United Way of Greater Houston

Financial Statements
and Independent Auditors' Report
for the years ended March 31, 2018 and 2017

United Way of Greater Houston

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees of
United Way of Greater Houston:

We have audited the accompanying financial statements of United Way of Greater Houston, which comprise the statements of financial position as of March 31, 2018 and 2017 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 United Way of Greater Houston as of March 31, 2018 and 2017 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.

Blazek & Vetterling

August 28, 2018

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United Way of Greater Houston

Statements of Financial Position as of March 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents *(Note 2)*	$ 18,270,891	$ 16,412,064
Government contracts and other receivables	909,892	554,863
Short-term investments restricted for Hurricane Relief *(Note 4)*	35,903,183	
Prepaid expenses and other assets	560,376	439,397
Pledges receivable, net *(Note 3)*	35,909,185	38,825,207
Investments *(Note 4)*	19,097,089	17,517,059
Property and equipment, net *(Note 5)*	32,029,294	32,702,784
TOTAL ASSETS	$ 142,679,910	$ 106,451,374
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,161,499	$ 798,569
Payroll and other accrued liabilities	1,249,641	1,186,848
Amounts committed to community program services	31,241,975	32,371,739
Amounts donor-designated for other campaigns	1,180,721	1,574,744
Deferred revenue	181,631	219,356
Total liabilities	35,015,467	36,151,256
Commitments and contingencies *(Note 11)*		
Net assets:		
Unrestricted *(Note 6)*	64,424,648	63,556,615
Temporarily restricted *(Note 7)*	43,239,795	6,743,503
Total net assets	107,664,443	70,300,118
TOTAL LIABILITIES AND NET ASSETS	$ 142,679,910	$ 106,451,374

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Activities for the year ended March 31, 2018

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Annual campaign contributions *(Note 8)*	$ 69,008,823	$ 3,562,556	$ 72,571,379
Less: Donor-designated gifts to other campaigns	(962,886)		(962,886)
Less: Provision for estimated uncollectible pledges on current year campaign	(5,063,764)		(5,063,764)
Contributions from previous annual campaign	970,740		970,740
Hurricane Relief contributions *(Note 9)*		48,504,839	48,504,839
Other contributions	495,685	4,549,271	5,044,956
Government contracts	2,631,873		2,631,873
Program fees and other revenue	1,401,697		1,401,697
Investment return, net *(Note 4)*	1,629,328		1,629,328
Total revenue	70,111,496	56,616,666	126,728,162
Net assets released from restrictions:			
Disaster response expenditures	12,819,610	(12,819,610)	
Program expenditures	7,300,764	(7,300,764)	
Total	90,231,870	36,496,292	126,728,162
EXPENSES:			
Program services:			
Community investments in program services *(Note 8)*	52,137,864		52,137,864
Community impact program services	13,638,276		13,638,276
Disaster response *(Note 9)*	12,819,610		12,819,610
In-kind grants *(Note 8)*	903,382		903,382
Total program services	79,499,132		79,499,132
Fundraising	6,838,310		6,838,310
Management and general	3,026,395		3,026,395
Total expenses	89,363,837		89,363,837
CHANGES IN NET ASSETS	868,033	36,496,292	37,364,325
Net assets, beginning of year	63,556,615	6,743,503	70,300,118
Net assets, end of year	$ 64,424,648	$ 43,239,795	$107,664,443

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Activities for the year ended March 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Annual campaign contributions *(Note 8)*	$ 71,780,904	$ 4,466,390	$ 76,247,294
Less: Donor-designated gifts to other campaigns	(1,804,548)		(1,804,548)
Less: Provision for estimated uncollectible pledges on current year campaign	(5,468,054)		(5,468,054)
Contributions from previous annual campaign	1,417,246		1,417,246
Other contributions	280,080	2,284,705	2,564,785
Government contracts	2,213,409		2,213,409
Program fees and other revenue	1,414,125		1,414,125
Investment return, net *(Note 4)*	1,612,972		1,612,972
Total revenue	71,446,134	6,751,095	78,197,229
Net assets released from restrictions:			
Disaster response expenditures	770,000	(770,000)	
Program expenditures	5,691,667	(5,691,667)	
Total	77,907,801	289,428	78,197,229
EXPENSES:			
Program services:			
Community investments in program services *(Note 8)*	54,357,439		54,357,439
Community impact program services	12,665,608		12,665,608
Disaster response	770,000		770,000
In-kind grants *(Note 8)*	830,789		830,789
Total program services	68,623,836		68,623,836
Fundraising	7,629,038		7,629,038
Management and general	2,928,083		2,928,083
Total expenses	79,180,957		79,180,957
CHANGES IN NET ASSETS	(1,273,156)	289,428	(983,728)
Net assets, beginning of year	64,829,771	6,454,075	71,283,846
Net assets, end of year	$ 63,556,615	$ 6,743,503	$ 70,300,118

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Functional Expenses for the year ended March 31, 2018

EXPENSES	PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Community investments (grants for program services)	$ 53,041,246			$ 53,041,246
Disaster response grants	12,819,610			12,819,610
Salaries and related expenses	8,999,045	$ 4,477,983	$ 1,822,822	15,299,850
Occupancy	1,958,967	365,471	177,779	2,502,217
Professional and contract services	790,321	741,779	541,168	2,073,268
Depreciation	715,419	242,496	149,373	1,107,288
Printing and supplies	424,103	235,564	52,267	711,934
Dues to national organization	364,863	183,065	142,158	690,086
Conferences and meetings	112,974	406,093	26,297	545,364
Advertising	115,915	115,915		231,830
Professional development and travel	89,255	45,472	25,818	160,545
Other	67,414	24,472	88,713	180,599
Total expenses	$ 79,499,132	$ 6,838,310	$ 3,026,395	$ 89,363,837

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Functional Expenses for the year ended March 31, 2017

EXPENSES	PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Community investments (grants for program services)	$ 55,188,228			$ 55,188,228
Disaster response grants	770,000			770,000
Salaries and related expenses	7,939,051	$ 5,089,571	$ 1,927,444	14,956,066
Occupancy	1,853,487	337,430	225,648	2,416,565
Professional and contract services	867,243	758,750	337,020	1,963,013
Depreciation	745,981	252,855	155,755	1,154,591
Printing and supplies	487,456	340,084	67,465	895,005
Dues to national organization	395,664	204,064	151,662	751,390
Conferences and meetings	91,265	458,003	13,505	562,773
Advertising	105,758	105,758		211,516
Professional development and travel	113,547	70,564	28,331	212,442
Other	66,156	11,959	21,253	99,368
Total expenses	$ 68,623,836	$ 7,629,038	$ 2,928,083	$ 79,180,957

See accompanying notes to financial statements.

United Way of Greater Houston

Statements of Cash Flows for the years ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 37,364,325	$ (983,728)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,107,290	1,154,591
Net realized and unrealized gain on investments	(853,358)	(1,247,290)
Changes in operating assets and liabilities:		
Government contracts and other receivables	(355,029)	291,781
Prepaid expenses and other assets	(120,979)	(45,861)
Pledges receivable	2,916,022	6,397,780
Accounts payable	362,930	72,750
Payroll and other accrued liabilities	62,793	(262,252)
Amounts committed to community program services	(1,129,764)	(1,540,307)
Amounts donor-designated for other campaigns	(394,023)	(131,464)
Deferred revenue	(37,725)	37,725
Net cash provided by operating activities	38,922,482	3,743,725
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	52,092	25,624
Purchase of investments	(32,656,120)	(493,192)
Net change in money market mutual funds held as investments	(4,025,827)	(215)
Purchases of property and equipment	(433,800)	(342,152)
Net cash used by investing activities	(37,063,655)	(809,935)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,858,827	2,933,790
Cash and cash equivalents, beginning of year	16,412,064	13,478,274
Cash and cash equivalents, end of year	$ 18,270,891	$ 16,412,064

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – United Way of Greater Houston (United Way), a Texas non-profit corporation, was created in 1922 and its mission is to engage caring people to improve lives and build a stronger community. United Way's strategic vision is to be the leader and trusted partner in improving lives, tackling key community social issues and making a lasting improvement. To ensure the community's future, United Way is being reframed in such a way as to create the opportunity that every individual and family can thrive.

United Way invests in a broad array of services that focus on developing children and youth to their full potential, creating strong families and safe neighborhoods, sustaining senior independence and supporting people rebuilding their lives. United Way services touched over 2 million lives in the community last year. United Way connects people with services through the 2-1-1 Texas/United Way HELPLINE, the Community Resource Center, and Area Centers that house nonprofit organizations in order to bring services closer to where people live. Additionally, the United Way Nonprofit Connection is a key resource for building Houston's nonprofit capacity.

United Way strives to lead in the social services sector to create solutions, advocate for increasing financial security and household income, connect individuals to an integrated network of support, engage donors and other stakeholders to assist in this work, and unite the community to the vision that thriving individuals and families create a strong and thriving region.

United Way's fundraising efforts include workplace campaigns, individual leadership giving programs, corporate giving, foundation grants and special efforts to respond to emerging issues such as disaster recovery.

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

Cash equivalents include highly liquid financial instruments with original maturities of three months or less. The certificate of deposit included with cash and cash equivalents is a non-negotiable, timed bank deposit reported at face value plus accrued interest.

Short-term investments include mutual funds restricted for Hurricane Harvey relief efforts.

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows.

An allowance for uncollectible pledges receivable is provided when it is believed that receivable balances may not be collected in full. It is United Way's policy to write off receivables against the allowance when management determines the receivable will not be collected. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual analysis of receivable balances each period.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 2 to 40 years. United Way capitalizes additions and improvements that have a tangible future economic life and a cost of more than $2,500.

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.

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. Conditional contributions are recognized in the same manner when the conditions are substantially met. Gifts of property and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the related assets are placed in service.

Non-cash contributions – Donated materials, use of facilities, and services are recognized at fair value as contributions 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. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Government contracts and program fees are recognized when the related services are provided. Amounts received but unearned are included in the statement of financial position as deferred revenue.

Community investments in program services include grants made that are recognized at estimated fair value when United Way approves an unconditional commitment to a recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made by United Way but not yet paid are reflected in the statement of financial position as amounts committed to community program services. At March 31, 2018, these commitments are due to be paid within one year.

Advertising costs are expensed as incurred.

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.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. United Way is required to adopt this ASU for fiscal year 2020 using an appropriate retrospective method. Management believes the adoption of this ASU will not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions.* New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. United Way is required to adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2018	2017
Money market mutual funds	$ 18,220,375	
Certificate of deposit	50,516	$ 50,516
Bank deposits		16,361,548
Total cash and cash equivalents	$ 18,270,891	$ 16,412,064

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	2018	2017
Pledges receivable – annual campaign	$ 36,649,437	$ 40,795,028
Pledges receivable – Hurricane Relief	988,187	
Pledges receivable – other	3,710,000	3,482,540
Allowance for uncollectible pledges	(5,382,250)	(5,396,071)
Discount to net present value at 1.5%	(56,189)	(56,290)
Pledges receivable, net	$ 35,909,185	$ 38,825,207

Pledges receivable at March 31, 2018 are expected to be collected as follows:

2019	$ 39,787,624
2020	1,560,000
Total pledges receivable	$ 41,347,624

NOTE 4 – 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 March 31, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income mutual funds:				
Short and intermediate bond	$ 37,185,578			$ 37,185,578
International aggregate index	1,359,457			1,359,457
Equity mutual funds:				
Large-cap	6,829,459			6,829,459
International	4,181,323			4,181,323
Real estate	808,298			808,298
Small-cap	610,098			610,098
Money market mutual funds	4,026,059			4,026,059
Total investments	55,000,272			55,000,272
Money market mutual funds held as cash equivalents	18,220,375			18,220,375
Total assets measured at fair value	$ 73,220,647	$ 0	$ 0	$ 73,220,647

Assets measured at fair value at March 31, 2017 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income mutual funds:				
Short and intermediate bond	$ 4,807,962			$ 4,807,962
International aggregate index	1,281,639			1,281,639
Equity mutual funds:				
Large-cap	6,472,345			6,472,345
International	3,636,795			3,636,795
Real estate	734,647			734,647
Small-cap	567,649			567,649
Money market mutual funds	232			232
International equity securities	15,790			15,790
Total assets measured at fair value	$ 17,517,059	$ 0	$ 0	$ 17,517,059

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

- *Mutual funds* are valued at the published net asset value of shares held.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while United Way 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:

	2018	2017
Interest and dividends	$ 804,548	$ 391,306
Net realized and unrealized gain	853,358	1,247,290
Investment management fees	(28,578)	(25,624)
Investment return, net	$ 1,629,328	$ 1,612,972

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Land	$ 6,840,220	$ 6,840,220
Buildings and improvements	30,553,823	30,274,927
Furniture, fixtures, and equipment	8,056,196	7,901,292
Vehicles	35,434	35,434
Total property and equipment, at cost	45,485,673	45,051,873
Accumulated depreciation	(13,456,379)	(12,349,089)
Property and equipment, net	$ 32,029,294	$ 32,702,784

NOTE 6 – UNRESTRICTED NET ASSETS

The Board of Trustees (the Board) of United Way has designated unrestricted net assets as follows:

- *Community initiatives* – This reserve is for investments in strategic initiatives that create long lasting change, as determined by the Board. Examples of Board initiatives include United Way Bright Beginnings, United Way THRIVE, and United Way Education Initiative.
- *Operating reserve* – This reserve is to provide for operations and community investments in the event of an unforeseen event or severe economic downturn. The reserve is to be approximately three months of operating expenses and two months of community investments in program services and is adjusted annually.
- *Community impact and response* – This reserve is the net balance of resources remaining and secured in Montgomery County for use in Montgomery County for community investment and operations.
- *Montgomery County* – This reserve is for funding operations and investments in Montgomery County, Texas.
- *Disaster response* – This reserve is to enable United Way to respond quickly to the community in the aftermath of a disaster before any fundraising efforts commence. Funds raised for the Hurricane Harvey Relief Fund are included in temporarily restricted net assets.
- *Capital maintenance* – This reserve is for planned and unanticipated building construction, repairs and maintenance, and for purchases of capital equipment. Additions to the reserve are approved by the Board in conjunction with the annual operating budget.

The composition of unrestricted net assets is designated as follows:

	2018	2017
Invested in property and equipment	$ 32,029,294	$ 32,702,784
Designated by the Board:		
Community initiatives	13,297,320	14,137,343
Operating reserve	11,123,000	11,389,000
Community impact and response	2,811,740	3,721,439
Montgomery County	1,089,169	
Disaster response	500,000	500,000
Capital maintenance	313,013	313,013
Undesignated	3,261,112	793,036
Total unrestricted net assets	$ 64,424,648	$ 63,556,615

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2018	2017
Disaster response – Hurricane Relief	$ 36,891,370	
Disaster response – Fort Bend flood recovery	1,748,859	$ 1,165,000
Building maintenance	1,604,531	1,604,531
Out of School Time	1,306,656	
Education Initiative	581,033	444,967
Sponsorships to support future events	416,237	378,766
United Way THRIVE	351,180	310,505
Montgomery County	304,128	2,561,761
Annual campaign 2017-2018		200,000
Other	35,801	77,973
Total temporarily restricted net assets	$ 43,239,795	$ 6,743,503

NOTE 8 – ANNUAL CAMPAIGN

The annual fundraising campaign is conducted to raise support to invest in community program services and strategic initiatives. Each year by the end of March, United Way reports to the public the total estimated annual campaign funds raised. Actual results may differ from estimated amounts publicly reported due to timing differences on multi-year pledges and receipts for future campaigns, among other things. The calendar year 2018 and 2017 commitments to programs and agencies are based on the results of the fall and winter 2017 and 2016 campaigns, and are reflected as community investment expense in the statement of activities for the years ended March 31, 2018 and 2017, respectively. In 2018, donor-designated gifts to other campaigns total approximately $963,000 in contributions to other United Ways. In 2017, donor-designated gifts to other campaigns total approximately $1.8 million in contributions to other United Ways.

Contributions designated by donors to be paid to specific United Way Agencies (Agencies) of approximately $5.2 million and $6.6 million are included in unrestricted revenue and community investment expense at March 31, 2018 and 2017, respectively. United Way maintains a policy of "first dollars in" with respect to designation to Agencies. If total designations to an Agency are less than the total committed investment, the Agency receives only the approved commitment. If total designations exceed the commitment, the Agency receives the greater amount. Any amount designated by donors to Agencies in excess of the approved commitments is excluded from United Way's revenue and expenses.

United Way's community program service allocations were distributed in four major goal areas, as follows:

	2018		2017	
	AMOUNTS	PERCENTAGE	AMOUNTS	PERCENTAGE
Goal areas:				
Developing children and youth to their full potential	$ 18,980,153	36%	$ 19,372,253	35%
Supporting people rebuilding their lives	15,233,119	29%	15,654,874	29%
Creating strong families and safe neighborhoods	12,474,186	24%	14,094,189	26%
Sustaining senior independence	5,450,406	11%	5,236,123	10%
Total community investments in program services	$ 52,137,864	100%	$ 54,357,439	100%

In-kind grants – United Way provides community support through in-kind grants of facilities, supplies, and services at area centers totaling approximately $903,000 in 2018 and $831,000 in 2017.

NOTE 9 – HURRICANE RELIEF FUNDS

Hurricane Harvey made landfall on the Texas Gulf Coast in late August 2017 and impacted the lives of many southeast Texas residents. Helping individuals and families recover from the devastation of Hurricane Harvey is a key focus of United Way. Thanks to generous donors, United Way raised approximately $48.5 million as of March 31, 2018. These funds were restricted by donors for use in Hurricane Harvey recovery. Given United Way's experience with previous disasters, the expectation is for these funds to be expended over the next two to three years. The categories of expenditures are provision of basic needs of food and shelter, case management to guide individuals through recovery, funding for minor home repair and assistance with behavioral health and unmet needs. These funds are not considered campaign revenue and were accounted for separately. As of March 31, 2018, approximately $11.6 million was spent or committed to be spent for Hurricane Harvey recovery.

NOTE 10 – EMPLOYEE BENEFIT PLANS

401(k) savings and investment plan – United Way adopted a savings and investment plan (the Plan) in accordance with §401(k) of the Code, effective January 1, 1998. Each qualified employee of United Way is eligible to participate in the Plan on the first day of the month following the completion of at least one hour of service. Participants may contribute, with certain limitations, a percentage of their compensation, as defined, on a tax-deferred basis. Participants are immediately vested in their tax-deferred contributions plus actual earnings thereon. United Way may, at its sole discretion, make a contribution not to exceed 100% of the first 6% of compensation contributed by the participants. In addition, United Way may, at its sole discretion, elect to make additional discretionary contributions. Participants become 50% vested in United Way's matching contribution after two years of service and fully vested after three years of service.

In 2018, United Way's contribution was approximately $906,000, which included a matching contribution of $585,000 and a discretionary contribution of $321,000. In 2017, United Way's contribution was approximately $887,000, which included a matching contribution of $552,000 and a discretionary contribution of $335,000.

Health plan – United Way obtains health and welfare benefits for employees as a single employer, in accordance with §501(c)(9) of the Code. United Way provides group health, life, short-term and long-term disability, and dental insurance programs for employees working in excess of 30 hours per week. Costs are shared by the employer and employee depending upon the benefits selected by the employee. Welfare benefit plan contributions expensed by United Way for the years ended March 31, 2018 and 2017 were approximately $1,372,000 and $1,245,000, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Leases

United Way leases certain office space and office equipment at community centers located in the Bay Area of Harris County and Waller County, as well as office equipment used in its operations. Operating lease payments for the years ended March 31, 2018 and 2017 were approximately $736,000 and $853,000, respectively.

As of March 31, 2018, the future minimum annual lease payments under these noncancelable operating leases are as follows:

2019	$ 677,270
2020	646,458
2021	649,473
2022	658,399
2023	669,326
Thereafter	678,053
Total	$ 3,978,979

United Way subleased office space with rental income totaling approximately $265,000 in 2018 and $207,000 in 2017.

Guarantees

In connection with the termination of the Cash Balance Plan in 2013, United Way agreed to act as a guarantor for loans made by a financial institution to certain participating agencies to facilitate the funding of their allocable portion of the Cash Balance Plan termination liability. The loans executed in August 2013 are being repaid by the respective agencies over a term of six years. The related debt of the affiliate agencies will revert to United Way if any agency fails to meet their obligations. At March 31, 2018, United Way has guaranteed approximately $921,000 of loans to these agencies.

Conditional Grants

In connection with disaster recovery, expenditures for various relief efforts are conditioned upon performance by other agencies. As of March 31, 2018, United Way has approximately $1,920,000 of conditional obligations related to those relief efforts that will not be recorded as amounts payable until such time as the conditions have been met.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 28, 2018, 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.