest rates. The loans are to purchase a reliable used car or repair a car in order for the individual to sustain employment or enhance their employment. The term of the loan is typically two years. Family Houston has guaranteed these loans. At June 30, 2017, there were 26 outstanding loans with outstanding balances of \$61,153. The Loan Guarantee Fund provided in the Federal Transit Administration grant reimburses 80% of any guarantee payments on loans made after April 1, 2010 up to \$35,200 per year.

NOTE 12 – SUBSEQUENT EVENTS

Effective July 1, 2017, Family Houston became the sole member of the Foundation, as disclosed in Note 1. The total assets of the Foundation are approximately \$5,600,000.

Management has evaluated subsequent events through November 6, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
