

United Way of Greater Houston

Financial Statements
and Single Audit Reports
for the year ended March 31, 2022

United Way of Greater Houston

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Way of Greater Houston (United Way), which comprise the statements of financial position as of March 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our audit of the financial statements as of and for the year ended March 31, 2022 was also performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of United Way and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended March 31, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and in the schedule of expenditures of state awards for the year ended March 31, 2022 as required by the State of Texas *Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2022 on our consideration of United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control over financial reporting and compliance.

Blazek & Vetterling

September 6, 2022

United Way of Greater Houston

Statements of Financial Position as of March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (<i>Notes 3 and 5</i>)	\$ 10,076,001	\$ 17,207,940
Government contracts and other receivables	28,602	519,810
Short-term investments restricted for Hurricane Relief (<i>Note 5</i>)	119,085	919,063
Prepaid expenses and other assets	411,243	664,870
Contributions receivable, net (<i>Note 4</i>)	28,027,576	31,165,930
Investments (<i>Note 5</i>)	22,589,830	21,873,074
Property and equipment, net (<i>Note 6</i>)	<u>28,986,252</u>	<u>30,071,312</u>
 TOTAL ASSETS	 <u>\$ 90,238,589</u>	 <u>\$ 102,421,999</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 523,424	\$ 936,869
Accrued payroll expenses	1,298,148	955,614
Amounts committed to community program services (<i>Note 9</i>)	37,935,233	23,745,763
Amounts donor-designated for other campaigns	<u>901,981</u>	<u>1,007,652</u>
Total liabilities	<u>40,658,786</u>	<u>26,645,898</u>
 Commitments and contingencies (<i>Note 13</i>)		
Net assets:		
Without donor restrictions (<i>Note 7</i>)	45,095,653	62,272,825
With donor restrictions (<i>Note 8</i>)	<u>4,484,150</u>	<u>13,503,276</u>
Total net assets	<u>49,579,803</u>	<u>75,776,101</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 90,238,589</u>	 <u>\$ 102,421,999</u>

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Activities for the year ended March 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Annual campaign contributions (Note 9):	\$ 53,610,624	\$ 2,470,377	\$ 56,081,001
Less: Donor-designated gifts to other campaigns	(600,085)		(600,085)
Less: Provision for estimated uncollectible contributions receivable on current year campaign	<u>(4,036,458)</u>		<u>(4,036,458)</u>
Total annual campaign contributions	48,974,081	2,470,377	51,444,458
Contributions from previous annual campaign	1,652,167		1,652,167
Disaster relief contributions (Note 10)		2,325,515	2,325,515
Government grants (Note 11)		1,757,876	1,757,876
Other contributions	711,915	3,514,551	4,226,466
Fees and program revenue:			
Government contract income	1,619,834		1,619,834
Facility usage fees	132,000		132,000
Workshop and training fees	36,264		36,264
Net investment return	712,811		712,811
Other income (Note 9)	<u>1,493,174</u>		<u>1,493,174</u>
Total revenue	55,332,246	10,068,319	65,400,565
Net assets released from restrictions:			
Disaster response expenditures	12,605,149	(12,605,149)	
Program expenditures	<u>6,482,296</u>	<u>(6,482,296)</u>	
Total	<u>74,419,691</u>	<u>(9,019,126)</u>	<u>65,400,565</u>
EXPENSES:			
Program services:			
Community investments in program services (Note 9)	54,122,027		54,122,027
United Way programs and services	13,405,105		13,405,105
Disaster response (Note 10)	12,485,210		12,485,210
In-kind community support (Note 9)	<u>1,110,759</u>		<u>1,110,759</u>
Total program services	81,123,101		81,123,101
Management and general	4,389,339		4,389,339
Fundraising	<u>6,084,423</u>		<u>6,084,423</u>
Total expenses	<u>91,596,863</u>		<u>91,596,863</u>
CHANGES IN NET ASSETS	(17,177,172)	(9,019,126)	(26,196,298)
Net assets, beginning of year	<u>62,272,825</u>	<u>13,503,276</u>	<u>75,776,101</u>
Net assets, end of year	<u>\$ 45,095,653</u>	<u>\$ 4,484,150</u>	<u>\$ 49,579,803</u>

See accompanying notes to financial statements.

United Way of Greater Houston

Statement of Activities for the year ended March 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Annual campaign contributions (Note 9):	\$ 54,961,512	\$ 1,334,991	\$ 56,296,503
Less: Donor-designated gifts to other campaigns	(697,172)		(697,172)
Less: Provision for estimated uncollectible contributions receivable on current year campaign	<u>(3,980,924)</u>		<u>(3,980,924)</u>
Total annual campaign contributions	50,283,416	1,334,991	51,618,407
Contributions from previous annual campaign	896,820		896,820
Disaster relief contributions (Note 10)		32,044,314	32,044,314
Government grants (Note 11)		4,985,900	4,985,900
Loss on valuation of contributions receivable (Note 4)		(1,682,397)	(1,682,397)
Other contributions	212,363	1,890,733	2,103,096
Fees and program revenue:			
Government contract income	2,984,541		2,984,541
Facility usage fees	21,872		21,872
Workshop and training fees	20,531		20,531
Net investment return	6,640,881		6,640,881
Other income (Note 9)	<u>1,324,279</u>		<u>1,324,279</u>
Total revenue	62,384,703	38,573,541	100,958,244
Net assets released from restrictions:			
Disaster response expenditures	28,393,968	(28,393,968)	
Program expenditures	<u>8,051,375</u>	<u>(8,051,375)</u>	
Total	<u>98,830,046</u>	<u>2,128,198</u>	<u>100,958,244</u>
EXPENSES:			
Program services:			
Community investments in program services (Note 9)	38,443,182		38,443,182
United Way programs and services	12,861,275		12,861,275
Disaster response (Note 10)	27,938,293		27,938,293
In-kind community support (Note 9)	<u>1,196,001</u>		<u>1,196,001</u>
Total program services	80,438,751		80,438,751
Management and general	4,436,374		4,436,374
Fundraising	<u>6,665,215</u>		<u>6,665,215</u>
Total expenses	<u>91,540,340</u>		<u>91,540,340</u>
CHANGES IN NET ASSETS	7,289,706	2,128,198	9,417,904
Net assets, beginning of year	<u>54,983,119</u>	<u>11,375,078</u>	<u>66,358,197</u>
Net assets, end of year	<u>\$ 62,272,825</u>	<u>\$ 13,503,276</u>	<u>\$ 75,776,101</u>

See accompanying notes to financial statements.

United Way of Greater Houston

Statements of Functional Expenses for the years ended March 31, 2022 and 2021

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2022 TOTAL</u>
Community investments (grants for program services)	\$ 55,232,786			\$ 55,232,786
Disaster response grants	12,485,210			12,485,210
Salaries and related expenses	9,045,202	\$ 2,951,284	\$ 3,724,318	15,720,804
Occupancy	1,820,527	203,489	277,993	2,302,009
Professional and contract services	509,955	626,260	713,678	1,849,893
Depreciation	814,300	169,211	276,431	1,259,942
Dues to national organizations	623,233	243,911	255,146	1,122,290
Printing and supplies	324,944	118,551	381,995	825,490
Conferences and meetings	5,177	18,438	311,742	335,357
Advertising	113,322		113,322	226,644
Professional development and travel	10,955	31,572	15,521	58,048
Other	137,490	26,623	14,277	178,390
Total expenses	<u>\$ 81,123,101</u>	<u>\$ 4,389,339</u>	<u>\$ 6,084,423</u>	<u>\$ 91,596,863</u>

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
Community investments (grants for program services)	\$ 39,639,183			\$ 39,639,183
Disaster response grants	27,938,293			27,938,293
Salaries and related expenses	8,890,743	\$ 3,245,231	\$ 4,229,362	16,365,336
Occupancy	1,704,253	149,865	268,064	2,122,182
Professional and contract services	522,226	553,120	1,209,348	2,284,694
Depreciation	847,508	176,111	287,703	1,311,322
Dues to national organizations	374,925	138,058	144,600	657,583
Printing and supplies	325,528	129,071	209,954	664,553
Conferences and meetings		1,737	131,805	133,542
Advertising	143,138		143,139	286,277
Professional development and travel	9,264	16,740	8,518	34,522
Other	43,690	26,441	32,722	102,853
Total expenses	<u>\$ 80,438,751</u>	<u>\$ 4,436,374</u>	<u>\$ 6,665,215</u>	<u>\$ 91,540,340</u>

See accompanying notes to financial statements.

United Way of Greater Houston

Statements of Cash Flows for the years ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (26,196,298)	\$ 9,417,904
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,259,942	1,311,322
Net realized and unrealized gain on investments	(257,352)	(6,241,583)
Loss on valuation of contributions receivable		1,682,397
Changes in operating assets and liabilities:		
Government contracts and other receivables	491,208	62,939
Prepaid expenses and other assets	253,627	(106,873)
Contributions receivable	3,138,354	2,575,547
Accounts payable	(413,445)	(1,060)
Accrued payroll expenses	342,534	(417,160)
Amounts committed to community program services	14,189,470	(5,806,282)
Amounts donor-designated for other campaigns	<u>(105,671)</u>	<u>147,190</u>
Net cash provided (used) by operating activities	<u>(7,297,631)</u>	<u>2,624,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	2,072,527	6,175,667
Purchase of investments	(2,531,931)	(3,538,824)
Net change in money market mutual funds held as investments	799,978	3,688,334
Purchases of property and equipment	<u>(174,882)</u>	<u>(421,280)</u>
Net cash provided by investing activities	<u>165,692</u>	<u>5,903,897</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,131,939)	8,528,238
Cash and cash equivalents, beginning of year	<u>17,207,940</u>	<u>8,679,702</u>
Cash and cash equivalents, end of year	<u>\$ 10,076,001</u>	<u>\$ 17,207,940</u>

See accompanying notes to financial statements.

United Way of Greater Houston

Notes to Financial Statements for the years ended March 31, 2022 and 2021

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 work together to improve lives, build a stronger community, and create meaningful opportunities for people to prosper. United Way’s strategic vision is that we will unite people and partners to ensure our neighbors struggling to make ends meet, land on their feet, and stay there. United Way’s work and investments are focused on helping those who are struggling achieve financial stability and support them in reaching their goals.

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 work is focused on financial stability services, coupled with early childhood and youth development programs and health care programs. Everyone has different goals, different needs, and different strengths. Helping families not only land on their feet but stay there requires a tailored approach and support at every stop. That is why United Way’s strategy includes navigators to coach families as they create their unique pathway, a technology platform to streamline coordination and access to services, and support with the basics that allows people to focus on the future.

United Way services touched over 2 million lives in the community in 2022. 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 social service nonprofit capacity.

As of April 1, 2022, United Way launched its Second Century Vision, the strategic plan that will guide its work and provide for a more equitable investment strategy, one that intentionally lifts Black Indigenous People of Color (BIPOC), who have been historically marginalized, and brings new and different partners into the fold as United Way steps into its second century of service. The vision for this second century of service is to unite people and partners to ensure neighbors struggling to make ends meet, land on their feet and stay there. United Way will do this by leading, serving, influencing, and convening the nonprofit social services sector to deliver quality services to better represent, serve, and celebrate its diverse community, through its new client-centered service delivery model, the Integrated Client Journey.

United Way’s annual 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. United Way will also begin a new multi-year fundraising campaign, the Building Possibilities campaign, to scale and accelerate programs that improve and advance one’s journey to financial stability.

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 equivalents is a non-negotiable, timed bank deposit reported at face value plus accrued interest.

Government contracts and other receivables represent United Way's right to consideration that is conditioned only on the passage of time for performance obligations already satisfied. An allowance for accounts receivable is established by recognizing bad debt expense when changed circumstances indicate the transaction price may no longer be collected in full. Accounts are written off after collection efforts have been exhausted and an account is deemed uncollectible.

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

Contributions 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 to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

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

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

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

Donated materials, use of facilities and services – 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.

Fees and program revenue are derived primarily from government contracts for the 2-1-1 HELPLINE program, facility usage fees, and workshop and training programs. Revenue is recognized when the services are provided in an amount that reflects the consideration that United Way expects to be entitled to in exchange for those services. The nature of these services does not give rise to contract costs, refunds, warranties or other related obligations.

Government contract income – United Way has agreements with the Texas Health and Human Services Commission (HHSC) and other organizations to provide 2-1-1 Texas information and referral services. Revenue is recognized over time as performance obligations are met using the input method based on the labor hours expended and third-party costs incurred. Payment is due upon submission of reimbursement to HHSC and other organizations.

Facility usage fees – United Way offers space for private events, conferences and meetings. Reservation deposits for future private events and programs are due upon execution of a contract with the remaining balance due prior to the event. Deposits are applicable to future fees, but may be refunded at the discretion of United Way if a contract is cancelled. Revenue is recognized at a point in time when the meeting occurs or the service is provided.

Workshop and training fees – United Way offers workshops and training classes through its financial stability, childcare and other programs. Revenue from workshops and training classes is recognized at a point in time when the workshop or class occurs, and the performance obligation is met.

At March 31, 2022, 2021, and 2020, accounts receivable for government contract income were \$14,118, \$463,696, and \$504,082, respectively. United Way has no contract assets or liabilities at March 31, 2022, 2021, or 2020.

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 met by the recipient. Unconditional 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, 2022, these commitments are due to be paid within one year. At March 31, 2022, United Way has approximately \$66 million in conditional grant commitments.

Advertising costs are expensed as incurred.

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 facility management costs are allocated based on square footage. Information technology costs are allocated based on the number of computer units utilized by each department. Advertising costs are allocated based on management estimates of costs utilized by each department.

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 – 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 years beginning after June 15, 2021 and requires retrospective application. United Way will adopt this ASU in fiscal year 2023.

In February 2016, the Financial Accounting Standards Board 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. United Way is required to adopt this ASU for fiscal year 2023. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

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 March 31 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 10,076,001	\$ 17,207,940
Government contracts and other receivables	28,602	519,810
Short-term investments restricted for Hurricane Relief	119,085	919,063
Contributions receivable, net	28,027,576	31,165,930
Investments	<u>22,589,830</u>	<u>21,873,074</u>
Total financial assets	60,841,094	71,685,817
Less financial assets not available for general expenditure:		
Board-designated operating reserve	(10,555,000)	(8,622,000)
Board-designated disaster response reserve	(500,000)	(500,000)
Board-designated capital maintenance reserve	(313,013)	(313,013)
Amounts donor-designated for other campaigns	(901,981)	(1,007,652)
Restricted by donors for program initiatives and other	<u>(369,100)</u>	<u>(432,972)</u>
Total financial assets available for general expenditure	<u>\$ 48,202,000</u>	<u>\$ 60,810,180</u>

As part of its liquidity management, United Way has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, United Way's Board of Trustees (the Board) has designated assets for other purposes as described in Note 7. These board-designated funds are invested in short-term investments, and while they are not intended to be spent for purposes other than those identified, these funds could be made available for current operations at the Board's discretion.

United Way's cash flows have seasonal variations during the year attributable to campaign activities. These activities tend to generate significant cash flow during the last two quarters of United Way's fiscal year. United Way's spending pattern tends to be consistent throughout the fiscal year. To manage liquidity, United Way optimizes usage of short-term investments included in its total investment portfolio. All investments can be accessed on an immediate basis.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, United Way considers all expenditures related to its investment in programs which create the opportunity for every individual and family to thrive, as well as the conduct of services undertaken to support those activities, to be general expenditures.

United Way received a \$2,985,900 Paycheck Protection Program (PPP) loan through the U. S. Small Business Administration in April 2020. In addition, United Way was approved for and received a second PPP loan of \$2,000,000 in March 2021. PPP loan principal and interest is forgiven, in whole or in part, if United Way met the eligibility requirements and used the loans to fund qualified payroll and other eligible costs. Management believed it had met all criteria to be eligible to receive full forgiveness for both PPP loans and recognized \$4,985,900 as a contribution during 2021. In fiscal year 2022, United Way was notified that the first PPP loan and second PPP loan had been forgiven.

Launching in fiscal year 2023, United Way will begin a new fundraising campaign, the Building Possibilities campaign, to scale and accelerate programs that improve and advance one's journey to financial stability.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Money market mutual funds	\$ 10,023,347	\$ 10,774,572
Certificate of deposit	52,654	51,265
Demand deposits	<u> </u>	<u>6,382,103</u>
Total cash and cash equivalents	<u>\$ 10,076,001</u>	<u>\$ 17,207,940</u>

Bank deposits exceed the federally insured limit per depositor per institution. In addition, United Way maintains an overnight sweep of excess cash into a money market mutual fund that trades on the public market and is not federally insured.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Annual campaigns	\$ 30,525,666	\$ 31,984,256
Building Possibilities campaign	1,000,000	
Texas Health and Human Services Commission	463,191	
Winter Storm Relief Fund		2,784,241
Other		<u>354,748</u>
Total contributions receivable	31,988,857	35,123,245
Allowance for uncollectible contributions receivable	<u>(3,961,281)</u>	<u>(3,957,315)</u>
Contributions receivable, net	<u>\$ 28,027,576</u>	<u>\$ 31,165,930</u>

At March 31, 2022, all contributions receivable are expected to be collected within one year. At March 31, 2021, United Way has \$1,600,000 in conditional contributions from two donors. These commitments are conditioned upon meeting certain goals. The contributions will be recognized as contribution revenue when the conditions are met.

At March 31, 2021, United Way recognized a loss on valuation of contributions receivable of \$1,682,397. The loss relates to a 2014 capital campaign contribution receivable deemed uncollectible for which no prior provision was made.

NOTE 5 – 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, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Large-cap	\$ 8,691,841			\$ 8,691,841
International	4,594,167			4,594,167
Real estate	1,113,818			1,113,818
Small-cap	706,545			706,545
Fixed-income mutual funds:				
Short and intermediate bond	5,814,742			5,814,742
International aggregate index	1,668,717			1,668,717
Money market mutual funds	<u>119,085</u>			<u>119,085</u>
Total investments	22,708,915			22,708,915
Money market mutual funds held as cash equivalents	<u>10,023,347</u>			<u>10,023,347</u>
Total assets measured at fair value	<u>\$ 32,732,262</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,732,262</u>

Assets measured at fair value at March 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Large-cap	\$ 7,084,607			\$ 7,084,607
International	4,158,151			4,158,151
Real estate	863,989			863,989
Small-cap	610,982			610,982
Fixed-income mutual funds:				
Short and intermediate bond	7,655,606			7,655,606
International aggregate index	1,499,739			1,499,739
Money market mutual funds	<u>919,063</u>			<u>919,063</u>
Total investments	22,792,137			22,792,137
Money market mutual funds held as cash equivalents	<u>10,774,572</u>			<u>10,774,572</u>
Total assets measured at fair value	<u>\$ 33,566,709</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,566,709</u>

Mutual funds are valued at the published net asset value of shares held. This valuation method 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 method is 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 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 6,840,220	\$ 6,840,220
Buildings and improvements	31,232,296	31,183,308
Furniture, fixtures, and equipment	9,192,402	9,066,508
Vehicles	<u>35,434</u>	<u>35,434</u>
Total property and equipment, at cost	47,300,352	47,125,470
Accumulated depreciation	<u>(18,314,100)</u>	<u>(17,054,158)</u>
Property and equipment, net	<u>\$ 28,986,252</u>	<u>\$ 30,071,312</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 32,515,110	\$ 37,046,606
Designated by the Board:		
Operating reserve	10,555,000	8,622,000
Community impact and response	1,212,530	1,700,385
Disaster response	500,000	500,000
Capital maintenance	313,013	313,013
Community initiatives	<u> </u>	<u>14,090,821</u>
Total net assets without donor restrictions	<u>\$ 45,095,653</u>	<u>\$ 62,272,825</u>

The Board has designated net assets without donor restrictions as follows:

- *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 for the discretion of the Community Impact Committee to use for immediate response to emerging needs and extend presence throughout United Way’s four county service area.
- *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 net assets with donor restrictions.
- *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.
- *Community initiatives* – This reserve is for investments in strategic initiatives that create long-lasting change, as determined by the Board. In fiscal year 2022, the entire balance was released due to the launch of Second Century Vision.

Use of board-designated reserves must be approved by the Board.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Building Possibilities campaign	\$ 1,250,000	
Disaster response – Hurricane Relief	929,011	\$ 834,556
Education Initiative	518,561	491,534
Out of School Time	401,273	399,456
Montgomery County	373,100	441,736
United Way Bright Beginnings	234,020	244,748
Second Century Vison – strategic planning	229,000	229,000
Sponsorships to support future events	214,174	185,549
Disaster response – COVID-19 Recovery	109,750	2,279,607
Disaster response – Winter Storm Relief	90,662	8,294,894
United Way THRIVE	74,960	
Disaster response – disaster recovery	13,512	40,514
Other	<u>46,127</u>	<u>61,682</u>
Total net assets with donor restrictions	<u>\$ 4,484,150</u>	<u>\$ 13,503,276</u>

NOTE 9 – 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 fiscal year 2022 and calendar year 2021 commitments to programs and agencies are based on the results of the fall and winter 2021 and 2020 campaigns, and are reflected as community investment expense in the statement of activities for the years ended March 31, 2022 and 2021, respectively. Amounts received in 2022 for donor-designated gifts to other campaigns total approximately \$600,000. Amounts received in 2021 for donor-designated gifts to other campaigns total approximately \$697,000.

Contributions designated by donors to be paid to specific United Way Agencies (Agencies) of approximately \$2.9 million are included in unrestricted revenue and community investment expense at March 31, 2022 and 2021. 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.

In-kind community support – United Way provides community support and reports in-kind rental income included in other income through in-kind grants of facilities, supplies, and services at area centers totaling approximately \$1,111,000 in 2022 and \$1,196,000 in 2021.

NOTE 10 – DISASTER RELIEF FUNDS

Winter Storm Relief Fund – In February 2021, the entire State of Texas experienced a winter storm as snow, ice, and extremely cold temperatures threatened all 254 counties. A Federal Emergency Declaration was approved for the entire state. In response to this disaster declaration, United Way coordinated disaster response efforts with the Greater Houston Community Foundation to administer the Houston Harris County Winter Storm Relief Fund (the Fund), a fund established by the City of Houston and Harris County to focus on relief and recovery efforts across the City of Houston and Harris County. As of March 31, 2022, the Fund raised more than \$17 million, allocated nearly \$17 million back into the community, and had an unspent, but committed balance of approximately \$91,000.

COVID-19 Recovery Fund – In March 2020, the Director-General of the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic and a national emergency was declared in the United States. In response to this national emergency, United Way coordinated response efforts with the Greater Houston Community Foundation to establish the Greater Houston COVID-19 Recovery Fund (the Recovery Fund) to serve those most impacted by the COVID-19 pandemic. As of March 31, 2022, the Recovery Fund had raised nearly \$19 million, allocated more than \$18.8 million, and had an unspent, but committed balance of approximately \$110,000.

Hurricane Relief Fund – In late August 2017, Hurricane Harvey made landfall on the Texas Gulf Coast 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 \$50 million. As of March 31, 2022, approximately \$49 million was spent for Hurricane Harvey recovery. At March 31, 2022, approximately \$929,000 remains to be distributed; the majority of which is committed.

All of these funds were restricted by donors for use in or support of disaster recovery. Given United Way's experience with previous disasters, the expectation is for these funds to be expended over the next year. 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.

NOTE 11 – GOVERNMENT GRANTS

Government grants recognized are as follows:

	<u>2022</u>	<u>2021</u>
Federal government grants:		
U. S. Department of Health and Human Services	\$ 579,163	
U. S. Department of Agriculture	<u>366,849</u>	
Total federal government grants	<u>946,012</u>	
State government grants – Texas Health and Human Services Commission	811,864	
U. S. Small Business Administration – PPP loan forgiveness	<u> </u>	<u>\$ 4,985,900</u>
Total government grants	<u>\$ 1,757,876</u>	<u>\$ 4,985,900</u>

Government grant contracts are recognized as contributions that are derived from cost-reimbursable federal and other government contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when United Way has incurred expenditures in compliance with specific contract provisions. United Way received cost-reimbursable grants of approximately \$1.1 million that have not been recognized at March 31, 2022 because qualifying expenditures have not yet been incurred or the contracts stipulate these qualifying expenditures have not been approved by the government audit compliance officials as reimbursable amounts.

United Way receives grants from federal and state government funding sources that require fulfillment of certain conditions as set forth in the related 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 United Way with the terms of the contracts. Management believes such disallowances, if any, would not be material to United Way's financial position or changes in net assets.

NOTE 12 – 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 in the Plan, 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 2022, United Way's contribution was approximately \$885,000, which included a matching contribution of \$604,000 and a discretionary contribution of \$281,000. In 2021, United Way's contribution was approximately \$662,000, which included a matching contribution of \$590,000 and a discretionary contribution of \$72,000.

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, 2022 and 2021 were approximately \$1,521,000 and \$1,624,000, respectively.

NOTE 13 – 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, 2022 and 2021 were approximately \$775,000 and \$741,000, respectively.

As of March 31, 2022, the future minimum annual lease payments under these noncancelable operating leases are as follows:

2023	\$ 729,898
2024	738,624
2025	728,327
2026	733,248
2027	<u>131,120</u>
Total	<u>\$ 3,061,217</u>

United Way subleased office space with rental income totaling approximately \$312,000 in 2022 and \$329,000 in 2021.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 6, 2022, which is the date that the financial statements were available for issuance. No events, other than as described in Note 2, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

United Way of Greater Houston

Schedule of Expenditures of Federal Awards for the year ended March 31, 2022

<u>Grantor</u>	<u>Assistance</u>		<u>Award</u>	<u>Federal</u>	
<u>Pass-through Grantor</u>	<u>Listing</u>	<u>Grantor Number</u>	<u>Amount</u>	<u>Expenditures</u>	
<u>Program Title & Period</u>	<u>Number</u>				
U. S. DEPARTMENT OF AGRICULTURE					
Passed through Texas Health and Human Services Commission:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)					
United Way of Greater Houston – Gulf Coast					
#1	09/01/21 – 08/31/22	10.561	HHS000979200018	\$382,845	\$ 222,266
United Way of Greater Houston – Fort Worth					
#2	09/01/21 – 08/31/22	10.561	HHS000979200019	\$153,208	98,073
United Way of Greater Houston – Coastal Bend					
#3	09/01/21 – 08/31/22	10.561	HHS000979200017	\$79,042	<u>46,510</u>
Total U. S. Department of Agriculture					<u>366,849</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Texas Health and Human Services Commission:					
Temporary Assistance for Needy Families					
United Way of Greater Houston – Gulf Coast					
#4	09/01/21 – 08/31/22	93.558	HHS000979200018	\$10,710	6,218
United Way of Greater Houston – Fort Worth					
#5	09/01/21 – 08/31/22	93.558	HHS000979200019	\$4,286	2,744
United Way of Greater Houston – Coastal Bend					
#6	09/01/21 – 08/31/22	93.558	HHS000979200017	\$2,211	<u>1,301</u>
Subtotal					<u>10,263</u>
Passed through Texas Health and Human Services Commission:					
Child Care and Development Block Grant (CCDF Cluster)					
United Way of Greater Houston – Gulf Coast					
#7	09/01/21 – 08/31/22	93.575	HHS000979200018	\$123,390	89,524
United Way of Greater Houston – Fort Worth					
#8	09/01/21 – 08/31/22	93.575	HHS000979200019	\$44,428	29,320
United Way of Greater Houston – Coastal Bend					
#9	09/01/21 – 08/31/22	93.575	HHS000979200017	\$10,066	<u>10,066</u>
Subtotal					<u>128,910</u>

(continued)

United Way of Greater Houston

Schedule of Expenditures of Federal Awards for the year ended March 31, 2022 (continued)

<u>Grantor</u>	<u>Assistance</u>		<u>Award</u>	<u>Federal</u>	
<u>Pass-through Grantor</u>	<u>Listing</u>	<u>Grantor Number</u>	<u>Amount</u>	<u>Expenditures</u>	
<u>Program Title & Period</u>	<u>Number</u>				
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>(continued)</i>					
Passed through Texas Health and Human Services Commission:					
Children's Health Insurance Program					
United Way of Greater Houston – Gulf Coast					
#10	09/01/21 – 08/31/22	93.767	HHS000979200018	\$60,351	35,037
United Way of Greater Houston – Fort Worth					
#11	09/01/21 – 08/31/22	93.767	HHS000979200019	\$24,151	15,460
United Way of Greater Houston – Coastal Bend					
#12	09/01/21 – 08/31/22	93.767	HHS000979200017	\$12,460	<u>7,332</u>
Subtotal					<u>57,829</u>
Passed through Texas Health and Human Services Commission:					
Medical Assistance Program (Medicaid Cluster)					
United Way of Greater Houston – Gulf Coast					
#13	09/01/21 – 08/31/22	93.778	HHS000979200018	\$398,825	231,543
United Way of Greater Houston – Fort Worth					
#14	09/01/21 – 08/31/22	93.778	HHS000979200019	\$159,603	102,167
United Way of Greater Houston – Coastal Bend					
#15	09/01/21 – 08/31/22	93.778	HHS000979200017	\$82,341	<u>48,451</u>
Subtotal					<u>382,161</u>
Total U. S. Department of Health and Human Services					<u>579,163</u>
TOTAL FEDERAL AWARDS					<u>\$ 946,012</u>

See accompanying note to schedules of expenditures of federal and state awards.

United Way of Greater Houston

Schedule of Expenditures of State Awards for the year ended March 31, 2022

<u>Grantor</u>			<u>Award</u>	<u>State</u>
<u>Pass-through Grantor</u>		<u>Contract Number</u>	<u>Amount</u>	<u>Expenditures</u>
<u>Program Title & Period</u>				
TEXAS HEALTH AND HUMAN SERVICES COMMISSION				
Medical Assistance Program				
United Way of Greater Houston – Gulf Coast				
#S1	09/01/21 – 08/31/22	HHS000979200018	\$398,825	\$ 231,543
United Way of Greater Houston – Fort Worth				
#S2	09/01/21 – 08/31/22	HHS000979200019	\$159,603	102,167
United Way of Greater Houston – Coastal Bend				
#S3	09/01/21 – 08/31/22	HHS000979200017	\$82,341	<u>48,451</u>
Subtotal				<u>382,161</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
United Way of Greater Houston – Gulf Coast				
#S4	09/01/21 – 08/31/22	HHS000979200018	\$382,845	222,266
United Way of Greater Houston – Fort Worth				
#S5	09/01/21 – 08/31/22	HHS000979200019	\$153,208	98,073
United Way of Greater Houston – Coastal Bend				
#S6	09/01/21 – 08/31/22	HHS000979200017	\$79,042	<u>46,510</u>
Subtotal				<u>366,849</u>
Temporary Assistance for Needy Families				
United Way of Greater Houston – Gulf Coast				
#S7	09/01/21 – 08/31/22	HHS000979200018	\$44,541	25,859
United Way of Greater Houston – Fort Worth				
#S8	09/01/21 – 08/31/22	HHS000979200019	\$17,824	11,410
United Way of Greater Houston – Coastal Bend				
#S9	09/01/21 – 08/31/22	HHS000979200017	\$9,196	<u>5,411</u>
Subtotal				<u>42,680</u>
Children’s Health Insurance Program				
United Way of Greater Houston – Gulf Coast				
#S10	09/01/21 – 08/31/22	HHS000979200018	\$21,080	12,238
United Way of Greater Houston – Fort Worth				
#S11	09/01/21 – 08/31/22	HHS000979200019	\$8,436	5,375
United Way of Greater Houston – Coastal Bend				
#S12	09/01/21 – 08/31/22	HHS000979200017	\$4,352	<u>2,561</u>
Subtotal				<u>20,174</u>
Total Texas Health and Human Services Commission				<u>811,864</u>
TOTAL STATE AWARDS				<u>\$ 811,864</u>

See accompanying note to schedules of expenditures of federal and state awards.

United Way of Greater Houston

Note to Schedules of Expenditures of Federal and State Awards for the year ended March 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedules of expenditures of federal and state awards are prepared on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Texas *Single Audit Circular*. Federal and state expenditures include allowable costs funded by federal and state grants. Allowable costs are subject to the cost principles of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, and include costs that are recognized as expenses in United Way's financial statements in conformity with generally accepted accounting principles. United Way has not elected to use the 10% de minimus cost rate for indirect costs. United Way does not have any subrecipients.

Because the schedules present only a selected portion of the operations of United Way, they are not intended to and do not present the financial position, changes in net assets, or cash flows of United Way.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Greater Houston (United Way), which comprise the statement of financial position as of March 31, 2022 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Blazek & Vetterling

September 6, 2022

Independent Auditors' Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas *Single Audit Circular*

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

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited United Way of Greater Houston's (United Way) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of United Way's major federal and major state programs for the year ended March 31, 2022. United Way's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, United Way complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended March 31, 2022.

Basis for Opinion on Each Major Federal and Major State Program

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

We are required to be independent of United Way and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of United Way's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the State of Texas *Single Audit Circular*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding United Way's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of United Way's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of United Way's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Blazek & Vetterling

September 6, 2022

United Way of Greater Houston

Schedule of Findings and Questioned Costs for the year ended March 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs: unmodified qualified adverse disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a) and the State of Texas *Single Audit Circular*? yes no

Identification of major programs:

Assistance Listing Number(s) Name of Federal Program or Cluster

93.778 Medical Assistance Program

Contract Number(s) Name of State Program or Cluster

HHS000979200018 Medical Assistance Program/State Administrative Matching Grants
HHS000979200019 for the Supplemental Nutrition Assistance Program/Temporary
HHS000979200017 Assistance for Needy Families/Children’s Health Insurance Program

Dollar threshold used to distinguish between Type A and Type B federal and state programs: \$750,000

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

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

Section III – Federal and State Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a), and no findings for state awards required to be reported in accordance with §505(d) of the State of Texas *Single Audit Circular*.